

Report of the Head of Internal Audit and Corporate Anti-Fraud

AUDIT COMMITTEE – 23rd JANUARY 2019

CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

1. Purpose of the Report

1.1 This report provides the Audit Committee with an account of the work of the Corporate Anti-Fraud Team (CAFT) from 1st April 2018 to 31st December 2018.

2. Recommendations

2.1 It is recommended that:-

- i. **The Audit Committee notes the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption.**
- ii. **The Audit Committee continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.**

3. Background Information

3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This progress report highlights the work undertaken in respect of fraud management and investigations during the first nine months of 2018/2019.

3.2 Details of completed cases will be provided to the Audit Committee where appropriate.

4. Council Tax Support (CTS) Investigations

4.1 The levels of CTS fraud identified nationally continue to be relatively low. CAFT have identified four fraudulent council tax support claims totalling £4,213.32 since April 2018.

4.2 A summary of the Council Tax Support workload of CAFT for the period 1st April 2018 to 31st December 2018 is shown below.

Referrals	61
Overpayment less than £500	0
Overpayment greater than £500	4
Case closed with a SPD saving however a Council Tax support investigation	2
Referrals not pursued	49
Current investigations	6

4.3 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Closed no effect to entitlement	3
Poor intelligence – not enough evidence to pursue	7
Referred to DWP for investigation	28
Referred to another Council Department	1
Referred to National Crime Agency	1
No evidence of fraud	23
Total	49

The majority of allegations of irregularity received from members of the public are referred to the DWP for consideration and investigation. CAFT have no responsibility for these investigations and does not receive any feedback on the quality of the referrals received from the public or the outcome.

4.4 CAFT has accepted six referrals for further follow-up and the outcomes of these investigations will be reported to the Audit Committee in due course.

5. Council Tax

5.1 CAFT has identified twenty fraudulent council tax liability claims totalling £10,437.37 since April 2018.

5.2 A summary of the Council Tax workload of CAFT for the period 1 April 2018 to 31st December 2018 is shown in the table below.

Total Referrals	155
Overpayment only	20
Referrals not pursued	131
Current investigations	4

5.3 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Poor intelligence – not enough evidence to pursue	16
No discount present	4
No evidence of fraud	92
Recent Change in Circumstances - referred to BTI* as not economical to pursue	19
Total	131

* BTI – Benefits, Taxation and Income Section within Finance

6 Right to Buy (RTB)

6.1 CAFT has continued to support the Right to Buy Team by applying an enhanced fraud prevention process to all new applications.

6.2 CAFT has undertaken checks against 124 RTB applications between 1st April and 31st December 2018.

- 6.3 Three of these applications have been referred to the DWP for further investigation due to the tenant being in receipt of DWP benefits.

7 Insurance Checks

- 7.1 CAFT has provided preliminary anti-fraud background checks on receipt of insurance claims. 63 claims have been checked out from 1st April 2018 to 31st December 2018.
- 7.2 From the 63 checks, 8 cases have been highlighted for further investigation BMBC Insurance team, and are currently awaiting an outcome. The types of checks CAFT undertake are to assist the Insurance team in verification of residency and household compositions and to ensure there are no irregularities that may require further investigative checks. The types of anomalies may involve council discounts or benefit irregularities. In relation to personal injury cases any findings are put on the file to the insurance to pass to the underwriters for consideration.
- 7.3 An example of a pending results case involved a Road Traffic collision where the claimant suffered life changing injuries. The claimant submitted a claim form stating that the road junction had been altered; there was insufficient signage to inform road users that the road was poorly lit. He was therefore claiming that the Council had been negligent. CAFT enquiries with SY Police about this matter revealed that the claimant had been travelling at excessive speeds at the junction, and it was this that had caused the accident. SY Police indicated they are seeking CPS approval to charge the defendant for dangerous driving.
- 7.4 Another case resulted in a successful dismissal at court following a trip / pot hole personal injury claim. CAFT provided additional checks for the insurance team in relation to employment leave/sickness for the claimant. When the case went to court the judge doubted the claimant's claims and the case was dismissed.

