



BRISTOL INTERNAL AUDIT

APPENDIX A

**INTERNAL AUDIT
ANNUAL COUNTER FRAUD REPORT
AUDIT COMMITTEE
31st May 2018**



1. Introduction

1.1 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 progress with actions identified from a self-assessment of arrangements against the CIPFA Counter Fraud Assessment Tool.

2. Key Messages

- 2.1 The Counter Fraud and Investigations Team has generated significant recoverable, ongoing and notional savings for the Council.
- 2.2 The team covers a wide range of Counter Fraud and investigative work within its current structure.
- 2.3 Developments within the service are ongoing and continuous.

3. Savings from Counter Fraud work

3.1 The cost of the whole Internal Audit and Counter Fraud team for 2018/19 is £748k, savings to date are £1.052m recoverable, notional of £3.303m and an ongoing weekly cost saving of £11,231 as detailed in Table 1.

Table 1 - Savings from Fraud work 2017-18

Fraud area	Recoverable £	Notional £	Weekly cost avoidance £
Tenancy Fraud work	30,597	2,418,000	213
Tenancy Fraud Application Cancelled	0	2,000	0
Right to Buy	0	583,000	0
Care Homes (NFI)	176,465	*133,000	5,829
Benefits (NFI)	24,087	*21,341	1,016
Council Tax Reduction (NFI)	10,313	*1,368	65
Housing Benefit	487,491	0	1,920
Council Tax Reduction	247,477	0	1,936
Admin Penalties (Adpens)	29,168	0	0
Personal budget	3,000	0	0
Fuel card misuse	4,013	0	0
Bus Pass	0	698	0
Concessionary Bus Pass (NFI)	0	*3,096	0
Blue Badge (NFI)	0	*91,425	0
Immigration (NFI)	0	*50,000	0
Telephones lines cancelled	0	0	252
INVESTIGATION TEAM SAVINGS	1,052,611	3,303,928	11,231
Council Tax – Single Persons Discount (saving generated by Local Tax team)	440,000	0	0
TOTAL SAVINGS FROM FRAUD WORK	1,452,611	3,303,928	11,231

3.2 The values used in Figure 1 for notional savings are:

- (i) Council property regained = £93,000 (figure recommended by Cabinet Office)
- (ii) RTB = Discount that would have been awarded on the sale.
- (iii) *These are figures reported nationally by the Cabinet Office for the National Fraud Initiative (NFI) exercise and do not reflect our own view of the value of fraud in these areas.

3.3 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.

3.4 Other Significant Results:

- 26 Properties regained through tenancy fraud or abuse.
- 9 Right to buy applications cancelled for false representation or other.
- 11 false tenancy applications or successions prevented .
- Recoverable overpayments from 19 CTR/Benefit cases including one prosecution.
- Dismissal of an employee for misuse of a fuel card.
- An out of court settlement of £90k for a Personal Budget fraud.
- Cancellation of 11 payments to Care homes where the home had continued to accept payment for deceased persons. Recovery of £51,287 of the £176,485 from the care homes has so far been recovered.
- A Blue Badge enforcement exercise which identified 3 cases where legal proceedings are being pursued.

3.5 The number of regains of properties through tenancy fraud and abuse were down this year at 26 against our target of 37. We have found that a greater burden of proof is required of the Council by the civil court, to prove that a person is not occupying their property as their main residence and the impact of tenancy fraud on the community and housing problem is not always acknowledged in court.

3.6 The following improvements are being made to achieve our regain target in the forthcoming year:

- Presenting each case in court with an explanative summary about tenancy fraud and its impacts.
- Looking at more targeted ways of working and the most successful types of referral.
- Looking at whether our approach has changed from earlier years when our regain levels were higher.
- Having consistent Legal Support.
- Exploring the possibility of a tenancy Key Amnesty in Autumn 2018.

4. Some interesting casework

Blue Badge Exercise

On 27 September 2017 Internal Audit took part in a joint exercise to identify misuse of blue badges, an exercise supported by a local disability group. Bristol City Council Civil Enforcement Officers and Internal Audit Investigations Officers were on the streets of Bristol together with Avon and Somerset Police. The exercise was a multi-agency effort involving linking up with South Gloucestershire Council on the day to check badges. The overall response from the public on the day was positive – people were pleased that checks were being carried out.

12 penalty charge notices were issued on the day for parking infringements and the exercise highlighted 2 suspected criminal offences of using blue badges fraudulently. These 2 cases were investigated further and the Council's Investigations Officers carried out interviews under caution.

On 2 May 2018, Bristol Magistrates Court issued two financial penalties of £522 in respect of the above cases.

