

Audit Committee

23rd November 2017



Report of:	Interim Chief Internal Auditor
Title:	Internal Audit Counter Fraud Update Report 1 st April to 31 st October 2017
Ward:	N/A
Officer Presenting Report:	Jonathan Idle – Interim Chief Internal Auditor
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Recommendation

The Audit Committee note the Internal Audit Counter Fraud Update report for the period of 1st April to 31st October 2017.

Summary

This Report provides the Committee with summary of the work undertaken by the Internal Audit – Counter Fraud team and the savings generated from counter fraud work.

Significant Matters Arising:

Key messages arising from this report at Appendix A;

- The Internal Audit Counter Fraud team continues to identify potential savings which covers its costs.
- The volume of work is considerable and there are competing priorities which create problems for the team and existing resources.
- The Counter Fraud team does not have a stable resource position .
- Issues relating to turning potential savings into actual recoveries from counter fraud work.
- Assessment of the Council's Counter Fraud arrangements have been carried out and an Action Plan developed to address gaps.



1. Policy

Audit Committee Terms of Reference

2. Consultation

Internal – SLT including S151 Officer, Cabinet Member for Governance, Resources and Finance.
External – N/A

3. Context

3.1 This is the half yearly update report outlining the Counter fraud work that has taken place in Bristol City Council. The report is provided to:

- Give an overview of the work of the Internal Audit – Counter Fraud and Investigations team and other anti-fraud work which has taken place within the Council;
- Present details of the savings identified through counter fraud work.
- Spotlight the volume and variety of investigation work that the Counter Fraud team undertakes and the competing priorities.
- Highlight the unstable basis of the existing Counter Fraud team.
- Summarise the main areas where there are gaps in our arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- Provide opportunity for the Strategic Leadership team to re-inforce their statement on the Council's commitment to tackling fraud.

The full report can be found at Appendix A

3.2 Key points arising from the Fraud Update Report:

- The Internal Audit Fraud and Investigations team continues to pay for itself with cashable savings of £539k, notional savings of £1.8m and a weekly cost avoidance of £9k (as a result of cancellation of a benefit or other payment) to date in 2017/18.
- The team has a high volume of work with several on-going investigations of fraud or irregularity which compete for priority with fraud prevention and other proactive fraud work which generates savings.
- The Internal Audit – Counter Fraud and Investigations team includes 2 temporary secondments, two posts funded from the benefits administration grant and a fixed term appointment and therefore an unstable resource base for future counter fraud work.
- Gaps in the Council's Counter Fraud arrangements against the CIPFA Code of practice, in addition to the two points above are in the following areas:
 - Fraud risk management
 - Resource issues affecting financial recovery from fraud work.
 - Greater publicity

- Publication of money laundering policy
- Better management of expectations re responsive investigation work

➤ The SLT statement that fronts the Anti-Fraud and Corruption Policy and Strategy is re-affirmed.

4. Proposal

4.1 The Audit Committee considers the work of the Internal Audit – Counter Fraud and Investigations team during the period of 1st April to 31st October 2017, and the results there of.

5. Other Options Considered – N/A

6. Risk Assessment

The work of Internal Audit Counter Fraud team reduces fraud losses and increases the potential for prevention and detection of such issues.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

8b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

Appendix A – Internal Audit – Counter Fraud Update Report for period of 1st April to 31st October 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None.



BRISTOL INTERNAL AUDIT

APPENDIX A

INTERNAL AUDIT COUNTER FRAUD UPDATE REPORT 26th October 2017



1. Introduction

- 1.1 Bristol City Council's Counter Fraud and Investigation team was formed in 2012 and is based in Internal Audit.
- 1.2 The purpose of this report is to:
 - provide an update on the work and results of the Counter Fraud and Investigation team.
 - Provide an update on the assessment of the Authority's counter fraud arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

2. Key Messages

- 2.1 The Counter Fraud and Investigation team undertakes a variety of work and has a large number of internal investigations currently. There is a difficult balance to be struck between responsive and proactive work.
- 2.2 The work of the team continues to generate significant recoverable, on-going and notional savings for the authority.
- 2.3 An assessment of the Council's counter fraud arrangements against the CIPFA Code of Practice has been undertaken and actions to fill any gaps summarised.
- 2.4 There are no amendments to the Council's Anti Fraud and Corruption Strategy and Policy at the current time.