8. Corporate Investigations

- 8.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific service area such as council tax or tenancy fraud.
- 8.2 CAFT continues to provide advice to managers undertaking management investigations.
- 8.3 In total, CAFT have provided support to management in 9 cases over the period. 4 cases are awaiting further information, 2 cases were closed and have been referred to their respective departments for examination but no fraud was present and 3 have resulted in the employee receiving a written warning.

9. National Fraud Initiative (NFI)

- 9.1 The data-matches relating to 2016-2017 exercise have been assessed and investigated. Data filters, recommended and supplied by the Cabinet Office, have been used to sort the matches based on the quality of the data in the match. There is no requirement for the Authority to review 100% of the matches, as long as an effective system of sampling is used to manage the risk of identifying fraud and errors.

9.2 The total monetary value of the fraud and error identified as at the end of December 2018 amounts to £272,081.74.

9.3 A breakdown for this period is shown below:

Subject	Monetary Value	Number of Cases	Recovery Action
Private Residential Care Homes	£96,382.28	22	Amount has been recovered from future payments
Personal Budgets	£2,168.76	1	Amount has been recovered from future payments
Housing Benefit related	£19,351.07	9	Recovery of amount ongoing
Duplicate creditor payments	£152,041.98	29	Twenty seven of the duplicates have been recovered from future payments. 2 invoices were raised to the relevant creditors and these have since been paid.
Council Tax Reduction Scheme	£2,137.65	1	Overpaid CTS added back to Council Tax balance and recovered from claimant.
Total Overpayments	£272,081.74		

9.4 Both the issues relating to private residential care homes and personal budgets arose where matches highlighted that a resident/personal budget recipient had died, unknown to the Council. Recovery of the overpayments in respect of residential care has been made from future payments to the relevant care homes.

9.5 The original residential care home datamatches (200 matches) received in January 2017 identified 5 overpayments totalling £24,688.25. In view of the size of these overpayments a further data-match exercise, specifically matching residential care home residents to DWP deceased data, was carried out in July 2017. This additional exercise provided a further 65 data-matches for follow-up and 5 of these matches identified overpayments totalling £14,121.33. The same exercise was undertaken again in February and July 2018. The February exercise identified 24 data matches, of these, 6 overpayments were identified totalling £33,531.18. The July exercise identified 41 data matches from which 6 overpayments totalling £24,041.52 were detected. The overpayments related to different care homes and the delay in notification to BMBC appears to be due to the relevant care home informing their Head Office of the death who then advises the Council that payment should cease. New residential care home data match reports will be available in early 2019 as part of the mandatory 2018/19 exercise, however, it is the intention of the CAFT to undertake further checks using the re-check facility at 6 monthly intervals. As a result of this

exercise and liaison between CAFT and the Service, the payment process is being revised to minimise the risk of payments where the service user is deceased.

- 9.6 A number of duplicate creditor payments have been identified and have been recovered from ongoing payments to the creditors in question. Since October 2017 the Commercial Services Team have been utilising Duplicate Matches Software, and have found that, for many of the matches, (which have not been included in the figures above) the error was already identified and rectified prior to the data-match reports being received. The cases referred to at paragraph 8.3 were residual cases identified prior to the introduction of this software. It should be noted that these duplicate payments were not as a result of fraud.
- 9.7 Matches relating to the Council Tax and Electoral Register data, highlighting potential discrepancies in Single Person Discounts awarded on Council Tax, were released in January 2018. These reports were not interrogated as the Council Tax Team had undertaken their own Single Person Discount review with Experian prior to the reports being released; therefore it was felt to be a duplication of duties at that point. New data match reports will be released in January 2019. These will be prioritised by the CAFT.

