



Report of the Chief Auditor

Governance & Audit Committee - 4 September 2024

Internal Audit Section – Fraud Function Annual Report for 2023/2024

Purpose:	This report provides a summary of the work completed by the Fraud Function of Internal Audit in 2023/24.
Policy Framework:	None.
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For Information

1. Introduction

- 1.1 This report provides a summary of the activities of the Fraud Function for 2023/24 and reviews achievements compared to target activities contained in the Fraud Function Anti-Fraud Plan for 2023/24 approved by Governance & Audit Committee.

2. The Value of the function

- 2.1 The fraud function contributes to the Council's corporate vision and priorities by investigating allegations of fraud and corruption against the Authority, both from within the organisation and from external third parties.

- 2.2 The value of this function to the Authority can be measured via the following headings:

2.2.1 Deterrent value

The deterrent value of having a fraud function is invaluable. It offers a confidential mechanism to report concerns, showing that those concerns are acted upon, taking appropriate sanctions such as disciplinary action or criminal prosecutions, and reporting outcomes as appropriate.

2.2.2 Strengthening procedures & workforce relationships.

Internal investigations may not yield immediately quantifiable financial outcomes. However, they can and have had a positive effect as a consequence of:

- Changing policies and procedures that reduce the potential for subsequent loss by fraud or error by enhancing robustness and delivering efficiencies.
- Stopping inappropriate practices can increase morale and enhance relationships between colleagues and managers and service users thereby positively affecting performance.

2.2.3 **Outcomes with financial implications**

Activities may identify money, or assets that have been claimed or misappropriated via fraud or error, which are targeted for recovery. For example:

- Overpayments of Housing Benefit, Council Tax Benefit, Council Tax Reduction.
- Council properties returned to stock.
- Money resulting from action taken under the Proceeds of Crime Act 2002.

Activities may also result in additional liability being created. For example, via the removal of Council Tax discounts and exemptions.

3. **Staff Structure**

- 3.1 The Fraud Manager position was filled May 2023, with a deletion of an investigation officer post.
- 3.2 Subsequently, the team structure is now an investigation manager and two fraud investigators.

4. **Overview of Activities**

- 4.1 Activities broadly fall into two main categories:

- Allegations and cases solely investigated by the team including council tax reduction, social housing tenancy fraud, direct payments for social care, employee, and special investigations and fraud awareness.
- Suspicious Council Tax Reduction claims are considered as part of joint working arrangement with the Department for Work and Pensions (DWP).

- 4.2 The team have also continued to manage the National Fraud Initiative (NFI 22) that is due for completion in 2023/2024. (See section 5.2)
- 4.3 The volume of reports and requests for support received by the team during 2023/24 increased as demonstrated in Tables 1 and 2 below and is far higher in relation to comparable pre-covid data.
- 4.4 The high volume of cases also continues to reflect the heightened awareness and visible profile of the team as the repository for external and internal allegations relating to the Councils functions.
- 4.5 It should be noted that not all of these reports resulted in full fraud investigations. Often cases are rejected due to insufficient information being provided or reports being more appropriate to another service area or body. Often advice on prevention is provided to client departments and a full investigation is not always required.

Table 1 – Caseload Volume 2023/24

Type	Joint Working with DWP	Fraud Function only	Total
Brought forward	12(15)	49 (57)	61 (72)
New cases in 2023/24	22g (12)	361 (309)	383 (322)
Total	34 (27)	410 (366)	444(394)

(Figures in italics refer to 2022/23)

Table 2 – Caseload trend Data

Financial Year	Caseload Trends Excluding DWP Joint Working				Team Size
	B/F From Previous Year	New Cases	Concluded	DPA Requests	
2015/16	0	125	90	258	3
2016/17	35	243	213	320	3
2017/18	65	198	218	447	3
2018/19	45	211	213	435	2
2019/20	43	212	214	469	2
2021/22	41	415*	368	643	2
2023/24	88	379	395	642	2
2023/24	72	322	328	704	2/3
2024/25	61	383	444	996	3

*Included Covid Increase

4.6 Despite the increased volume of reports received turnover also increased.

Table 3 – Case status as at 31/3/23

Type	Joint Working with DWP	Fraud Function only	Total
Cases closed	13 (14)	351 (314)	364 (328)
Cases to be allocated	0 (1)	22 (12)	22 (13)
Cases under investigation	21 (14)	37 (39)	58 (53)
Total	34 (28)	410 (366)	444 (394)

(Figures in italics refer to 2022/23)

4.7 The on-line public reporting tool continues to receive a high volume of reports and we continue to further develop to improve the quality of reports.

