BRISTOL
INTERNAL AUDIT

Counter Fraud and Investigation Team
– Fraud Update Report

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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 during the period 1st April 2019 to 20th October 2019
- demonstrate how the Council is dealing with some of the fraud risks it is subject to
- outline how resources available to the team are being used to tackle fraud.

2. Key Messages:

2.1 The Counter Fraud and Investigation Team undertakes investigative work in a variety of fraud risk areas including Social Housing tenancies, council tax reduction, direct payments and internal investigations. It also undertakes a number of proactive exercises including the use of data analysis and matching to prevent and detect fraud and identify savings to the Council.

2.2 The work of the team continues to contribute significant benefits across the Council:

- recoverable, on-going and notional savings in excess of £2 million have been identified to date;
- 19 council properties regained;
- 7 other positive outcomes from tenancy fraud work (such as housing applications cancelled or benefit savings)
- 1 employee dismissed following a benefit fraud investigation with the DWP.
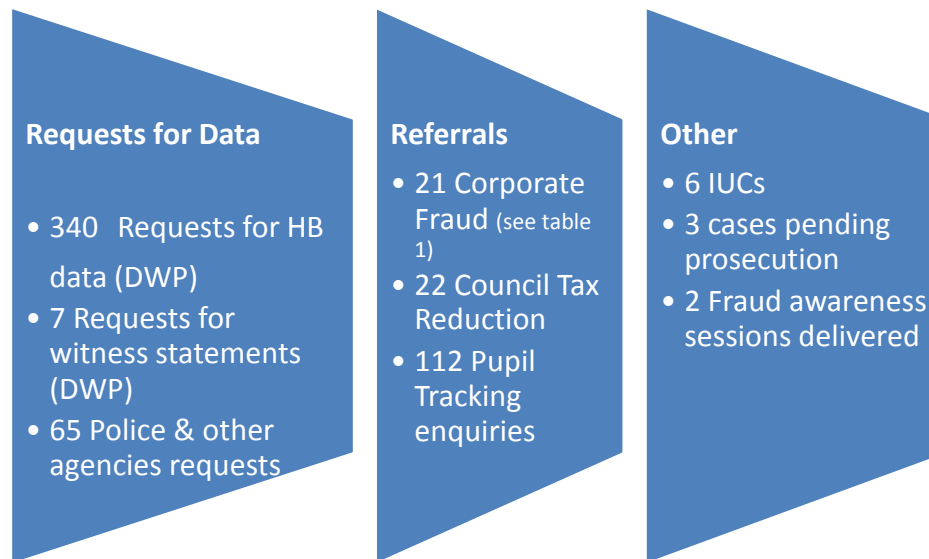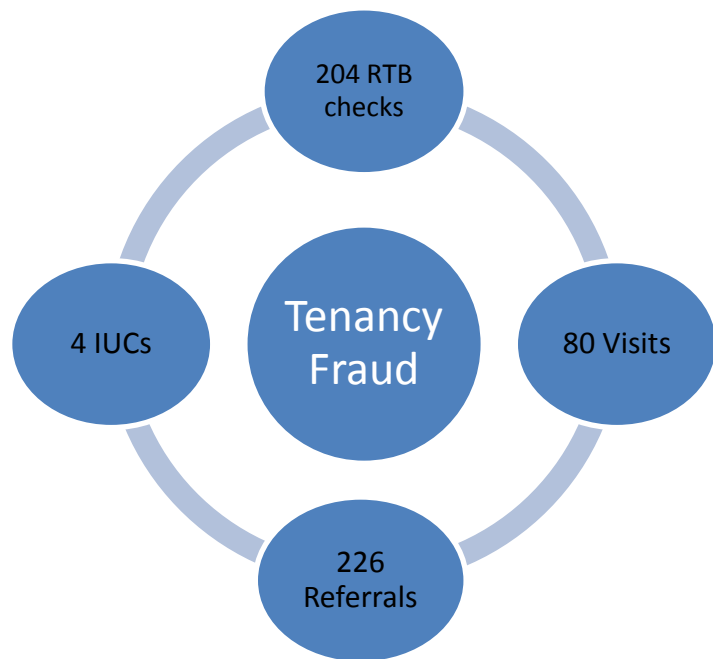
3.   Team Work Programme Overview

3.1   The team plans a work programme at the beginning of the year. At the half year mark 78% of the planned fraud work is either complete or in progress. The plan includes:

- Proactive fraud work – data matching to find fraud, tenancy fraud key amnesty campaign
- Fraud prevention work – reviews to identify weaknesses in fraud controls.
- Training and publicity – raising awareness of fraud with work colleagues and the public.

