



BRISTOL INTERNAL AUDIT

Fraud Annual Report 2019-20

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1. Introduction

- 1.1 The Council's Counter Fraud and Investigation Team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Anti-Fraud, Bribery and Corruption Policy. The Team works across all directorates to identify fraud and to provide a dedicated proactive and responsive investigation service. 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 31st March 2020.
 - Demonstrate how the Council is dealing with some of the fraud risks it is subject to.
 - Outline how resources available to the team have been used to tackle fraud and the emerging priorities going forward.
 - Provide a summary of the response to fraud risks associated with Covid-19.

2. Key Messages

- 2.1 The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018, constituting a third of all crimes in the UK. A 2017 annual fraud indicator study estimated the loss to the public sector from fraud as £40.4 billion. Housing, procurement and local taxation are some of the highest fraud risks facing local authorities.
- 2.2 The Counter Fraud and Investigation Team undertakes investigative work in a variety of fraud risk areas including social housing tenancies, council tax, direct payments and internal investigations. It also undertakes a number of proactive exercises including the use of data matching and analysis to prevent and detect fraud and identify savings to the Council.
- 2.3 In response to the Coronavirus pandemic (Covid 19), the team effectively collaborated with Finance colleagues in the management and distribution of emergency grants to individuals and organisations by undertaking critical pre and post verification checks of applications.
- 2.4 The biennial National Fraud Initiative data output was released in February 2019 and the team targeted the matches in the high risk areas to produce significant and recoverable savings.
- 2.5 The work of the team continues to contribute significant benefits across the Council as reflected by the following outcomes in 2019/20:
- Recoverable savings of £1.2m
 - Notional savings of £3 million
 - Ongoing savings of over £9.8k per week identified.
 - 41 council properties regained /other positive housing outcome
 - 3 employees dismissed and 1 formally warned.
 - First direct payment prosecution.
 - 9 corporate investigations resulting in recommendations.
- 2.6 Due to the team's success in its work with Local Taxation on business rates and tenancy fraud, it was shortlisted for a national award in these two categories. The Fighting Fraud and Corruption Locally awards are for outstanding fraud detection or investigation in local government. However, the award ceremony has been postponed due to the Covid-19 pandemic.

3. Team Work Programme Overview

3.1 The team plans a work programme at the beginning of the year that is approved by the Audit Committee. The plan includes:

- Proactive fraud work – data matching to identify fraud, tenancy fraud exercises.
- 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 the Council's 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 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. Some of the 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 work of the team results in identification of overpayments or other assets that are recoverable by the Council. The table below provides details of the amounts identified in relation to 2019/20:

| Fraud work area | Recoverable | Notional | Weekly Cost Avoidance |
|---|-------------------|-------------------|-----------------------|
| Tenancy Fraud | £16,434 | £2,706,720 | £1,085 |
| National Fraud Initiative (NFI) including pilot with HMRC | £145,420 | £279,000 | £2,851 |
| Benefits (DWP work) | £566,402 | 0 | £3,283 |
| Council Tax Reduction (BCC work) | £104,491 | 0 | £1,240 |
| Administrative Penalties (Adpens) | £7,921 | 0 | 0 |
| Direct Payment Investigations | £5,298 | 0 | £1,153 |
| Direct Payment/local tax data match | £193 | 0 | £185 |
| Pool car Investigation | £2,849 | 0 | 0 |
| Non Domestic Rates/Small Business Relief | 0 | 0 | £46 |
| Local Tax NFI/SPD (joint work with Local Taxation) | £368,437 | 0 | 0 |
| TOTAL | £1,217,445 | £2,985,720 | £9,843 |

Figures used for notional savings are:

- (i) Council property recovered = £93,000 (figure recommended by Cabinet Office)

