



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ANNUAL COUNTER FRAUD REPORT 30 April 2019



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 March 2019.

2. Key Messages

- 2.1 The Counter Fraud and Investigation team undertakes a variety of work. The team is dedicated and constantly strives to achieve a balance 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 of £3.9 million have been identified;
 - 32 council properties regained. Furthermore, the team provided advice and assistance which secured the return of another 15 properties by the Estates Team;
 - 2 false housing applications cancelled;
 - 1 false right to buy application cancelled.
 - 2 employees dismissed

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 prevention 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. A review of the plan mid-year led to 2 pieces of work being removed due to them no longer being required. The team have completed or have in progress 92% of the 2018/19 planned work.
- 3.3 As well as the planned work programme, 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 been achieved this year with savings, identified below, more than twice the investigation team budget. Whilst it is not the team's role to recover the savings, further work will be undertaken to identify the amounts of recoverable savings that have actually been recovered to ensure team efforts remain appropriately focussed

Savings for 2018/19

Fraud area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£11,899	£2,796,000	£659
Right to Buy	0	£56,000	0
Benefits National Fraud Initiative (NFI)	£39,759	0	£2,280*
Benefits (DWP work)	£694,815	0	£1,955
Council Tax Reduction (BCC work)	£106,150	0	£1,315
Administrative Penalties (Adpens)	£6,432	0	0
Room hire payment	£180	0	0
School investigation	£840	0	0
Non Domestic Rates/Small Business Relief	£53,519	0	£761
Local Tax NFI/SPD	£129,834	0	0
TOTAL	1,043,428	£2,852,000	£6,970

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 uses a 21 week multiplier to this figure and claim £47,880 as the total cost

- 3.6 In respect of Tenancy Fraud, the team has a performance target of 30 council property regains. The team have successfully regained 32 council properties through their investigation work.

Workload facts and Figures

The Counter Fraud and Investigations team has the following caseload as at 23 April 2019:

- 66 Benefit (assisting DWP investigations)
- 88 Tenancy Fraud
- 13 Council Tax Reductions investigations
- 13 Procurement
- 8 Social Care
- 2 Local Taxation/Non Domestic Rates
- 2 Blue badge
- 5 Employment
- 1 Credit card
- 1 Other
- 1 Assets
- 1 Grant Funding

Since 1/4/18 it has received:

- 277 Tenancy Fraud referrals
- 464 Requests for information from the DWP
- 35 other fraud referrals including Procurement, Social Care, Blue badge and employee fraud.
- 212 requests for information from the Police or other enforcement body.
- 206 pupil tracking requests for information.
- Over 150 advice queries on benefit fraud from colleagues
- Other advice requests from a range of colleagues

The graph at section 7 of this report shows how the level of referral for each type of fraud compares with previous years. Overall referrals have increased slightly with referrals in respect of social care payments, council tax reduction and blue badge/concessionary travel increasing this year.

Results facts and figures

- 32 Council properties regained.
- 15 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) and one formal caution for misuse of a blue badge
- 2 employees dismissed
- 7 Investigations resulting in a report with recommendations being issued

Fraud Awareness Training

Significantly, the team has this year launched an online fraud awareness training package that has been completed by approx. 2600 colleagues across the council to date. (refer to para 4.9 for further details). Additionally, fraud awareness training sessions have been delivered to:

- Caretakers
- Benefits administration teams.
- Call centre colleagues.

This included organised Home Office document verification training.

Responsive Investigations:

- 3.7 The team receive a number of allegations of suspected fraud and irregularity. The investigations have included suspected fraud and irregularity at a nursery and childrens centre, breaches of procurement regulations, direct payment fraud and inappropriate grant expenditure. These investigations are often long and complex by nature. One example of a case that has taken considerable time to progress, but also demonstrates the tenacity and resolve of the team is below:

Non Domestic Rates (NDR)

In collaboration with colleagues in Local Taxation and Legal Services , the team have worked for a lengthy period to try and find a solution to a case of repeated evasion of NDR by the apparent use of sham companies.

The council have limited powers to investigate in this area and so have been inventive in finding ways to challenge and end the practice.

After collating a significant amount of evidence the matter was referred to the Avon and Somerset Police.

After securing further evidence the Police arrested and interviewed the owner under caution. Whilst the matter is ongoing, it is hoped that a significant amount of retrospective NDR in excess of £100k can be recovered. The practice has now ceased and the owner is now liable for the full amount of NDR . The team continue to work to assist the Police.

