

**Meeting:** [Audit Committee](#)**Date:** [25 February 2025](#)**Wards affected:** [All](#)**Report Title:** [Counter Fraud and Error Update](#)**When does the decision need to be implemented?** [Not applicable](#)**Director Contact Details:** [Malcolm Coe, Director of Finance,](#)  
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## Key points and Summary

- 1.1 This report updates the Audit Committee on counter fraud activity undertaken for the period of 1 April 2024 to 30 September 2024, including progress against the 2024/2025 Counter Fraud Plan.
- 1.2 The report is further intended to support members in obtaining assurance the council has robust processes in place to prevent, detect and deter fraud and error.
- 1.3 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.
- 1.4 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 currently estimates that fraud and error in the public sector costs between £33 and £58 billion per year, excluding covid-19 schemes.
- 2.2 The National Fraud Authority estimates that fraud costs the public sector around £21 billion each year, which is 55% of the total fraud loss in the UK
- 2.3 Fraud remains one of the most persistent and evolving challenges, the importance highlighted by the ongoing efforts to reduce fraud and error losses. On 3<sup>rd</sup> August 2022 the government established the Public Sector Fraud Authority and last year the Prime Minister announced the Government would be introducing a new Fraud, Error and Debt Bill to tackle fraud in the Social Security system.

- 2.4 The media report a UK Secondary School was forced to close on 3 June 2024 due to a significant cyber-attack and Leicester City Council confirmed on 3 April 2024 that confidential data had been published online by a known ransomware group.
- 2.5 Torbay continues to receive high profile funding for local projects such as but not limited to; £7,000,000 for Paignton Coastal Defence, £8,000,000 for Oldway Estate, £3,000,000 for Accommodation Repurposing and £200,000 Towns Plan
- 2.6 The fraud team receive alerts to known frauds experienced by Local Authority across the UK. Often, more than one Local Authority is targeted by the same fraudsters. This demonstrates fraudsters have no geographical or political boundaries.
- 2.7 Torbay Council recognises it is at risk of fraud. Hence fraud is recognised as a corporate risk
- 2.8 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.
- 2.9 The Counter Fraud Manager is also the Councils Money Laundering Reporting Officer.

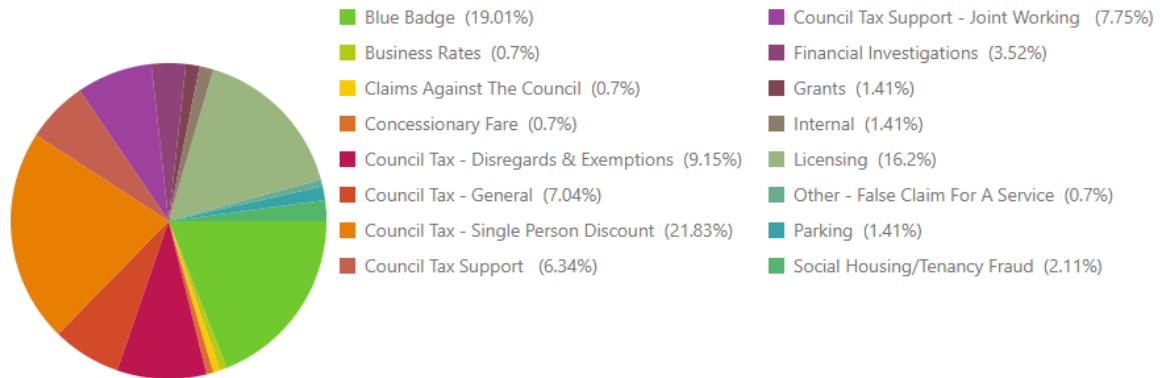
### **3 Resourcing**

- 3.1 As mentioned in previous reports, investigations were placed on hold during the covid-19 pandemic, the following energy crisis, and new case management systems development and implementation.
- 3.2 With the new system in place and work underway to recover from this impact, the team experienced a reduction in resources, as the full-time Counter Fraud Officer secured other employment.
- 3.3 Rather than seeking a like for like replacement, the services of Devon Assurance Partnership are utilised for redress element of the role.
- 3.4 The team went onto see further staff resource issues in this reporting period.