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

4. Fraud Risk Area - Tenancy Fraud

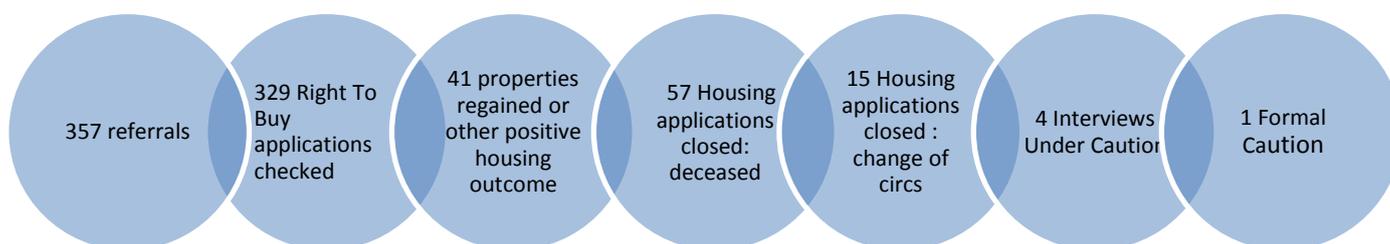
- 4.1 Tenancy fraud and abuse is a key risk area for the Council. In support of the Council's strategic objective of reducing homelessness and to help ensure that Council housing properties are allocated to and used by those with a genuine need, the team undertakes a significant and important programme of work each year to identify and recover properties lost to tenancy fraud.
- 4.2 In 2019/20, the team had a performance target of 40 council property regains or other positive housing outcomes. The team have achieved 41. A positive housing outcome could be a person removed from the housing register due to a fraudulent application, or a fraudulent right to buy application cancelled. There are also 8 other positive outcomes recorded such as benefit savings or the removal of single persons discount from a council tax account.

Key Amnesty

- 4.3 The key amnesty was a tenancy fraud campaign during April and May 2019 during which Bristol City Council received 190 fraud reports, 97 of which were accepted for further investigation. This is a 470% increase in referrals compared to the previous year. The final outcomes from the exercise were:

| Organisation | Voluntary surrenders during amnesty | Referrals resulting in a regain | Other properties surrendered * |
|----------------------|-------------------------------------|---------------------------------|--------------------------------|
| Bristol City Council | 1 | 2 | 7 |
| United Housing | 3 | - | - |

*Some analysis and checks of all the appropriate systems has been carried out in respect of all of the keys returned to Estates during April and May. It cannot be stated with any certainty that keys were returned due to the amnesty, but the keys to 7 properties were returned for no apparent reason and are for properties/tenants that have been investigated. These 7 have not otherwise been included in reported figures.



- 4.4 The team **completed** a review of fraud prevention measures in the allocation of social housing which concluded that there was 'reasonable assurance' that Housing and Landlord Services had effective measures in place to prevent housing being obtained fraudulently. However, the report also identified some areas requiring improvement. Despite this conclusion, the misuse of social housing remains an inherently high fraud risk area to local authorities.
- 4.5 During the year, the team was able to finalise a long outstanding case which is summarised below;

A 2016 National Fraud Initiative data match highlighted a tenant as having two social housing tenancies, one with Bristol City Council and the other with another social housing provider. The tenant had obtained a secure tenancy with BCC in 1996. In 2009 a housing application was submitted as a result of the family experiencing harassment. In 2011 the tenant and his family were awarded a property with the other housing provider. Legal proceedings commenced by BCC in 2016 due to the non-occupation of the BCC property. After a very protracted court case, during which allegations against BCC made by the tenant were dismissed by the court, BCC were granted two possession orders and finally gained possession via a court warrant in February 2020.

- 4.6 Proactive Tower Block Exercise: The team planned a proactive tower block exercise and plans were in place to carry this out in March 2020. However, it was necessary to postpone this work due to risks associated with the outbreak of Covid-19. These plans will be reassessed and take forward once the situation improves.

5. Corporate Fraud Work

- 5.1 A breakdown of the corporate fraud investigations closed during the year can be found at Appendix A.
- 5.2 As part investigations work, the team works with management to help them develop initiatives to improve the control environment. For example, following investigation into the misuse of a fleet vehicle, an exercise was carried out to ascertain whether there had been any other misuse of vehicles. No instances of other significant misuse were identified although there were issues with vehicles being booked and not used. As a result of the review, a number of measures have been implemented by the Fleet Services Manager to improve control and a monitoring system developed by Audit's Data Analyst has been put in place to detect misuse.
- 5.3 There have been a number of internal investigations which have not established fraud, but have identified where improvements are needed. In many cases the team have worked with HR and have been able to highlight practices in need of review and have made recommendations such as revising job descriptions and improving training. Two investigations in respect of overpaid foster care payments suggested improvements to the links between social services and finance and recommended the inclusion of financial obligations in foster carer information packs. In total 3 employees have been dismissed and 2 received a formal warning in 2019/20.
- 5.3 Direct Payment Investigations have achieved a weekly saving (WIB) of £1,153. This is the sum that was being paid each week to service users and has now stopped following investigations. This represents a sum in excess of £59k per year. In addition the Council had its first direct payment prosecution as detailed in the next paragraph.

The team received a report that a direct payment service user had died and the carer had continued to submit time sheets for the care of the deceased person. After an investigation, the carer was interviewed under caution during which they admitted falsifying the time sheets purporting to be signed by the deceased person. Criminal proceedings were instigated and the defendant admitted offences at court. This is the Council's first direct payment prosecution.

