

**Report of the Head of Internal Audit,  
Anti-Fraud and Assurance**

**AUDIT COMMITTEE – 17<sup>th</sup> March 2021**

**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 from 1<sup>st</sup> April 2020 to 28<sup>th</sup> February 2021.

**2. Recommendations**

**2.1 It is recommended that:-**

- i. **The Audit Committee notes the progress report covering the period 1<sup>st</sup> April to 28<sup>th</sup> February 2021.**
- 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 Corporate Anti-Fraud Report presented at the September meeting. This report provides a further update in respect of fraud management and investigations during 2020/2021.

**4. COVID-19 Counter Fraud Work**

Business Support Grants

- 4.1 The CAFT is continuing conducting post event assurance work to ensure that these grants have been paid accurately as required by Government guidance. This guidance also requires local authorities to complete a Post Payment Assurance Plan and Fraud Risk Assessment for each business grant scheme in order to ascertain what actions and checks should be undertaken to minimise the risk of error and/or fraud and over payment.
- 4.2 The same guidance requires local authorities to provide a monthly report to Central Government comprising an update on their Fraud Risk Assessments and pre and post-payment assurance activities as they are delivered. The Principal Auditor (Corporate Anti-Fraud) has completed the Council's Fraud Risk Assessments and is responsible for submitting the monthly returns.
- 4.3 The Government's Counter Fraud Function has worked in partnership with Experian to introduce two products to assist local authorities with post

payment checks. The Council is using these tools, available via the National Fraud Initiative (NFI) website, to:

- Verify the bank accounts of companies in receipt of small business (SB) and retail, hospitality and leisure (RHL) grants; and
- Provide insight into whether the company was trading at the relevant date for these grants.

4.4 The Council has submitted records relating to 3,720 SB and RHL grant payments to the NFI for verification and the CAFT is now using the results to conduct post event assurance checks. Results to date have:

- Confirmed that 2,466 grant payments have been made to eligible businesses;
- Identified nine ineligible small business rate grants (£90K) which are to be recovered;
- Resulted in the recovery of two small business rate grant (£20K);
- The remaining 1,243 are being checked.

#### Fraud Alerts and Scams

4.5 COVID-19 fraud intelligence bulletins have been received from CIFAS and the Fraud Advisory Panel on a weekly basis throughout the pandemic. In addition, regular fraud alerts have been received from the National Anti-Fraud Network (NAFN).

4.6 These bulletins have provided information and intelligence on emerging fraud threats and trends affecting members of the public and both the private and public sectors. The fraud risks have been shared with relevant officers and/or published via Corporate Communications where applicable.

### **5. National Fraud Initiative (NFI)**

5.1 The NFI is a national public sector data matching exercise. Data uploads took place in October 2020 and the resulting reports received in January 2021 for review, risk assessment and/or investigation.

5.2 It is not a requirement that all matches are investigated and the CAFT are currently prioritising Key Reports (which related to higher risk matches).

5.3 NFI reports relating to business support grants are due to be received around the end of March.

### **6. Investigations**

6.1 As reported above, the CAFT has been heavily involved with post event assurance work relating to the Covid-19 Business Grant Support Scheme and providing support to the Benefits and Taxation Department. However, the CAFT has continued to receive and respond to allegations of fraud against the Council.

6.2 A summary of the CAFTs reactive investigation work for the period April to February is shown in the table below:

<u>Council Tax Fraud</u> These relate to the investigation of any alleged council tax irregularity including discounts, exemptions and council tax reduction.		
Number of investigations b/f from 2019/2020	14	
Number of new referrals (Apr - Feb)	198	
<b>Total number of cases</b>	<b>212</b>	
Number of investigations closed (Apr – Feb)	198	18 single person discount / council tax liability irregularities closed ‘overpayment only’; 3 CTS irregularities closed ‘overpayment only’; 164 referrals were closed due to there being no evidence of fraud; 13 cases were referred to the DWP.
Number of on-going investigations	14	2 joint working cases with the DWP; 5 relate to council tax empty property charges 3 relate to single person discount irregularities; 4 relate to council tax reduction scheme irregularities;
<u>Tenancy Fraud</u> CAFT continues to provide an investigative support service to Berneslai Homes to help identify, investigate, deter or prosecute persons that commit tenancy fraud within the Borough.		
Number of investigations b/f from 2019/2020	2	
Number of alleged tenancy fraud referrals received (Apr - Feb)	27	
Number of new Right to Buy Applications received for verification	141	
<b>Total number of cases</b>	<b>170</b>	
Number of Right to Buy verifications closed as eligible to apply	141	Counter fraud checks were satisfactory, and the applications were returned to the Right to Buy Team to progress through the RTB system
Number of Tenancy Investigations closed due to the property being recovered	3	2 tenancies were voluntarily surrendered as a result of joint working with Berneslai Homes; 1 false tenancy succession was prevented.
Number of tenancy investigations	16	These cases were investigated

