

Doncaster Council Preventing and Detecting Fraud and Error Report

October 2021 to September 2022



 **PROTECTING ITSELF AND ITS RESIDENTS**
*Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.*

Fraud and Error Prevention



Doncaster Council is committed to protecting the public purse and preventing (and detecting) fraud and corruption against public monies.

This year again has been a fast paced year. Whilst there were no Covid 19 Business Rate Grants made during the period, the Cost of Living Crisis continues to keep fraud risks high, not necessarily in the form of new risks, but it certainly increases the risk of Council Tax and Benefit frauds.

This report documents the Council's activities in respect of fraud prevention, detection and pursuit and reports on both proactive counter fraud work and responsive investigative work. Our strategy in this respect is documented in the Council's Anti-Fraud and Corruption Framework which is available on the Council's internet site at <http://www.doncaster.gov.uk/>. This framework was refreshed and re-published in 2021 after updates to the strategy and guidance for combating fraud in local government.

Our Counter Fraud Set up

The investigation of fraud within the Council is de-centralised. Most investigative work is carried out by Internal Audit Services, with additional investigative work being undertaken within Parking Enforcement (in respect of Blue Badge fraud) and within Revenues and Benefits (in respect of Council Tax and occasionally Business Rates frauds).

Information within this report (along with the information above), is required to be published under the Government's Transparency Agenda and this report is published alongside the required statistics on the number of individuals and full-time equivalent employees that are involved with fraud investigation (this information is available on the Council's website [Local transparency - Doncaster Council](#).)

The Overall Picture

The Council remains exposed to fraud risks but is consciously aware of them and their effects and takes proactive steps to prevent and detect fraud across the Council.

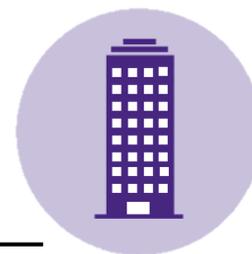
The overall level of fraud experienced by the Council remains low for a council of this size with a proactive approach being taken to manage risks as they arise. Our arrangements have continued to operate well throughout the period.

Because each of our activities is different, consolidating everything into one set of figures is not appropriate. Instead, key statistic boxes against all activities give information on the success (and context) of each of our activities individually.

The remainder of this report documents our counter fraud and investigative activities for the period 1st October, 2021 to 30th September, 2022. This reporting period aligns with that of the National Fraud Initiative.

Counter Fraud Activity – Govern

Key to the overall success of counter / anti-fraud agenda in the Council (and any other body) is support from those charged with Governance. Ensuring that there is strategic direction and a counter fraud culture embedded across the Council is key to ensuring that we deliver on our objectives.



Policies and Strategies



Beating fraud is everyone's business and it takes a co-ordinated approach at all levels to tackle fraud and corruption. The *'tone from the top'* is set out in our Anti-Fraud Bribery and Corruption Framework.

This document contains the Council's policy, strategy and plan to combat fraud. It aligns directly with the Fighting Fraud and Corruption Locally Strategy for Local Government 2020. This framework is published on the Council's intranet site and is linked in to all key governance pages for the Council.

The re-launch of the framework was publicised on the Council's internal news channel to ensure that it was communicated to all staff.

The Counter Fraud Response

Counter fraud work is de-centralised in Doncaster Council and different departments are responsible for investigating and preventing fraud in some fraud risk areas. These departments are:

- Revenues and Benefits – responsible for the detecting and investigation of Council Tax frauds and for working with the Department for Work and Pensions on joint Housing Benefit fraud investigations;
- Parking Enforcement – responsible for the detection and investigation of blue badge and permit parking frauds;
- Trading Standards – responsible for the enforcement of a wide range of legislation to ensure that Doncaster has a fair, responsible and safe competitive trading environment that supports both consumers and businesses.
- Internal Audit – maintain the Council's central counter fraud governance arrangements (the Anti-Fraud, Bribery and Corruption Framework and Money Laundering Polices), fraud reporting and the prevention, detection and investigation of other frauds against the Council whether committed internally or externally. They are also responsible for liaison with the Police (where appropriate) on fraud issues.



The Counter Fraud Plan



Work on counter fraud in Internal Audit is summarised in the Counter Fraud Plan and this contains all our fraud specific activities to raise awareness of fraud, develop fraud governance arrangements, detect fraud and investigate fraud.