#### **4. Fraud Prevention and Detection**

- 4.1 The Counter Fraud Manager provides case by case prevention and intelligence support to teams across the council and partner agencies such as Devon and Cornwall Police and Devon and Somerset fire department.
- 4.2 When undertaking reviews the fraud support officers identify cases of potential fraud. These cases are added to the case management system for further investigation.
- 4.3 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. The main exercise occurs bi-annually with smaller exercises conducted annually. The work is managed and largely maintained by the Counter Fraud and Error Team.
- 4.4 During this period, work has continued to finalise the results from the 2022/23 exercise. Work has also been undertaken to complete the annual exercise for 2023/24.
- 4.5 NFI Reports for the 2024/25 exercise expected in the second half of the financial year.
- 4.6 We previously reported, an invitation by the Cabinet Office to participate in a pilot, following our suggestion to review Council Tax discount and exemption records by matching to Deceased data. March 2024 saw the release of pilot report 805. The work to complete the pilot concluded in this reporting period.
- 4.7 The results for Torbay from this pilot are detailed in table 10. The Cabinet Office have confirmed the pilot identified £1.6 million in irregularities. As such the pilot is hailed a success and will now form part of the bi-annual reports provided to all Local Authorities.
- 4.8 The fraud team continue to receive referrals received into the department.
- 4.9 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 or unoccupied without the owner, landlord, occupier or non-occupier providing advice to the council tax team.
- 4.10 We previously reported a requirement for managers to complete departmental fraud risk assessments. Although the requirement is included within service plans, many managers are yet to submit their Fraud Risk Assessments.
- 4.11 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 111 referrals received in the reporting period and the range of case types covered.

## Count of Cases by Case Category



- 4.12 Where it is suspected a person in receipt of Housing Benefit is committing fraud, a referral is made to the DWP. This reporting period has seen 50 referrals.
- 4.13 The team undertook 22 landlords fit and proper checks on behalf of the Housing Standards Team.
- 4.14 The mandatory Fraud awareness course relaunched in April 24 when the Counter Fraud Manager presented at the Managers forum event. Expectation provided for all employees to refresh their training. Monitoring of course completion has occurred during the period. The following table provides a snapshot of completion by Commissioning area.

Commission	Total Colleagues	Colleagues completed	Completion Rate (%)
Adults & Community Services	169	85	50.30
Children's	494	260	52.63
Corporate Services	188	64	34.04
Finance	123	31	25.20
Pride in Place	231	111	48.05
Public Health	21	7	33.33

- 4.15 Torbay Council is a member of The National anti Fraud Network. This membership provides alerts to national frauds. On receipt, the content is reviewed and internal enquiries are made to establish if Torbay has experienced the same fraud by the same fraudsters.
- 4.16 The reporting period has seen the provision of 23 alerts where the perpetrators have targeted more than one Local Authority. This figure is excluded from 4.11.
- 4.17 Torbay Council a victim of one of the reported incidents which affects multiple Local Authorities.
- 4.18 We further use the alerts as a means to raise awareness. Following review of content, communications are issued to individual colleagues or council wide,

depending on nature of the alert.

## 5. Project Areas and Savings

- 5.1 **Investigations** have taken place throughout the period to identify fraud and error. The benefits received are detailed below. 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.
- 5.2 **Council Tax - Single Persons Discount review commences** Working with the revenues management team, a process for the review of single person discounts was designed and implemented. Instigated as an amnesty, allowing single occupier discount recipients to provide update or confirm their household occupancy status.
- 5.3 To date, the team has issued 16,000 invitations to households inviting them to review their Single occupied status. The review nearing completion with final communications being issued October 2024.
- 5.4 When nearing completion, work to identify a partner organisation to provide further single persons discount review services will commence. Procurement having completed and implementation in the new financial year.
- 5.5 **Council Tax - Unregistered properties** an external provider, procured to undertake this work on a no win no fee basis, identifies properties which were otherwise unregistered for council tax purposes.
- 5.6 **Council Tax – Unregistered properties** the Torbay Counter Fraud team identified properties which were otherwise unregistered for council tax purposes.
- 5.7 **Council Tax - Unreported changes in property ownership/occupation** continues as an area of financial risk. The fraud team seek to identify unnotified changes.
- 5.8 **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 previously reviewed 7 exemption categories. A further two exemptions received review in this reporting period.
- 5.9 **Undervalued or Unrated Business premises** continues to be an area of financial risk. Both 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.
- 5.10 **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.
- 5.11 **Business Rates – Small Business Rates Review commences** Working with the revenues management team, a process for the review of small business

rates relief is designed and under development.

- 5.12 **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 involvement of the wider teams.