4. Proactive Work

- 4.1 The Investigation Team continually strives to embrace the corporate value of 'curiosity' and being 'innovative' by always looking at new ways to prevent and identify fraud. Various proactive fraud work has been undertaken and the increased use of data analytics is being undertaken to identify fraud risks and highlight irregularities. Data matching has also been used to help sift and prioritise work and lessons learned from this can help preserve data integrity and shape the development of a 'data hub' project for the prevention and detection of fraud.

Direct Payments.

- 4.2 The team has undertaken some initial data analytic work in this area with a view to identifying and sample testing high value and high risk cases. This included recipients of Direct Payments who have made no use of the money they receive, and a data match to identify persons who have continued claiming after they have left the area. The analytics will compliment and shape the work in this area by the Assurance Team and will seek to identify any improvements in control to minimise the risk of fraud.

Tenancy Fraud Campaign

- 4.3 This is a significant project to work with some Registered Social Landlords to both publicise the cost and effects of housing fraud to the citizens of Bristol. It offers the opportunity to those who no longer need their social housing or who are committing tenancy fraud to relinquish their tenancy without any further legal ramifications.
- 4.4 Significant preparation for this took place during 18/19: the team engaged and consulted with Legal Services, Equalities and the Communications Team as well as colleagues across Housing and Landlord Services. Following a briefing to the West of England Housing Group, the team are working closely with United and Solon Housing Associations. The campaign will run during April and May 2019. The results will be collated and reported on in 2019/20.

Data Hub

- 4.5 This is a longer term development project which will look at routinely matching and analysing data sets held by BCC and some external datasets, with the aim of preventing and detecting fraud and error. Ongoing data matching and analysis can identify fraud trends . It can also help clean and improve the 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.

Right to Buy

- 4.6 The team continue to check all right to buy applications in bulk using the data hub software which includes access to credit reference information. This work can also identify benefit fraud issues and helps to ensure compliance with money laundering regulations.

NFI HMRC Pilot exercise

- 4.7 In addition to the biannual Cabinet Office data matching exercise, Bristol City Council received an invitation in December 2018 to take part in a pilot National Fraud Initiative project using data from HMRC. This work was not planned, but was the first time that HMRC data has been available so it was an exciting opportunity and the team agreed to take part. The initial matches were released in February 2019 and the team are currently

sifting and analysing the data. Early indications suggest that the exercise will produce some significant results which will be collated and reported on for the 19/20 year.

Blue Badge Exercise

- 4.8 The team continued to work closely with Parking Services, the Blue Badge Team and Avon and Somerset Police to investigate blue badge mis-use. An enforcement exercise took place in December 2018 which resulted in penalty charge notices being issued. Two persons suspected of blue badge mis-use were invited to attend interviews under caution for offences. One case is pending legal action and the other admitted an offence and accepted a formal caution. The team received positive feedback from the public, including badge holders, during the exercise.

Fraud Awareness Training

- 4.9 A mandatory fraud prevention awareness online training package was launched across the council for all employees. After completing the course employees will understand the broad nature of fraud and why preventing it is important. The training explores the key indicators that may highlight fraud may be occurring and also informs of the main aims and methods for identifying money laundering.

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

Savings have been identified by proactive data matching in respect of SBR. In collaboration with Local Taxation, the team have identified:

- £53.5K of recoverable savings from the removal of Small Business Rate relief wrongly claimed.
- The annual relief that was cancelled and will result in an on-going saving is approximately £26.7k (based on 2018 NDR rate)
- 481 Charities were confirmed as such and entitled to charitable relief by matching to charity commission information. Leaving a reduced number (448) to be confirmed by manual means.
- Identification of 2 Phoenix Companies which are currently being further investigated. (where the assets of one Limited Company are moved to another legal entity so that a debt is written off, but the company is effectively the same company).
- Agreement to undertake a similar exercise on NDR with South Gloucestershire Council.

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.

Council Tax - Single Persons Discount Relief (SPD)

- 5.2 The Local Taxation team is currently reviewing National Fraud Initiative (NFI) 2017/18 output which reports on Council Tax accounts receiving SPD where Electoral Role data indicates more than one individual resides at the property. To date 182 SPD's have been cancelled resulting in a recoverable saving of £129,834.
- 5.3 The NFI now undertake this exercise annually and the Counter Fraud team are looking to utilise the data hub software to automate the process of checking the output and reduce the volume of instances that require manual checking.

Empty Property Business Rates Relief

- 5.4 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 have introduced a procedure to pick up 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.