It is approved by Audit Committee and was approved in April 2022 for the 202/23 financial year. We report on the results of our preventative, detective and investigative work annually in this report covering the period to the end of September. This reporting window has been adopted because this is the investigative and reporting timescale set by the National Fraud Initiative, one of our major pieces of work for the year.

Our Counter Fraud Activity Plan covers a whole range of activity including:

- Work on key governance strategies that have an impact on fraud;
- Training and awareness activities for staff and elected members;
- Fraud awareness week materials for members of the public;
- Proactive data matching initiatives to detect fraud and error in our activities;
- Participation in national fraud detection initiatives and work with our partners across local and central government; and
- The reactive investigation of suspected fraud and corruption and the prosecution of it (working collaboratively with the Police and / or Legal Services).

Our plan is flexible and reactive and is based on our assessment of fraud risks. These are updated regularly and new risks added as they are identified.

Partnerships

The responsibility for the management of our Housing Stock lies with St Leger Homes of Doncaster Ltd, who are responsible for (and do) investigate fraud in their area. Their internal audit resource is provided by Doncaster Council's Internal Audit Service and we work jointly to cover social housing and right to buy fraud investigations providing counter fraud support where necessary. Where appropriate, their results are also included in this report.



Fraud Awareness Training



As we have updated the Anti-Fraud, Bribery and Corruption Framework this year, we have also been busy refreshing our counter fraud training.

Our training is e-learning based. Anti-Money Laundering Training was relaunched during the year but a refresh of the Anti-Fraud Training is now due. Fraud awareness training was also delivered to members of the Audit Committee on the 5th

November, 2021 and is delivered annually to new St Leger Homes employees in March each year.

Counter Fraud Activity – Acknowledge

The shape and activities of the Council are constantly changing to keep pace with the changes in economy, society and political environmental within the UK. These changes represent risk both in terms of business risks and in fraud risks that must be taken into account to effectively tackle fraud and corruption.



Fraud Risks

The Council has a Fraud Risk Register. This is a very comprehensive list of fraud risks containing 24 different fraud risks covering things like employee fraud, grant fraud, procurement fraud and bribery and corruption risks. This register helps us to plan our counter fraud activity and map our coverage of fraud risks between our own Counter Fraud Plan and the work of partner and outside agencies. In this way we make sure that our resources are targeted at the highest risk areas and that there are no high risk exposures that have no coverage.



We constantly review and update the register. We also work collaboratively with local and central government to look at fraud trends and develop new strategies to combat fraud and corruption in the sector.

Counter Fraud and Investigative Resources



The investigation of Council Tax fraud and blue badge / parking frauds are dealt with as part of normal every day activities by the Revenues team and Parking Enforcement teams respectively.

The audit based Counter Fraud Plan deals with all remaining fraud and counter fraud issues, containing approximately 300 days of work on the activities outlined in the previous section.

The Counter Fraud Plan is led by the Internal Audit Manager who is trained, and maintains professional development requirements in counter fraud activity and investigations. She has significant experience of counter fraud and investigative practice having worked on fraud and counter fraud for over 14 years and also supports our partner organisation, St Leger Homes Ltd, ensuring a joined up approach on both.

Audit counter fraud work is undertaken and overseen by the Internal Audit Manager but is supported in the main by 3 other individuals, one trained in fraud investigation, one undergoing on the job training and one individual having been trained on data analytics assisting with data matching initiatives.

Counter Fraud Activity – Prevent

The prevent elements of our strategy relate, as it suggests, to preventing fraud and corruption. It links heavily with both the Govern and Acknowledge aspects of the anti-fraud agenda. Prevent is about preventing fraud through robust governance policies, procedures, internal controls and in the use of technology and inbuilt processes to prevent fraud from occurring in the first place.



Internal Controls



The responsibility to design effective policies, procedures and internal controls (controls that prevent frauds and errors from occurring), lies predominantly with service managers throughout the Council. However, they need support in this as it would be unreasonable to expect everyone to be a counter fraud professional.

Internal Audit provides advice to departments and managers setting up or changing their processes so that developed internal control frameworks, policies and procedures are robust and effective. Where the need is more specific and relates to counter fraud controls or investigative advice, this is dealt with by those in audit undertaking the counter fraud work.

