

BRISTOL INTERNAL AUDIT



Counter Fraud & Investigation Half Year Report 2022-2023

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 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.
- 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 2022 to 30th September 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 the first half of 2022/23
 - Outline the key priorities for the second half of the year.

2. Key Messages

- 2.1 This report highlights the diversity of work carried out by the Counter Fraud team and that it is tackling fraud in accordance with the government's blue print – 'Fighting Fraud and Corruption Locally'. The council's arrangements and the work completed has covered all of the 5 pillars outlined in the strategy:

PILLAR	REQUIREMENTS
Govern	Robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.
Acknowledge	Understand and assess our fraud risks for on going operations, new initiatives and projects. Commit the right support and tackling fraud and corruption. Demonstrate a robust anti-fraud response. Communicate risks to those charged with Governance.
Prevent	Make best use of information and technology. Enhance fraud controls and processes. Develop an effective anti-fraud culture. Communicate activity and successes.

Pursue	Prioritise fraud recovery and use of civil sanctions. Develop capability and capacity to punish offenders. Collaborate across geographical and sectoral boundaries. Learn lessons.
Protecting itself and its residents	Recognise the harm that fraud can cause in the community. Protect itself and its residents from fraud.

2.2 The key outcomes from the work completed during the period under review include:

- Delivering 18 positive housing outcomes (for example a property recovered for re-let or false housing application cancelled) and 1 positive other outcome from continued work on tenancy fraud
- Through the tenancy fraud work the team has achieved notional savings of £1.2m and recoverable savings of over £50k
- Identifying recoverable savings of £156k generated by the team from various other fraud work.
- Cancellation of 318 blue badges and 1040 concessionary travel passes preventing fraudulent misuse and incorrect renewals of passes.

2.3. Other highlights included -

- A blue badge exercise carried out with Parking Services and Avon and Somerset Police.
- A joint exercise with Housing Options in respect of temporary accommodation.
- The provision of several training sessions to raise awareness of fraud and other related issues.

3. Tenancy Fraud

- 3.1 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.
- 3.2 The team has an annual performance target of 40 council property regains or positive housing outcomes. The team have achieved 18 property regains or positive housing outcomes during the first half of the year. 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.
- 3.3 Through the tenancy fraud work the team has achieved notional savings of £1.2m and recoverable savings of over £50k.
- 3.4 The team has delivered bespoke fraud awareness training to the following teams in Housing and Landlord Services:
- New Housing Officers
 - Caretaking

3.5 The team has worked with colleagues in Housing Options to assist in verifying payments for temporary accommodation. A joint visiting exercise was carried out and further exercises are planned. This work has enabled an invaluable sharing of knowledge and expertise.

4. Benefit Fraud

4.1 The team provides a role to support the Department for Work and Pensions (DWP) in their housing benefit fraud investigation and compliance work. The team has dealt with:

- 93 requests for benefit information and documents.
- 2 witness statement requests.

4.2 The team also investigate Council Tax Reduction (CTR) offences. The team has received 9 referrals. Of these 9, there are 3 cases where there is reason to suspect serious fraud and the team is working jointly with the DWP.

4.3 As a result of National Fraud Initiative (NFI) data received in 2021 there were two ongoing CTR investigations involving BCC employees. One case resulted in a prosecution, with disciplinary proceedings ongoing. The other case resulted in a financial penalty* and a formal warning.

* An administrative penalty as set out in The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

5. Blue Badge and Parking/Travel

5.1 The team undertook a proactive blue badge exercise in July 2022. The exercise was carried out in collaboration with Parking Enforcement colleagues and Avon and Somerset Police. On the day there were four cases identified of suspected blue badge misuse. Of these 4 cases:

- One has been closed with no further action appropriate.
- One simple (formal) caution has been issued.
- Two are being considered for criminal prosecution.

5.2 In addition to the proactive exercise, nine referrals have been received. Some of these relate to parking concerns around Southmead Hospital, by hospital staff. The team has arranged for the relevant information about parking and blue badge use to be included in a hospital newsletter.

