

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

AUDIT & GOVERNANCE COMMITTEE – 1st June 2022

ANNUAL FRAUD REPORT 2021/22

1. Purpose of the Report

- 1.1 The purpose of this report attached at Appendix A is to provide an account of counter fraud related activity undertaken by the Corporate Anti-Fraud Team during the period 1 April 2021 to 31 March 2022.

2. Background

- 2.1 The Council is responsible for the administration of substantial amounts of public funds and, as all local authorities, is likely to be a target for fraudsters. It is therefore vital to maintain robust policies and procedures to safeguard the council against potential fraud and to seize every opportunity to tackle fraudulent activity directed against the council.
- 2.2 It is an unrealistic expectation however to remove and avoid all fraud or loss from a large and diverse local authority. But, with a concerted effort from elected members, senior management, and all employees it is reasonable to expect that we can reduce and ultimately minimise the incidence and impact of fraud and corruption and thus ensure valuable resources can be used for front line services.
- 2.3 Senior managers continue to be aware and accept that anti-fraud and corruption measures start with them. Internal Audit and the Corporate Anti-Fraud Team provide an important advisory and guiding role but cannot assume the responsibility for operational anti-fraud controls within services and systems.
- 2.4 In 2021/22 the Corporate Anti-Fraud Team had a total budgeted plan of 409 days due to a team vacancy and pending restructure. Preventative anti-fraud work undertaken totalled 239 days and reactive investigations totalled 170 days.

3. Recommendations

3.1 It is recommended that:

- i. The Audit and Governance Committee considers and comments upon the Annual Fraud Report as part of its monitoring role; and**
- ii. Continue their support in embedding a culture of zero tolerance and high levels of awareness regarding fraud and corruption.**

5. Consultations

- 5.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.

6. Risk Management Considerations

- 6.1 Failure to have robust counter fraud arrangements will increase the Council's susceptibility to fraud and will result in loss of public money.

7. Employee Implications

- 7.1 All employees are under an obligation through their contracts of employment to be honest and adhere to the Code of Conduct.

8. Financial Implications

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

- 8.2 Identifying a definite amount to be recognised as the impact of the CAFT is difficult beyond such results as the single person discount (SPD) 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

- 8.3 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.

9. Performance Measures

- 9.1 CAFT's success will be measured by:
- Monitoring the quality of corporate fraud referrals (inputs) on a quarterly basis;
 - Measure the results (outputs) and success rate of corporate investigations on a quarterly basis;
 - Production of six-monthly updates and an annual report to the Audit and Governance Committee

Contact Officer: Head of Internal Audit, Assurance and Anti-Fraud
Email: robwinter@barnsley.gov.uk
Date: 23rd May 2022

Internal Audit, Anti-Fraud and Assurance

Corporate Anti-Fraud Team (CAFT)

Annual Fraud Report 2021-22

Audit and Governance Committee

1st June 2022



1. Purpose of the Report

- 1.1 The purpose of this report is to provide an account of counter fraud work undertaken by Internal Audit's Corporate Anti-Fraud Team during the period 1 April 2021 to 31 March 2022.

2. Proactive Anti-Fraud and Corruption Activity 2021/22

Acknowledging and Preventing Fraud

- 2.1 Fraud awareness e-learning is incorporated into the induction process for new employees. A total of 141 employees have completed the training in 2021/21. The e-learning is to be refreshed and updated as part of the 2022/23 plan.

- 2.2 A review of the Council's counter fraud webpage and the reporting methods has been undertaken, with new links added to the landing page directing members of the public to other agencies where appropriate.

<https://www.barnsley.gov.uk/services/our-council/how-we-deal-with-fraud/>

- 2.3 Other counter fraud work includes:

- Virtual attendance at the South Yorkshire Police Barnsley District OCG Bronze meetings;
- The Principal Auditor (CAF) is a Yorkshire and Humberside Regional Representative for the 'Fighting Fraud and Corruption Locally' Regional Operational Group and a member of two national working groups which aim to share good practice in relation to data analysis and social care fraud;
- The Principal Auditor (CAF) has attended virtual conferences and seminars to assist with the team's continuing professional development;
- The Corporate Fraud Investigator is an active member of the Tenancy Fraud Forum which aims to share good practice across local authorities.

- 2.4 Other counter fraud work commenced in 2021/22 and carried forward to 2022/23 includes:

- participating in a corporate group to consider procurement fraud risk; and
- review and development of corporate training material through the POD system.

- 2.5 The progress and results of this work will be included in future reports to the Committee.

Scams

- 2.6 The Covid-19 pandemic continued to see a significant increase in scams and attempted frauds as criminals took the opportunity to exploit government grants.

- 2.7 The Council prevented 23 fraudulent applications for the Restart and Omicron business grants during 2021/22. The total value of fraud prevented is £133,337.