We look out for anti-fraud controls that can be improved when we undertake routine internal audits across the Council and make recommendations to improve them as we find them with specific counter fraud audits being targeted at higher risk areas or areas with new or developing risks.

As part of the Counter Fraud Plan, we also target the review of key anti-fraud controls and fraud governance mechanisms such as the Declaration of Interest and Declarations of Gifts processes. We also give advice and correctional support to areas that have been hit by fraud to attempt to improve the controls in place to prevent and detect further frauds.

The Use of Technology

Technology is a double-edged sword. It gives us both opportunities to prevent and detect fraud and exposes us to new fraud risks. As a data driven council, we are investing more and more in data and data analysis to drive our decisions and this equally applies to the counter fraud agenda.



We use internal data matching to bring together data sets across the council to detect fraud and error and are moving towards data led financial audits. Under these audit types, the performance of financial systems is continually monitored to detect problems early rather than relying on old fashioned sampling audits that base assurance on errors identified on a small sample of records.

Counter Fraud Activity –Pursue

Pursuing suspected fraud and error is a substantial part of the counter fraud agenda and is the most obvious sign of any activity that we undertake in respect of counter fraud.

We aim to pursue any fraud identified both internally (in terms of disciplinary action) and externally (through prosecution and recovery). All the action we take is determined by the Sanctions and Prosecutions Policy within the Anti-Fraud, Bribery and Corruption Framework



Blue Badge Fraud

Blue badge fraud occurs where individuals misuse a blue badge (issued to someone with reduced mobility). This can include the use of badges by family or friends where the disabled person is not present or the use of badges where the individual the badge was issued to, is now deceased.



Blue badge fraud reduces the Council's parking revenue and takes up valuable spaces for less mobile and / or elderly persons.

Key Statistics

| Results | Number / Value | 2020/21 Comparison |
|--|----------------|--------------------|
| Total number of parking tickets issued | 15,510 | 14,462 |
| Cautions issued | 0 | 0 |
| Written warnings issued | 0 | 6 |
| Unable to take further action | 0 | 4 |
| Prosecuted | 3 | 6 |
| Ongoing cases (awaiting court dates) | 1 | 4 |

Prosecutions have been lower since the Covid-19 pandemic began and have not returned to pre-pandemic levels. Reduced activity in town centre locations is directly leading to lower levels of contraventions, and therefore, lower levels of enforcement activity.

The National Fraud Initiative (NFI)



The Council actively participates in the NFI run annually by the Cabinet Office. It matches the data of public and some private sector bodies in order to identify data conflicts and anomalies that could be fraud or error for investigation. This is a significant piece of work for the council.

NFI matches are released annually although the data checks run follow a 2 year cycle. The 2021/22 NFI cycle completed at the end of September 2022 was smaller than the previous cycle which looked at a wider series of data sets.

The 2021/22 cycle looked at the following areas:

- Housing Benefit information (supplied by the Department for Work and Pensions)
- The Electoral Register
- Council Tax Reductions and Council Tax Single Persons Discounts

Our results are shown on the in the following table.

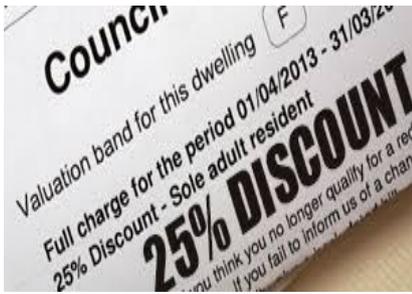
| Key Statistics | | | |
|-------------------------------|------------------|----------------|------------------|
| Results | Number Processed | Actual Savings | Notional Savings |
| Housing Benefit Extra Matches | 158 | - | - |
| Council Tax Matches | 36,642 | £3,769 | £6,534 |
| Total | 36,800 | £3,769 | £6,534 |

Doncaster Council uses other processes and real time data matching information provided centrally to inform the majority of its Council Tax and Housing Benefit based checking. As a result, the NFI matching in this area, adds little benefit to us as the vast majority of matches are uncovered and investigated much more quickly using alternative methods. The results of this other work are also included in the relevant section of this report.