3. Overview of the work of the team and results

- 3.1 The team undertakes a variety of work including:
 - Responsive investigation work – investigating allegations of fraud and irregularity in accordance with Anti-Fraud, Bribery and Corruption policy.
 - Proactive fraud work – undertaking data analytics and data matching to find fraud.
 - Fraud prevention work – reviews to identify weaknesses in fraud controls.
 - Training and publicity – raising awareness of fraud with work colleagues and the public.
 - A co-ordination and liaison role with the DWP for benefit fraud work
 - Responding to enquiries from other enforcement agencies such as the police, NHS and other Local Authorities.
- 3.2 The team currently has a significant volume of internal investigations of fraud or irregularity. The investigation of these is policy driven and provides assurance to Management on concerns raised, along with actions for improvement.

- 3.3 The level of work in this area and the expectation of management, that these are dealt with promptly, does impact on the amount of proactive fraud work that can be delivered. The proactive work can deliver real savings or other benefits to the Council. This difficult balance is discussed further in Section 4: Counter Fraud Assessment.
- 3.4 The team has a performance target of 37 council property regains (based on last year's result) which is unlikely to be achieved this year. There appears to be a stronger burden of proof expected by the courts, leading to greater caution in taking legal action. Resource issues within the Resources Directorate and the Investigations team who have a large number of responsive investigations work has also impacted on performance on tenancy fraud. There are no other formal performance targets for the team, although it is expected that the team will pay for itself by way of savings.
- 3.5 The cost of the team for 2017/18 is expected to be £357,000, savings to date are £539,019 recoverable, £1,759,398 notional and weekly cost avoided £8970 as detailed in below. Clearly, the team more than pays for itself by identifying recoverable and other savings.

Savings for 2017/18 (as at 26/10/17)

Fraud area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£5976	£1,488,000	£187
Right to Buy	0	£270,700	0
Care Homes	£176465	0	£5829
Benefits (NFI)	£20908	0	£884
Benefits	£276271	0	£1245
Council Tax Reduction	£36909	0	£573
Admin Penalties (Adpens)	£15476	0	0
Personal budget	£3000	0	0
Fuel card misuse	£4014	0	0
Blue Badge/bus pas	0	£698	0
Other	0	0	£252
TOTAL	£539,019	£1,759,398	£8,970

Figures used for notional savings are:

- (i) Council property recovered = £93000 (figure recommended by Cabinet Office)
- (ii) Bus pass = £500 per year
- (iii) RTB = Discount that would have been awarded on the sale.

NB: The above does not reflect the extent of recovery of any savings.

Workload facts and Figures

The Counter Fraud and Investigations team has the following caseload as at October 2017:

- 307 Benefit (assisting DWP investigations)
- 149 tenancy fraud
- 13 Procurement
- 49 Council Tax Reduction/SPD
- 7 Social Care
- 2 Local Taxation
- 3 Blue badge
- 5 Employment

Since 1/4/17 it has received :

- 177 Tenancy Fraud referrals
- 313 Requests for information from the DWP
- 15 other fraud referrals including Procurement, Social Care, Blue badge and employee fraud.
- 21,708 National Fraud Initiative data matches received of which 2684 reviewed and concluded, 111 currently in progress
- 223 requests for information from the Police or other enforcement body.
- 106 pupil tracking requests for information.
- 116 advice queries on benefit fraud from colleagues

Provided fraud awareness training sessions to:

- Social workers
- Caretakers
- Benefits administration teams

Has completed or in progress, proactive fraud work in following areas:

- Purchase cards
- Business Rates
- Right to Buy

Results facts and figures

- 16 Council properties regained
- 8 Right to buy applications cancelled due to false information.
- 1 false housing application cancelled
- 2 false succession cases identified
- 19 care home payments cancelled where death of client had not been notified to BCC
- 1 employee dismissed for misuse of a fuel card
- Blue badge education and enforcement exercise carried out resulting in two potential prosecution cases, and 12 penalty charge notices served.
- 159 Blue badges cancelled on system, so that enforcement action can be taken if used.
- 129 Concessionary Bus passes cancelled to prevent use.

