



ANNUAL CORPORATE FRAUD REPORT

2021/2022

Section 1 – Introduction

- 1.1 The challenge presented to Councils by fraud is significant. The latest edition of the Fighting Fraud and Corruption Locally Strategy ‘*A Strategy for the 2020s*’ produced by local government, for local government states that; Local Authorities continue to face a significant fraud challenge and, while the official figures are dated, the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. 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, Anti-Fraud and Bribery Policy, Anti-Tax Evasion Policy and Anti Money Laundering Policy. A Fraud Risk Register is also in place.
- 1.4 The Fraud Strategy and Framework underpins the Council's commitment to prevent all forms of fraud, bribery, and corruption, whether it be attempted externally or from within. This was reviewed by Governance & Audit Committee in April 2021 and endorsed by Cabinet in March 2022.
- 1.5 The COVID-19 pandemic continued to have a major impact on everyone during 2021-22. One consequence has been that many organisations, including Councils, are being targeted by an increase in potential scams. This growing trend has placed more importance on the roll out of fraud awareness which aims to ensure that staff are equipped to identify such threats and avoid becoming a victim of fraud.

Section 2 – Proactive Work

- 2.1 The Fraud Strategy and Framework includes reactive and proactive work and sets out the measures the Council proposes to take over the medium-term future to further improve its resilience to fraud, bribery, and corruption. These measures are shown at **Annex 1** and the progress that has been made against the headings is described below.

Fraud Risk Register

- 2.2 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)
 - Housing benefits
 - Parking concessions (Blue Badge Scheme)
 - Grants
 - Procurement
 - Employees (For example: fraudulent claiming by employees of flexi, mileage expenses and misuse of corporate credit cards).
- 2.3 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. Consideration should also be made as to how services that are more susceptible manage that risk.
- 2.4 A detailed fraud risk register has been produced and was presented to Governance & Audit Committee in April 2021 and approved by Cabinet in March 2022. It is envisaged that this will provide a robust tool to assist in ensuring resources are targeted correctly. The Fraud Risk Register will be monitored by the Corporate Management Board on a quarterly basis and any significant risks identified will be escalated to the Corporate Risk Register and reported to the Governance & Audit Committee where necessary.

Policies

- 2.5 There are a number of Council policies in place to assist and support the raising of fraud awareness and to help tackle fraud, bribery, and corruption within the authority. These policies will dovetail and ensure that the public, Members, and staff have clear guidance on how to identify and report suspected or known fraud, bribery, or corruption.
- 2.6 In January 2021, a new policy was drafted and added to the current suite to deal with Tax Evasion. The Governance & Audit Committee approved this in April 2021.

2.7 Below are some of the relevant policies currently in operation which assist in the overall fraud awareness strategy.

- Whistleblowing Policy
- Anti-Fraud and Bribery Policy
- Anti-Money Laundering Policy
- Anti-Tax Evasion Policy
- ICT Code of Conduct
- Financial Procedure Rules
- Grants Financial Management Policy
- Various HR policies

Develop Fraud Awareness

2.8 The Bridgenders intranet pages have been improved and fraud information has been made available to staff. It is the intention that fraud information will also be made available on the external website, which will provide guidance on how reports of fraud can be made to the council by the public.

2.9 The proposed ongoing measures state that alerts and newsletters will be produced to raise awareness and notify readers of new and potential fraud risks. This information is still being developed but will be made available on the Bridgenders intranet pages so all service areas including schools will have access to this information. When alerts are received from the National Anti-Fraud Network or other relevant organisations, they are shared with those departments affected to ensure they are aware of any potential threats. In addition, when the Council receives information from outside organisations concerning potential fraud that may have a direct consequence to members of the public or staff, this information is shared with the Communications Team to ensure details are published on the Council's social media platforms.

2.10 Fraud awareness training continues to be delivered remotely by the Senior Fraud Investigator. During 2021-22 training was delivered to staff within Benefits, Council Tax, Payroll and Customer Services. Fraud awareness also continues to form part of the induction process for all new Benefits staff. A fraud awareness training session was presented to all existing Members in February 2022 with further training provided as and when required.

