



BRISTOL INTERNAL AUDIT

Fraud Annual Report 2021-2022

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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 Council's policy is aligned to the Fighting Fraud and Corruption Locally Strategy 2020 which is the government's 'blue print' for tackling fraud in Local Government.
- 1.2 The Team works across all directorates to support the identification and prevention of fraud and to provide a dedicated proactive counter fraud and responsive investigation service. Working on behalf of the Council the team ensures that the organisation's counter-fraud arrangements are robust by raising awareness of the fraud risk, reviewing and improving fraud risk management arrangements, using data to actively seek out 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 investigation service, fully compliant with criminal procedure, as well as advising on control measures to prevent recurrence.
- 1.3 The purpose of this report is to:
 - Provide details of the work undertaken and the outcomes of Counter Fraud and Investigation work during the period 1st April 2021 to 31st March 2022.
 - Provide a high-level update on conclusions and outcomes from completed investigations including those relating to whistleblowing allegations.
 - Provide details of other planned proactive and preventative fraud work carried out in 2021/22
 - Outline the key priorities for 2022/23.

2. Key Messages

- 2.1 Despite some of the continued difficulties faced due to the pandemic, the team has continued to work effectively throughout and delivered tangible benefits for the authority. The key outcomes from this work included:
 - Checking for possible fraudulent applications for business support grants, including checking trading status and bank information.
 - Delivering 31 positive housing outcomes and 6 positive other outcomes from continued work on tenancy fraud
 - Identifying recoverable savings of £527k generated by the team from various fraud work.
- 2.2. Other highlights included -
 - Raising awareness of fraud both internally and externally particularly during International Fraud Awareness week.
 - A draft report has been issued in respect of 'Declarations and conflicts of interest and Gifts and Hospitality'. Management responses are awaited. The key findings are that declarations of interest are not being obtained biennially as required by policy, 'type A' declarations are not centrally recorded and the Code of Conduct requirements regarding conflicts of interest are not sufficiently robust.
 - Delivery of savings of £302k by the Local Taxation team through their review of the Council Tax Single Persons Discount output generated by the NFI (National Fraud Initiative) exercise. The Counter Fraud team collate and submit the data sets to be used for this data matching exercise.

3. International Fraud Awareness Week

- 3.1 International Fraud Awareness Week in November 2021 provided the opportunity to promote fraud awareness messages externally and across the Council. This included pandemic related emerging fraud risks and

highlighting whistleblowing. The Counter Fraud and Investigation Team programmed a series of messages including:

- Promoting the collaborative approach taken to prosecute a fraudster.
- Fraud awareness messages in internal communications bulletins to staff across the Council.
- Using the publication Housing News and social media messages to promote ways to report fraud.

4. Fraud Risk Area - Covid 19 Business Grants

- 4.1 We have continued to undertake checks of the grants awarded to businesses under the various Covid business grant support schemes, including checking for insolvency, trading and validity of bank accounts. Since the start of the pandemic, checks have been carried out across over 37 000 grant payments totalling over £177m and across 12 different schemes.
- 4.2 In addition we introduced checking of IP addresses where the process captured this information.
- 4.3 We have also advised on the process for the latest grant schemes, building on lessons learned and maximising opportunity to prevent and detect fraud.

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 continued to be impacted by the Covid19 pandemic. Whilst visits and interviews have been resumed, there are still significant delays with the courts.
- 5.3 The team had an annual performance target of 35 council property regains or other positive housing outcomes. The team have achieved 31. 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. Six such outcomes have occurred during this period.
- 5.4 Through the tenancy fraud work the team achieved notional savings of £2m and recoverable savings of over £48k.
- 5.5 The team has delivered bespoke fraud awareness training to the following teams in Housing and Landlord Services:
- Rent Management
 - Accessible Homes
 - North Caretaking
 - Response Repairs
- 5.6 Successful tenancy fraud prosecution:

A tenant pleaded guilty to illegally subletting their council property. They were sentenced to carry out unpaid work and pay costs of £750. Proceedings to recover the property are ongoing. The investigation was a collaborative effort involving complex evidence and colleagues from both Housing & Landlord and Legal Services.

5.7 Facts and Figures:

NFI matches reviewed	1164
Right to Buy applications checked	296
Fraud referrals received	239
Persons removed from the waiting list	132
Tower block exercises undertaken	5
Prosecutions	1

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 and compliance work. The DWP's fraud team were redeployed to other duties during the first half of the year and gradually returned to fraud work during the latter part of the year. The DWP's Compliance department represent the bulk of the DWP work during 2021/22. The team has dealt with:

- 151 requests for benefit information and documents.
- 1 witness statement request.
- 2 administrative penalties.