5 Key Activities 2023/2024

5.1 Joint work with DWP's Counter Fraud, Compliance & Debt Service (CFCD)

5.1.1 As previously reported since the introduction of the DWP's Single Fraud Investigation Service (SFIS), the DWP became solely responsible for investigating all welfare benefit frauds, including Housing Benefit that is still administered by the Local Authority.

5.1.2 However the team continue to work jointly with DWP where there is also a Council Tax Reduction (CTR) offence.

5.1.3 Data outcomes for this work are shown below. The value of overpayments realised at £206,692.33. Cases have been referred to the Crown Prosecution Service, and civil penalties of £450.93 were issued within the year.

Overpayments created:

Joint Working with DWP cases			
Created via Fraud Function		Created via DWP	
CTR	Other LA	HB & CTB	DWP
£31,156.25 <i>(£9,488.69)</i>	£0.00 <i>(£0.00)</i>	£41,043.24 <i>(£27,434.68)</i>	£108,713.82 <i>(£76,660.89)</i>
£31,156.25 <i>(£9,488.68)</i>		£149,756.82 <i>(£104,095.57)</i>	
£180,913.07 <i>(£113,584.26)</i>			

FF only cases
CTR & Other
£25,779.26 <i>(£14,278.24)</i>

(Figures in italics refer to 2022/23)

Total of all overpayments
£206,692.33 <i>(£127,862.50)</i>

5.2 National Fraud Initiative 2022

5.2.1 NFI is a bi-annual data matching exercise delivered by the Cabinet Office.

5.2.2 Data matching involves comparing data records held by one organisation against data records held by the same or other public bodies to identify matches. Not all data matches are cases of fraud. They identify where organisations need to consider if the match is permissible or there is an anomaly and needs further investigation.

5.2.3 Areas that are subject to data matching include:

- Blue Badge & Residents Parking Permits
- Creditors/Contractors
- Council Tax Reduction
- Council Tax Single Persons Discount
- Housing Benefits
- Housing tenants and waiting lists
- Immigration
- Payroll
- Pensions
- Personal alcohol licences
- Personal budgets for social care
- Student loans
- Taxi licenses.
- VAT overpaid.

5.2.4 Internally, the exercise is coordinated by the Chief Internal Auditor and the Fraud Function, and matches are allocated to officers based within the authority for scrutiny. Progression on these reports is actively managed.

5.2.5 The main data output for NFI22 was received in late January 2023 and the examination of all relevant matches has been concluded. Over 10,000 matches were received across 96 reports of which 2906, predominantly matches considered High Risk, have been reviewed.

5.2.6 Notional and actual savings of over £600,000 have already been realised across the exercise, with 47 cases remain ongoing and under investigation.

5.2.7 It is anticipated that exercise will be concluded at presentation of the mid-year report and results will be published at this time.

5.2.7 The authority received over 29,000 discretionary matches in respect of Council Tax discounts that were not part of the main exercise.

5.2.8 Previous NFI data matches have been found to be out of date as there is a time lag between when the data is collected and received., and as the Revenues Service already utilises a third-party company to undertake a review of discounts, it was deemed not cost effective or practical to allocate additional resources to review the NFI matches in addition to the Datatank exercise.

5.2.9 An improved Datatank review programme in 2023/2024 was conducted by the Revenues Service with an initial bulk review as had previously been carried out but accompanied by the introduction of a monthly rolling review thereafter, that totalled 5609 high-risk reviews. This cumulated in savings of £116,466.

5.3 Fraud Awareness

5.3.1 The team continues to act as the hub for the receipt of Intelligence and Scam alerts from the National Anti-Fraud Network and Action Fraud. The volume has reduced significantly in line with the end of the pandemic.

- 5.3.2 The team also receives alerts from other organisations and bodies such as the Council's Bankers and the Credit Industry Fraud Avoidance Service, and again relative actions and information is then circulated to the appropriate departments e.g., Phishing scams, Mandate fraud.
- 5.3.3 Fraud Awareness training will be provided to the Governance & Audit Committee in 2024/25.
- 5.3.4 Following a recommendation made by Audit Wales as part of their All-Wales review of counter-fraud arrangements in Local Government, the Corporate Fraud Manager successfully sourced a suitable online training package to further strengthen counter fraud awareness across the Council. As a result, An online e-learning training course 'Focus on Fraud Awareness' is now available to all members and staff.
- 5.3.5 The team also continued to attend a number of online training events to ensure knowledge of current threat and trends and to ensure their own continual professional learning.