5.3 Formal warnings about parking and the use of blue badges have been issued to a further two people.

6. Other Investigation Work

6.1 The team has received two allegations of fraud relating to school admissions. Further work is underway to explore the use of data analytics in preventing fraud in this area.

6.2 A suspected council tax fraud is being reported to the National Crime Agency in accordance with the Council's Money Laundering Policy.

6.3 Following an investigation, concerns were identified about the use of council credit (purchase) cards in a Service within the Growth and Regeneration Directorate. A report was issued highlighting the

noncompliance with the Council's Purchase Card Policy and the required actions to rectify this were agreed.

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

- 95 pupil tracking requests.
- 35 Police/Other enforcement agencies requests.

6.5 Appendix 1 provides a summary of investigation cases completed and the resultant outcomes.

7. Fraud and Whistleblowing Training provided

7.1 The team provides bespoke fraud awareness training to promote fraud messages, highlight fraud risks and encourage suspicions to be reported. The following training sessions have been provided across the council:

- Document verification training to colleagues involved in the clean air zone financial support
- Fraud awareness training for school headteachers and business managers.
- Conflicts of Interest and how to manage them for Procurement team members (Managers and staff).
- Whistleblowing update for the Council's Leadership Forum and Social Care teams.
- Various sessions on tenancy fraud as stated in section 3 of this report.

8. Fraud Hub, National Fraud Initiative & other Data Analytics

Fraud Data Hub

8.1 The council has subscribed to the Cabinet Offices fraud hub since 2021. The fraud hub enables regular and systematic data matching and provides access to some external datasets for the purpose of identifying and preventing fraud and error. Uploads of the following data sets now scheduled to take place at defined frequencies, and external datasets regularly refreshed:

- Tenants
- Council Tax Reduction
- Blue Badge
- Concessionary Travel Passes

8.2 All of the successes from the hub so far have related to the matching of datasets to 'deceased data'. The prompt cancellation of services prevents fraudulent use and the accumulation of a debt to recover.

8.3 Working with Admin and Business Support, 1044 concessionary travel passes have been cancelled, where the holder has died. This could prevent fraudulent misuse and save on the cost of unnecessary automatic renewal of these passes. Cabinet Office place a notional fraud saving of £24 for each pass cancelled and prevented from being misused equating to £25k, in this instance.

8.4 A further eight cases have been identified where the pass has continued to be used by somebody after the death of the genuine holder. Work is underway to explore the appropriate action in respect of these. It should be noted that this is less than 1% fraud rate.

8.5 318 Blue Badges have also been cancelled where the holder has died. This will prevent auto renewal. We are also looking at how this information can be made available to Parking Enforcement Officers, so

that any misuse of cancelled badges can be identified. The estimated saving for these as provided by the Cabinet Office is £183,425.

- 8.6 Recovery of one property where Homes and Landlord Services had not been informed of the death of the tenant. In addition, there were several instances where the death had not been notified to Housing Management and Estates, but the property was occupied by a relative. This enabled officers to assess the position and agree formal succession.

National Fraud Initiative

- 8.7 We have continued to work on the 2021 National Fraud Initiative output and a further £34k of savings have been achieved across Council Tax, Housing Benefits and Payroll. Staff in Local Taxation have just started working on the Council Tax Single Persons Discount output and results will be reported in the year-end report. We are also preparing for the upload of data for the next statutory exercise due in November 2022.
- 8.8 In addition we have recently received output from a pilot exercise of tenant data, run by the NFI. The data has been matched to other data sources including credit reference data and insurance financial data. The pilot has identified 3127 of matches all classed as high risk, which we are now reviewing.

Other Analytics

- 8.9 We are currently working with the School Admissions team to identify persons using a different address to their home address to fraudulently gain access to a preferred school.
- 8.10 A report of tenants who are in care homes has been provided to Homes and Landlord Services to enable consideration of whether any of the properties can be released.
- 8.11 Work is also in progress relating to accounts payable including, bank account changes and payments to bank accounts of Council employees.