6.2 The team also investigate Council Tax Reduction (CTR) offences. As the DWP have reduced their fraud service the team has provided greater assistance and advice to the Council's Benefits Service. The team has received 42 referrals during 2021/22. This compares with 26 received in 2020/21. The primary sources of referrals were:

- internal colleagues - 28
- National Fraud Initiative (NFI) 8

6.3 As a result of NFI exercise there have been 4 CTR investigations involving BCC employees. Two of these cases resulted in a warning as the employment was temporary and had already ended. The other two investigations are ongoing.

6.4 The BCC Benefits Team requested assistance with some concerns verifying the issue of supermarket vouchers. Enquiries prevented 26 vouchers being issued incorrectly, preventing a loss of £2600.00.

6.5 Fraud awareness training was provided to new BCC Benefit Assessment colleagues.

7. Other Fraud Investigation Work

7.1 Referrals of other possible fraud for investigation have been received across a variety of areas. Analysis of referrals by type are detailed below:

Referral Type	Number
Assets	1
Blue badge/parking permits	10
Cash/cheque/payments	5
Employment	1
Grant funding	4
Local Taxation	4
Procurement	8
Social care (direct payments)	3

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:

- Carried out one interview under caution and issued two warnings for blue badge offences.
- Provided insight to managing conflicts of interest following an investigation.
- Worked with colleagues in Facilities Management and Legal Services to prevent payment for goods ordered inappropriately.
- Procured a national intelligence tool to help prevent and detect fraud.
- Delivered document verification training to colleagues verifying planning applications.

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

- 266 pupil tracking requests.
- 83 Police/Other enforcement agencies requests.

7.5 Bank mandate fraud/cyber-crime presents a considerable risk. The team have continued to advise Finance colleagues on the risks of bank mandate changes and circulated fraud alerts from various sources. One such attempt to fraudulently secure a payment for £320k was thwarted by a diligent Payments Officer. Changes in working practices of staff and suppliers during the pandemic created some challenges in validating bank accounts and we liaised with the team to help them understand the new risks and to take appropriate actions.

8. National Fraud Initiative (NFI) Hub & Data Analytics

National Fraud Initiative

8.1 The National Fraud Initiative data matching output was received in February 2021 and has been worked on work throughout the year. The exercise has delivered cashable savings of £110,000 with notional savings (an estimate of what has been prevented by this fraud or error having been found) of £707,696.38. In addition, the annual Council Tax Single Persons Discount exercise has identified cashable savings of £302k and notional savings of £357k.

A break-down of the savings by area below:

Area	Saving
Council Tax – Single Persons Discount	£302,047
Housing Benefit	£41,529
Council Tax Reduction	£36,964
Covid grants	£20,000
Duplicated creditor payments	£12,190
Total	£412,730

8.2 In addition 203 Blue Badges and 5614 concessionary travel passes have been cancelled as a result of mortality data from the NFI exercise. Cancelling these services would have prevented fraudulent misuse which is difficult to measure. Cabinet Office have put an estimated savings figure of £116,725 and £134,736 respectively for this volume of cancellations.

8.3 The Cabinet Office continue to develop the NFI initiative and Covid grant matches have been introduced this year as well as matches with HMRC data for which we previously were involved in a pilot exercise.

Fraud Data Hub

- 8.4 The Cabinet Office NFI fraud hub was procured in July of 2021 and we continue to work to implement and streamline processes. There have been some difficulties with both the software and also with the City Council's data quality which has meant that progress has been slower than hoped.
- 8.5 Data sets relating to tenants and also Council Tax reduction have been uploaded and run against mortality data, so that Homes and Landlord Services are notified early of deaths, avoiding any false succession or fraud. There is some delay in getting final results from the first output report, but it has highlighted two instances where the tenant had died and Homes and Landlord Services were not aware of this.
- 8.6 The Appcheck facility gives access to the data submitted by other Local Authorities for the national exercise and can be used to check whether an applicant already has a property, or a blue badge etc with another Local Authority. This is currently in use in the Housing Options team and will be made available to the Right to Buy team shortly.
- 8.7 Longer term goals are to use other data sets and to match our own data through the hub systematically and to automate the processes to minimise administrative resource. The work completed on the NFI Blue badges and Concessionary Travel Passes (8.1 above), sets us in a good position to use the hub to keep on top of cancellations of services on death.

Other Analytics

- 8.8 Accounts Payable fraud forensics software has been run twice in the year which has:
- identified a small duplicate payment of £1590.
 - resulted in the cancellation of 11 dormant supplier accounts which reduces the risk of fraudulent use.
 - Identified cumulative low value spend with a supplier sufficient to warrant a more formal contractual arrangement.
 - Identified a supplier that is repeatedly overcharging and now subject to further investigation.
- 8.9 Work has been undertaken to identify Council tenants who may have gone into care. 16 cases have been flagged with Homes and Landlord Services so that they can update records and monitor the situation with one longer term case requiring further investigation.
- 8.10 A review of the occupancy of a council multi storey block was undertaken, taking data from various sources. This identified 13 cases for further investigation and led to 1 regain and two on-going investigations.
- 8.11 All Housing 'Right to Buy' applications are checked using a credit reference system and also NFI's Appcheck facility as referred to in 8.6 above. No falsified applications have been identified in this year, although checks did highlight a small Council Tax and Housing benefit overclaim.