- 2.8 The CAFT received regular fraud alerts from the National Anti-Fraud Network throughout 2021/22. These alerts, covering a range of frauds against local authorities and schools, were shared within the Council, via the Intranet or the specific service area, and externally via Corporate Communications.

Fraud Awareness Week

- 2.9 The CAFT led and co-ordinated Fraud Awareness Week 2021. Several Council departments, including Trading Standards, Licencing, IT and Berneslai Homes participated in the “Fraud: Spot it, Stop it” campaign.

The activities were linked to the five pillars of Fighting Fraud and Corruption Locally and to Learning Barnsley with the aim of raising awareness of fraud.



- 2.10 A press release publicising the exercise was issued during the week prior to Fraud Awareness Week and fraud awareness themes were shared internally via the Intranet and externally via social media. Officers also held two events in the Town Centre to raise fraud awareness with members of the public.

INTERNAL COMMS - INTRANET ARTICLES

Throughout Fraud Awareness Week, we shared a new article each day focusing on a different theme. These themes were:

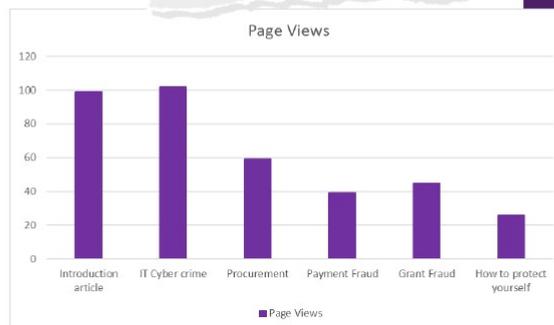
- Day 1 – IT and Cybercrime
- Day 2 – Procurement
- Day 3 – Payments
- Day 4 – Grants
- Day 5 – How to reduce counter fraud risks

Total of 378 Page Views
Total 314 Unique Page Views

The IT and Cybercrime article had the most views, with the introductory article, sharing information about Fraud Awareness Week, being a close second.

INTRANET BANNER

Linking to the days new article



THE EVENT

We held 2 events within Fraud Awareness Week.

Wednesday 17 Nov - Barnsley Market

Friday 19 Nov - Library @ Lightbox

Members of the corporate anti-fraud, trading standards and IT teams spoke with members of the public about signs to spot and how to stay safe from fraud. They had counterfeit goods on display to start conversations about these important topics.

There is no quantitative way of measuring the outcome of these events but they had many people come up and discuss these issues with them.



National Fraud Initiative (NFI)

- 2.11 The NFI is a biennial, mandatory, data matching exercise which all UK local authorities must participate in. The aim of the exercise is to identify possible cases of fraud, error and overpayments 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.
- 2.12 Although participation is mandatory, there is no requirement for all identified data matches to be investigated. To assist with the prioritisation of investigations, matches are categorised high, medium or low risk. Some matches appear in more than one report, for example, a data match may relate to a housing benefit claimant who also appears in a council tax support data match report. Improvements to the NFI website enable these matches to be investigated at the same time to avoid duplication of work.
- 2.13 Post payment assurance work relating to the Covid-19 Business Support Grants and reduced resources within the CAFT due to a long-term vacancy has resulted in fewer 2020/21 datamatches being checked by the CAFT. The Team focused on checking high risk datamatches and forwarded other datamatch reports to departments for officers to check. The 2022/23 NFI exercise is due to commence later this year and the CAFT will resume the responsibility for datamatch investigations.
- 2.14 A breakdown of the results from the 2020/21 exercise are shown below:

Subject	Monetary Value	Number of Cases
Pensions Overpayments	£10,629.45	9
Housing Benefit Overpayments	£8,331	2
Duplicate payment	£4,950	1
Blue badges cancelled*	N/A	223
Total Overpayments	£23,910.45	242

*A data match between blue badge parking permits and DWP deceased report identified that 223 blue badges remained in circulation. Records have been updated to cancel the permits.

3. Reactive Fraud Work

Detecting and Investigating Fraud

- 3.1 Despite strong preventative measures, there are inevitably a minority of dishonest people who will be intent on attempting fraud or trying to find new ways to evade preventative systems or indeed taking an opportunistic risk. When this happens, it is essential that we are able to promptly detect instances of fraud that have occurred.
- 3.2 The CAFT uses a fraud case management system which records all allegations of fraud reported, whether or not the matter is investigated. The system identifies all different types of fraud, both internal and external.
- 3.3 The maintenance of the records is essential to monitor the impact of fraud against the Council with the nature of these irregularities being monitored to identify any potential trends and/or weaknesses in the control environment. The CAFT work closely with Internal Audit and any control weaknesses identified are shared with the Internal Audit Manager as further audit work may be required.
- 3.4 Both the Principal Auditor (Corporate Anti-Fraud) and the Corporate Investigations Officer are qualified Accredited Counter Fraud Specialists.
- 3.5 A summary of the Corporate Anti-Fraud Team's reactive case load and values of fraud or overpayments identified during 2020/21 are shown at Appendix I.

