



**BRISTOL**  
INTERNAL AUDIT

Appendix A

# **Counter Fraud & Investigation Annual Report 2022-2023**

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# 1. Introduction

1.1 The purpose of this report is to:

- Provide details of the counter fraud and investigation work undertaken during the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.
- Provide a high-level update on conclusions and outcomes from fraud and Whistleblowing investigations.
- Report on savings and positive outcomes achieved through counter fraud and investigation work.
- Outline the key priorities for quarters 1 and 2 of 2023/24.

## 2. Key Messages

- 2.1 Fraud is a risk that cannot be fully mitigated and continues to be assessed as significant in Bristol City Council's Corporate Risk register.
- 2.2 Central government is recognising the extent of fraud and the need to do more with the creation of the Public Sector Fraud Authority which is tackling fraud in government departments. Local authorities and particularly Bristol City Council have been aware of fraud and have been proactive in tackling fraud for many years and are well placed to respond effectively to fraud risks.
- 2.3 Working in conjunction with service areas the Counter Fraud and Investigation team tackle a wide variety of diverse types of fraud.
- 2.4 Going forward, more focus will be on fraud prevention but also ensuring that there is sufficient resource to deal with key reactive work.
- 2.5 The team have identified notional savings of almost £3 million and recoverable overpayments of £492K.
- 2.6 Weekly payments totalling £2636 have been stopped, where there was no entitlement.
- 2.7 The team have achieved 36 outcomes from tenancy fraud work which is either a property recovered, or some other positive outcome such as an application for a tenancy cancelled. This is against a target of 40.

## 3. Proactive fraud detection work

### Tenancy Fraud, NFI Pilot

- 3.1 It was agreed to take part in the Cabinet Office's pilot exercise on tenancy fraud, where our tenant's data was matched with other datasets including SIRA data (a finance sector data source). This resulted in 3127 matches for Bristol all of which were classed as 'Very High risk' in that they linked our tenant to another address. Further examination of the data indicates that some of the output is not sufficiently refined and accurate to conclude that these are good matches and following various further analysis of the output we have cleared approximately 900 records and currently have around 20+ cases which we are actively investigating. We will be feeding back to the Cabinet Office on some suggested improvements to the data matching and output.

### Temporary Accommodation exercise

- 3.2 The team worked closely with colleagues in Housing and Landlord Services from September to November 2022 to help plan targetted visits to verify occupancy of temporary accommodation.

Internal Audit provided an investigator on each of the three days of visits to accompany Housing Options colleagues. It was noted that:

- All officers who we accompanied were all well conversed with visits and knew what to look out for regarding possible non occupation issues.
- A broad selection of properties was chosen for visits with both family and hostel type accommodation included.
- No evidence of fraud was found.

3.3 Detailed feedback was provided to the lead Project Officer in Housing and Landlord Services which was included in the report drafted by the Housing Options Service

### **National Fraud Initiative 22/23**

3.5 The NFI output was received in January with 14,000 matches for review. This is 5000 fewer matches than previous exercises. This is believed to be due to the implementation of the fraud hub which does similar matching but on a more frequent basis, so we can identify and cancel services early.

### **Creditor payments to employees**

3.6 An exercise looking at payments to employees through Creditors identified a 'Track and Trace' payment incorrectly claimed. The 'Track and Trace' payments were provided to working people who lost income from being required to self-isolate during the pandemic. These payments were administered by the Revenues and Benefits Service. BCC continued to pay salary in full for any colleagues needed to self-isolate so there was no loss of income. A BCC employee is facing disciplinary proceedings for their application for a payment and has agreed to repay the sum obtained.

### **Blue Badge exercise**

3.7 On 13<sup>th</sup> July 2022 a joint proactive exercise took place with the Council's Parking Enforcement Service and Avon and Somerset Police. Two Investigation Officers were out on the streets of Bristol with Civil Enforcement Officers, a Police Officer, and a Community Support Officer. As a result of the exercise four potential offences for misusing a blue badge were identified. Following further investigation, one case was closed with no further action, two people were formally cautioned and one person prosecuted.

### **Credit card expenditure**

3.8 Expenditure on corporate credit cards in a service was analysed. Whilst no fraud was detected, the work highlighted that receipts were often not kept or checked so the purchases could not be verified. Several recommendations were agreed with management.

## **4. Fraud Prevention work**

4.1 The prevention of fraud and error is key to protecting council funds and services and avoiding possible unrecoverable debts. Several initiatives to prevent fraud have taken place over the year.

