



# **ANNUAL CORPORATE FRAUD REPORT**

**2019/2020**

## Annual Corporate Fraud Report 2019/20

**Section 1 – Introduction**

- 1.1 The challenge presented to Councils by fraud is significant. As stated in the “The Local Government Counter Fraud and Corruption Strategy 2016-19” (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud cost councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher. More recent estimates from the Auditor General for Wales in June 2019 noted that the sums lost annually in Wales to fraud and error are significant – *“and could be anywhere between £100 million and £1 billion.”* The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today.”
- 1.2 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayers’ money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.
- 1.3 The Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct and the Anti-Fraud and Bribery Policy.
- 1.4 The Fraud Strategy and Framework 2018/19 to 2020/21 continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within.

**Section 2 – Proactive Work**

- 2.1 The Fraud Strategy and Framework includes reactive and proactive work and the proactive work is included in an action plan which sets out the developments the Council proposes to improve its resilience to fraud and corruption. The Action Plan is at **Annex 1** and progress made against the headings is described below.

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**2.2 Fraud Risk Register**

The Council can be exposed to fraud and corruption through a variety of internal and external sources. These include:

- Council Tax Reduction Scheme (including Discounts and Exemptions);
- Parking concessions (Blue Badges);
- Grants;
- Procurement;
- Employee fraud (For example: fraudulent claiming by employees of flexi and mileage expenses).

These areas, and others, can be regularly subject to attack by individuals / groups intent on committing fraud, which means that there is less money and resources available for those in genuine need. It is therefore important that the Council acknowledges the risk of fraud and undertakes an assessment on how it prevents, detects and pursues monies or assets obtained fraudulently and considers how services that are more susceptible manage that risk. Work is ongoing to develop a more detailed fraud risk assessment process that links with the corporate risk management process and it is envisaged that this will provide a robust tool to assist in ensuring resources are targeted correctly.

**2.3 Develop Fraud Awareness**

The Bridgenders intranet has recently been improved and fraud information is being reviewed and updated prior to it being made available to staff. Fraud information will also be made available on the external web page. The action plan states that alerts and newsletters will be developed to raise awareness and notify readers of new and potential fraud risks. This information will also be made available on the fraud pages as they develop. All service areas including schools will have access to this information.

Fraud awareness training continues to be undertaken by Benefit, Housing Options, Council Tax and Customer Service staff. Fraud awareness also forms part of the induction process for all new Benefits staff.

**2.4 Training**

A Fraud Prevention e-learning module has been developed to support the Anti-Fraud and Bribery and Anti-Money Laundering policies that have been approved by Cabinet. This training will enhance staff understanding of how fraud may occur, it should encourage prevention, promote detection of suspicious activities, encourage staff to act with integrity and to respond effectively when incidents occur. The E-Learning module is in the process of being rolled out.

**2.5 Data Analytics**

Data held within the financial systems is being extracted and analysis is being undertaken. This analytic tool will enable increased testing within planned audits and provide an opportunity to identify any trends that may be occurring.

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<b>Section 3 – National Fraud Initiative 2018-20</b>
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- 3.1 Another activity included on the Action Plan is the National Fraud Initiative (NFI). This is a biennial exercise coordinated in Wales by Audit Wales whereby data is extracted from the Council's systems and reports. This data is matched against data submitted from other bodies such as other Local Authorities, DWP, NHS & Trusts, Police and Housing Associations etc. It is important to note that where a match is found, it is not in itself evidence of a fraud; it may be an error or an inconsistency that requires further investigation.
- 3.2 This data matching exercise began in September 2018 and the matches were released in January 2019. A total of 2,034 matches across areas including housing benefit, payroll, blue badges, personal budgets, care homes, licencing have been identified. Of these, approximately 1,000 have been categorised as high or medium risk. In addition, another 6,160 creditor and council tax to single person discount matches have been issued. The review of these data matches is concluding and 484 frauds or errors have been identified. Table 1 summarises the results and more detail is provided in **annexe 2** below.

**Table 1 – National Fraud Initiative Results 2018-2020 Data Matching Exercise**

Type	Fraud/ Error No.	Fraud/ Error £	Recoverable £	NFI Projected Savings £
Creditors	17	2,605	2,605	-
Council Tax Related	61	37,108	23,987	40,572
Housing Benefit Related	9	15,300	15,108	12,150
Blue Badge	397	-	-	228,275
<b>Total</b>	<b>484</b>	<b>55,013</b>	<b>41,700</b>	<b>280,997</b>

- 3.3 This exercise has resulted in a total of £55,013 being identified as potential fraud or error with £41,700 being recoverable. Projected NFI savings are calculated using a defined methodology and is not "real" money to the authority. Projected NFI savings for blue badges is £228,275. This is calculated by multiplying the number of badges confirmed as still in issue, even though the applicant is deceased, by £575, which is the notional figure used to reflect lost parking and congestion charge revenue.
- 3.4 The next data matching exercise is due to start in October 2020 when data will be extracted. The new matches are due in January 2021.