Training

2.11 A Fraud Prevention e-learning module has been developed to support the Anti-Fraud and Bribery, Anti-Money Laundering and other relevant policies that have been approved by Cabinet. The training will enhance staff understanding of how fraud may occur, encourage prevention, and promote detection of suspicious activities. This will enable staff to act with integrity and to respond effectively when incidents occur. The E-Learning module has been rolled out across the council and is now mandatory for all new and existing staff and Members to complete.

Data Analytics

- 2.12 A data analytic tool and techniques have been used during the year to enable data held within the financial systems to be extracted and analysed. This has enabled increased testing within planned audits and has provided an opportunity to identify any trends that may be occurring.

Section 3 – National Fraud Initiative Data Matches 2020 - 2022

- 3.1 The National Fraud Initiative (NFI) is included as one of the ongoing measures to reduce fraud. 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 Internal Audit together with the Council's Senior Fraud Investigator facilitates the upload of data and user account management and provides assistance, training and advice to officers reviewing the data matches.
- 3.3 The current data matching exercise began in October 2020 with data being extracted and forwarded to the NFI. The resulting matches were released to the Council in January 2021 and will be completed and finalised during October 2022. A total of 7,181 matches across areas including housing benefit, council tax reduction scheme, payroll, blue badges, creditors, licencing and COVID-19 related grant payments were identified. A review of these data matches during the accounting year 2021/22, resulted in 420 frauds or errors being identified. Table 1 summarises the results and more details are provided in **Annex 2**.

Table 1 – National Fraud Initiative Data Matching Exercise Results 2020/22

Type	Fraud/ Error Number	Fraud/ Error Value	Recoverable	NFI Projected Savings
Housing Benefit	11	£26,789.68	£22,817.05	£10,097.64
Council Tax Reduction Scheme	6	£7,863.37	£7,863.37	£1,750.77
Blue Badge	403	£0.00	£0.00	£231,725.00
Total	420	£34,653.05	£30,680.42	£243,573.41

- 3.4 This exercise has resulted in a total of £34,653.05 being identified as potential fraud or error with £30,680.42 being recoverable.
- 3.5 The next biennial NFI data matching exercise is due to commence in October 2022 when data will be extracted and forwarded to the NFI. The new matches are due for release in January 2023.

- 3.6 NFI projected savings are a Cabinet Office defined methodology, which predicts the potential or projected loss if the fraud/error had not been identified. Audit Wales also publish the projected savings in their fraud related reports. It is not 'real' money to the authority and cannot be reflected in bottom line savings. **Annex 3** provides a summary of the Cabinet Office methodology.

Single Person Discount (SPD)

- 3.7 The NFI also produce an annual exercise relating to SPD, generated within the Council Tax system. These matches highlight where there may be more than one adult at a property currently in receipt of SPD.
- 3.8 In total, 3,367 households were produced for review during 2021. The review of these data matches resulted in 102 frauds or errors being identified. Table 2 summarises the results and more detail is provided in **Annex 4**.

Table 2 – NFI Single Person Discount Results 2021

Type	Fraud/ Error Number	Fraud/ Error Value	Recoverable	NFI Projected Savings
Single Person Discount	102	£69,147.14	£69,147.14	£73,188.84

- 3.9 Further SPD data was extracted and forwarded to the NFI in December 2021 and these matches were released for review later that same month. In total a further 3,984 matches have been produced for investigation during 2022 and work has commenced on these.

Section 4 – Counter 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 A total of 5 potential fraud or irregularity matters were referred directly to Internal Audit and the Senior Fraud Investigator for review during 2021/22. This work can be generated in several ways, by whistleblowing or complaint referrals; by managers who may have concerns over a certain issue or individual or as a result of an audit review. These are listed in Table 3.