### **Fraud Hub**

4.2 The Council's Fraud hub enables regular upload of datasets and matching of data to some external sources of data. Datasets relating to Tenants, Council Tax reduction, Blue Badge,

Housing waiting list, Concessionary travel passes are being uploaded to the hub periodically and access to deaths information has been particularly beneficial. The fraud hub work has enabled us to prevent fraud and delivered outcomes as below in 2022/23:

<b>Fraud Hub results</b>	<b>No</b>
Blue Badges cancelled	461
Housing Properties recovered	8
Housing waiting list entries removed	82
Formal succession of tenancy agreed	26
Concessionary travel passes cancelled	1054

- 4.3 Included in the figures above were 9 concessionary travel passes which had been used by other persons after the death of the pass holder. The exact cost of these frauds is unknown as BCC's access to journey data is limited to the last 100 journeys and some will have exceeded this. The cost of known misuse was not significant at around £600 and prompt cancellation in future will prevent misuse.
- 4.4 Whilst it cannot be assumed that because a service was not cancelled on the death of the recipient, the service will have been misused, but prompt cancellation will likely have prevented some instances of fraud.

### **Recruitment and employee fraud prevention review**

- 4.5 A review of the recruitment and employee verification process was completed. This included an examination of matches from the National Fraud initiative exercise where employees are shown as having other Local Authority employment. The review concluded that management could take 'reasonable' assurance that there are proper employment checks of new recruitments and the risk of 'ghost employees' being entered on the payroll was low. Checks on secondary employment were limited to Local Authority employment and this work did identify a small overpayment to a leaver of £2000.

### **'Tell us Once' death reporting process review**

- 4.6 Prompt cancellation of services on the death of service users is important to prevent fraud and overpayments resulting which are difficult to recover. A review of the 'Tell us Once' death registration service was completed. Whilst use of the service is optional to customers, the information is going to the correct services and being acted upon. A 'substantial' assurance opinion was given for this area.

### **School Admissions**

- 4.7 Collaborating with the Schools Admissions team, data was used to ensure that applicants were not falsifying address information to obtain a place in a preferred, oversubscribed school. Three applications for secondary schools were withdrawn following this exercise which was completed for both secondary and primary school applications. The exercise was also viewed by the School Admissions team as a valuable deterrent.

### **Tenancy Fraud**

- 4.8 The Team bulk check all right to buy applications using a software package and then conduct further manual checks for the high-risk cases. During the year, 231 applications have been checked. There were no property regains or application cancellations as a result of these checks.
- 4.9 The team have collaborated with colleagues in Housing and Landlord Services to improve processes for succession claims and to ensure robust declarations are included in all

applications. This helps to prevent fraud and to also ensure action can be taken when fraud is established.

## Training and Fraud Awareness

4.10 Bespoke fraud awareness training has been provided to various teams across the council as below:

- Housing and Landlord Services: caretakers and new housing officers.
- Procurement Team: managing conflicts of interest.
- Revenues and Benefits: new benefit assessors.
- Schools: two sessions delivered to headteachers and business managers.
- Clean Air Zone: document verification training.
- Adult Social Care: briefing to the whole service and detailed training to finance colleagues

4.11 Tenancy fraud messages to remind tenants of their tenancy conditions and obligations were promoted in the spring edition of Housing News and via social media.

4.12 International Fraud Awareness Week took place in November 2022. Fraud awareness messaging was promoted internally via the leadership blog and message bulletin, and externally using social media.

## 5. Investigations and prosecutions

5.1 Referrals of possible fraud for investigation have been received across a variety of areas. The number of all referrals by type are detailed in the table below:

Blue badge/parking permits	13
Internal (employee)	11
Local Taxation	3
Social care payments	8
Benefits (CTR – BCC Investigation)	37
School admissions	2
Tenancy fraud	180
School fraud	2

### Internal fraud work

5.2 Outcomes of referrals relating to employees are provided at Appendix 1. One investigation case identified an employee who had diverted almost £16K to their own bank account. The employee has been dismissed and is facing criminal charges under the 2013 Fraud Act.

### Blue Badge

5.3 This work often involves educating badge users of the conditions of use. In addition to the outcomes from the enforcement exercise in July, the team has issued four advisory warnings to badge holders or the drivers of vehicles. Following several complaints about parking in the vicinity of hospitals, advice was issued to hospital staff via the NHS new bulletin. This educational approach can both help those that are not deliberately misusing a badge and help to demonstrate intent by repeat offenders.

## **Tenancy Fraud**

5.4 The team undertake the investigation of social housing fraud and abuse including:

- Non occupation cases, where evidence is required
- Subletting in whole or in part
- False succession
- False applications
- Fraudulent Right to Buy applications
- Supporting Estate Management with suspected abandonment cases

5.5 The team have achieved 36 property regains or housing positive outcomes against the target of 40. A housing positive outcome could be a cancelled housing application, denied succession claim or cancelled right to buy application.

5.6 When appropriate to do so the team will consult with other registered housing providers to provide support and advice, or to investigate on their behalf.

5.7 Civil recovery proceedings are instigated when required to take possession of a property. The proceedings are increasingly defended and so the team has had to adapt, with cases now taking considerable time to progress.

5.8 One tenant surrendered their property and, following an admission of criminal offences, a formal caution was administered. This was agreed after the Council made sure that the person has recompensed the victims that had lost money from their actions.