- 5.4 The corporate fraud referrals received during 19/20 were split in the following categories:



- 5.5 The team provides a liaison role with other agencies and dealt with:
- 271 pupil tracking requests
 - 126 Police/Other enforcement agencies requests
- 5.6 Fraud awareness training was provided to colleagues in Local Taxation and the Debt Recovery Team.
- 5.7 A blue badge enforcement exercise with Parking Services and the Police planned for March 2020 was postponed due to the risks associated with Covid -19.

6. Benefit Fraud Work

6.1 **The** team provides a role to support the Department for Work and Pensions in their housing benefit fraud investigation work. During 19/20 the team:

- 511 requests for benefit information and documents responded to
- 14 witness statements prepared for criminal proceedings
- 8 administrative penalty requests

6.2 The team also investigate Council Tax Reduction (CTR) offences:

- 55 current investigation cases (as at 29.4.20)
- 1 Formal Caution issued
- 1 prosecution pending

One case was referred to the team in August 2019 by the DWP as they were unable to verify capital. Following our investigation it was established that the CTR claim was false from the outset due to undeclared capital of £68K. A CTR excess of £9k was identified.

6.3 Collaborative working with the Education Welfare department has led to a weekly benefit saving of £786. This is a HB/CTR sum being paid out each week which has now stopped.

7. National Fraud Initiative (NFI) & Data Matching

7.1 In March 2019, Bristol City Council took the opportunity to take part in a pilot NFI data match involving HMRC data. For the first time, HMRC data was available.

7.2 NFI is a biannual exercise which matches government and local authority data. The team continued to work through the 2019 output reviewing over 7,000 matches and delivering savings as reported in 3.4 above in the areas of direct payments, residential care, benefits and duplicate payments. In addition 147 blue badges have been cancelled and applications of now deceased applicants removed from the Council's housing waiting list.

7.3 An exercise using the National Fraud Initiative – mortality screening to ensure that social care benefits and services are cancelled on death, is planned for the end of June 2020.

7.4 In 2019/20 Local Taxation carried out a rolling review of all council tax exemptions and other discounts except single person discount. Plans have been made to run a full single person discount review from April 2020 and undertake the full NFI single person discount matching with electoral role.

8. Response to Covid 19 reliefs and policy changes

Risk Assessment

8.1 A fraud risk assessment was undertaken to assess the risks of the various relief packages that the government has enabled to support businesses and individuals, the relaxation of some controls and policies and the increased risk

of scams. From the assessment a programme of work for the Internal Audit – Counter Fraud and Investigation team was developed.

- 8.2 The fraud risk assessment identified the distribution of grants to small businesses under the small business and Retail, Hospitality and Leisure grant scheme, as the highest fraud risk area. The scheme provided for payment of a grant of £10k or £25k (dependent on Rateable Value) to all businesses in receipt of Small Business rates relief and any business in the Retail, Hospitality and Leisure sectors.
- 8.3 Pressure to pay these grants quickly meant that pre-payment checking was limited, with some payments being made automatically without application or check. The Internal Audit Counter Fraud team developed a pre-payment checking process which was applied to some but not the initial payment files. This included:
- Checking the business to Companies house data to ensure the business had not been dissolved.
 - Checking the business met the qualifying criteria.
 - Sample checking the unincorporated businesses for evidence of trading.
 - Checking the payment file for any duplicate payments.
 - Investigating cases where there is a concern with the grant application
- 8.4 The work is on-going although 84% of business grants have now been paid totalling £80.8m (as at 18/5/2020).
- 8.5 There is a high probability of fraud in this area due to the speed by which payments were made and the limited amount of pre-payment checking that could be undertaken in the time. Furthermore business rates legislation and the various business rate avoidance schemes that are widely and openly in operation have enabled some businesses to capitalise on these grants. Working with Local Taxation the Counter fraud team has started to tackle such cases of Business Rate avoidance prior to the pandemic, but there are few precedents and the principles of the business rate legislation were applied in the distribution of the grants.
- 8.6 Government guidance setting out expectations re fraud checks was provided late against the pressure to pay, and checking tools were not available to Local Authorities until well into the process. A programme of post- payment checks is therefore planned using data analytics and a bank verification tool. However there is a high probability of loss to fraud and error with recoverability in some instances, likely to be difficult.
- 8.7 The later rounds of discretionary grants although of smaller value, allowed time to develop a more robust checking process.