Table 3 – Counter Fraud & Corruption Work

Counter Fraud & Corruption Work	Outcome
Learner Travel Contract	Potential fraud not proven, audit undertaken, and controls improved
Primary School – Use of Consultant	Potential fraud – disciplinary action
Primary School – Private Funds	Potential fraud – disciplinary action
Jobs Fair Supplier Engagement	Potential fraud not proven; lessons learned regarding controls
Impersonation of Chief Executive and placing fake orders for high value items	Police referral – investigation still ongoing. No financial loss to the council

- 4.3 Of the 5 matters listed above, all were fact finding exercises. In all cases reports were presented to Senior Officers/Manager's/Headteacher to consider the next course of action, such as disciplinary action, and where necessary recommendations were made to improve controls where any weaknesses were identified. Other agencies such as the Police were consulted when appropriate to discuss the appropriate way forward on relevant cases.
- 4.4 Since the outbreak of the COVID-19 pandemic, scams have been circulating. All staff, as well as residents, are made aware of these by information being circulated through the Council's Communication Team or, via the Council's Senior Fraud Investigator. For example, details of the fake orders were publicised internally to staff and externally on the Council's social media channels and via the local media to ensure both staff and the public were aware of the scam and to remind them to remain vigilant.

Council Tax Reduction (CTR) fraud

- 4.5 In 2015, investigation work for Housing and Council Tax Benefit transferred to the Department for Works and Pensions (DWP) Single Fraud Investigation Service (SFIS) but the responsibility to provide support for council tax, and the funding associated with it, was devolved to the Welsh Government.
- 4.6 The Council's Fraud Investigation department, based on information received regarding claimants circumstances, undertakes investigations in respect of cases of fraud in CTR. Table 4 below, illustrates the source of fraud referrals received during the period 2021/22.

Table 4 – Source of Referrals 2021/22

Source of Referrals	2021/22
NFI	3
Benefit/Taxation Staff	14
HBMS* data match	0
Department of Work and Pensions (DWP)	0
Claim Review	6
Anonymous (letter/telephone/email)	52
Verify Earnings and Pensions (VEP) alerts**	3
Other organisation/department	0
Total	78

*DWP Housing Benefit Matching Service

**A data match with HMRC

4.7 A proportion of the referrals received related to DWP benefits or housing benefits, and consequently these were forwarded to DWP's SFIS to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:

- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance or Employment and Support Allowance
- The Housing Benefit overpayment is expected to exceed £3,000 (the DWP's threshold for criminal action)
- It is in the public's interest that a prosecution should result.

4.8 During 2021/22 the Fraud Investigator referred 30 cases to the DWP, the DWP do not provide feedback on the outcome of the referrals.

4.9 Table 5 illustrates a breakdown of the types of allegations that were referred during the period 2021/22.

Table 5 – Type of Allegation 2021/22

Type of Allegation	2021/22
Undeclared income	18
Undeclared increase in income	4
Undeclared capital/savings	3
Living together	23
Non-residency	11
Discrepancy – non-dependant	7
Discrepancy – household occupants (e.g., SPD*)	1
Other (e.g., DLA**/Tax Credits/Contrived)	11
Total	78

*Single person discount

** Disability Living Allowance

- 4.10 During 2021/22, 47 cases were closed. The closure categories are detailed in Table 6 below.

Table 6 – Reason for Closure 2021/22

Reason for closure	2021/22
No fraud	1
Not investigated	33
Fraud proven*	13
Total	47

*i.e., sufficient evidence to instigate legal proceedings

- 4.11 Cases closed not investigated either lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g., the person was not claiming benefits).
- 4.12 Table 7 below provides the CTR, and incidental housing benefit savings that have been achieved as a result of the fraud investigations concluded during 2021/22.

Table 7 – Savings Achieved 2021/22

Savings	2021/22
CTR excess reduction	£18,078.11
Future CTR saving	£9,527.44
Council Tax Benefit	£0.00
Housing Benefit	£40,215.62
Total	£67,821.17

- 4.13 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Benefits and Financial Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the Council are prosecutions, issuing a financial penalty or a fine.
- 4.14 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. As an alternative to this type of penalty, fines may be issued as follows:
- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR
 - £70 – may be imposed for:
 - an incorrect statement, information or evidence that leads to a CTR award that is greater than entitlement; or
 - a failure to notify of a change in circumstances meaning that a CTR award is greater than entitlement

- 4.15 Table 8 illustrates the penalties and fines issued in the relevant period. It also provides information on the number of successful prosecutions in 2021/22:

Table 8 – Successful Sanctions 2021/22

Successful sanctions	2021/22	Amount
Prosecutions	3	N/A
Penalties	9	£5,348.39
Fines	0	£0.00
Total	12	£5,348.39

- 4.16 In addition to the penalties and fines, administration penalties are raised on behalf of the DWP, following their investigations into claims for Housing Benefit and Council Tax Reduction. During 2021/22, £2,317.89 was raised as a result of these DWP investigations.