Comparison of Current NFI Results to Previous Exercises

- 9.8 The NFI is a biennial data matching exercise that all UK local authorities are required to participate in. The aim of the exercise is to identify possible cases of fraud and error within public bodies, e.g. local authorities, central government, the NHS. The Council has routinely participated in this initiative from its inception in 1996/97.
- 9.9 Prior to April 2015 Internal Audit co-ordinated the Council's involvement in the exercise with the investigation of data-matches being undertaken by the relevant departments. The Corporate Anti-Fraud Team has been solely responsible for filtering and investigating data matches since the 2014/15 exercise.
- 9.10 An analysis of NFI outcomes for the four exercises covering the period 2010/11 to 2016/17 are shown below:

Subject	2010/2011	2012/2013	2014/2015	2016/2017 (as at end of Dec 18)
Housing Benefit	£48,038.00	£4,098.00	£1,570.91 (majority ref to DWP)	£19,351.07 (majority ref to DWP)
Payroll	Nil	£808.00	Nil	Nil
Private Care Home Residents	Nil	Nil	Nil	£96,382.28
Duplicate Creditors	£532.00	Nil	£129,748.02	£152,041.98
CT Single Person Discount	£43,584.00	Nil	Not completed due to Datatank SPD exercise	Not completed due to Datatank and Experian SPD exercises
Personal Budgets	N/A	N/A	£5,247.32	£2,168.76
Council Tax Reduction Scheme	N/A	N/A	N/A	£2,137.65
Total	£92,154.00	£4,906.00	£136,986.25	£272,081.74

- 9.11 The value of housing benefit fraud and error has reduced significantly due to the investigation of all alleged housing benefit and welfare benefit fraud being undertaken by the DWP's Single Fraud Investigation Service. Subsequently, whilst Corporate Anti-Fraud Team Officers carry out a preliminary check to these data-matches, all matches identified as a possible fraud are now referred to the DWP.
- 9.12 Checks to data-matches in respect of private residential care home residents to DWP deceased records did not identify any overpayments prior to the 2016/17 exercise which identified in excess of £96K (para 8.5 above).
- 9.13 Investigations in respect of duplicate creditor payments only identified minor values prior to the 2014/15 exercise which identified 29 duplicate payments totalling £129K. The current NFI exercise has also identified 29 duplicate payments which total £152,041.98. Whilst the majority of these payments have been recovered from future payments 2 invoices were issued in respect of two of the payments. These have subsequently been paid. As stated above the Commercial Services Team in Finance implemented specific software in October 2017 to identify potential duplicate payments and therefore prevent them at source.
- 9.14 A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount (SPD) commenced in October 2015 and continued throughout 2016. This exercise has now been completed and resulted in an additional £321,947 Council Tax income being raised across the identified Council Tax accounts. The Benefits, Taxation and Income Department also carried out their own SPD review. In view of this, an investigation of the 2016 NFI data matches was not completed in order to avoid duplication (as per paragraph 8.7 above).
- 9.15 Mandatory personal budget data-matching was introduced in 2014/15 and identified minor overpayments due to the personal budget recipient not declaring changes in income.
- 9.16 The Council Tax Reduction Scheme has been in place since April 2013. This discount was included as an NFI data set in the 2016/17 exercise. One Council Tax Support overpayment was identified where the elderly claimant had failed to declare the private pensions she received for herself and her deceased husband. The customer's entitlement was re-calculated and her Council Tax balance increased accordingly. The overpayment has been paid in full. It was not considered in the public interest to pursue this case further.

10. Tenancy Fraud

- 10.1 CAFT continues to provide an investigative support service to Berneslai Homes to identify potential fraudulent tenancies. This support has enabled Berneslai Homes to disallow prospective tenants that have given false information on their applications onto the housing register, and have housing stock returned to Berneslai Homes. CAFT investigations also help to prevent attempts to succeed tenancies.
- 10.2 A summary of alleged tenancy fraud referrals received for investigation during the period April to December 2018 is shown in the table below. The total amount of cases has over doubled from this time last year.

Details of tenancy fraud	Closed investigated – no fraud established	Fraud established	Pending B/home decision or awaiting further information	Total No.
Housing Application fraud	10	2	2	14
Not Occupying property	8	1	1	10
Parting with possession	2		1	3
Fraudulent attempt to succeed tenancy	3		3	6
Sub-letting	2		4	6
Total				39

10.3 In addition to the cases detailed within the table above, we have a further 3 ongoing complex cases that were opened as early as 2016, and due to legal interventions and technical issues with these cases they have yet to be concluded.

10.4 Investigations by CAFT resulted in a case awaiting court action to seek possession of a property, and another case concerning a false housing application resulted in the applicant being excluded from our housing list for lying about her circumstances.