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**Section 4 – Internal Fraud & Corruption Work**

- 4.1 Under the Public Sector Internal Audit Standards (PSIAS), internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is widely recognised that effective internal audit is good practice and provides support to the Council's Section 151 Officer in discharging their responsibilities as contained in legislation. As part of the assurance gathering process used to prepare the Council's Annual Governance Statement, the Head of Audit provides an annual report, which gives their opinion on the adequacy and effectiveness of the Council's control environment.
- 4.2 The Head of Audit's annual report and opinion includes details of any counter fraud work undertaken by Internal Audit during the year. Only one such matter was referred to Internal Audit for review during 2019/20. This was a complaint raised by a member of the public that personal information supplied to the Council had been used to create a fraudulent bank account application. The matter was investigated, and the complainant interviewed. The complainant was advised that there was no evidence that the information supplied to BCBC had been used in the way it was alleged. As a result the complaint was withdrawn. However, during this work an opportunity to strengthen the internal processes and controls was identified and relayed to the Department concerned.
- 4.3 As reported in last year's annual report, the potential misuse of a Council purchasing card by an employee had been referred to the police. It had been identified that this misuse happened due to weak internal controls, which have subsequently been improved. The police case has concluded and the former employee was found guilty of fraud, ordered to repay the Council the amount identified as stolen and given a suspended sentence and community service.
- 4.4 Other counter fraud work takes place within the Council, primarily in respect of Council Tax Reduction (CTR) fraud. The Council's Fraud Investigator, based on information received regarding claimants' circumstances, undertakes these investigations. During 2019/20, 55 CTR cases were closed, with 24 of these closed as fraud proven. The total CTR and incidental Housing Benefit savings achieved during 2019/20 amounted to £99,559. In addition, £7,239 of penalties or fines were generated and two CTR investigations have led to successful prosecutions. One resulted in a community order and 60 hours unpaid work the other in a conditional discharge. The Council's Fraud Investigator also undertakes ongoing work on blue badge fraud.
- 4.5 Due to the outbreak of the COVID-19 pandemic certain scams have been circulating and local residents as well as staff are made aware of these by information being circulated through the Council's Communications Team.

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**Section 5 – Joint Working & Partnerships**

- 5.1 In October 2017, the DWP provided details of the joint working approach between the Single Fraud Investigation Service (SFIS) and local authorities' fraud teams. Following a pilot stage, all local authorities were invited to sign up to a joint counter fraud initiative. This initiative means that local authority fraud teams will, where appropriate, undertake joint investigations with SFIS. The benefits of this arrangement include the sharing of expertise and knowledge, which makes investigations more efficient. Furthermore, the Crown Prosecution Service will instigate criminal proceedings via a single prosecution. Joint working was rolled out across all participating authorities between October 2018 and May 2019 with Bridgend CBC approved to go-live on 29 April 2019. To date, one suitable investigation has been referred to the Council by SFIS, and this joint investigation is currently ongoing.
- 5.2 In July 2019, the Council worked in partnership with a specialist team from Portsmouth City Council to undertake Blue Badge enforcement action. The two-day drive resulted in 68 interventions, 15 of which were serious enough for fixed penalties to be issued. Hundreds of badges were checked and officers were able to provide drivers with advice and clarification over the correct use of the scheme.
- 5.3 Twenty Blue Badges, subject to misuse, were retained as part of the crackdown against the fraudulent abuse of the scheme. The majority of the misuse involved people using someone else's badge dishonestly to avoid paying for parking. Of the 20 badges retained, 5 were securely destroyed as they were found to be cancelled or expired, 1 was returned to the badge holder with an official warning letter, 3 were returned to the badge holder with no further action taken, and 11 were considered serious enough to take forward for prosecution. A further case where the badge was not retained, due to no intervention taking place with the driver, was also prosecuted.
- 5.4 Of the 12 cases taken forward for prosecution, 10 were found guilty by the Magistrates Court. Each was issued with a fine, a victim surcharge, legal and investigation costs. The maximum fine imposed was £295, in addition to £100 legal costs, £100 investigation costs and a £32 victim surcharge. One case was found not guilty and another case has been forwarded for trial at Crown Court. This case is still ongoing with a trial date set for July 2020.
- 5.5 The authority is an active member of the Wales wide network of Local Authority Fraud investigators, which provides the opportunity to share knowledge/intelligence/good practice. The authority has a good working relationship with the Police and other outside agencies which all share information/intelligence. In addition, as new grants have become available due to COVID-19, intelligence, procedures, local risks and threats have been shared with other local authorities to actively try to prevent fraudulent claims.