CTR prosecutions 2021/22

- 4.17 Three CTR investigations undertaken by the Senior Fraud Investigator led to successful prosecutions in 2021/22. As a result, a combined total of £640 in fines, £1,050.00 in costs and £100 in victim surcharges were imposed on the defendant by the court.

Blue Badge misuse

- 4.18 The Council's Fraud Department undertakes work on blue badge misuse. During 2021/22, nine reports were received, the majority of which involved people dishonestly displaying another person's badge. Lack of evidence in these cases resulted in five being closed, with no further enforcement action taken however four were taken forward for further investigation. Of these, three cases were closed following an official warning letter being issued to the badge holder and one was closed with no further action taken.
- 4.19 It is the intention of the Fraud Department to arrange future specialist training for the Council's Civil Enforcement Officers. This will enable them to identify potential blue badge misuse, and deal with this misuse correctly at street level. Cases would then be referred to the Fraud Department, where appropriate, to take forward for investigation. It is also the intention of the Fraud Department to conduct further fraud drives where resourcing allows.
- 4.20 In response to an increase in Blue Badge misuse across Wales, Welsh Government has a vision for a consistent approach to blue badge enforcement and are actively looking into funding options to support suitable training and offer it to all Local Authorities. The outcome of their research will help shape the progression of this area of work within Bridgend County Borough Council.

- 4.21 The work of the Fraud Department continued to be impacted during 2021/22 by the COVID-19 pandemic. A new Fraud Investigator was appointed in April 2021 to assist the Senior Fraud Investigator with his duties however new burdens placed on the authority, because of emergency financial packages implemented by Welsh Government, resulted in their redeployment soon after commencing in the role, to help in the assessment of claims and distribution of these funds. This had a detrimental effect on the results obtained. It is hoped that the Fraud Investigator will be able to resume fraud work in June 2022 when the remainder of these emergency financial packages conclude.

Section 5 – Joint Working & Partnerships

- 5.1 Bridgend CBC became part of a joint counter fraud initiative with SFIS in April 2019. During 2021/22, only one suitable investigation has been referred to the Council by SFIS, and this joint investigation is currently ongoing. Two investigations were referred to SFIS by the council during the same period however it was determined by the DWP that they were not suitable for further joint working action. Unfortunately, due to the COVID-19 pandemic, this joint work arrangement was put on hold for a large proportion of 2021/22.
- 5.2 The authority is an active member of the Wales wide network of Local Authority Fraud investigators, which provides the opportunity to share knowledge, intelligence, and best practice. The group has been meeting virtually during 2021/22.
- 5.3 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.

Section 6 – National Studies

- 6.1 During 2019/20, the authority took part in a national study, the objective being 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 Audit Wales.
- 6.2 The resulting Audit Wales report, '*Raising Our Game - Tackling Fraud in Wales*' was published in July 2020. The report and any recommendations, along with the '*Fighting Fraud and Corruption Locally a Strategy for the 2020's*' guidance will be fully considered and integrated into future action. The reports have formed the basis for the revised Fraud Strategy and Framework.