9. Counter Fraud Standards, Strategy & Policy

- 9.1 We have previously assessed our arrangements against the 'Fighting Fraud and Corruption Locally -public sector fraud best practice guidance' and have done a further assessment against the recent Government's Counter Fraud Standards. Areas requiring some improvement include:
- Management of conflicts of interest.
 - More work to embed fraud risk management into service areas.

9.2 Full details are attached at **Appendix 3**.

10. Whistleblowing

10.1 Whistleblowing case statistics for 2021/22 are shown below:

Brought forward from 2020/2021	Received in 2021/2022	Closed in 2021/2022	In Progress
5	12	10	7

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

10.3 The number of instances of Whistleblowing has increased compared to earlier years which may be an indication of increased awareness of Whistleblowing and more trust in the process.

10.4 We have used Protect's benchmark assessment tool to evaluate our arrangements against best practice and develop a plan of action for improvement. Protect is the UK's Whistleblowing charity supporting whistleblowers and advising organisations in improving their whistleblowing arrangements.

10.5 Plans for this year include:

- Continuously raising awareness of Whistleblowing with both management and employees.
- Ensuring management understand their responsibilities if a person whistleblows.
- Revising the Whistleblowing Procedure in line with best practice as per the Protect Benchmark Assessment tool.
- Improving arrangements for protecting individuals who whistleblow.
- Review of the employee satisfaction responses in the staff survey in respect of Whistleblowing.

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 all of the financial savings from counter fraud work this year.

Fraud Area	Recoverable £	Notional £	Weekly Cost Avoidance £	Other Cost Avoidance	Costs, Fines, penalties	Notes
Tenancy Fraud Investigation	48,671	1,953,000	605		750	(i)
Right to Buy	0	141,300				(ii)
NFI Main Exercise	110,683	708,132				
NFI Single Persons Discount	302,047	356,920				(iv)
Benefit Fraud (DWP)	27,924		538		1,669	
Council Tax Reduction	30,047		1,395	2,600		
Corporate Fraud	6,551		2,040	339,929		(iii)
Accounts Payable Forensics	1,590					
Covid support grants	1,500					(v)
Total	529,013	3,159,352	4,578	342,529	2,419	

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) Avoided payment for goods and bank mandate fraud

- (iv) Review of output undertaken by Local Taxation team
- (v) Full savings and fraud prevented and detected in relation to Covid support grants is currently being evaluated.

12. Declaration of Interest and Gifts and Hospitality – Fraud Prevention Review

12.1 A fraud prevention review has been completed covering:

- The declaration of interest process and whether conflicts are being properly managed.
- Arrangements for managing gifts and hospitality inducements.

12.2 A draft report has been issued giving a 'Limited Assurance' opinion in respect of the declaration and management of conflicts of interest. This is based on:

- Two yearly declarations for BG14 and above not being routinely requested as per policy.
- The absence of any central record of Type A declarations.
- Known directorships not always having been declared by employees and members.
- The 'conflict of interest' requirements in the Employee Code of Conduct not being sufficiently robust.

We are in the process of agreeing management actions required to address the issues raised in the review.

12.3 Linked to this, training on the effective management of conflicts of interest is being arranged initially for a few service areas before being rolled out to more services across the Council.

13. Resources

13.1 The counter fraud and investigation team is well resourced with a team of 10.9 FTE who are experienced and hold different accounting and investigation qualifications.

13.2 Two officers have recently undertaken accredited training in managing investigations and three members of the team have received training in 'making a Whistleblowing process work'. In addition, various team members have attended fraud conferences to maintain a current awareness of fraud and emerging issues.

14. 2022/2023 Priorities

14.1 Priorities for the forthcoming year include:

- Continue to develop the Whistleblowing process in line with best practice and the results of the Protect benchmark assessment tool.
- Continued delivery of tenancy fraud work.
- Continued development of the fraud hub.
- Working with the Homes and Landlords Services team to ensure that fraud risks are considered in their review of the housing options and allocations process.
- Working with HR to minimise the risk of employee fraud and ensure appropriate checks are taking place.
- Providing a professional and timely fraud investigation service.
- Delivering the planned programme of proactive fraud work.
- Migration of our investigation caseload to a Cloud version of the system.
- Submitting data sets to the 22/23 National Fraud Initiative exercise.