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**Section 6 – National Studies**

- 6.1 During 2019/20, the authority took part in a national study setting out to review the effectiveness of counter fraud arrangements in the Welsh public sector. Information including policies, resources and good practice in respect of counter fraud work was provided which was supplemented by more in depth questioning and information gathering by the WAO.
- 6.2 The resulting report was published in July 2020. The report and any recommendations will be fully considered to ensure that the counter fraud work being undertaken continually improves.

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## Fraud Strategy and Framework Action Plan

Activity	Scope	Progress
Fraud Risk Registers	To develop Fraud Risk Register(s) and align to complement the existing risk management approach.	Template of a Fraud/Incident Register produced, along with supporting Standard Operating Procedures (SOP's).
	Maintain the fraud risk register and regularly monitoring trends to identify areas of high risk	A more detailed Fraud Risk Assessment process that could/should link with the corporate risk management process is being considered
National Fraud Initiative (NFI)	To facilitate the timely delivery of NFI 2018 /19 data matches.	All data been extracted, and the matches been returned
	Undertake integrity checks on a sample of cleared matches to ensure robustness / quality of review and select of sample of high-risk matches across the spectrum to investigate.	This activity is currently in progress
	Regularly monitor progress against recommended matches throughout the duration of the exercise.	On-going exercise
Develop devoted fraud internet / intranet pages	To enable a clear and concise point of reference for necessary information on fraud and irregularity maximising the potential of digital technology to enhance the user experience.	Bridgenders has been updated and the fraud pages will now be reviewed
	Maintain the fraud internet / intranet pages to ensure they are kept up to date.	
Training & Awareness	Develop an effective fraud awareness-training programme for Members and Officers.	Module has been developed and being rolled out to staff.
	Provide ongoing training as required for the duration of the action plan	Training and awareness sessions for NFI Key Officers have taken place. General fraud training will be developed during 2020/21.
Data Analytics	To maximise the use of data analytics and data matching to match electronic data to detect and prevent fraud.	Data extraction and analysis is being undertaken using data within the financial system which wil allow greater testing within



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Activity	Scope	Progress
		planned audits and an opportunity to identify trends
Develop alerts and newsletters to raise awareness and notify readers of new and potential fraud risks.	Develop alerts and newsletter across the Council.	Mock newsletter has been produced and awaiting development of web site.
	Produce Newsletters at regular intervals throughout the duration of the action plan.	
No Recourse to Public Funds	With a national increase in applications, there has been a consequent increase in attempts by fraudsters to obtain public funds via false applications. In addition, a developing trend for individuals to make multiple applications across different authorities. This can be linked to the NFI 2018 data matching exercise.	Implementation of the Appcheck Suite via the NFI Site is being considered for 2020/21 matches
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Report produced
Schools	Conduct a "Fraud Health Check" across school establishments to attain assurance over the controls and governance in place to mitigate the potential for fraud.	A schools anti-fraud toolkit has been drafted with a supporting self-assessment health check. Roll out will be linked to the progress of training and website

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<b>National Fraud Initiative Results 2018-20 Data Match</b>					
Type / Area	NFI	Frauds/ Errors	Fraud/Error Amount	Recoverable 2019	NFI Projected Savings
VAT overpaid for Authority	Yes	16	£1,262.40	£1,262.40	£0.00
Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference	Yes	1	£1,342.80	£1,342.80	£0.00
		<b>17</b>	<b>£2,605.20</b>	<b>£2,605.20</b>	
Council Tax Reduction Scheme to Council Tax Reduction Scheme	Yes	2	£5,458.29	£5,458.29	£0.00
Council Tax Reduction Scheme to Housing Benefit Claimants	Yes	1	£1,019.16	£1,019.16	£0.00
Council Tax single persons discount to Electoral Register	Yes	36	£20,910.39	£17,255.66	£27,838.42
Council Tax rising 18s for Authority	Yes	22	£9,719.90	£253.55	£12,733.66
		<b>61</b>	<b>£37,107.74</b>	<b>£23,986.66</b>	
Housing Benefit to Student Loans	Yes	7	£12,673.11	£12,673.11	£9,588.81
Housing Benefit to Payroll	Yes	1	£2,434.88	£2,434.88	£543.27
Housing Benefit Claimants to Benefits Agency Deceased Persons	Yes	1	£192.10	£0.00	£2,018.10
		<b>9</b>	<b>£15,300.09</b>	<b>£15,107.99</b>	
Blue Badge Parking Permit to Benefits Agency Deceased Persons	Yes	397	£0.00	£0.00	£228,275.00
		<b>397</b>	<b>£0.00</b>	<b>£0.00</b>	
	<b>Totals</b>	<b>484</b>	<b>£55,013.03</b>	<b>£41,699.85</b>	<b>£280,997.26</b>