Annex 1**Ongoing Measures to Reduce Fraud**

	Action
1	Development of a fraud risk register, which will be reviewed quarterly by the Corporate Management Board. Any significant risks identified will be escalated to the Corporate Risk Register and reported to the Governance & Audit Committee
2	Ensuring that there is a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing, and responding to fraud risks.
3	To be an active participant in the bi-annual National Fraud Initiative (NFI) exercise and to robustly investigate suspected cases of fraud identified through NFI. The Investigation Officer is responsible for the co-ordination of the exercise including ensuring that the data sets comply with specification and are securely uploaded to the Cabinet Office. Management is responsible for the review of matches that are returned and for referring suspicions of fraud and corruption to the Investigation Officer.
4	Raising awareness of fraud, bribery, and corruption by developing an effective online fraud awareness training programme for Members and Officers and providing ongoing training.
5	Producing an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.
6	With the number of new grant funding opportunities that have been introduced by Welsh Government during the COVID 19 pandemic, which Local Authorities have been required to administer, there has been a consequent increase in attempts by fraudsters to obtain public funds via false applications. Also, there is a developing trend for individuals to make multiple applications across different authorities. Data analytics and data matching will be used to match electronic data to enable us to detect and prevent fraud in these areas.
7	Maximising the use of data analytics and data matching to match electronic data to detect and prevent fraud.
8	Developing a newsletter that promotes awareness of fraud and provides alerts and information to staff and members across the Council at regular intervals throughout the duration of the action plan.
9	Conducting a "Fraud Health Check" across school establishments to attain assurance over the controls and governance in

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	place to mitigate the potential for fraud.
10	Actively maintaining the authority's membership of the Welsh Fraud Officers Group, The Chartered Institute of Public Finance and Accountancy (CIPFA), and all other enforcement partners including the Police and HMRC. Also, being open to new and innovative anti-fraud projects.
11	Producing fraud investigation outcome reports for management which highlight the action taken to investigate the fraud risks and the outcome of the investigations e.g., sanction and recommendations to minimise future risk of fraud.
12	Exploring with Human Resources the possibility of including management responsibility for managing fraud and corruption risks within all managerial role profiles.
13	Enabling a clear and concise point of reference for necessary information on fraud and irregularity maximising the potential of digital to enhance the user experience. Maintaining the fraud internet/intranet pages to ensure they are kept up to date.

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Annex 2

National Fraud Initiative Data Matching Exercise Results Breakdown 2020-2022

Type / Area	NFI	Frauds/ Errors	Fraud/Error Amount	Recoverable	NFI Projected Savings
Housing Benefit to Student Loans	Yes	11	£26,789.68	£22,817.05	£10,097.64
		11	£26,789.68	£22,817.05	£10,097.64
Blue Badge Parking Permit to Benefits Agency Deceased Persons	Yes	403	£0.00	£0.00	£231,725.00
		403	£0.00	£0.00	£231,725.00
Council Tax Reduction Scheme to Payroll	Yes	2	£217.04	£217.04	£568.26
Council Tax Reduction Scheme to Pensions	Yes	2	£41.81	£41.81	£30.87
Council Tax Reduction Scheme to Payroll	Yes	1	£6.15	£6.15	£772.17
Council Tax Reduction Scheme to Housing Benefit Claimants	Yes	1	£7,598.37	£7,598.37	£379.47
		6	£7,863.37	£7,863.37	£1,750.77
	Totals	420	£34,653.05	£30,680.42	£243,573.41
Colour Coding:					
Recoverable by DWP over an undefined period.					
Recoverable by BCBC over an undefined period.					
Cabinet Office projected savings during financial year					

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Annex 3

Cabinet Office Methodology

Data Match	Basis of Calculation of Estimated Savings
Welfare Benefits	Value of sanctions applied plus weekly benefit reduction multiplied by 21
Pensions	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85
Blue Badges	Number of badges confirmed as deceased multiplied by £575 to reflect lost parking and congestion charge revenue
Concessionary Travel	Number of passes cancelled multiplied by £24, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme
Tenancy Fraud	£93,000 per property recovered based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies
Right to Buy	£65,000 per application withdrawn based on average house prices and the minimum right to buy discount available
Payroll	£5,000 per standard case - £10,000 for an immigration case
Council Tax SPD	Annual value of the discount cancelled multiplied by two years
Housing Waiting Lists	£3,240 per case, based on the annual cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property
Personal Budgets	Monthly reduction in personal budget payment multiplied by three months
Residential Care Homes	£7,000 per case based on the average weekly cost of residential care multiplied by 13
Other Immigration	£50,000 for a removal from the UK case.