The identification of methods to detect properties registered in council tax as occupied but likely empty is imminent.

6. **Money Laundering** During the reporting period, the council has investigated two suspected reports of money laundering. One report had been made to the National Crime Agency.

7. **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	35	47	36
2023/2024	156	40	38
2024/2025	71	45	37

8. **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	Cases closed	Cases prosecuted
2023/24	23	1	0
2024/25	10	2	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
2024/2025	55	55

9. Devon Audit Partnership (DAP) are utilised to assist with investigations and redress once cases have undergone substantive checks by the Torbay Team.

	With DAP Awaiting/under investigation	Compliance Interviews Undertaken	Compliance resulting in cashable savings	Cases prosecuted
2023/24	24	5	£5,814.24	0
2024/25	2	0	0	0

## 10. Cashable Savings Identified

Scheme	Number of cases reviewed	Number of removals/amendments	Cashable Value of amended liability
Single person Discount Amnesty	12,429	222	£112,110
Single Person Discount (NFI)	2712	522	£427,728
Exemptions and Disregards	172	60	£159,194
NFI Pilot report 805	258		£ 11,171
Unregistered Council Tax properties (external provider)	0	0	£0.00
Unregistered properties	1	1	£ 1,527
Ownership/Occupation	1	1	£ 2,833
Business Rates (external provider)	3	3	£ Awaited

## 11. Prevention & Detection

- 11.1 Raising awareness is an integral part of fraud prevention. Hence Torbay Council has a mandatory i-learn course which employees are required to re-take periodically. We have communicated through employee newsletters the requirement to re-take this course with progress highlighted in paragraph 4.12. In the next reporting period will see further communications issued to individuals and managers.
- 11.2 As referenced in 4.13 and 4.14, Torbay Council is a member of The National anti Fraud Network. The alerts we receive are circulated accordingly to provide awareness to the types of frauds happening. Raising awareness is a way to prevent fraud.

- 11.3 Often included in the alerts are details of bank accounts known to be linked to the fraud occurrences. We have worked with The Financial Systems Account Manager and the Reporting and Tech Development manager, to develop a methodology to highlight and prevent payments going to the same bank accounts as seen in the alerts.
- 11.4 During this period, we have developed face to face training for both elected members and for those colleagues who are new to the organisation. The delivery of both training sessions to commence by end of financial year.
- 11.5 It is though this array of awareness that fraud is prevented. In July 2024, we saw an attempt at Chief Executive imposter fraud through email. The officer who received the approach spotted the spoof and did not react. Attached to the email was an invoice, the email pressing for payment.
- 11.6 Approaches of this type pose two threats, a threat to diversion of funds and the potential for the invoice to contain ransomware. Due to awareness, the officer did not open the invoice.
- 11.7 Not only has the officer protected the council's income from loss, but the officer also potentially thwarted an attempt by a fraudster to cause operational disruption. Attachments to emails can contain ransomware and thus severe consequences for the Council.
- 11.8 We have identified a relatively inexpensive tool to allow safe, secure and necessary data sharing across Local Authority departments and Boundaries, to prevent fraud across multiple departments with the added benefit of enhancing debtor tracing. It is anticipated the tool will provide income generation through improved and efficient debtor tracing as well as reducing the number of Data Protection requests the revenues and recovery teams receive and place.
- 11.9 The tool is also anticipated to prevent loss as will enable pre-process and pre-billing checks. Unfortunately, we cannot put a savings to the levels of fraud prevented.
- 11.10 The tool has potential to provide fraud prevention and administration benefits to multiple council departments. A demonstration of the tool has been provided by the company to the Revenues team, as this area identified to receive maximum benefit from the tool.
- 11.11 Capturing a fraud risk register is crucial to provide the council with financial protection, manage its reputation, ensure legal compliance and provide operational efficiencies.
- 11.12 Work to encourage managers to complete fraud risk assessments has continued. The need to capture a fraud risk register captured in Section 4 of service plans 2024-25 template.
- 11.13 Each department is asked to capture their fraud risks in spar.net.
- 11.14 Throughout this reporting period, just one departments fraud risk register is held.



11.15 To establish relationships between the fraud team and parking enforcement team, a counter fraud assistant worked alongside the team to identify blue badge mis-use. This has served to provide parking enforcement officers with greater awareness of abuse, anticipated to result in increased blue badge abuse detection.

**Rachel Worsley**  
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