The savings that are quoted for the NFI exercise are split into 2 main categories, actual savings and notional savings. Actual savings are as they appear, they are monies that can be recovered. Notional savings however, are based on the estimated values of a potential fraud in this area and are essentially a value put on the level of *prevented* fraud. The costings applied per case, are those created by the NFI itself. .

Overall, savings provided by the National Fraud Initiative continue to fall. Much of the savings from Council Tax and Benefits come from other more timely initiatives covered later in the report.

Data for the next round of the initiative has been submitted and results for investigation are currently expected from February, 2023 onwards.



Single Persons Discount Reviews

The Council carries out a 12 month rolling review of all single occupier discounts in a bid to ensure only those entitled receive a discount. This is done with a view to reviewing the discounts in place and identifying and correcting fraud or error within the Council Tax base.

The rolling review targets the borough by postcode issuing review letters to each of the claiming households. These letters prompt individuals to notify us of changes in circumstance that may otherwise have been missed. Where individuals do not respond to the review letter within the specified timescale, discounts are cancelled.

| Key Statistics | | |
|------------------------------------|----------------|--------------------|
| Results | Number / Value | 2020/21 Comparison |
| Households reviewed in the period | 23,961 | 22,656 |
| Cancelled single persons discounts | 851 | 652 |
| Value of cancellations (estimated) | £215,208 | £183,431 |



Local Authority and DWP Joint Fraud Investigations

Since the implementation of SFIS (the Single Fraud Investigation Service) all Social Security benefit fraud has been investigated by the Department of Work and Pensions (DWP).

Council Tax Reduction Scheme fraud (CTRS) is not a social security benefit and is, therefore, not considered in any criminal investigation by SFIS. However, there is a high degree of correlation between those committing social security benefit fraud and those also committing council tax reduction scheme fraud. Joint working between councils and the DWP enables those committing both types of fraud to be dealt with under one combined investigation.

There were no joint investigations undertaken in 2021. Whilst some have been started in 2022, they are yet to progress sufficiently to determine if a fraud has taken place or determine any subsequent values.

| Key Statistics | | |
|--|--------|----------------|
| Results | Number | Value |
| Joint investigations completed in the period | 0 | £0 |
| Joint investigations ongoing | 7 | Not determined |

Housing Benefit Overpayments



Housing benefit overpayments occur for a variety of reasons, for example through error or fraud by the claimant, error or fraud by the landlord or the agent, a change to entitlement that is not reported or delays in reporting changes to circumstances for the claimant. Occasionally errors are caused by the local authority in

processing. Most overpayments happen because there has been a change in the claimant's circumstances that was not communicated to the Council or was communicated late. Housing benefit fraud happens when these changes are deliberately not reported.

Regardless of the cause, the Council pursues all eligible housing benefit overpayments. (This is any amount which has been paid to which there was no entitlement). This is in line with best practice.

Activity in the period October 2021 to September 2022, looks similar to the activity for the previous reporting period with the exception that the use of Direct Earning Attachments has been increased substantially. This is because these attachments were not brought back into mainstream use until September, 2021 when the UK's furlough scheme was ended.

Key Statistics

| Results | Number / Value | 2020/21 Comparisons |
|--|----------------|---------------------|
| Cases referred to the Department for Work and Pensions | 199 | 197 |
| Direct Earning Attachments (to recover overpayments) | 79 | 5 |
| New Invoices Produced for Recovery | 1,253 | 1,440 |
| Cash recovered | £521,494 | £307,652 |

Creditor Invoice Matching



The Council runs software daily against invoices paid (or due for payment) to prevent and detect any possible fraudulent (or more likely, duplicated) invoices. These results are worked through by the Council's, Doncaster Children's Trust's or St Leger Homes' Accounts Payable teams and payments cancelled or recovered as appropriate.

The statistics included here (below) include preventions / recoveries from the Council, St Leger Homes and the Doncaster Children's Trust. This is due to the fact that all of these partners use the same system to prevent, detect and record fraud and duplications. The difference in values between the years does not raise any concerns and is entirely dependent on the payments identified.