5.4 Inter-Agency work and Data Exchange

- 5.4.1 The team has further developed its role in inter-agency working and data exchange.
- 5.4.2 Staff have continued to lead regular meetings and contributed to the development of the Welsh Fraud Officers group and extended this forum to maintain regular dialogue with Welsh Government Fraud, Audit Wales, and the Welsh Chief Auditors Group.
- 5.4.3 Corporate Fraud Manager sits on the national NFI User Group in respect of HMRC data reports.
- 5.4.4 Staff have also continued to attend regular online inter agency meetings with other government agencies tackling organised crime.
- 5.4.5 During the year, the function received 996 requests for information from other agencies, which was an increase from 704 requests in 2023/24.

5.5 Employee related Investigations

- 5.5.1 The volume of employee investigations/referrals reduced from 24 in 2022/23 to 17 in 2023/24. It was pleasing that this figure has again not increased given the change in working practices to hybrid/agile working and possible risks that could have occurred from this. The team continue to prioritise assisting client departments in this area. Of the investigations in 2023/24, 15 have concluded with one dismissal and one resignation. 2 cases remain ongoing.

5.6 Housing

- 5.6.1 As itemised in the corporate fraud plan for 2023/2024, a proactive exercise in respect of housing stock being used as short-term serviced holiday accommodation was completed in the first half of the financial year.

5.6.2 Through closer collaborative working with housing officers, 7 properties were recovered into social housing stock during 2023/2024 ¹.

5.7 Other

5.7.1 A review of the corporate fraud administrative management system found it was fit for purpose and although other external products are available, they are not cost effective.

6 Review of Outcomes against the Fraud Function Plan for 2023/2024

6.1 The team now operates hybrid working, spending time between the office, home and at other client departments and external agency buildings. 10 days were lost due to sickness in 2023/24.

6.2 Of the eight planned Fraud Function activities, all were fully achieved. Appendix 1 provides commentary against these activities.

6.3 The only activity that was not fully achieved was 'raising awareness, where no training was provided to the members of Governance and Audit Committee.

6.4 Urgent employee investigations continue to be prioritised, and time critical responses and actions undertaken.

7. Integrated Assessment Implications

7.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

7.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental, and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

¹ Research from the National Fraud Authority and Tenancy Fraud Forum measures the average cost of a detected tenancy fraud to the national public purse to be approximately £42,000.

- 7.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

The IIA indicated that there are low impacts on any identified group and the Fraud Function Annual Report 2023/2024 applies equally to all. Public consultation and engagement are not required for the report. All Wellbeing and Future Generations Act considerations are positive, and the risk identified is low. The overall impact of the report is positive, as it will support the Authority in its requirement to protect public funds. (See Appendix 2 for IIA)

8. Financial Implications

- 8.1 There are no financial implications associated with this report.

9. Legal Implications

- 9.1 The Accounts and Audit (Wales) Regulations 2014 require the maintenance of an adequate and effective system of internal audit of the Council's accounting records and control systems. This is essential to the prevention and detection of fraud and corruption and is a key element of the Chief Finance Officer's statutory duties as contained in section 151 of the Local Government Act 1972.

Background Papers: None.

Appendices:

Appendix 1 - Review of the Fraud Function Anti-Fraud Plan for 2023/24.
Appendix 2 – Integrated Impact Assessment Screening Form.

Appendix 1

Activity	Detail	Target Outcomes	Outcome Achieved
<p>1. Tackle social housing tenancy fraud</p>	<p>Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud: from unlawful subletting to bogus succession claims.</p>	<p>Raise awareness of the problem of social housing fraud and the damage that it does.</p> <p>Prevent the unlawful succession to social housing properties by people that do not have a right to succeed the tenancy.</p> <p>Reduce the number of properties being unlawfully sub-let.</p> <p>Recover properties where tenancy fraud has been identified.</p> <p>Undertake criminal prosecutions & utilise Unlawful Profit Orders to recover any profit made by offenders, in accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006</p>	<p>Fully Achieved</p> <p>The team have continued to receive numerous referrals from the public and the Housing Department.</p> <p>Full investigations continue to take place.</p>

Activity	Detail	Target Outcomes	Target Outcomes
2.Tackle Council Tax fraud	Utilise internal and external Data Matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards, and exemptions.	<p>Recover single person discount, other disregards and discounts 'incorrectly' claimed.</p> <p>Review Revenue Service Datatank smart referrals where the match has been positively challenged by the ratepayer.</p> <p>Identify cases of council tax evasion through nonregistration of liability and banding.</p> <p>Identify cases that should attract a premium charge.</p> <p>.</p>	<p>Fully Achieved</p> <p>Incorrectly claimed discounts and exemptions, have been identified via individual investigations and internal & external data matching.</p> <p>No cases were referred from the revenue service Datatank exercise</p>

