



BRISTOL
INTERNAL AUDIT

Counter Fraud & Investigation Annual Report 2020-2021

Simba Muzarurwi
Chief Internal Auditor



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 Council's policy is aligned to the Fighting Fraud and Corruption Locally Strategy 2020 which is the governments 'blueprint' for tackling fraud in Local Government.
- 1.2 The Team works across all directorates to identify fraud and to provide a dedicated proactive counter fraud and responsive investigation service. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional and criminally compliant investigation service and advise on control measures that will prevent recurrence.
- 1.3 The purpose of this report is to:
 - Provide details of the work undertaken and results of the Counter Fraud and Investigation Team during the period 1st April 2020 to 31st March 2021.
 - Outline how resources available to the team have been used to tackle fraud
 - Detail the emerging priorities going forward.
 - Provide a summary of the response to fraud risks associated with Covid-19.
 - Summarise outcomes from investigation activities and lessons learnt.
 - Provide a report on the Council's whistleblowing arrangements including an amendment to the Whistleblowing procedure.

2. Key Messages

- 2.1 Despite some of the difficulties faced as a result of the Covid19 pandemic particularly the three national lockdowns, the team has continued to work effectively throughout the period and delivered tangible benefits for the authority:
 - Checking for possible fraudulent applications for business support grants, including checking trading status and bank information.
 - Delivering 19 positive housing outcomes and 3 positive other outcomes from continued work on tenancy fraud
 - Identifying recoverable savings of in excess of £1.1m generated by the team from various fraud work.
- 2.2 Other highlights included:
 - The team winning a national fraud award for its holistic approach to its tenancy fraud work.
 - Raising awareness of fraud both internally and externally during International Fraud Awareness week.
- 2.3 The independent review of the Council's whistleblowing arrangements managed by Internal Audit was undertaken in February 2021 by South West Audit Partnership who provided substantial assurance on robustness and effectiveness of the Councils arrangements.

3. International Fraud Awareness Week

- 3.1 The International Fraud Awareness Week in November 2020 provided the opportunity to promote fraud awareness across the Council, including the financial and reputational impact of fraud. The Counter Fraud and Investigation Team programmed a series of activities to raise awareness both within and externally to encourage

all to be vigilant to fraud particularly during a Covid19 time when fraud risk was likely to be increasing. The activities included:

- Reviewing and refreshing of Counter-fraud internal intranet and external internet pages.
- Fraud awareness presentation at the Council Leadership Forum on 17 November.
- Targeted messages to staff working in high fraud risk areas such as housing and procurement.
- Fraud awareness messages in internal communications bulletins to staff across the Council.

4. Fraud Risk Area - Covid 19 Business Grants

4.1 Since the first lockdown in March 2020 Bristol City Council has paid out over £145m to around 19 000 local businesses over 9 different schemes in the form of grant support. A further 'Business Restart scheme' has recently commenced and is not reflected in the figures below.

4.2 The amount paid out across the various schemes are shown below:

Grant Type	No	£
Small Business Grant and Retail, Hospitality Grant	7429	94,421,468
Discretionary Grants	1191	4,716,933
Local Restrictions Support Grant (Closed) (November Lockdown)	3084	5,118,819
Additional Restrictions Grant	2763	7,659,465
Local Restrictions Support Grant (post 2 Dec)	1235	2,172,402
Christmas Support Payment for wet-led pubs	274	274,000
Local Restrictions Support Grant (post 1 Nov)	13	33,968
Local Restrictions Support Grant (January Lockdown) & Closed Business	3056	30,534,762
Local Restrictions Support Grant (Open)	169	550,517
	19214	145,482,334

4.3 Applications have been assessed within the service delivery teams and checks have also been carried out within Internal Audit using various tools and analytics. These checks have included:

- Checks to Companies House data to ensure the business is not insolvent, in administration, and appears actively trading (accounts filed up to date).
- Checks across the West of England Combined Authority (WECA), where schemes only permitted one grant across the region.
- Validation of bank account details
- Checks for possible duplicate applications

4.4 £1.038m of applications have been stopped for reasons of not meeting the criteria or fraud, through this work.

4.5 The volume and frequency of grant distributions has meant that bulk checking of files was utilised where possible. Some post payment checking has been carried out, although this has been limited as the focus has been on checking of the new payment files being produced each week. An anticipated end to the schemes in the near future should provide opportunity to take stock of checks completed to date and to undertake post payment checking to fill any gaps.