## **Local Taxation and Covid Grants**

5.9 Collaborating with colleagues in Revenues, an investigation confirmed that a £10k covid business grant had been claimed incorrectly and was repayable. Another investigation identified discrepancies between records relating to the rating for a property and ensured that the correct person was made liable for almost £15k of council tax from 2017. These debts are following the recovery paths set out in the Corporate Debt Management Policy as the Revenues Team continue to work through the build up of cases arising from the suspension of debt recovery due to the pandemic.

## **Schools**

5.10 Two primary schools have been targeted by fraudsters:

- A fraudulent invoice for equipment totalling £16,544 was submitted for payment. A vigilant officer raised concerns and the attempt was thwarted. The matter was reported to the Police.
- Another primary school was the victim of email hacking. A fraudulent invoice for £15k was submitted and paid. This matter has been reported to the Police.

## **6. Liaison with other organisations**

### **DWP Benefits**

6.1 The team provides the liaison role between the Councils' Benefits Service and the Department for Works and Pensions (DWP) who investigate housing benefit fraud. The DWP have made 189 requests for information and four requests for witness statements to be prepared for criminal prosecutions. The DWP have also provided three reports from their Data Strategy Team for review and appropriate action.

6.2 There are several ongoing complex investigations where fraud has been sustained over an extended period of time. The team are working jointly with the DWP to interview under caution and prepare cases for criminal prosecution.

### Police and other enforcement agencies

6.3 The team provides a liaison role with the Police and other enforcement agencies and has responded to 67 lawful requests for information.

6.4 The team consult with the Education Welfare team and have dealt with 321 pupil tracking requests.

## 7. Savings outcomes

### 7.1 Annual savings table 2022/23

	Recoverable overpayments £	Weekly payment stopped £	Estimated saving (i) £	Adpen/costs £	Payment prevented £
<b>Investigation work</b>					
DWP	140,221	1,124			
Council Tax Reduction	36,928	753		1000 (ii)	
Tenancy Fraud work	78,230	630	2,610,480		
Blue Badge				412	
School					16,544
Covid grant	10,500				
Council Tax	14,988				
Internal fraud/error	17,278				
<b>NFI Mandatory Exercises</b>					
NFI Single Persons Discount	157,256		188555 (iii)		
NFI (20/21 output)	37445	129	32993		
<b>TOTAL</b>	<b>492,846</b>	<b>2,636</b>	<b>2,832,028</b>	<b>1,412</b>	<b>16,544</b>

(i) Estimated savings are those used by the Cabinet Office and are based on the average cost of a fraud and the average life of the fraud before being detected. They measure the saving by preventing further fraud.

(ii) An administrative penalty of £1000 was administered for an offence under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

(iii) Output reviewed by Local Taxation team.

## 8. Whistleblowing

## Statistics

8.1 Whistleblowing case statistics for 2022/23 are shown below, with outcomes from closed cases shown at Appendix 2:

Brought forward from 2021/2022	Received in 2022/2023	Closed in 2022/2023	In Progress
7	20	19	8

### Whistleblowing Awareness raising

8.2 Sessions on the Whistleblowing process have been presented to the Leadership Forum and also to Adult Care services. In addition, a blog from the Chief Internal Auditor during Fraud Awareness Week in November 22 reminded employees about the Council's Whistleblowing process.

### Independent Review

8.3 The Council's whistleblowing arrangements were subject to an independent review by the Devon Audit Partnership. The Audit considered the risk that 'whistleblowing allegations are not referred, assessed, investigated and managed appropriately.' The review concluded 'Substantial' assurance in the arrangements and management of this risk and the report was discussed with CLB and the Audit Committee in March 23.

## 9. Resources

9.1 The counter fraud and investigation team is well resourced with a team of 9.9 FTE covering a variety of skill sets. The dedicated data analyst has moved to the central Data and Insights team but has continued to support the work of the team. The recruitment of a Fraud Apprentice is currently underway. The apprentice will complete an accredited Counter Fraud Investigator qualification funded by the apprenticeship levy.

## 10. 2023/2024 Priorities

10.1 Priorities for the first and second quarters of 2023/24 include:

- Completing the review of the 3000 Tenancy fraud pilot exercise matches
- Review of the main National Fraud Initiative exercise
- Completion of a review of Guardianship payments with the service team
- Completing a fraud risk assessment for the 'Filwood Levelling up funding' project,
- Work on developing fraud risk assessments in key fraud risk areas.
- Development of a fraud prevention strategy.
- A review of 'AirBNB' and what can be done to identify tenancy fraud in this area.
- Exploring other options for submission of datasets to the hub using our own power's and promoting the hub with our neighbouring authorities.
- Promotion of fraud awareness messages across Bristol schools.

## 11. Fraud Policy

11.1 The current Fraud Policy was approved by the Audit Committee in November 22.