Counter Fraud Checks

- 3.6 The CAFT continue to provide counter fraud checks of submitted insurance claims and Right to Buy applications. These checks, including financial and residential verification, provide assurance that the claims/applications are genuine and bona fides.
- 3.7 CAFT has undertaken checks against 46 insurance claims during the 2021-22 financial year. A summary of these referrals is shown below.

Details	2021/22 No.	2020/21 No.
No evidence of fraud	46	41
Claim refused – Council not liable	0	1
Withdrawn by claimant	0	1
C/F to 2021-2022	0	3
Total	46	44

- 3.8 CAFT has undertaken checks against 169 RTB applications during the financial year 2021/2022. A summary of these referrals is shown below.

Details	2021/22 No.	2020/21 No.
No evidence of fraud	167	132
Referred to DWP	0	0
Ongoing	2	0
Total	169	132

4. Emerging Risks

- 4.1 The Covid-19 pandemic increased a significant number of fraud risks for local authorities and members of the public. These risks mainly relate to organised crime attacks and social engineering fraud.
- 4.2 Feedback from national and regional working groups indicate that there has not been a significant increase of internal fraud during the pandemic. However, remote working and the immediate responses required to distribute grants and Government funding to businesses and individuals has created ideal conditions for external fraudsters and scammers.
- 4.3 The majority of these cases are still against individuals; however, the public sector is increasingly being targeted.
- 4.4 In response to the cost-of-living crisis Central Government is issuing a variety of grants to local authorities for distributing to those most in need and it is anticipated that fraudsters will again target council's in an attempt to obtain monies. A key action for 2022/23 is to ensure that all Council employees are aware of these risks and have implemented effective controls.

5. Compatibility with European Convention on Human Rights

- 5.1 In the conduct of investigations, the Corporate Anti-Fraud Team operates under the provisions of the Data Protection Act 2018, the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act 1984.

6. Reduction of Crime and Disorder

- 6.1 An inherent aspect of counter fraud work is to prevent, detect and investigate incidents of fraud, theft, and corruption. The control issues arising from investigations have been considered to ensure improvements in overall controls. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.
- 6.2 Counter fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedure and Investigations Act (CPIA) 1996, the Regulation of Investigatory Powers Act (RIPA) 2000, the Public Interest Disclosure Act 1998 and relevant Employment Law, Fraud Act 2006, Proceeds of Crime Act 2002 and Prevention of Social Housing Fraud Act 2013.
- 6.3 Where an investigation occurs that identifies a potential criminal offence, the matter is always referred to the police.

7. Background Papers

- 7.1 Various previous Audit Committee reports

**Internal Audit Services Corporate Anti-Fraud Team
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Summary of Reactive Work

Fraud Type	b/f from 20/21	Referrals Received	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	c/f to 22/23	Frauds No.	Prosecutions No.	Other Action	Value	Notional
Blue Badge	1	6	7	6	1	6	0	3	3	3 warning letters issues	£1,655 (incl. costs)	
Council Tax	3	21	24	6	18	1	5	0	0	Liability in respect of one account was amended resulting in a increase of CT income being raised	£2,057.96	
Council Tax SPD	1	64	65	6	59	1	5	0	0	1 discount was cancelled resulting in an increase in CT income being raised across the identified accounts	£1,786.91	
CTRS	3	60	64	6	58	2	4	0	0	1 claim was amended resulting in an increase to the CT account 1 claim was withdrawn by the applicant pending enquiries into undeclared capital	£445.36	
Housing Benefit	1	23	24	3	21	1	2	0	0	N/A		
NDR	0	2	2	1	1	1	0	1	0	An attempt to commit empty property registration fraud was prevented.	£5,000	

**Internal Audit Services Corporate Anti-Fraud Team
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Fraud Type	b/f from 20/21	Referrals Received	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	c/f to 22/23	Frauds No.	Prosecutions No.	Other Action	Value	Notional
Right to Buy	0	13	13	0	13	0	0	0	0	N/A		
Tenancy	10	35	45	21	24	6	15	0	0	<ul style="list-style-type: none"> • The tenancies of three properties were terminated; • The tenancy succession of three properties were prevented 		£558,000
Internal	0	4	4	4	0	4	0	0	0	<ul style="list-style-type: none"> • Two officers received final written warnings • Two officers received 6 month written warnings 		

Figures used for notional savings are:

(i) Projected savings up to the end of the financial year

(i) Council property recovered = £93,000 (figure recommended by Cabinet Office)

NB: The above does not reflect the extent of recovery of any savings