



BRISTOL INTERNAL AUDIT

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HALF YEAR INVESTIGATION & COUNTER FRAUD REPORT

26th November 2018



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 during the period 1st April 2018 – 31st October 2018.

2. Key Messages

- 2.1 The Counter Fraud and Investigation team undertakes a variety of work. The team are dedicated but there is always a difficult balance to be struck between proactive work that identifies savings and responsive investigation work.
- 2.2 The work of the team continues to contribute significant benefits across the Council:
 - recoverable, on-going and notional savings is in excess of £2 million have been identified to date;
 - 16 council properties regained and the Estates Team assisted to recover a further 7 properties;
 - 2 false housing applications cancelled;
 - 1 false right to buy application cancelled.

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 plans a work programme at the beginning of the year. At the half year mark 56% of the planned fraud work is either complete or in progress. A review of the plan has led to 2 pieces of work being removed due to them no longer being required. A further 2 items are potentially at risk but will be reviewed against the priorities of investigative work. The team remains on target to deliver 90% of the planned work by year end.
- 3.3 Apart from the planned work, the team deals with a number of internal investigations of fraud or irregularity. Some of these are complex and resource intensive investigations. The investigation of these is policy driven and provides assurance to management on

concerns raised, along with actions for improvement. The team work closely with Human Resources where disciplinary proceedings are considered appropriate.

- 3.4 The team aims to respond to all allegations promptly and is continually balancing priorities between the work that delivers savings and the work that protects the integrity of the council.
- 3.5 A further team aspiration (although not a formal performance indicator) is that it will pay for itself by way of identifying recoverable savings. This has already been achieved this year to date with savings identified as below. Further work still needs to be undertaken to identify the amounts of recoverable savings that have actually been recovered.

Savings for 2018/19 (as at 31/10/18)

Fraud area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£10,947	£1,488,000	£634
Right to Buy	0	£56,000	0
Benefits National Fraud Initiative (NFI)	£33,898	0	£1,801*
Benefits (DWP work)	£335,653	0	£976
Council Tax Reduction (BCC work)	£33,808	0	£747
Administrative Penalties (Adpens)	£3,876	0	0
Room hire payment	£180	0	0
School investigation	£840	0	0
Non Domestic Rates/Small Business Relief	£50,583	0	0
TOTAL	£469,785	£1,544,000	£4,158

Figures used for notional savings are:

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

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

*NFI use a 21 week multiplier to this figure and claim £37,836.75 as the total cost avoidance

3.5 In respect of Tenancy Fraud, the team has a performance target of 30 council property regains. Currently the team have achieved 16 so is on target at the half year mark.

Workload facts and Figures

The Counter Fraud and Investigations team has the following caseload as at October 2018:

- 158* Benefit (assisting DWP investigations)
- 84 Tenancy Fraud
- 16 Council Tax Reductions investigations
- 11 Procurement
- 7 Social Care
- 2 Local Taxation/Non Domestic Rates
- 2 Blue badge
- 3 Employment
- 1 Credit card
- 1 Other

Since 1/4/18 it has received:

- 95 Tenancy Fraud referrals
- 203 Requests for information from the DWP
- 13 other fraud referrals including Procurement, Social Care, Blue badge and employee fraud.
- 123 requests for information from the Police or other enforcement body.
- 85 pupil tracking requests for information.
- 58 advice queries on benefit fraud from colleagues

Results facts and figures

- 16 Council properties regained.
- Cases where we have assisted Estates to secure a regain.
- 1 Right to buy application cancelled due to false information.
- 2 false housing applications cancelled.
- 2 blue badge prosecutions (conclusion of the 2017/2018 enforcement exercise).

Fraud Awareness Training

The team has provided fraud awareness training sessions to:

- Caretakers
- Benefits administration teams

It also organised and co-ordinated document verification training from the Home Office for several departments including homeless prevention and Citizen Service Point colleagues.

The Social Care training has been deferred until after the data analytics and audit work on Direct Payments has been completed, but some initial workshops are planned.

Responsive Investigations:

The team receive a number of allegations of suspected fraud and irregularity. Three examples of responsive investigations are detailed below:

Nursery & Children's Centre Investigation:

A lengthy investigation at a nursery and children's centre identified poor financial practices and lack of controls and established that £840.37 was owed by a senior member of staff.

Both the Audit and Investigations Team worked together to deliver a fraud awareness/financial good practice training session to the governors and senior leadership team.

Procurement Investigation:

An investigation was carried out by the team into the procurement of works. This found that the officer responsible for the project had failed to follow the Council's procurement regulations and procedures and had given the work to a contractor to which they had a personal association. The team worked closely with HR as there was also a concurrent management investigation of the same officer, in respect of the unauthorised removal of office furniture and equipment.

The outcome of the two investigations were the dismissal of the officer concerned.

Use of council rooms for private use:

The team were involved in a review which identified £180 owed for use of council rooms for a private function.

The review instigated a revision of the procedures and guidance for using such rooms which is likely to result in increased revenue for the council.

4. Proactive Work

4.1 The Investigation Team continually strives to embrace the corporate value of curiosity and be innovative by always looking at new ways to prevent and identify fraud. During the first half of the year it has been involved in planning and preparing for the following key priority projects during the second half of the year:

- Direct payment data analytic work to identify fraud risks
- To work with Registered Social Landlords to deliver a key amnesty in Spring 2019
- NFI data uploaded for output due early 2019
- Development of a data hub.
- Further Blue Badge enforcement exercise due in December 2019

4.2 Direct Payments.

The team will undertake some data analytic work in this area with a view to identifying and sample testing high value and high risk cases. The analytics will compliment and shape the work in this area by the Assurance Team and will seek to identify weaknesses and lack of appropriate controls. The work will also allow targeting of the planned social worker fraud awareness training.