Activity	Detail	Target Outcomes	Target Outcomes
3.Tackle Council Tax Reduction fraud	Continue to work with DWP's Counter Fraud and Compliance & Debt Service in countering CTRS fraud.	<p>Sharing information and expertise between the Fraud Function & DWP's CFCD.</p> <ul style="list-style-type: none"> • To ensure that the totality of welfare benefit and CTRS frauds tackled in the most efficient and effective manner. • To identify overpayments and excess reductions. • To take sanction action in appropriate cases. Administrative Penalties and prosecutions. <p>Collaborate with Benefits section on cases identified on Datatank smart referrals where there is a council tax reduction interest and provide support and investigate further where needed.</p>	<p>Fully Achieved</p> <p>The team have continued to receive numerous referrals in this area and full investigations are taking place.</p> <p>Datatank matching of cases where there are potential CTR cases will not take place until 2024/25</p>

Activity	Detail	Target Outcomes	Target Outcomes
4.Cabinet Office National Fraud Initiative	Commence the National Fraud Initiative 2022	<p>To ensure an appropriate number of matches are examined with particular reference high fraud risk matches.</p> <p>To identify processes and procedures that need to be made more robust.</p> <p>To identify overpayments and excess reductions.</p> <p>To take appropriate action against offenders.</p> <p>As identified as a potential weakness in NFI 2020, review all matches in respect of housing waiting lists.</p>	<p>Fully Achieved</p> <p>Initial vetting of matches of NFI 2022 has been completed, with 50 investigations ongoing.</p> <p>All matches in respect of housing waiting lists were reviewed.</p>
<p>5.Internal Employee Matters</p> <ul style="list-style-type: none"> • Abuse of Position • Travel and subsistence. • Flexi time/timekeeping • Other matters of misconduct/gross misconduct 	<p>Continue to assist Human Resources & Organisational Development in conjunction with various client departments.</p> <p>The Fraud Function will continue to work with internal departments and external organisations in order to undertake risk assessments and gather intelligence and evidence to point towards or away from fraud and error.</p>	<p>Support disciplinary process.</p> <p>Consider as appropriate criminal/civil proceedings.</p> <p>To take appropriate action against offenders</p> <p>Maintain the Council's good reputation.</p>	<p>Fully achieved.</p> <p>Urgent employee investigations continue to be prioritised and time critical responses provided.</p> <p>A small number of cases are carried forward to the new year, but this is a common occurrence due to the length of investigations and any disciplinary outcomes.</p>

Activity	Detail	Target Outcomes	Target Outcomes
<p>6. Tackle other internal and external fraud, examples include:</p> <ul style="list-style-type: none"> • Procurement fraud • Social Care (Direct Payments) • Blue badge • Income collection and banking • Grants • Payroll • Pensions • Etc. 	<p>During 2023/2024, the Fraud Function will continue to investigate various anomalies and referrals.</p> <p>The Fraud Function will continue to work with internal departments and external organisations in order to undertake risk assessments and gather intelligence and evidence to point towards or away from fraud and error.</p> <p>Once additional resources have been appointed the Fraud Function will seek to proactively expand into previously under resourced areas.</p>	<p>Maintain public confidence by being 'transparent'.</p> <p>Identify fraud, error and over payments.</p> <p>Assist in the recovery of 'losses', financial or otherwise.</p>	<p>Fully achieved.</p> <p>The team has considered all allegations received.</p>

Activity	Detail		Target Outcomes
7.Raising Awareness	<p>Continue to raise awareness of the role of the Fraud Function both inside and outside the Council.</p> <p>The aim is to maintain reputation and to encourage the reporting of potential fraud in the belief that action will be taken.</p> <p>To work with HROD to develop bi-annual fraud awareness training for all employees.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> • New – Carried forward from plan 2021/22. A guide to Corporate Fraud is included in Corporate Induction Training provided by Human Resources. • Existing – Continue to develop and deliver bespoke training and support that is responsive to changes in threat. <p><u>Members:</u></p> <ul style="list-style-type: none"> • Deliver presentations/reports/training to the Governance and Audit Committee and other members that develops knowledge and understanding that will develop effective scrutiny. <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>	<p>Fully achieved.</p> <p>The Corporate Fraud Team sourced suitable fraud awareness training material and HROD have facilitated an online fraud awareness training module.</p> <p>Fraud awareness training was delivered to members previously and will be repeated in September 2024.</p> <p>Where possible, the function continues to raise awareness in the local press and internally via messaging on Staffnet</p>
8.Policy, Procedure and Resource Implementation.	Review the internal corporate fraud administrative management system to ensure it is fit for purpose	Consider current arrangements in line with potential alternative cost effective internal and external options.	<p>Fully Achieved</p> <p>A review the internal corporate fraud administrative management system.</p>