Key Statistics

| Results | Number / Value | 2020/21 Comparisons |
|--|----------------|---------------------|
| Prevented Payments | 76 - £127,708 | 116 - £1,547,238 |
| Recovered Payments | 6 - £2,450 | 32 - £73,765 |
| Payments From Period Still Being Recovered | 1 - £521 | 10 - £6,460 |

Teachers Pensions Matching

Teacher's pensions are paid by a specific outside body that deals with the Teacher's Pension Scheme, however, a small number of additional payments are also made to approximately 900 teachers by Doncaster Council. Historically, there have been issues with these payments when the Teacher's Pension Scheme have been made aware of the death of one of their members and have failed to notify the Council of this change. This has resulted in both fraud and error in the past.



Regular data matching has been set up to check our pensions payments to deceased persons registers in order to detect and in future prevent overpayments as much as possible. Our figures use two statistics, actual overpayments and notional savings. Actual overpayments are to be expected as it is the Council's arrangement to pay all employees including these pensions on the 15th of the month, therefore they are paid in advance for the period the 16th of the month to the end of the month. These overpayments are relatively small because the regular matching of these data sets results in timely notification of death. Notional savings on the other hand are calculated where we as a Council have not been notified of the death and have detected it using our data match initiative. We calculate the cost of a further 12 months of payments that may have been incurred until we uncover a failure to notify us of the death of an individual. This is a conservative estimate, as in some cases, without the data match and where the monies are paid into an account like a joint bank account that is not going to close, it is unlikely that the error would be spotted until the next National Fraud Initiative cycle which can mean it would take up to 2 years to detect the issue. Notional savings are given to show the value of the work undertaken to PREVENT overpayments.

It should also be noted that no attempt has been made to qualify whether the failure to notify the Council of the death of one of our pensioners is fraud or error. All have been classed as error. This is because it is difficult to determine, without further time-consuming investigation, whether the failure to notify the Council and return the monies was accidental or deliberate. Given the fact that this work is done to prevent overpayments, this classification between fraud and error has not been done and all payments are shown as errors.

Attempts to recover the overpayments are in progress and follow the standard payroll overpayment recovery process.

| Key Statistics | |
|--|----------------|
| Results | Number / Value |
| Number of deaths detected where we were not notified | 17 |
| Overpayment detected after death | £3,652 |
| Notional savings | £50,582 |

Business Rates Grant Fraud



With the onset of a global Covid-19 pandemic, the government recognised the impact on businesses across the country and introduced a series of additional business rate grants to help businesses during the crisis. Most of the grant payment schemes in operation were closed before the period covered by this report. There were, however, a few additional schemes that were paid during the period October 2021 to September 2022 details of which are given below.

The Council has continued to vet and check all applications on all new schemes. In addition, BEIS (the government's Department for Business Energy and Industrial Strategy) undertook detailed reconciliation and assurance testing on our previously administered business grants. The Council passed these tests and obtained a clean bill of health.

Data submissions have been made to His Majesty's Revenue and Customs (HMRC) under their data matching initiatives, but no feedback has yet been received on these. It is unlikely however, that the Council will have any results to report back on this activity.

Recovery actions to recover previously detected fraud and error continue in line with the BEIS guidance although it should be noted that for some, recovery avenues have been completed or are close to exhaustion. When all recovery options are exhausted, the debts are returned to BEIS for further consideration and without liability to the Council as long as all relevant guidance has been followed. Once returned to BEIS, the Council has no further involvement (unless requested to do so by BEIS or the Police).

Our key statistics below give details of the grants paid during the period covered by the report and an update of as to the recovery rates from previous reports. As the grants have now ended, no further reporting will be undertaken on these in future years and recovery actions will continue until exhausted and returned to BEIS.

| Key Statistics – New Grants Paid | | |
|---|---------------|-------------------|
| Results | Number | Value |
| Omicron Hospitality and Leisure Grant | 418 | £1,472,746 |
| Additional Restrictions Grants (Business Rates) | 504 | £362,797 |
| Additional Restrictions Grants (Business Doncaster) | 10 | £829,408 |
| Economic Recovery Grant | 196 | £862,247 |
| Community Renewal Fund (Decarbonisation) | 13 | £32,758 |
| Totals | 1,141 | £3,559,956 |
| Fraud and Error Detected | 2 | £9,867 |

New frauds detected are being investigated. One of the two has already been passed to the Police for prosecution with the other still being investigated.