4.3 Key Amnesty

This is a significant project to work with Registered Social Landlords to both publicise the cost and effects of housing fraud to the citizens of Bristol, and to offer the opportunity to those who no longer need their social housing to relinquish their tenancy without any further legal ramifications. Preparation work such as consultation with RSLs and other stakeholders is underway. The team aim to deliver this project in Spring 2019.

4.4 Data Hub

This is a long term project that requires significant initial collaboration and ICT capability. The development of a data hub reflects the awareness that data is an essential tool in both fraud prevention and detection. Ongoing data matching and analysis can identify fraud trends and irregularities. It can also help preserve the integrity of data held by Bristol City Council and promote efficient data processing. This may also reduce overpayments and aid their recovery. The team are in the early development and planning stages and are engaging stakeholders.

4.5 Right to Buy

All right to buy applications are checked in bulk by the Counter Fraud and Investigations Team using credit reference software.

Non Domestic Rates (NDR) Small Business Relief (SBR)

Significant savings have been identified by proactive data matching in respect of SBR.

In a collaborative approach the team has worked closely with Local Taxation to identify recoverable savings of £50,583 where SBR has been removed due to companies having dissolved or claimed SBR inappropriately.

Further work in this area is proposed when data sharing agreements with other local authorities are in place.

NDR: Charity Relief

The team are also exploring further matching with Charities Commission data to reduce the amount of cases that require manual verification by Local Taxation colleagues.

5. Counter Fraud Activity Across the Authority

- 5.1 The Local Taxation Team carry out a rolling review of all council tax discounts and exemptions and have several counter fraud initiatives.
- 5.2 The Local Taxation team is currently undertaking the National Fraud Initiative (NFI) 2017/18. This is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Revenues team has access to the National Fraud Initiative (NFI) database and is able to check properties claiming single person discounts against the Electoral Role data.

5.3 Property splits

Local Taxation have also carried out some work to investigate premises where the Valuation Office Agency (VOA) have split property into many assessments, thus avoiding rate by the individuals in occupation of each part being entitled to SBR. Splitting the premises is a VOA decision and sometimes a nationwide decision by the VOA to split certain types of hereditaments. The team has little or no influence of the VOA decision making, but if the split is factually incorrect then Local Taxation will challenge the decision.

5.4 **NDR Business Relief Empty Properties (intermittent)**

Empty Property Business Rates Relief provides 100% relief from business rates during the first 3 months in which any office or retail premises are empty, or the first 6 months in which any warehouse or industrial premises are empty.

This is an area that Local Taxation is monitoring. Some companies have been identified as following the practice of stating intermittent occupancy to take advantage of business rate relief. Local Taxation are introducing a procedure to pick up new cases when they see a pattern appear and will write for proof of occupation and visit the premises when occupied to satisfy us that actual occupation is taking place. This relief is also monitored where the owner leases the property and the new leaseholder immediately goes into liquidation, thus avoiding rates due to business relief. Council tax liability may remain in the owner's name and the lease ignored.

6. Counter Fraud Strategy and Policy

- 6.1 The team have reviewed and published a revised Anti-Money Laundering Policy and accompanying guidance.
- 6.2 The Council has a robust Anti-Fraud, Bribery and Corruption Policy and consider that no amendments to it are required at this time.
- 6.3 In 2017, the Council's Counter Fraud arrangements were assessed against the CIPFA Counter Fraud Assessment toolkit. The following table provides a summary of the key actions resulting from the assessment and the action taken to date:

	ASSESSMENT GAP	ACTION TAKEN SO FAR
1	<i>More work to be done on fraud risk assessment.</i>	Work planned for quarter 3 and 4 of 2018/19
2	<i>Fraud and Investigation team strategy to be reviewed in line with authority's requirements. Resources to be aligned to strategy.</i>	<p>New team structure proposed which would include increased counter fraud and investigative resource. Strategy is to:</p> <ul style="list-style-type: none"> • Deliver a comprehensive Counter Fraud and Investigations Service • Continually improve and develop the service. • Grow the volume of the business via the generation of increased levels of external income or recharging of services internally. <p>This to be achieved by:</p> <ul style="list-style-type: none"> • Continuing to provide a wide range of counter fraud and investigative services • Improving liaison with Registered Social Landlords on tenancy fraud work through the key amnesty and other work • Development of a data warehouse and data hub <p>Taking advantage of opportunities to work with other Local Authority fraud sections.</p>
3	<i>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>	Quarterly meetings are held with Legal Services.
4	<i>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>	Planned piece of work for Quarter 3.
5	<i>Greater publicity needed around fraud work and raising awareness of fraud.</i>	<p>Internal article being produced to raise awareness of fraud e-learning module.</p> <p>Other opportunities for publicity to be considered as they arise:</p> <ul style="list-style-type: none"> • Key amnesty • Any prosecution cases • Blue Badge exercise • Fraud update reports
6	<i>Money laundering policy and guidance needs to be published and some refinements needed to whistleblowing arrangements.</i>	<p>Money Laundering policy and guidance has been published.</p> <p>Whistleblowing arrangements reviewed and subject to annual audit.</p>
7	<i>Communication with directorate management needs to be improved to manage expectations around internal investigation work.</i>	Monthly management updates being provided on certain investigations.
8	<i>Future options for assessing the efficiency and effectiveness of counter fraud operations, to be considered.</i>	CIPFA fraud survey completed.