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| Title: | Counter Fraud and Error Update |
| Wards Affected: | All Torbay Wards |
| To: Audit Committee | On: 24 January 2024 |
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1. Key points and Summary

- 1.1 This report updates the Audit Committee on counter fraud activity undertaken for the period of 1 April 2023 to 30 November 2023, including reported fraud and irregularities.
- 1.2 The Corporate Counter Fraud and Error team deliver a service across the Council which aims to prevent, detect, and deter fraud, error and criminality related to fraud. The team investigate allegations of fraud, plan and take part in counter fraud campaigns (e.g. the National Fraud Initiative), undertake fraud awareness activities with staff and the public, maintain and update the counter fraud framework and related policies.
- 1.3 Though this activity, financial losses are prevented, additional revenue is identified for recovery, income is secured through the supply of services, and redress sought in cases of civil or criminal offending.

2. Introduction

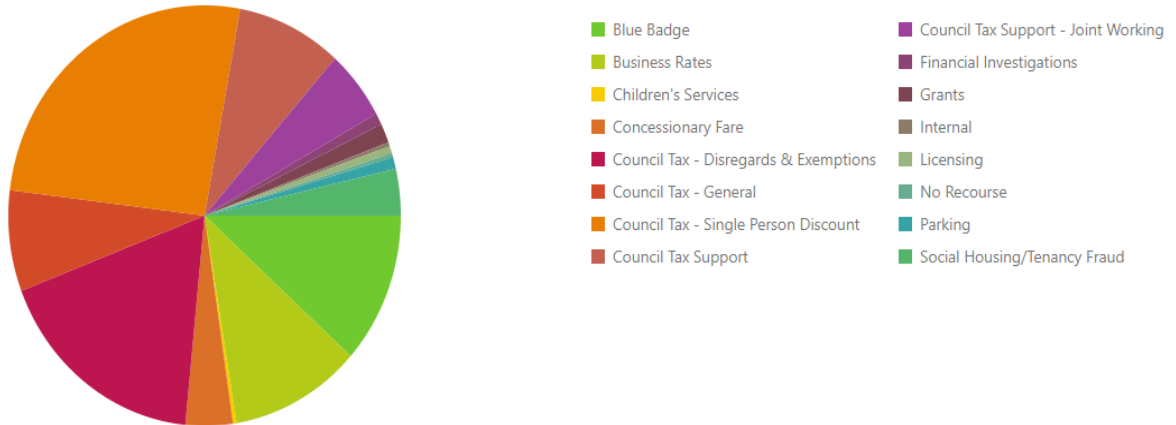
- 2.1. Fraud is a significant risk to the public sector. The government estimated that between £33.2 and £58.8 billion of public spending was lost to fraud in 2020/21. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2.2. It is generally accepted there has been an upturn in fraudulent activity following the pandemic with the cost-of-living crisis extending the trend.
- 2.3. Torbay Council has received high profile funding for local projects from Central Government. This further increases the risk of fraud posed against Torbay Council. Hence Fraud is to be recognised as a corporate risk.
- 2.4. The Counter Fraud and Corruption Policy sets out the expectations of Torbay Council and describes what is meant by fraud bribery and corruption and outlines the responsibilities of Councillors, Directors, Managers, and employees. It received update by Audit committee March 2023.

3. Fraud Prevention and Detection

- 3.1 The team provides case by case prevention and intelligence support to teams across the council.

- 3.2 During the covid-19 pandemic and the following energy crisis, the counter fraud team resource was repurposed to provide assurance and administration support to the issuing of the funding administered for Central Government, Fraud investigations were placed on hold. Some of the assurance work continues.
- 3.3 On conclusion of the above work, opportunity was taken to review the Case management system used by the team. A new system was procured which required the team to develop and implement over the summer months. During this period, investigations into reported fraud remained on hold.
- 3.4 The Cabinet Office run a national anti-fraud campaign, The National Fraud Initiative (NFI). Participation is mandatory. It is a data matching exercise to assist in the detection area of fraud. Each year the Electoral Register is compared against Council Tax Single Persons Discount. This work too had been placed on hold during those periods. Therefore, during this period of development, other team members took the opportunity to review the annual Single Person Discount match provided by the NFI on 06 January 2023. Responsibility having previously sat with the Council Tax Team but due to resourcing demands, placed on hold. The fraud team reviewed the file and conducted enquiries. The team identifying Council Tax accounts requiring amendment. The review identified an issue in mapping of council tax properties to the Local Land and Property Gazetteer (a data source used by the NFI to provide the matches). This has enabled the Council Tax team to address which will reduce the size of future reports.
- 3.5 Reviews of several Council Tax discounts and exemptions, present in the council tax charge-base is underway. This has identified cases where discounts or exemptions are present where a person, for whom the reduction is received, has passed away. A suggestion to match Council Tax discount and exemption records to Deceased data within the National Fraud Initiative was made to the Cabinet Office. We have received their communications advising of their intention to run a pilot in this area with a view to national roll out. This will allow Councils to identify where a council tax discount or exemption has remained in place following a person's death.
- 3.6 The fraud team underwent training for use of the new system and set about indexing the backlog of fraud referrals into the new case system.
- 3.7 The team conducts Work to support the Housing Strategy, with a focus on properties recorded as empty in the council tax charge base as this informs the wider across department empty property team. This work involves accuracy checks and seeks to identify if the property has become occupied without advice to the council tax team.
- 3.8 In October 2023 the Fraud Manager presented to the Senior Leadership Team the importance of conducting departmental Fraud Risk assessments. Work in this area is ongoing, linking in with service planning project.
- 3.1 The team's work is varied and covers a wide programme of reactive and pro-active investigations. The diagram below demonstrates the diverse nature of the 291 referrals received and the range of case types covered.