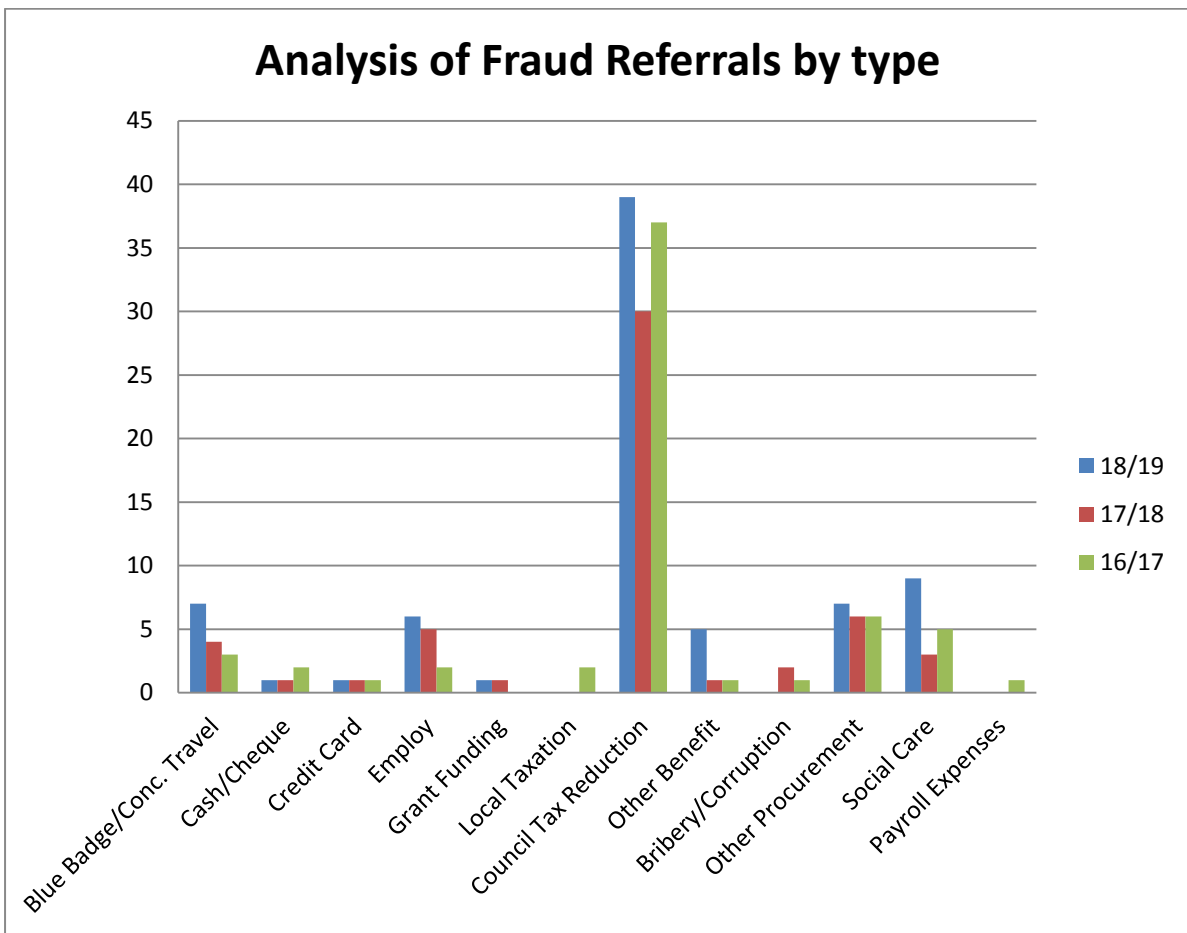
6. Counter Fraud Strategy and Policy

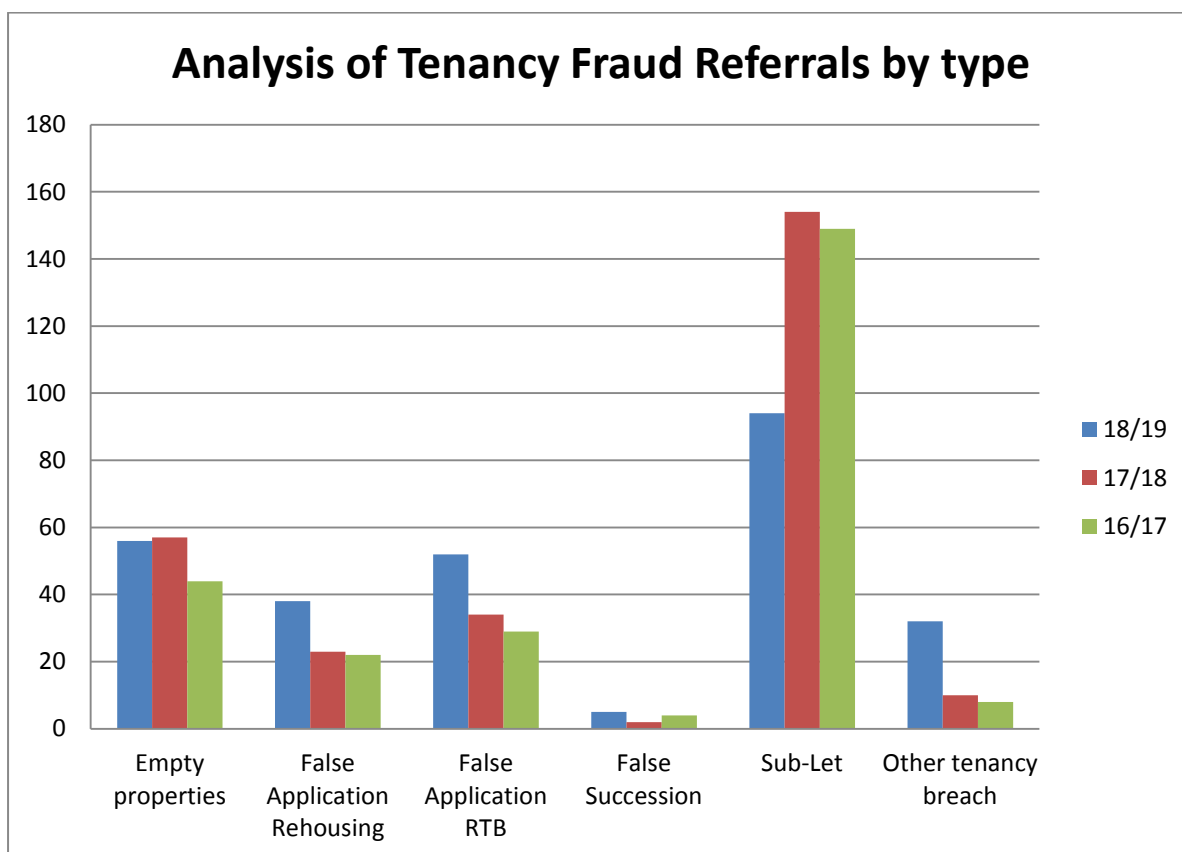
- 6.1 The team have reviewed and published a revised Anti-Money Laundering Policy and accompanying guidance.
- 6.2 The Council has a robust Anti-Fraud, Bribery and Corruption Policy which is reviewed and updated as considered appropriate. Following a review of fraud awareness in schools, the need to reinforce and raise awareness that the policy applies to schools was identified. This work has been planned for the forthcoming year and will be reported to Audit Committee in 2019/20 once complete.
- 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>	Now planned for 2019/20.
2	<i>Fraud and Investigation team strategy to be reviewed in line with authority's requirements. Resources to be aligned to strategy.</i>	<p>Complete.</p> <p>The new team structure agreed from 1 April 2019 includes increased counter fraud and investigative resource as well as Data Analysis resources.</p> <p>The 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 • Taking advantage of opportunities to work with other Local Authority fraud sections.
3	<i>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.</i>	<p>Complete and ongoing</p> <p>Quarterly meetings are held with Legal Services. Quarterly meetings to be held with Housing and Landlord Services</p> <p>Service Level agreement is in place with Housing and Landlord Services</p>
4	<i>Review 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>	An audit review of access rights to contractor records is in progress.