3.6 For the remainder of the year the team is looking to:

- Bring to a conclusion as many of the responsive investigations that are in progress as possible.
- Complete work on National Fraud Initiative data matches and submit data for the Local Tax/Single Persons Discount data match.
- Analyse tenancy fraud cases to enable a more targeted approach to tenancy fraud work.
- Explore use of data from the Gas Servicing team, Response maintenance system and Key fobs to assist with identification of tenancy fraud and abuse.
- Explore opportunities for 'continuous audit processes' and better data analysis.
- Complete work in progress on NNDR and 'Right to Buy'.
- Upgrade the team's case management system.
- Undertake some proactive fraud work in relation to the Housing Waiting list.
- Undertake a review of fraud prevention controls around procurement and bribery and corruption risk.
- Work to embed fraud risk into the risk management processes in BCC.

4. Counter Fraud Assessment & Benchmarking

4.1 The Counter Fraud and Investigations service has been self-assessed annually , including this current year. The following assessment tools have been used in the current year:

- Submitting Counter Fraud data to the CIPFA benchmarking club
- Contributing data to the CIPFA annual fraud survey
- Assessing Counter Fraud arrangements against the CIPFA Counter Fraud Assessment Tool.

4.2 The draft CIPFA benchmarking results have just been received and will be reviewed for accuracy, analysed and reported on at a later date.

4.3 A summary of the results, produced from the CIPFA Counter Fraud assessment tool are shown at Figure 1 .

Counter Fraud Assessment:

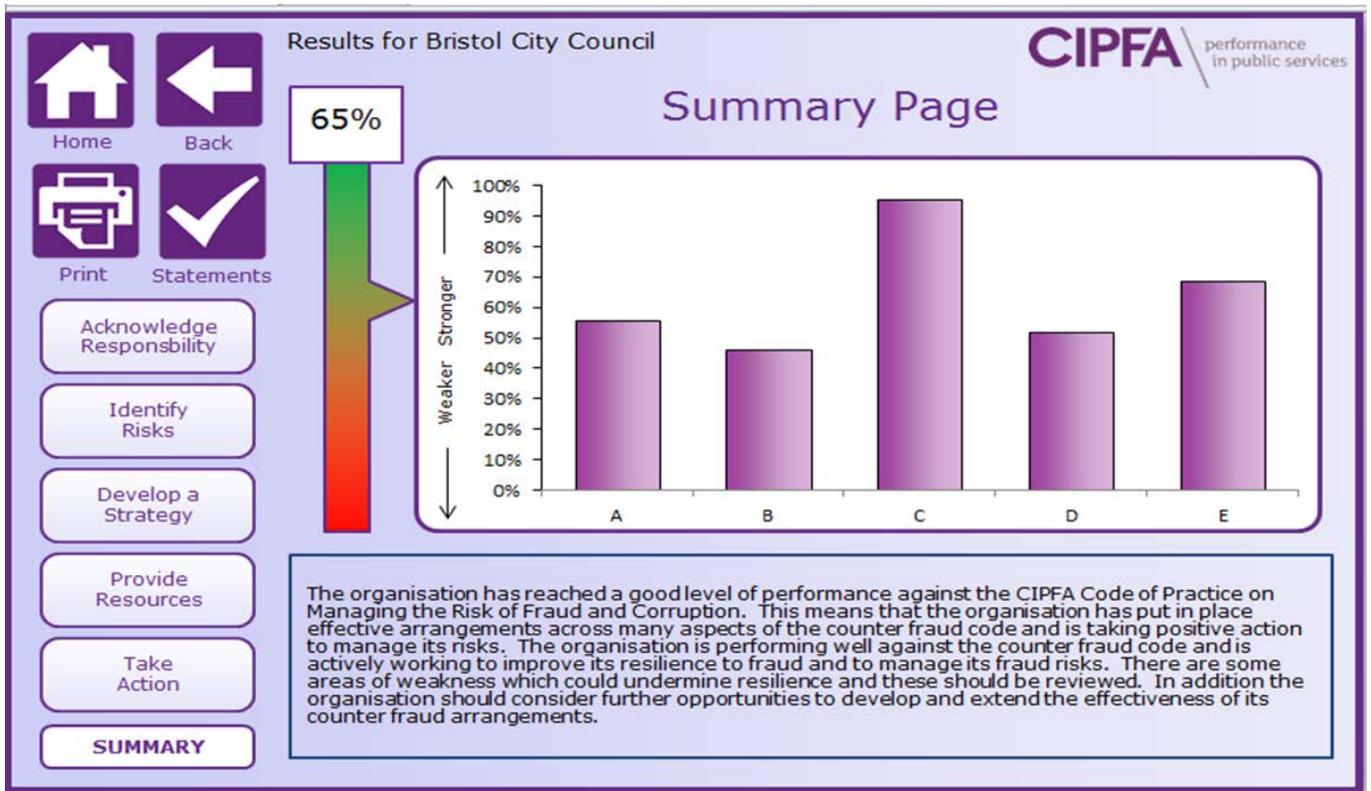


Figure 1

A = Acknowledge responsibility

B = Identify Risks

C = Develop a Strategy

D = Provide Resources

E = Take Action

Gaps in BCC's counter fraud arrangements against CIPFA Code of Practice

More work to be done on fraud risk and to embed fraud risk in the risk management process.

Fraud and Investigation team strategy to be reviewed in line with authority's requirements. Resources to be aligned to strategy.

A more stable basis for the investigation team with temporarily funded positions and a secondment being secured on a more permanent basis.

Other areas of the Council to be reviewed, where resource issues are impacting on the success of fraud work (ie Legal Services, Debt recovery). Service level agreements to be put in place, where appropriate.

Review needed of the rights of access, that authority investigators have to outsourced activities, shared services and partnership arrangements. A standard approach to be adopted for all externally provided services.

Greater publicity needed around fraud work and raising awareness of fraud.

Money laundering policy and guidance needs to be published and some refinements needed to whistleblowing arrangements.

Communication with directorate management needs to be improved to manage expectations around internal investigation work.

Future options for assessing the efficiency and effectiveness of counter fraud operations, to be considered and the recording of savings.

Figure 2

4.4 The significant gaps for the Internal Audit Investigation team are in relation to:

The absence of a stable fully resourced investigation team with posts temporarily funded and an uncertain secondment.

4.5 The cost of the team is predominantly met from Audit Team budget. Other funding sources also contribute with £86k provided from the benefits administration grant and a Housing Advisor, funded from the HRA. With both of those funding sources currently under pressure, the team has a budget risk outside of its control. Action 2 in the table at figure 2 refers to the need for the 'Council to determine its priorities for the team and align the budget accordingly'. In determining the priorities for the team the following should be noted:

- The Housing Advisor secondment is only guaranteed until 31st March 2018. The Estates Manager does not foresee this changing but it would be beneficial for clarity in respect of a permanent arrangement.
- Funding for the two investigator posts paid for from benefit subsidy needs to be secured.
- A more stable basis for the Counter Fraud team will enable on-going savings to be made from proactive fraud work and more work to enable prevention, or early detection of fraud.

The wide remit of the investigations team and the conflicting priorities and demands made on the team:

4.6 The role of the Internal Audit Investigations team needs consideration as to what it can deliver and what it is expected to deliver. Considerations are:

- Proactive fraud work of the team delivers the most savings
- Investigation of responsive work (allegations) is a current policy requirement and can sometimes generate savings, but is resource intensive.
- Preventative fraud work should be an aim and can save costs up front. This is, however, difficult to measure and prove value, with most benchmarking being based on results of fraud found.
- Should the team investigate just fraud or any financial or other irregularity?
- Should the team be required to sell its service externally or concentrate wholly on the Council?

4.7 The impact of achieving performance targets in some areas, when other demands are made on the service that are not so easily measurable, needs to be considered.

5. Counter Fraud activity across the authority

Single Persons Discount

5.1 In 2016/17 Bristol City Council had the lowest percentage of single person discounts of all core cities at 29%. This can be attributed to robust procedures and practices in awarding single person discounts. Council tax liaise with Benefits, Rents, the fraud team within Internal Audit, the Citizen Service call centre and the Citizen Service point to identify potential fraudulent claims or changes in entitlement to single person discount.

Employee dismissed for misuse of Council vehicle fuel card.

The employee concerned had held onto a 'bearer fuel card' (card that can be used for any vehicle) after using a temporary vehicle due to a fault with the individual's usual vehicle.

The card was used to purchase fuel for the individual's own vehicle over a period January 15 to August 16.

The misuse was spotted following centralisation of the budget and monitoring processes. An investigation was carried out by the Internal Audit - Investigations team and resulted in dismissal of the employee.

The amount of fuel purchased for private use is believed to be in excess of £4k. Action to recover the money is in progress.