Count of Cases by Case Category



4. Project Areas and Savings

- 4.1 **Investigations** have taken place throughout the year to identify fraud and error and the benefits received are detailed below. It should be noted that the savings are actual and are not using the standard methodology which covers several years. The figures shown for council tax are based on total liability, although the benefit is split between Torbay Council, Devon and Cornwall Police and Devon and Somerset Fire and Rescue Service.
- 4.2 **Council Tax - Single Persons Discount continues** to be an area of high volume and thus high financial risk). Work to identify a partner organisation to provide single persons discount review services is underway to prevent and detect fraud in this high transactional area.
- 4.3 **Council Tax - Unregistered properties** an external provider, procured to undertake this work on a no win no fee basis, has identified properties which were otherwise unregistered for council tax purposes.
- 4.4 **Council Tax - Unreported changes in property ownership/occupation** continues as an area of financial risk. The fraud team seek to identify unnotified changes.
- 4.5 **Undervalued or Unrated Business premises** continues to be an area of financial risk. The counter fraud and business rates team seek to identify unrated or undervalued business premises. An external provider is also procured to support this work on a no win no fee basis.
- 4.6 **Un-notified change of business owner** continues to be an area of financial risk, the pandemic highlighted business owners had not come forward to register for business rates. The Council saw a surge in business owners coming forward. The risk remains present, and the team discovers changes because of other work.

| Scheme | Number of cases reviewed | Number of removals/amendments | Value of amended liability |
|---|---------------------------------|--------------------------------------|-----------------------------------|
| Single Person Discount (NFI) | 1915 | 410 | £358,146 |
| Exemptions and Disregards | 639 | 59 | £166,052 |
| Unregistered properties (external provider) | 9 | 9 | £20,600 |
| Ownership/Occupation | 4 | 4 | £13,265 |
| Business Rates (external provider) | 18 | 9 | £26,833 |
| Business Rates | 4 | 4 | £78,934 |

- 4.7 **Housing – empty homes** – In partnership with members of Housing Standards, Planning Enforcement, Environmental Health we aim to reduce the number of empty properties in Torbay. This work supports Torbay Councils Housing Strategy.

The fraud team commences the process by reviewing properties registered as empty (not second homes) in the council tax database to ensure accuracy before involving the wider team.

All properties registered as empty more than 6 years have been reviewed. This identified occupied properties, ownership changes and properties deemed appropriate to approach the Valuation Office Agency (VOA) to remove from the council tax charge base. It should be noted, these properties attract a council tax levy which, in each case, had not been paid, resulting in unnecessary recovery work.

| Scheme | Number of cases reviewed | Number identified as occupied | Number of VOA reports | number of ownership changes | Value of Ownership Changes |
|---------------|---------------------------------|--------------------------------------|------------------------------|------------------------------------|-----------------------------------|
| Empty Homes | 120 | 24 | 15 | 4 | £23,358 |

5. Process Improvements

- 5.1 **Concessionary Fares** – the National Fraud Initiative matches live concessionary fare bus passes with Department of Works and Pensions Deceased data. The report contained 1168 records. On review of these matches, by the fraud team, a weakness in processes was identified. The weakness having arisen due to the concessionary fares team relying upon reports of death via the optional Tell Us Once Service. Concessionary fares team are not advised of other deaths on the registrar's report which gives details of all deaths which occur in Torbay. Although the Data Protection Act only protects the privacy of living data subjects, the registrar's regulations mean this data cannot be shared direct therefore the council is re-sharing this data internally with the concessionary fares team.

The review further identified a member of the concessionary fares team had deviated from process allowing re-training for this team member.

5.2 **Council Tax Refunds** – recommendations to the team, to strengthen the refund process prompted a review. The council tax team introduced measures designed to prevent money laundering. Following implementation, we received an alert by National Anti-Fraud Network. This revealed Torbay had been a target by fraudsters looking to launder money from cloned cards. Our internal processes had prevented the fraudsters success in Torbay, where other Local Authorities had fallen foul.

6. Areas with outstanding referrals & investigations

- Council Tax/Single Persons Discount
- Council Tax Support
- Business Rates
- Social Housing/Tenancy Fraud
- Blue Badge
- Licensing
- Concessionary Fares
- Special Guardianship Allowance

7. Current Position (2023/24)

- 7.1 From September 2023, the team consists of 2.8 full time equivalent member of staff, 1 Manger & Counter Fraud Specialist and 1.8 Counter Fraud Technicians/support officers. Devon Audit Partnership are being utilised to assist with investigations and redress once cases have undergone substantive checks.
- 7.2 Work to complete the review of the discount and exemptions already underway.
- 7.3 We aim to continue to reduce the backlog of investigations.
- 7.4 We plan to participate in the NFI pilot of matching Council tax to Deceased Death Register information. As we will have completed work in this area previously, we do not anticipate a high volume of matches but participating in the pilot will provide assurance.
- 7.5 Work to update the mandatory Fraud awareness course for all staff to include learning of the Economic Crime and Corporate Transparency Act 2023 is planned.
- 7.6 The Council has a legal defence requirement. Part of this defence is to ensure its staff are aware of how to report fraud and are aware of the failure to prevent the facilitation of tax evasion which is included within the fraud i-learn module. An audit to ensure members of staff have completed the mandatory corporate fraud i-learn course is planned.

Rachel Worsley
Counter Fraud and Error Manager