3.2   In addition the team provides for a level of responsive work. This includes:
- investigation of allegations of fraud and irregularity in accordance with Anti-Fraud, Bribery and Corruption Policy.
- 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.

3.3   Some of these investigations are complex and resource intensive, but are policy driven and provide 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   In respect of Tenancy Fraud, the team has a performance target of 40 council property regains. Currently the team have achieved 19 regains. The tenancy fraud work has also identified 4 other housing positive outcomes. This could be a person removed from the housing register due to a fraudulent application, or a person occupying a 3 bedroom property but moved to a smaller property due to a fraudulent application, but who still has a housing need. There are also 3 other outcomes recorded such as benefit savings or the removal of single persons discount from a council tax account.

4. Workload Facts and Figures:

4.1 The figures below are for the half year period and show both the range and volume of work that the team handle.

Tenancy Fraud
- 204 RTB checks
- 4 IUCs
- 80 Visits
- 226 Referrals

Requests for Data
- 340 Requests for HB data (DWP)
- 7 Requests for witness statements (DWP)
- 65 Police & other agencies requests

Referrals
- 21 Corporate Fraud (see table 1)
- 22 Council Tax Reduction
- 112 Pupil Tracking enquiries

Other
- 6 IUCs
- 3 cases pending prosecution
- 2 Fraud awareness sessions delivered

NB: RTB = Right to Buy
IUC = Interview Under Caution

Table 1: Analysis of Corporate Fraud Referrals

Procurement	Blue Badge	Grant	Local Tax	Employee	Social Care	Credit Card	Assets
3	5	1	2	6	2	1	1

5. Savings Figures 2019/20 (as at 9/10/19)

Fraud area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£12,681	£1,767,000 (i)	£460
Right to Buy	0	0	0
National Fraud Initiative (NFI)	£25,149	£93,000	£558
Benefits (DWP work)	£416,153	0	£1,264
Council Tax Reduction (BCC work)	£2,956	0	£572
Administrative Penalties (Adpens)	£3,735	0	0
Direct Payments (Investigations)	£10,595	0	£166
Pool car investigation	£2,849	0	0
Direct Payment to Ctax data match	0	0	£185
NFI HMRC (pilot exercise)	£66,758	0	£134
TOTAL TO DATE	£540,876	£1,860,000	£3,339
2018/19 Full Year Comparator	£1,043,428	£2,852,000	£6,970

Figures used for notional savings are:

(i)   Council property recovered = £93,000 (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. Analysis is currently underway to determine the extent to which recoverable amounts are effectively recovered. The results will inform team plans going forward.

6.   Key Amnesty

6.1 This was a tenancy fraud campaign that was held over the period 1 April to 30 May 2019. Working with two registered housing providers, the amnesty was publicised through various means including social media, posters at various location and emails to tenants. Citizens were encouraged to report tenancy fraud and tenants committing fraud were offered the opportunity to voluntarily surrender their tenancy without recriminations.

6.2 Investigations are in some instances on-going so the final results are still to be determined. Results to date:

- 470% increase in fraud referrals.
- 23 cases are still under investigation
- 2 tenants under investigation took advantage of the amnesty to voluntary surrender their property.
- 1 anonymous referral received resulted in a housing application being cancelled as the person had failed to advise they had moved out of Bristol.
- 7 voluntary surrender of keys during the amnesty period for 'no apparent reason' by people previously or currently subject to tenancy fraud investigation
- 2 Housing Association voluntary regains

7.   Using Data to Target Fraud

7.1 National Non-Domestic Rates

- The team are working on identifying Small Business Rate Relief (SBR) fraud by matching data with South Gloucestershire Council to identify businesses that should not be entitled to SBR. This is a continuation of work carried out in 2018/19. The aim is to maximise revenue from Business Rates.
- Other data matching is being explored to ensure maximisation of income from Business Rates, using planning information, Companies House, Charities Commission data and other sources of information.

7.2 Direct Payments

- The team have matched direct payment data to council tax records to identify service users who have left Bristol area but still receiving direct payments from BCC. The matches are currently being reviewed and the outcome is not yet known.

- It is hoped to regularly match to deaths information through the National Fraud Initiative flexible matching service.

7.3 National Fraud Initiative (NFI)

- The authority volunteered in a pilot NFI exercise which matched BCC data to HMRC data. To date this has identified savings of £66k with further investigations into tenancy fraud and benefit cases on-going.
- The NFI biennially matches data across local authorities and an ever expanding number of other data sets and sources of information. Work on the 2018/19 output is on-going.
- The NFI annually matches Council Tax Single Persons Discount data against Electoral Register and other sources of data. The output from this exercise is voluminous and is currently being further refined by the teams Data Analyst to a more manageable size using risk profiling and credit reference data.