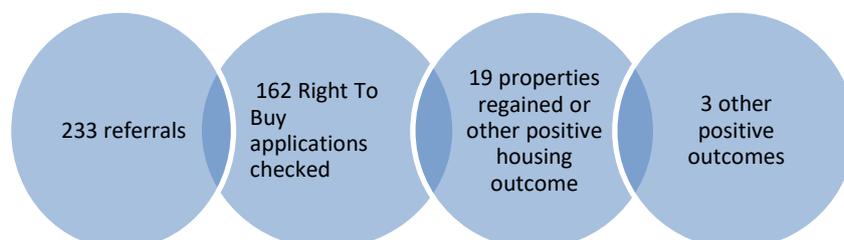
5. Fraud Risk Area - Tenancy Fraud

- 5.1 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.
- 5.2 The tenancy fraud work has been significantly impacted by the Covid19 pandemic. During the year visits and interviews were suspended or subject to restrictions. Statutory notice periods for proceedings have increased and court hearings have been subject to significant delays. Investigations remain effected by the pandemic. A proactive visiting exercise was postponed until 21/22. A proactive desktop version of the exercise was trialled which has resulted in 3 ongoing investigations.
- 5.3 Due to Covid19, the team had an annual performance target of 30 council property regains or other positive housing outcomes. The team achieved 19. 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. In addition, other positive outcomes can result from tenancy fraud work such as benefit savings or the removal of single persons discount from a council tax account. 3 such outcomes have been achieved during the review period.
- 5.4 The national Fighting Fraud and Corruption Locally 2020 awards were held virtually in December. The awards are to recognise outstanding fraud detection or investigation in Local Government. Bristol City Council won the award in the 'Pursue' category for their holistic approach to tenancy fraud work. The team impressed the panel with a proactive approach to detecting fraudulent activity, the professional approach to evidence gathering, the recognition of the expertise needed for prosecutions and also, critically, the recognition of the importance of including housing practitioners in the team and the valuable knowledge and expertise that this brings.
- 5.5 Fraud awareness training has been delivered to the Right to Buy and Rents teams in Housing and Landlord Services.
- 5.6 Tenancy fraud case work:

One investigation resulted in the rejection of a fraudulent succession application, following which recommendations are being implemented to improve the application documentation to include a robust fraud message.

Criminal proceedings have been instigated against one tenant for both dishonest subletting and unlawful harassment of the subtenant in a collaboration with the Rogue Landlord Team.

5.7 Facts and Figures:



6. Fraud Risk Area - Benefit Fraud

6.1 The team provides a role to support the Department for Work and Pensions (DWP) in their housing benefit fraud investigation work. The DWP's fraud team have been mostly redeployed to other duties during the pandemic and so this work has been significantly affected. During 2020/21 the team has dealt with:

- 36 requests for benefit information and documents
- witness statements prepared for criminal proceedings.

6.2 The team also investigate Council Tax Reduction (CTR) offences. This work has been affected by the adoption of the DWP's 'Trust and Protect' principles which has meant a reduced level of verification for benefit claims. The team has received 26 referrals during 20/21:

- 11 of these have been from internal colleagues.
- 14 have been referred by colleagues in the Revenues and Benefits team.

6.3 Fraud awareness training was provided to new benefit assessors in November 2020.

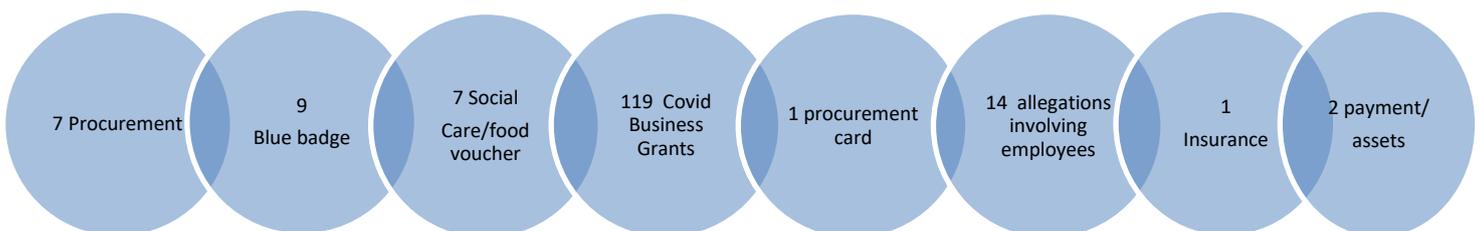
6.4 A prosecution for CTR offences was heard at Bristol Magistrates Court in August 2020. The defendant pleaded guilty and received a suspended prison sentence together with a curfew order. The Council was awarded full legal and investigation costs.