5.2 Plans are in place for Local Taxation to carry out a full review of the 59,000 single person discounts early in 2018. The review will reaffirm genuine claimants and act on potential cases of fraud using data matching and analysis to ensure the accuracy of our records in a cost effective way. The 2016 review resulted in removal of 1,029 single person discounts. The review in 2018 has the potential to generate a similar outcome and identify at the earliest possible stage fraudulent claims and changes in discounts awarded.

5.3 Bristol City Council also takes part in the National Fraud Initiative to identify potential dual occupancy at properties claiming single person discount. The NFI data matching exercise/investigations are due to take place before the end of this financial year.

National Non-Domestic Rates

5.4 A review by Internal Audit concluded, in January 2017, that the service had a good level of control and management can have reasonable assurance that measures are in place which limit loss of income to the council through fraud and evasion. However due to other Local Authorities successfully making savings through proactive work on NNDR, an exercise is currently underway by the Counter Fraud and Investigations team, working with Local Taxation.

5.5 This piece of work will look at:

- Phoenix Companies - where the assets of one Limited **Company** are moved to another legal entity so that a debt is written off
- False claims for discounts & reliefs
- Failure to notify liability for NNDR

Blue Badge Enforcement

- 5.6 On 27th September 2017 the Council conducted an operation to target misuse of Parking Cards for Disabled People, commonly referred to as “Blue Badges”. The Road Traffic Regulation Act 1984 Section 117 creates an offence where a blue badge is displayed for parking , but the badge holder is not present in the locality.
- 5.7 On the day, two teams each consisting of a traffic Civil Enforcement Officer, a police officer and an investigator from Internal Audit patrolled the areas of Broadmead and the City Centre.
- 5.8 12 Penalty Charge Notices (PCN’s) were issued where there was a suspicion of misuse of badges and 2 further cases are ongoing and under investigation to decide whether criminal proceedings should be brought by the council under the above Act”. 6 have been paid without any appeal. 5 are outstanding and progressing as per the process. 1 has been cancelled on production of evidence that the badge holder confirms that she was shopping at the time we spoke to the driver.
- 5.9 During the day the teams also spoke with a number of drivers and checked badges against occupants of the vehicles. The Police were very helpful and also assisted with odd items (number plate not right etc.) and backing up our requests.
- 5.10 It is intended that further Blue Badge days of action will be carried out.

Right to Buy

- 5.11 All right to buy applications are checked in bulk by the Counter Fraud and Investigations Team using a credit reference software.
- 5.12 A review of the fraud prevention controls was undertaken in December 2016 and a new procedure which involved face to face meetings with tenants looking to buy their property, along with a check of key identification documentation was piloted by the ‘Right to Buy team’. This has been very successful and has improved customer service whilst also reducing the number of applications which are taken forward, at an early stage of the process. The Team Manager is looking to resource this on a more permanent basis and the Investigation team will be analysing why some of these applications are withdrawn for any indication of fraud or tenancy abuse. Other improvements in the process have also been implemented successfully.
- 5.13 In addition work is currently underway to review the process and controls to ensure that where properties are ‘sold on’, the discount is recovered.

6. Counter Fraud Strategy and Policy

- 6.1 There are currently no amendments to the above, although the Strategy will likely need revision following consideration of the CIPFA Counter Fraud Assessment.

- 6.2 As part of this update, the SLT were asked to consider their 'Statement on Counter Fraud' which is at the start of the Anti-Fraud Policy and Strategy. There are no required amendments and the SLT re-state their commitment to tackling fraud as below:

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Statement on Fraud by the Strategic Leadership Team

Bristol City Council – Strategic Leadership team are committed to implementing and maintaining the highest standard of corporate and financial governance and ethical behaviour. We recognise that fraud against the council harms the citizens and taxpayers of Bristol and for that reason, fraud, bribery and corruption against the council will not be tolerated and all such occurrences will be investigated. We will undertake to consider the circumstances of each case of fraud we investigate to ensure we seek a fair and balanced outcome.

We fully support the investigation of allegations of fraud, the continued development of a robust anti-fraud culture and framework within the Council and a strong stance being taken where fraud is found.

The diverse nature of services provided by a council mean that there are many areas where we could be a target for fraud. We will ensure we understand the main fraud risks we face and set out how we protect against them in our fraud risk registers.

We the leadership team, with your support, will strive to ensure that we have robust processes in place to prevent fraud in the first instance and, that we do not forget the risk of fraud in our drive to improve efficiency in our services.