7.4 Fleet Vehicle Use

Following investigation into the misuse of a fleet vehicle, an exercise is underway to assess whether there has been any other misuse. A number of measures have been implemented by the Fleet Services Manager to improve control, and monitoring put in place to detect misuse.

7.5 Profiling of Tenancy Fraud Cases
In order to take a more focused approach to tenancy fraud work, some profiling of fraud cases has been undertaken and some targeted exercises will result

8   Case Examples

8.1 Misuse of the Enterprise Car Club Scheme:
HR referred a case to the Team where it was suspected that a casual employee had used a pool car for several thousand miles of personal mileage. The Team worked with Fleet Services and the Police in respect of an offence of taking a vehicle without consent. The person promptly paid £2,849 to the council which was the estimated value of the mileage.

8.2 Benefit Fraud – Confiscation Order:

The team have been working on a benefit fraud case that commenced in 2009, when the City Council had responsibility for investigating housing benefit. The case is a good example of the tenacity of the team over a lengthy period of time.

- The case concerned a failure to declare ownership of a property resulting in a benefit overpayment of almost £20k. Following a trial, the person was convicted in 2012 and received a suspended prison sentence in 2013.
- After numerous adjournments the City Council was granted a Confiscation Order in 2015. The person was ordered to pay the £20k owed plus £43k of council costs.
- The person appealed but this was dismissed in 2016.
- The person failed to comply with the Confiscation Order and served 4 months in prison.
- The Council applied to the Crown Court in 2019 for the court to appoint an Enforcement Receiver to enforce the debt and Court agreed that an Enforcement Receiver should be appointed
- The Enforcement Receiver will force the sale of the property and the £20k debt and £43k costs will be due to the City Council from the proceeds.

9. Resources

9.1   The counter fraud and investigations team is made up of 10 (9.4 FTE) employees with a range of different skills including, accredited investigators, data analyst, Prosecutions officer, Accountant, Auditor, Housing Officer and ex police. The team is carrying an Investigator vacancy which is in the process of being recruited to. In addition a temporary data analyst resource was bought in to cover sickness absence and to enable us to move forward with the planned proactive fraud work and the development of data analytics and the fraud hub.

10.   Anti-Fraud, Bribery and Corruption Policy

10.1   The Anti-fraud, Bribery and Corruption Policy has been reviewed and the Corporate Leadership Board has re-affirmed confirm their statement on fraud at the start of the Policy document.

10.2   Some additions and amendments have been made to the policy including:

- who the policy applies to
- the legislation and definitions in section 3
- contact details, job titles in section 4.6 and 8
- Internal Audit responsibilities - to include reference to its assurance role and the requirement to maintain records.
- the policy and strategy document are now two separate documents
- the format amended.

10.3   A recent survey of schools has identified a lack of awareness of the policy and the available support from the Counter Fraud and Investigation team. Options to raise awareness with schools are currently being explored.

10.2   The revised policy is provided at appendix A1 of this report for the Committees review and endorsement.

11.   Current and Future Key Initiatives

11.1 The Council works in an increasingly complex and challenging environment and the threat to the public purse remains high. As well as the initiatives detailed above, the following current/future developments seek to ensure that the Council maximises its resilience as far as is possible.

11.2 **Data Hub**

The development of a data hub is being progressed, to undertake data matches and analytics such as those above, on a regular and routine basis and provide timely prevention and detection of fraud. A number of options are being viewed and trialled including:

- Existing data hub software held within the team, which is being used to undertake regular matching and analysis that was previously carried out on an ad hoc basis.
- Other data warehouses in BCC. We are working with the Business Intelligence team to pilot some work on Business Rates using Intelligent I.
- External providers such as CIPFA, Cabinet Office (NFI Data Hub). Visits have or are being arranged to view their products, which may offer access to some datasets that BCC does not own.

A project plan is being prepared and options for development of a regional hub, are being explored with Heads of Audit at neighbouring local authorities.

11.3 **Fighting Fraud and Corruption Strategy**

In October 2019 BCC hosted a 'Fighting Fraud and Corruption Locally' workshop. The workshop brought together fraud experts from other Local Authorities in the West of England region to contribute to the government's forward strategy on public sector fraud. Once published, the Council's own Counter Fraud Strategy will be refreshed and reviewed.

11.4 **Training and Awareness**

The team will continue with a programme of fraud training and awareness across the Council. This will include regular review of e learning and web based guidance to employees across the Council as well as targeted sessions for employees working in high risk fraud areas.

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