Supplier Reliefs

- 8.8 Internal Audit are reviewing plans for supplier relief and have also advised on processes to protect against bank mandate fraud and shared details of procurement scams to relevant teams.8.9 In addition work is underway using the Fiscal Accounts Payable Fraud module, in order to detect any fraud that has occurred.

Trust & Protect

- 8.9 In response to Covid 19 the Benefit Service aligned the Council's verification approach with the Department for Work and Pensions' 'Trust and Protect' principles. The aim of this approach is to limit the need for people claiming to go outside, post evidence and attend the Citizen Service Point during the Covid-19 outbreak. This will support the safety of citizens and colleagues, as well as ensuring that we are able to make payments as quickly as possible to those who need our support. The verification of evidence for housing benefit is not specified in legislation so this approach did not affect any requirements under the Housing Benefit regulations 2006 (as amended) or our local council tax reduction scheme.
- 8.10 The approach deals only with a temporary relaxation of evidence requirements where it cannot be easily provided electronically. Additional evidence can be requested as and when high risk cases are identified. The Council will be

able to identify, at a future time, all claims/changes that have been processed under the Trust and Protect approach principles.

8.11 The new approach will be subject to review as circumstances change or by 23rd August 2020.

Scams

8.12 During the Covid19 pandemic a number of scams have emerged targeted at the Public, health sector and Local Authorities. Details of scams and intelligence alerts have been shared through the National Anti-Fraud Network and CIFAS (credit industry fraud avoidance service) and passed on to relevant teams within the authority (Procurement, Accounts Payable). Those affecting the public have been published on the Council web site and through social media.

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. As such it is appropriately resourced to deliver its programme of work.

10. Counter Fraud Strategy & Policy

10.1 The governments updated strategy – ‘Fighting Fraud and Corruption Locally’ (FFCL) has recently been launched and whilst we would have planned to review our policy in line with this document prior to the production of this report, the business grant work that the team has been involved in has prevented this. It is now intended that the policy will be reviewed in 2020/21.

10.2 The Counter Fraud team have self- assessed their arrangements against a checklist covering the key requirements of the FFCL strategy. The following areas were identified as requiring further development and will now form part of the counter fraud response plan.

- Regularly reviewing the fraud risk registers
- Greater publicity of fraud cases
- More regular review and reporting on disclosures of interests and gifts/hospitality
- More work to be done in the area of recruitment
- Ensure changes to policies and procedures are fraud proofed.

11. Whistleblowing

11.1 Management of the ‘whistleblowing process’ moved to Internal Audit from 1st April 2020 largely as planned. Recruitment is now in progress to appoint the additional resource required to support the management of the whistleblowing process.

11.2 The publication of the transfer was delayed, but took place in June 20. There were no new Whistleblowing allegations in the first quarter of the year.

