

Meeting: [Audit Committee](#)

Date: [24 July 2024](#)

Wards affected: [All](#)

Report Title: [Counter Fraud and Error Update](#)

Director Contact Details: [Malcolm Coe, Director of Finance,](#)
malcolm.coe@torbay.gov.uk

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 31 March 2024, including reported fraud and irregularities. The report is intended to support members in obtaining assurance the council has robust processes in place to prevent, detect and deter fraud and error.
- 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), test systems, 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 such as but not limited to; a Towns Deal from Department of Levelling Up and Communities and Housing of £6,000,000, £250k from the National Lottery Heritage fund to support heritage projects, £337,000 from the Lawn Tennis Association for investment in lawn Tennis projects, £2,000,000 from Network rail towards Edginswell Station.
- 2.4. The media has reported the Ministry of Defence has suffered a significant data breach and the personal information of UK military personnel has been hacked.

- 2.5. The fraud team receive alerts to known frauds experienced by Local Authority across the UK. Often more than one Local Authority is the target of the same fraudsters, demonstrating fraudsters have no geographical or political boundaries.
- 2.6. Each indicate Torbay Council faces a risk of fraud. Hence Torbay recognises Fraud as a corporate risk.
- 2.7. 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.
- 2.8. A strategy to supports the Counter Fraud and Corruption Policy.
- 2.9. The Counter Fraud Manager is also the Councils Money Laundering Reporting Officer.

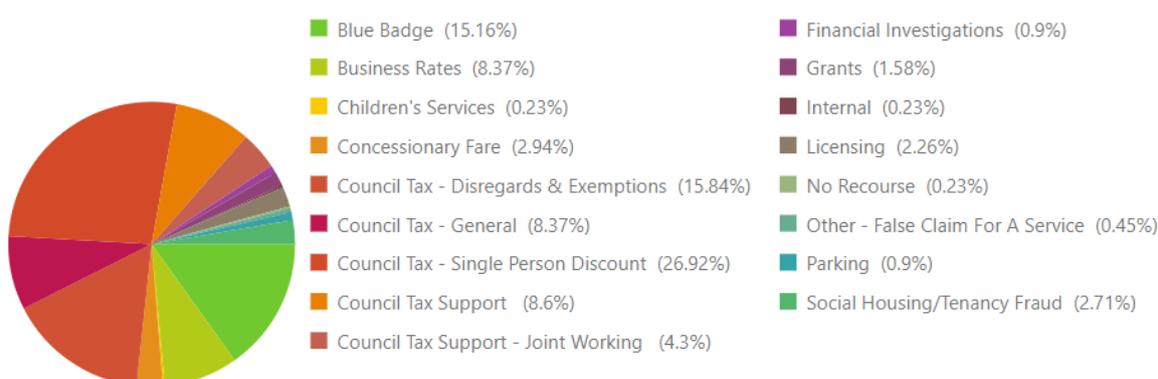
3. Fraud Prevention and Detection

- 3.1 The Counter Fraud Manager provides case by case prevention and intelligence support to teams across the council and partner agencies such as the Police.
- 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 place on hold.
- 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 Meanwhile the team continued to receive reports of fraud from member of staff and the general public.
- 3.5 When undertaking reviews the fraud support officers select cases of potential fraud for review by a fraud officer.
- 3.6 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 and error. During the reported year, the Council received 47 reports containing 11,411 matches each requiring review.
- 3.7 Reviews of several Council Tax discounts and exemptions, present in the council tax charge-base is underway. This 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 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. March 2024 saw the release of report 805, the pilot

report.

- 3.8 A report with progress and findings from the NFI exercise will be provided at a later stage.
- 3.9 The fraud team underwent training for use of the new case system and indexed the backlog of fraud referrals received as new case files.
- 3.10 The team conducts Work to support Torbay's 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 the landlord or occupier providing advice to the council tax team.
- 3.11 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.
- 3.12 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 367 referrals received and the range of case types covered.

Count of Cases by Case Category



- 3.13 The mandatory Fraud awareness course has been revamped, the course having been relaunched at the April 24 managers forum.
- 3.14 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. This will provide everyone employed by Torbay Council with fraud awareness training and highlights everyone is required to play their part in fraud prevention and detection. It also provides learning of the Economic Crime and Corporate Transparency Act 2023. The corporate fraud team will monitor course completion progress.

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 adopted by other Local Authorities 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. A review of single person discounts is planned to work alongside the Council Tax Team. Work to identify a partner organisation to provide single persons discount review services will complete once this review is underway, with a view 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 – Unregistered properties** the Torbay Counter Fraud team identified properties which were otherwise unregistered for council tax purposes.
- 4.5 Council Tax - Unreported changes in property ownership/occupation** continues as an area of financial risk. The fraud team seek to identify unnotified changes.
- 4.6 Council Tax – Unreported changes in exemptions and disregards** the council tax scheme has 19 categories of exemptions and 13 categories of disregards. The team have reviewed 7 exemption categories and 3 disregards to identify unreported changes. Certain exemptions are awarded when a property become empty therefore, this work supports Torbay’s Housing Strategy.
- 4.7 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.
- 4.8 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.
- 4.9 Housing – empty homes –** In partnership with members of Housing Standards, Planning Enforcement, Environmental Health, Council Tax and Council Tax recovery team, 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 teams involvement.

All properties registered as empty more than 5 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.

5. Money Laundering Unusually during the reporting period, the council has not made any reports of money laundering to the National Crime Agency.

6. Investigations 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.

Financial year	Cases awaiting review	Number of completed investigations	Cases under investigation
2022/2023	56	29	56
2023/2024	156	102	38
2024/2025	10	6	10
Total	222	137	104

7. Partnership Working the team conducts investigations in partnership with DWP where appropriate. Sending invitations to the DWP and receiving invitations from the DWP

	under investigation	Compliance Interviews Undertaken	Compliance resulting in cashable savings	Cases prosecuted
2023/24	4	1	0	0

The team provides information to the DWP to support its own investigations into Housing Benefit and Universal Credit related frauds.

	Requests received	Requests completed
2023/24	43	43

8. Devon Audit Partnership (DAP) being utilised to assist with investigations and redress once cases have undergone substantive checks.

	With DAP Awaiting/under investigation	Compliance Interviews Undertaken	Compliance resulting in cashable savings	Cases prosecuted
2023/24	21	5	4	0
2024/25	0	0	0	0

9. Cashable Savings Identified

Scheme	Number of cases reviewed	Number of removals/amendments	Cashable Value of amended liability
Single Person Discount (NFI)	2712	522	£427,728
Exemptions and Disregards	831	72	£ 99,896
Unregistered properties (external provider)	9	9	£ 20,600
Unregistered properties	3	3	£ 4,756
Ownership/Occupation	11	8	£ 31,001
Business Rates (external provider)	18	9	£ 26,833
Business Rates	4	4	£ 78,934

Scheme	Number of cases reviewed	Number identified as occupied	Number of VOA reports	number of ownership changes	Cashable value identified
Empty Homes	126	25	15	4	£23,358

Rachel Worsley
Counter Fraud and Error Manager