5	<i>Greater publicity needed around fraud work and raising awareness of fraud.</i>	<p>Complete</p> <p>Mandatory E learning module launched. Approx. 2600 colleagues have completed to date.</p> <p>Other opportunities for publicity will 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</i>	Complete

	<i>published and some refinements needed to whistleblowing arrangements.</i>	Money Laundering Policy and Guidance has been published. Whistleblowing arrangements reviewed and subject to annual audit.
7	<i>Communication with directorate management needs to be improved to manage expectations around internal investigation work.</i>	Complete and Ongoing. 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.

7. Fraud Trends and 19/20





8. Summary

8.1 The Council benefits from a busy and successful Counter Fraud Team that has sound knowledge and experience of investigating the key fraud risks that face the Council. The team has been further strengthened this year to increase its resource and enhance analytics skills available in the pursuit of fraud. With these new skills and resources the team is looking forward in 2019/20 to:

- Progressing the data hub
- Maximising positive outcome from the NFI and other data matching exercises
- Building on the direct payment investigation work by carrying out some proactive data analysis work
- Publicising the key amnesty and working with registered housing providers to target tenancy fraud

8.2 The number of corporate fraud referrals has increased from 2017/2018 figures, particularly in the areas of blue badge misuse and direct payment fraud. Internal Audit will continue to work with management to review control processes in these areas.