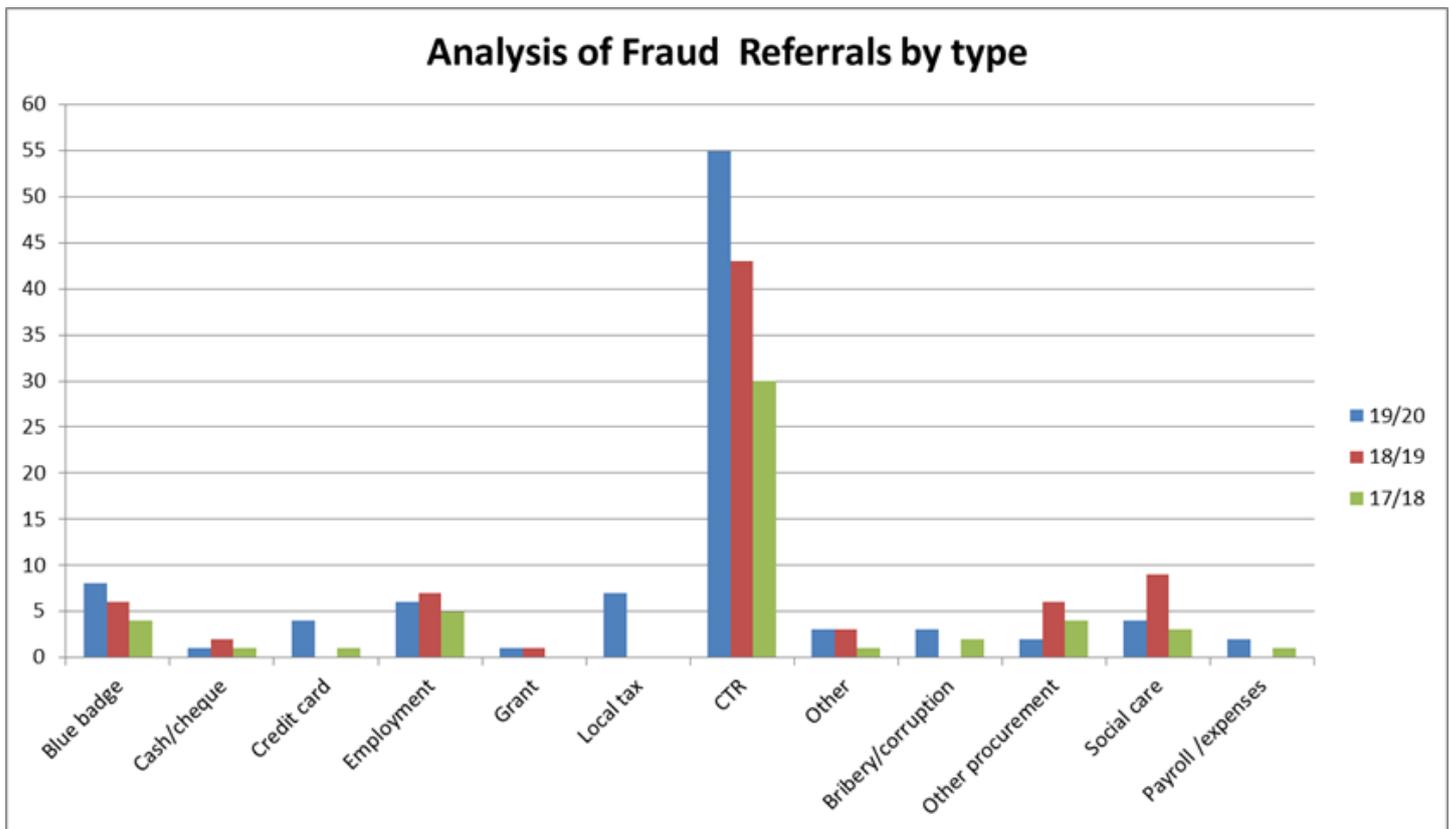
11.3 The following table provides an update on the whistleblowing actions previously reported to Audit Committee.

| | Action | Status | Details |
|----|--|----------|---|
| 1. | Corporate Message on Whistleblowing arrangements | Complete | Internal Communications’ email 18 th June 2020 |

| | | | |
|----|--|--------------------|--|
| 2 | Reminder to staff of external mechanisms to whistle-blow | Complete | Covered in procedure document. Message on brief linked to procedure. |
| 3 | Induction training and regular counter fraud e-learning to improve awareness and enhance confidence in the process | Complete | Some work done on improving the e learning module but nothing specific on induction. Fraud module is a mandatory course for all employees. |
| 4 | Quarterly report on number of whistleblowing cases | Complete | Zero in first quarter as per this report. |
| 5. | Use Incase (case management system) to track cases and to provide timely feedback to whistleblowers | Complete | None in first quarter. Case management system set up to deal with Whistleblowing cases. |
| 6. | 2019 All Party Report to be considered in full. | Complete | |
| 7. | Creation and publicity for hotline | Complete | 'Internal Communications' email 18 th June 2020 |
| 8. | Investigated by appropriate individual | On-going | Each case will be initially looked at by a Manager and allocated to a suitably qualified person within or external to the team as appropriate. |
| 9. | Arrange for annual independent review. | Not yet due | Review due in December 2020 |

12. Fraud Trends

12.1 The following graph shows the trend of fraud referral over the last 3 years. This information is maintained and monitored by the team to ensure its work remains correctly targeted. It does not include tenancy fraud referrals.



12.2 The chart shows a significant increase in council tax reduction (CTR) and local taxation referrals. The local taxation referral increase is likely due to some fraud awareness sessions that were provided to Local Taxation teams. The gradual increase in CTR referrals over the last three years is due to the Council successfully adapting following the transfer of the benefit fraud team to the DWP in 2015.

12.3 The number of corporate fraud referrals has increased over the last 3 years:

| Year | Total corporate fraud referrals |
|---------|---------------------------------|
| 2017/18 | 22 |
| 2018/19 | 35 |
| 2019/20 | 41 |

13. Summary

13.1 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. During 20/21 the team will:

- Carry out post payment checks for the Covid 19 business grants.
- Develop and implement a fraud hub.
- Maximise positive outcome from the NFI and other data matching exercises
- Promote whistleblowing and ensure cases are dealt with robustly to enable colleagues to feel reassured and confident about whistleblowing.
- Review the council's counter fraud strategy and policy
- 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.
- Internal Audit will continue to work with management in key risk areas to review control processes in these areas.