9. Counter Fraud Standards, Strategy & Policy

- 9.1 The Fraud, Bribery and Corruption policy and strategy document has been revised. The main changes include:
- A restructure of the document to provide clearer separation between policy and strategy
 - Inclusion of a response plan setting out how BCC has responded in line with the 5 pillars outlined in the Fighting Fraud and Corruption Locally Strategy.
 - A new section on fraud prevention.
- 9.2 The revised policy at **Appendix 2**.

10. Whistleblowing

Statistics

- 10.1 Internal Audit is responsible for receiving, co-ordinating and ensuring an appropriate response to concerns raised through its whistleblowing process. In some instances, we may also investigate cases particularly regarding allegations of fraud or against senior management.
- 10.2 Whistleblowing case statistics for 2022/23 to date (20 October 22) are shown below:

Brought forward from 2021/2022	Received in 2022/2023	Closed in 2022/2023	In Progress
7	15	12	10

- 10.3 Details and outcomes of Whistleblowing cases closed in the year so far are at **Appendix 3**.
- 10.4 We have provided a session to the ‘Leadership Forum’ to raise awareness of Whistleblowing arrangements and Management’s responsibilities. Also, at the request of the Strategic Commissioning Manager in Adult Care, a session was provided to several employees working in Adult Care services.
- 10.5 The staff survey results below show some improvement in trust and awareness of the Whistleblowing process. There is more work to be done to improve on that trust and ensure appropriate safeguards are in place to protect colleagues who whistleblower.

Working Environment and Wellbeing – gain understanding of employees’ view of their working environment in relation to their wellbeing	2019		2020		2022	
	Total positive	Total negative	Total positive	Total negative	Total positive	Total negative
I feel confident that I can raise issues about poor behaviour or practices and it will be responded to effectively	52%	22%	56%	20%	64%	13%
I am aware of our whistleblowing procedures (new question for 2022)	N/A	N/A	N/A	N/A	82%	8%
I feel confident that I can use our whistleblowing procedures, without risk of detrimental treatment, if I suspect wrongdoing within the council (new question for 2020)	N/A	N/A	49%	15%	58%	13%

11. Benefits of Counter Fraud Activity

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

Fraud Area	Recoverable £	Notional £ (Note iv)	Weekly Cost Avoidance £	Other Cost Avoidance	Costs/ Fines/ Penalties	Notes
Tenancy Fraud Investigation	50,279	1,210,320	335			(i)
NFI Main Exercise	32,571				1000	
NFI Single Persons Discount	1081					(iii)
Fraud Hub		301,481				
Benefit Fraud (DWP)	76,000		473			
Council Tax Reduction	15,989					
Corporate Fraud	30,828		35	16,544		(ii)
Total	206,748	1,511,801	843	16,544	1000	

Notes:

- (i) Council property recovered = £93,000
- (ii) Avoided payment for school equipment, council tax identified as due, and monies lost due to employee fraud
- (iii) Review of output undertaken by Local Taxation team
- (iv) Notional saving is an estimate of the loss to the organisation had the fraud not been found. It takes account of various criteria dependent on the type of fraud (ie an estimate of average length of a fraud in the area, the value). The Cabinet Office have produced a set of standard values and we have used these in most instances.

12. Resources

- 12.1 The counter fraud and investigation team are well resourced with a team of 9 FTE offering different skills. The team's data analyst has moved to the central 'Data and Insights' team under the 'Common Activities programme' but continues to work in the fraud investigation area, currently.
- 12.2 A much improved case management system has been implemented. This provides much easier management information, dashboards for managing caseloads and tasks and an automated fraud referral facility.

13. 2022/2023 Priorities

- 13.1 Priorities for the remainder of the year include:

- Using international fraud awareness week to raise awareness of key issues around fraud and whistleblowing.
- Continue to develop the Whistleblowing process in line with best practice and the results of the Protect benchmark assessment tool.
- Delivery of tenancy fraud work including proactive exercises.
- Further development of the fraud hub including encouraging other Local Authorities to join up.
- Providing a professional and timely fraud investigation service.
- Delivering the planned programme of proactive fraud work, including completion of work on Money Laundering, Recruitment and Employee fraud and procurement fraud.
- Completing the work on school admissions and the tenancy fraud NFI pilot exercise.