11. Fraud Awareness

11.1 Between 17th and 21st September 2018 we held our first ever Fraud Awareness Week with the slogan; Fraud: Spot it, Stop it – to help prevent fraud against the council and underline our zero tolerance to it.

11.2 The week was instigated and co-ordinated by CAFT and actively involved the following teams;

- Corporate Procurement Team
- Blue Badge Team
- Berneslai Homes
- Licensing
- Trading Standards

11.3 Various activities were undertaken during the week;

- Themed “Fraud Stories” were posted on the opening page of the intranet from Monday to Friday.
- Inspections were undertaken by Berneslai Homes on a random selection of properties where there had been no repairs and no routine inspections during the last 3 years.
- Inspection of home to school transport providers at Springwell School was undertaken by the Licensing Team. Mechanics from Smithies were on hand to test vehicles’ roadworthiness and licensing staff checked licence plates and Drivers’ badges for validity. 31 vehicles and drivers were inspected resulting in 5 vehicles being suspended, 4 for inoperative lights and 1 for a tyre below the legal limit. In addition, 2 drivers received written warnings for failing to complete their daily vehicle checks.

An interview was also given on BBC Radio Sheffield about the Fraud Awareness Week.

- 11.4 A "Fraud Stall" was taken for 2 days on Barnsley Market. This was staffed by members of the CAFT Team who were accompanied at various points by staff from the Berneslai Homes, Trading Standards and Licensing teams.
- Posters highlighting Blue Badge and Tenancy Fraud as well as Trading Standards and Tobacco enforcement issues were on display.
 - Counterfeit products such as fake vodka, bags, trainers and Yankee candles were on display. These drew people to the stall, especially the Fake Beans which earned us the "Tweet of the Week" in the Barnsley Chronicle.
 - Fraud against the council, such as fraudulent Council Tax discount and exemption claims and Tenancy Fraud and was highlighted to members of the public attending the stall and business cards displaying CAFT's contact details were distributed to them.
- 11.5 Over the 2 days we had 146 members of the public take an active interest in the stall. The feedback from these people and surrounding stall holders was extremely positive. Cllr Ken Richardson and the Chief Executive visited the Stall and their photo accompanied the Tweet of the week article.
- 11.6 As a result of the Fraud Awareness week other teams have become more aware of the existence of the CAFT. The Council has seen an increase in Blue Badge abuse referrals. These are generally high quality referrals and we reviewing internal procedures to be able to pursue these further, potentially prosecuting under the Road Traffic Act where necessary and thereby deterring other members of the public from doing the same. This links in with the comments Cllr. Miller made reported in the Barnsley Chronicle in which he pledges to tackle Blue Badge Fraud.
- 11.7 We are in the process of creating a Fraud Internet Page utilising the artwork and poster designs from the Fraud Awareness Week. This will provide anyone with concerns that fraud may be being committed to navigate quickly to the relevant department for more information or to make a referral.
- 11.8 We plan to undertake another Fraud Awareness Week, potentially involving additional teams within the Council.

Anti-Bribery POD Training Course

- 11.9 An anti-bribery training course aimed at all staff has been drafted by CAFT. This is being fine-tuned, with the course being available prior to April 2019. This will be included in the induction process for new starters.
- 11.10 The module provides an overview of The Bribery Act 2010 and explains how it affects both employees and the Council as a whole. It also covers how to report acts of bribery should someone have suspicions that an instance may have occurred.

Whistleblowing POD Training Course

- 11.11 A Whistleblowing POD Training Course is currently being created to help staff understand what whistleblowing is, how to raise concerns, and how whistleblowing complaints are handled. The course should be available prior to April 2019 and will also be included in the induction process for new starters.

12. External Clients

- 12.1 Whilst the primary focus for the CAFT is the Council, the team also offers a counter fraud service to Internal Audit's external clients. This external work is only undertaken where it is considered to be in the best interests of both the external client and the Council in respect of competing priorities and resources.

13. Financial Implications

- 13.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

14. Risk Considerations

- 14.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.
- 14.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

Contact Officer: Head of Internal Audit and Corporate Anti-Fraud
Telephone: 01226 773241
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