Direct Payment Case

An investigation by the team in Internal Audit identified a large overpayment of direct payments due to excess capital. Audit worked with legal services to try and secure repayment of the monies which was complicated as the service user had sold their property and moved abroad. Despite this, Bristol City Council applied for, and was granted, an injunction to freeze the person's assets. After lengthy negotiations and 3 court appearances, a settlement was reached and we secured a payment of around £90,000.

5. Resources and workload of Investigations team

5.1 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.

5.2 The team of 7.2 FTE bring together a varied skill set including qualified investigators, accountants, a Data Analyst, Prosecution Officer, Intelligence Officer and a Housing Officer.

5.3 Table 2 summarises the range of the workload of the tem in 2017/18:

Table 2 – WORKLOAD 2017/18			
	Referrals Received	Closed in year	In progress
Corporate Fraud	24	21	28
Tenancy Fraud	280	360	94
CTR Fraud	30	77	13
National Fraud Initiative matches investigated and closed			3,286
Other Enquiries dealt with in the year			
Police Enquiries	305	Pupil tracking requests	181
Requests from other Enforcement Bodies	88	DWP Benefit enquiries/LAIFs	464

NB The cases closed in the year, in some instances are more than referrals received in the year, as some cases are carried forward from previous years.

5.4 Proactive and anti-fraud work undertaken by the team during the year included:

- Improvements to the fraud web pages and referral forms
- A review of Right to Buy fraud prevention controls and the implementation of improvements to both reduce the risk of fraud and improve the customer experience.
- A review to ensure the process for recovery of discounts where social housing properties purchased have been sold on
- A review of purchase cards for which a follow up is in progress
- An assessment of the Council's whistleblowing arrangements.

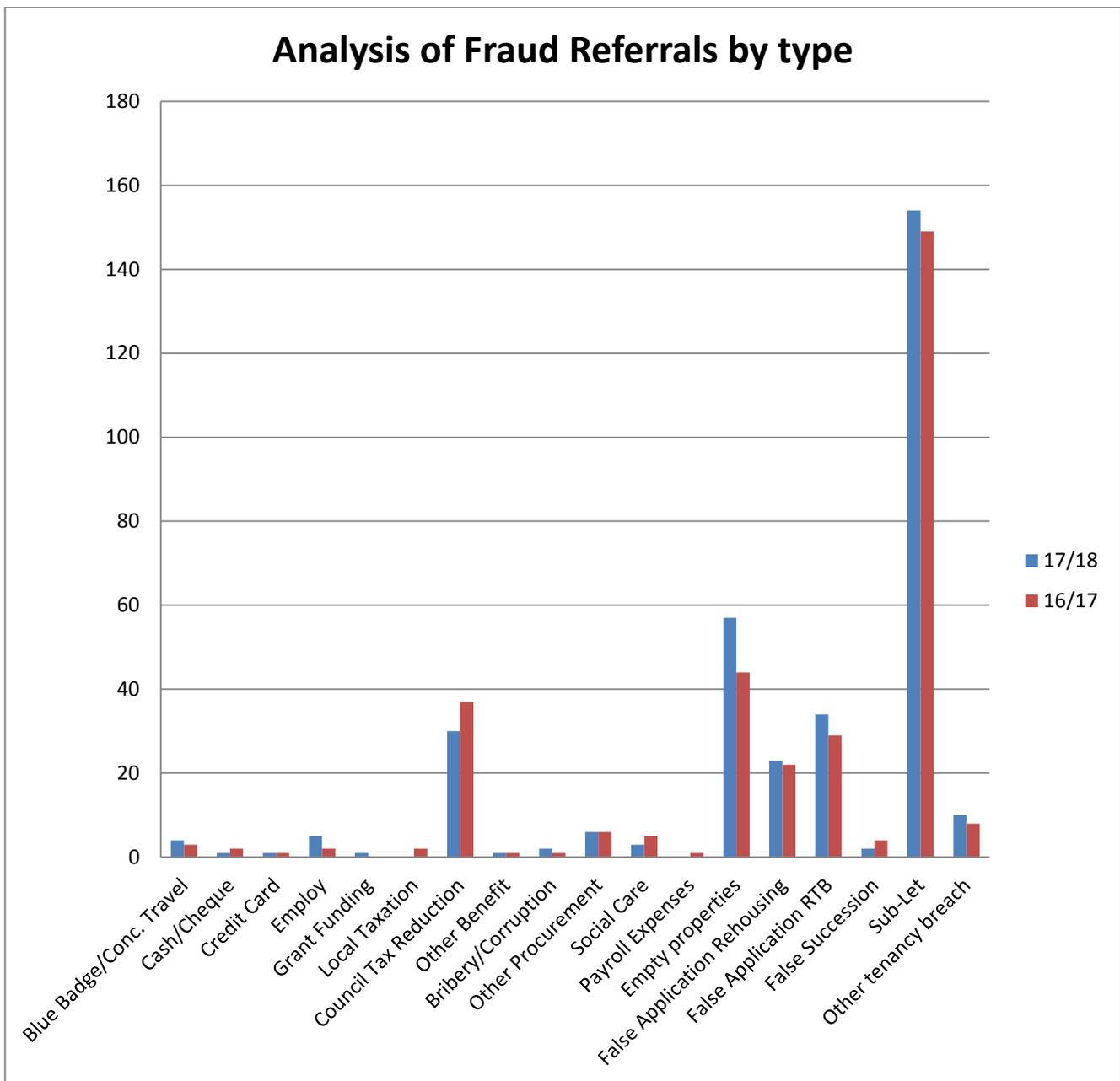
5.5 Ongoing work includes:

- Business rates fraud and avoidance detection review
- AP Forensics Fraud Module – monitoring for possible payment fraud
- Further review of National Fraud Initiative Data Matching output

5.5 Additionally, the team manage the National Fraud Initiative data upload and review of output for the Avon Fire and Rescue Service and will continue to do so in the forthcoming year.

6. Types of Fraud referrals investigated

6.1 The graph below provides an analysis of the types of fraud referral received over the last two years. Tenancy and Right to Buy fraud continues to be an on-going issue with no significant spikes in other areas.



7. Counter Fraud work by Local Taxation team in 17/18

- 7.1 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, Tenancy fraud, 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.
- 7.2 Bristol City Council is required to carry out regular reviews of single person discounts and our latest review, of 54,000 cases, took place over a 12 week period in early 2018. The review reaffirmed genuine claimants and cases of potential fraud were identified using data matching and analysis to ensure the accuracy of our records in a cost effective way. The review resulted in the removal of 1,559 single person discounts valued at £440k.
- 7.3 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 has been completed and investigations are currently taking place.

8. Counter Fraud Assessment & Benchmarking

8.1 Earlier on in the financial year, we self-assessed the Council's Counter Fraud arrangements using the CIPFA Counter Fraud Assessment tool. This identified some areas for improvement. Below is an update on progress with the agreed actions:

	GAP IN ARRANGEMENTS	ACTION TO DATE
1	More work to be done on fraud risk and to embed fraud risk in the risk management process.	<i>Fraud risk is now included in the Corporate Risk Register and being periodically updated. A Risk Manager has been appointed who can develop this further.</i>
2	Fraud and Investigation team strategy to be reviewed in line with authority's requirements. Resources to be aligned to strategy.	<i>The Corporate Business Plan sets out some priorities for fraud work. The Audit structure and core service is under review.</i>
3	A more stable basis for the investigation team with temporarily funded positions and a secondment being secured on a more permanent basis.	<i>As above</i>
4	Other areas of the Council to be reviewed, where resource issues are impacting on the success of fraud work (i.e. Legal Services, Debt recovery). Service level agreements to be put in place, where appropriate.	<i>Regular meetings taking place between Tenancy Fraud investigation officers and Legal Services officers to progress cases. Looking to work more closely with debt recovery and Legal Services to ensure that financial recovery from fraud work is maximised.</i>
5	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.	<i>Review included in the Audit Plan for 18/19.</i>
6	Greater publicity needed around fraud work and raising awareness of fraud.	<i>Business case for key amnesty to be produced for Housing Services Leadership Team August 18, with a view to having amnesty in Autumn. Roll out of fraud e-learning module.</i>
7	Money laundering policy and guidance needs to be published and some refinements needed to whistleblowing arrangements.	<i>Report and policy went to Statutory and Policy Board in May 2018. Will go on to Cabinet for approval.</i>
8	Communication with directorate management needs to be improved to manage expectations around internal investigation work.	<i>Service Directors are being updated on investigation progress more regularly.</i>
9	Future options for: <ul style="list-style-type: none"> • assessing the efficiency and effectiveness of counter fraud operations • recording of savings. 	<i>Changes being made to ensure we seek to recover costs where possible and encapsulate all savings from an investigation. Recoverable savings is already recorded. A method to record actual recovery to be developed.</i>

9. Work planned for the forthcoming year

9.1 In addition to the responsive investigation work the following pieces of counter fraud work are planned for the forthcoming year:

- Analysis and proactive fraud work on Personal Budgets
- A review of Bribery and Corruption fraud controls
- Exploring the development of a Data Warehouse for fraud detection.
- Procurement analytical review.
- Exploring the possibility of a tenancy fraud key amnesty.