Key Statistics – Recovery Update 2020-2022

| Results | Values |
|---|---------------------|
| Fraud / errors detected in the previous 2 years | £634,482 |
| Additional fraud / error detected on previously paid grants after the date of the last report | £34,628 |
| Fraud / Error on new grants | £9,867 |
| Total for Recovery | £678,977 |
| | |
| Amounts Recovered during the period | £218,990 |
| Amounts irrecoverable due to liquidation | £21,096 |
| Amounts withdrawn (accepted by the Council as a legitimate grant after further evidence) | £65,149 |
| Recovery Remaining | £363,875* |
| Grants paid in previous years | £108,202,157 |
| Grant paid in this year | £3,559,956 |
| Total grants paid | £111,762,113 |
| Fraud / Error detected over full period - £678,977 = 0.6% of grants paid | |
| Recovery Remaining - £363,875 = 0.3% of grant paid | |

* Please note these recovery statistics cover the entire Covid period and that the remaining amounts to be recovered do not represent a liability for the Council as the majority will be recovered within the Council and where we are unable to do so then the balance will be recovered from BEIS.

Counter Fraud Activity – Pursue

The Council aims to take action against any fraud or error that it detects during any of its activities.

The pursuit of individuals responsible for fraud is on 3 main levels.

- 1) Internal pursuit through the disciplinary policy;
- 2) Civil recovery of any losses; and
- 3) Criminal action where possible through the Police and Courts.



The case listed here give as much detail as possible about fraud and corruption encountered and investigated as is reasonable under the Data Protection Act. Where a case is ongoing, any information that could prejudice the case has been withheld.

Internal Audit Services has worked on the following case in the 12 months to the end of September 2022.

Business Rates Fraud (2020 Payment)

****This fraud was previously reported in the Preventing and Detecting Fraud and Error report 2020 and the results of this fraud (the monies recovered) are also reflected in the Business Rates Grants element of this report**.**

Doncaster Council and a number of other councils across the country were all hit by the same fraud totalling £25,000 per council through a fraudster purporting to be a large electrical company with branches across the country. The evidence submitted appeared credible but was in fact fraudulent. This fraud occurred in the very early set up phase of the various business rates grants and was at a time when procedures were still being set up and guidance from the Government on the processes that should be used were vague. The fraud is still being investigated and prosecuted by NATIS (an arm of the Police) and we are providing evidence and statements to them as required.

At the same time, in conjunction with Hertfordshire County Council, a civil recovery was undertaken. Hertfordshire County Council had used a financial investigator to trace their payment and identified that it was still within the bank account that the fraudster had directed it to. The monies for both Hertfordshire and Doncaster were both present and a freezing order was made to stop the monies moving further. Civil recovery action was then undertaken which resulted in recovery of the monies, some of which were passed to both Council's and HMRC.

After costs, £10,643 of the original £25,000 loss was recovered and returned to BEIS. Police action continues.

Business Rates Fraud (2021/22 Payment)

One of the two new identified frauds from this year's business rates grants has been passed to the Police. The fraud totalling £4,799.99 was from a Doncaster entrepreneur applying for a business support grant under the Economic Recovery Scheme. These monies were paid upfront to businesses wanting to expand or start after the pandemic.

Follow-ups are undertaken to check on the grant usage throughout the life of the project awarded funding. Evidence that was provided to show how the funds had been used were found to have been electronically amended and faked. The case and all evidence has been passed to the Police for prosecution and recovery (via a court order). No further updates are available at this time.

The other Business Grants Fraud from the period covered by this report is still under review / investigation.

Bank Mandate Fraud

During the year it was identified that payments totalling £13,682 due to an education early years provider had been re-directed following a bank mandate fraud. The education provider's email had been hacked and was used to send to the Council new bank details from the provider's legitimate contact address. However, the required checks were not properly undertaken on the changed details by the Council. This resulted in the details being changed to that of a fraudster and the diversion of two payments totalling £13,682.

Procedures have since been reinforced. The case, and all evidence, was passed to the Police who declined further action as no local suspect had been identified. The case was passed then to Action Fraud as requested by the Police, but no further action was taken after Action Fraud confirmed that there were no further leads that they could investigate.