closed as No Further Action (Apr – Feb)		but no evidence was identified to support the allegations. 11 relate to alleged non occupancy of the property; 2 concerned allegations of sub-letting; 2 related to successions of tenancy; 1 related to alleged housing application fraud.
Number of on-going investigations	10	
<b>Blue Badge Irregularities</b>		
Blue badges can only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.		
Number of investigations b/f from 2019/2020	7	
Number of new referrals (Apr - Feb)	3	
<b>Total number of cases</b>	<b>9</b>	
Number of investigations closed (Apr – Feb)	7	5 irregularities had been referred to Legal Services for prosecution, however due the Covid-19 pandemic impacting on the Courts, a management decision was made not to pursue these prosecutions; 2 warning letters were issued to the vehicle drivers
Number of cases with Legal Services pending Court action	0	
Number of on-going fraud investigations	2	
<b>Insurance Fraud</b>		
The CAFT continue to provide counter fraud checks of submitted insurance claims. These checks, including financial and residential verification, provide assurance to the Insurance Team that the claims are genuine and bona fides.		
Number of investigations b/f from 2019/2020	2	
Number of new referrals (Apr - Feb)	42	
<b>Total number of cases</b>	<b>44</b>	
Number of investigations closed (Apr – Feb)	41	Counter fraud checks were satisfactory, and the claims were returned to the Insurance Team for processing.
Number of on-going investigations	3	

<u>Corporate Investigations</u>		
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		
Number of investigations b/f from 2019/2020	4	
Number of new referrals (Apr - Feb)	3	
<b>Total number of cases</b>	<b>7</b>	
Number of investigations closed (Apr – Feb)	5	2 were referred back to management; 1 Test and Trace application was refused; 1 management action 1 No evidence of fraud
Number of on-going investigations	2	

## 7. Preventative Work

- 7.1 The CAFT continue to have a focus on the preventative side of fraud.
- 7.2 The Principal Auditor (CAF) has attended Business Unit DMTs to assist management with the completion of their fraud risk assessments. The results will be used when considering future audit planning and to provide assurance for the annual governance review.
- 7.3 Other counter fraud work in progress includes:
- participating in a corporate group to consider procurement fraud risk;
  - review and development of corporate training material through the POD system;
  - early preparations for a second Fraud Awareness Week' involving a number of other Council services.
- 7.4 The progress and results of this work will be included in future reports to the Committee.

## 8. Corporate Anti-Fraud Plan – 2021/2022

- 8.1 The 2021/22 operational work programme will ensure the resources of the CAFT are utilised in an efficient, effective and accountable way. This work programme will be reviewed continually to reflect fraud trends, emerging risks and the general workload.
- 8.2 Whilst the number of planned days is still to be finalised, the counter fraud plan will include:
- Covid-19 post event assurance work.
  - The Cabinet Office's National Fraud Initiative;
  - A Fraud Awareness Week (proposed to take place in November 2021);
  - Counter fraud reviews;

- Verification of Right to Buy applications and Insurance Claims;
- Investigations into alleged irregularities of council tax, tenancy, blue badge and corporate referrals.

8.3 The level of proactive anti-fraud work will be dependent on the volume of Covid-19 fraud assurance checks and reactive work received by CAFT.

8.4 Further details of the Corporate Anti-Fraud Team plan will be provided to the Audit and Governance Committee in June.

## **9. External Clients**

9.1 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 in the best interests of both the external client and the Council in respect of competing priorities and resources.

## **10. Financial Implications**

10.1 The structure and budget that CAFT operate within has proven successful and provides sufficient resource required to carry out an efficient value for money anti-fraud service.

10.2 Identifying a definite amount to be recognised as the impact of the CAFT is difficult beyond such results as the single person discount and other benefit work. Much of the work of CAFT is about avoiding loss. The NFI produce an 'Outcomes Calculation Methodology' document that seeks to put a value on the results of 'fraud avoidance'. For example:

£575 per blue badge cancelled to reflect lost parking charges

£93,000 per property recovered through tenancy fraud

£72,000 per Right to Buy application withdrawn

10.3 These (and other) calculations are used to estimate the national impact of fraud. Reflecting on these figures together with the periodic results from SPD exercises demonstrates that the CAFT more than pays for itself every year in direct activity and contributes additional fraud / loss avoidance through fraud awareness training, policy review and advice.

## **11. Risk Considerations**

11.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.

**Contact Officer:** Head of Internal Audit, Anti-Fraud and Assurance

**Email:** [robwinter@barnsley.gov.uk](mailto:robwinter@barnsley.gov.uk)

**Date:** 8<sup>th</sup> March 2021