6.5 Following a referral from a Benefits Officer, the team commenced an investigation into evidence of childcare costs. The investigation involved a collaborative effort with a variety of internal and external departments. The investigation established that childcare costs were being inappropriately claimed. As a result, 21 claims are currently being reviewed and further savings are expected to be identified.

6.6 A separate matter involving childcare costs was identified by the Revenues and Benefits Helpdesk staff when it was noted that multiple almost identical submissions of evidence were made online within minutes. Work was done to identify all the live claims for CTR involving the child-care provider. Approximately 26 claims are in the process of being reviewed as a result.

7. Fraud Investigation

7.1 Referrals of possible fraud for investigation have been received across a variety of areas, the most significant volume relating to Covid business grant applications. Analysis of referrals by type are detailed below:



7.2 Some of these investigations will have been concluded in the year, whilst some continue to be in progress. Analysis of investigation work by outcome can be found at Appendix 1.

7.3 The team have:

- Referred two cases to the police.
- Cancelled one blue badge and issued a formal warning for blue badge misuse.

7.4 The team provides a liaison role with other agencies and dealt with:

- 283 pupil tracking requests
- 102 Police/Other enforcement agencies requests

7.5 Some analysis has been carried out of all investigation cases closed between 1 April 2019 and 31st March 2021 to identify key messages identified by investigation work. The analysis concludes that there are three areas identified as being regular factors:

- Insufficient internal controls, checking procedures and audit trail inhibits the identification of fraud and indicates that departmental fraud risks may not be sufficiently understood.
- Lack of adherence to or awareness of procurement/financial regs and BCC policy. Some historic 'custom and practice' has continued.
- Changes in roles where colleagues have taken increasing duties with inadequate formal training. Job descriptions have not been revised to reflect the current demands.

7.6 Bank mandate fraud/cyber-crime. There were 3 reported incidents of this: from HR, Finance and from a school. This type of fraud can occur because an email account is 'hacked' or using an email address that appears to belong to the supplier. A fraudster attempts to change bank account details to re-route payments to an account set up by the fraudsters, or demands payment for fictitious goods, or outstanding bills. The Council's procedures were followed in each case but the attempts are increasingly sophisticated so this type of fraud remains a high risk to which the council must remain vigilant and ensure all staff are aware of the risks.

8. National Fraud Initiative (NFI) and Data Analytics

National Fraud Initiative

- 8.1 The National Fraud Initiative is a national data matching exercise run by the Cabinet Office which Local Authorities are mandated to partake in. Data sets are provided to the Cabinet Office annually, for Single Persons Discount review and biennially for the main review which includes other data sets (Tenancy, Blue Badge, Council Tax Reduction, Creditors etc).
- 8.2 Datasets were uploaded for both the SPD exercise and the main review, last year and the output in most cases have been received. The team are starting to work through the output. A new dataset has been included this year to cover Small business and Retail, Leisure and Hospitality grants distributed to businesses during the first lockdown. The output from this data match is awaited.

Fraud Data Hub

- 8.3 The development of a regional fraud hub has long been an aspiration of the Council. Local Authorities own a wealth of data across different systems and bringing this data together in a fraud hub, on a regular and systematic basis will highlight anomalies for investigation which could be possible fraud or error. Widening this data matching and analysis to other external datasets (such as deaths data, Companies House data) and matching across other Local Authorities data will increase the potential and improve on earlier detection and prevention of fraud and error.

8.4 A decision has been taken to procure the Cabinet Office Fraud Hub in the short term, which is a solution which is very affordable and easy to implement as it uses existing datasets submitted to the National Fraud Initiative exercise, giving access to external data sets such as deaths registers, Companies House data and access to the Local Authority data submitted as part of the National Fraud Initiative exercise. This procurement is taking place currently.

8.5 The Council is also exploring other options available for a fraud hub over the forthcoming year to ensure the authority has the best value for money solution, and a Project Manager has bought in for a 6 month period to lead on the progression of this project.

Other Analytics

8.6 Using data analytics has long been recognised as an effective means of detecting fraud and error within the authority. The Internal Audit - programme of fraud work always includes several data matching and analytic projects, and wherever possible, data analytics is used in investigation work to maximise checks and identify anomalies. Other analytics work has included:

- creation of searchable and usable deaths list from regular PDF files of deaths
- Analysis of purchases of parts and stock for Response Repairs, which identified stock control issues
- Matching of tenant’s data to Council Tax data to identify where tenants may be sub-letting a property.
- Personal Budget to Council Tax data, to identify persons who have continued to claim Personal Budgets from the authority having moved out of the Bristol area.
- Ongoing use of analytics on Covid business grants (as outlined in 4.3).
- Multi storey block – virtual exercise, to identify tenants possibly sub-letting or not occupying their tenancy.

9. Counter Fraud Strategy & Policy

9.1 The Council’s Counter Fraud Strategy and Policy was reviewed and republished in November 20. No further changes are proposed in this report.

10. Whistleblowing

Statistics

10.1 Whistleblowing case statistics for 2020/21 are shown below:

Brought forward from 2019/2020	Received in 2020/2021	Closed in 2020/2021	Ongoing investigations
4	7	8	3

10.2 Details and outcomes of Whistleblowing cases are at Appendix 2.

Whistleblowing response - Performance and Development

10.3 We have continually sought to improve the Whistleblowing arrangements and the service provided to those who have taken steps to report concerns.

10.4 In March 2021 the South West Audit Partnership (SWAP) independently reviewed the Councils Whistleblowing arrangements and concluded that there is 'substantial assurance' that there are effective arrangements in place for

- Referring, assessing, investigating and managing whistleblowing allegations; and that
- These arrangements are clear and accessible to colleagues and are consistent with the Council's whistleblowing procedure.

10.5 The substantial assurance opinion was an improvement on the reasonable assurance which was given in 2020.

10.6 SWAP did make three low priority recommendations relating to

- The Whistle-blowing Procedure being formally approved and subject to version control
- The creation of a documented procedure to provide guidance and awareness of the Whistle-blowing process for all volunteer workers and the publication of successful external prosecutions to increase awareness within the organisation; and
- Summarising outcomes of investigations within the reports, which will enable thematic areas or trends to be identified. (See Appendix 3)

10.7 These recommendations will be implemented in full. In addition, we will

- Review the scope of Whistleblowing and how it is communicated to interested parties.
- Agree a protocol for Schools Whistleblowing allegations.
- Look to continuously enhance arrangements for the protection of Whistle-blowers.
- Consult interested parties such as trade unions and staff lead groups to raise awareness of Whistleblowing arrangements and seek feedback on how we can improve.
- Seek the views of whistle-blowers as to how the whistleblowing arrangements can be improved through the use of a feedback form.

11. Benefits of Counter Fraud Activity

11.1 Counter-fraud activity can result in financial benefits being identified for the Council. The following table details the areas where this has occurred this year to date from across the Council:

Fraud Area	Recoverable £	Notional £	Weekly Cost Avoidance £	Other Cost Avoidance £	Costs, fines, Adpens	Notes
Tenancy Fraud Investigation work	6,602	1,209,000	504		-	(i)
Right to Buy	-	82,800	-		-	
NFI (18/19 Review)	26,630	93,000	223		-	(ii)
NFI SPD Review	1,023,040					(iii)
Benefit Fraud (DWP)	35,575	-	779		-	
Council tax Reduction	38,260	-	362		500	
Covid Business Grants	-	-		1,038,362		(iv)
Insurance Fraud	-	-	-	139,800		(v)
Corporate Fraud	12,600		3			
Total	1,142,707	1,384,800	1,871	1,178,162	500	

Notes:

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

- (ii) Discount that would have been awarded re Right to Buy application cancelled
- (iii) Review of output undertaken by Local Taxation team. This figure is higher than usual so is currently being validated.
- (iv) Joint working of Counter fraud team and Local Taxation
- (v) This fraud was prevented due to the diligence of Insurance team

12. Resources

- 12.1 The counter fraud and investigations team have adequate resource. During the year the team recruited a Data Analyst to increase our capability to develop the use of data analytics across Internal Audit and to assist with the development of the fraud hub. An Intelligence Officer has also been appointed to take a key role in the administration of the whistleblowing process and other support duties.
- 12.2 During the first quarter two members of the Counter Fraud and Investigation Team were redeployed to the Corporate Communications Team to assist with the Council's response to the pandemic.
- 12.3 To ensure the team has up to date skills required to effectively investigate fraud, investigations officers have received training in the following areas: procurement fraud, the use of data analytics and internet investigation techniques. One member of the team has qualified as an accredited counter fraud technician.

13. 2021/2022 Priorities

13.1 Priorities for the forthcoming year include:

- Implementation of the NFI hub
- Research and Market testing for a long-term hub solution including regional engagement.
- Developing and increasing confidence in the Whistleblowing process including implementation of recommendations from the independent review.
- Delivering in accordance with our Service Level Agreement on tenancy fraud work.
- Post payment checking of Covid grants.
- Timely but thorough investigation of fraud referrals.
- Raise awareness of fraud and Whistleblowing using various medium including Staff Led groups, E learning, training sessions.
- Developing and implementing a procurement fraud strategy.