



Resources Directorate Internal Audit Section



Investigation Team Progress Report

(as at 30 June 2020)

2020/21

Planning & Resources



For the year as a whole there are four hundred and ninety four chargeable days available based on current resources (2.5 fte), indicatively split between strategic (80 days) and operational activities (414 days), as summarised within the table below:

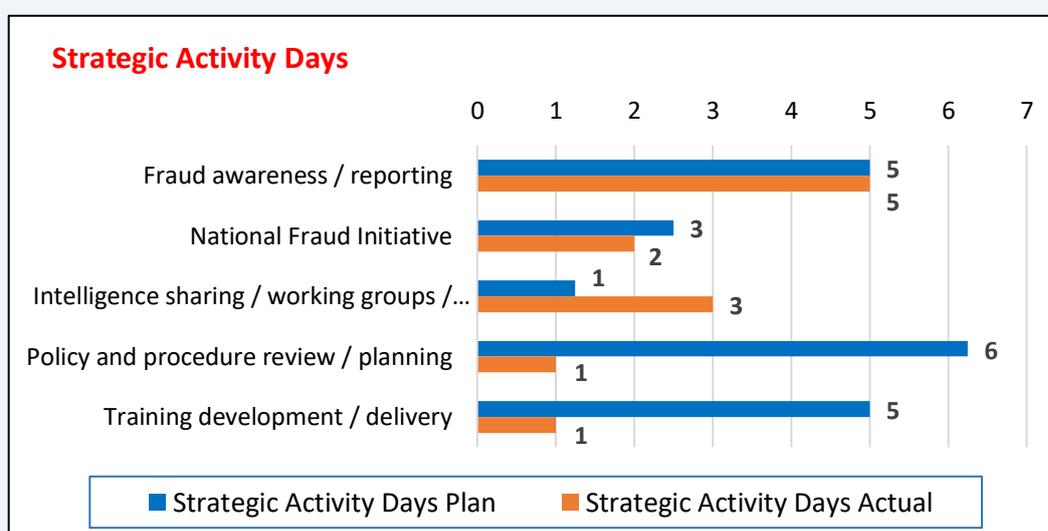
Strategic	Policy and procedure review / planning	25	Days
	Fraud awareness / reporting	20	
	Training development / delivery	20	
	National Fraud Initiative	10	
	Intelligence sharing / working groups / police liaison	5	

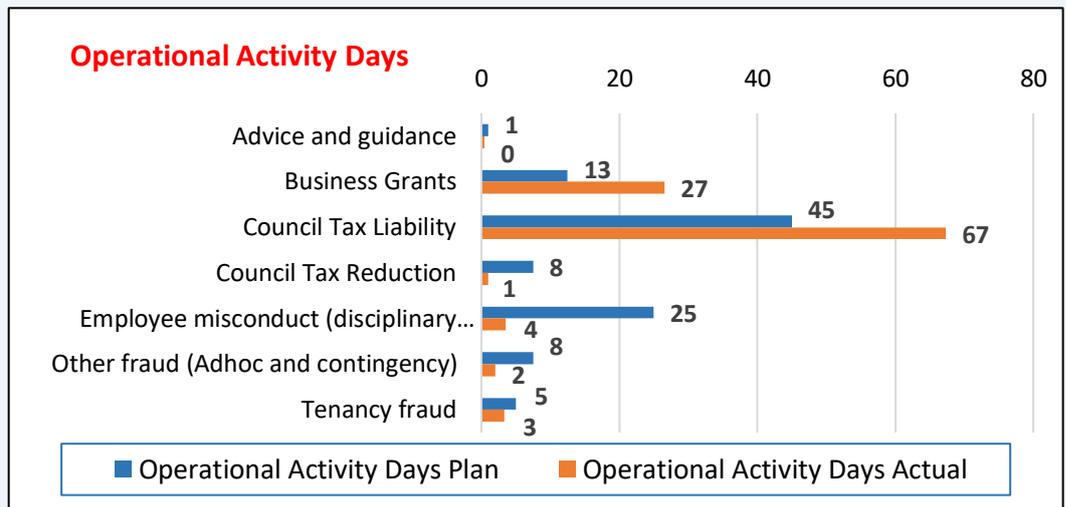
Operational	Council Tax Liability (CTL)	180	Days
	Employee misconduct (disciplinary investigations)	100	
	Business Grants	50	
	Council Tax Reduction (CTR)	30	
	Other fraud (Adhoc and contingency)	30	
	Tenancy fraud	20	
	Advice and guidance	4	

NB – Audit Manager time is not included within the above apportionment.

Activities

In the financial year to 30 June 2020, the team have applied 116 days as follows:





Business Grants Counter-Fraud work

The Audit and Investigation Teams, as directed by the Audit Manager, have provided targeted counter-fraud advice, guidance and checks to support the control environment and the prevention and detection of fraud and error in the administration of grants on behalf of the Welsh Government to local businesses. The scheme involved the award of grants to:

- **up to £10,000 grant** – For eligible charities and not for profit organisations in the retail, leisure or hospitality sectors with a rateable value of £12,000 or less;
- **£10,000 grant** - for eligible small business with a rateable value of £12,000 or less;
- **£25,000 grant** – For eligible retail, leisure and hospitality businesses with a rateable value of between £12,001 and £51,000.

The scheme ended for new applications on 30 June 2020, at which time 4,851 grant payments had been processed with an overall value of £65.572million. Whilst the scheme has closed to new applications, payments continue to be processed following necessary checks for applicants who contacted the Council to claim their grant prior to the deadline.

Administering the scheme at pace, in order to deliver emergency funds to businesses whilst meeting Welsh Governments administration requirements, required a multidisciplinary team of colleagues from Business Rates, Audit, Accounts Payment, IT and Information Governance.

Consultation and guidance was also obtained from a range of groups, networks and peers, including the CIFAS fraud prevention service, the National Anti-Fraud Network (NAFN), the Head of Counter-Fraud at Welsh Government, the Cabinet Office, WLGA, and Treasurer, Heads of Audit and Counter-Fraud Officer Networks.

To mitigate the risk of fraud, from an internal perspective, processes are in place to restrict access to data and systems, and to maintain control records, segregation of duties, authorisation and management controls. To mitigate the risk of external fraud there are a combination of manual and automated checks on applications received, including the use of data matching technology to verify and validate business, applicant and bank credentials.

The guidance from Welsh Government for local authorities administering grants for businesses, was to implement low friction up front controls where possible, supplemented by post assurance checks. Further enquiries were made with the Head of Counter-Fraud to understand the expectations further, and a risk assessment and process was developed and utilised to appropriately manage risk.

The Welsh Government has recognised the grant scheme will be subject to abuse, with a proportion of fraudulent applications received and payments made. Given the value of the scheme, even a small percentage of fraudulent applications would represent a high monetary value. However, the obligations of the Council are in place to mitigate internal fraud and to have systems in place to prevent application fraud where possible, followed up with mechanisms to detect fraudulent payments.

At the time of writing, the Investigation Team has recently received the outputs from a data matching exercise, to verify bank and business credentials and flag anomalies and fraud risks for review. Cases of possible fraud are being reviewed and worked through, and the outcomes will be reported to the Audit Committee as part of future progress report updates. The Team has also agreed to be part of a pilot National Fraud Initiative (NFI) data matching exercise being coordinated by Audit Wales, to provide further post award assurance. All fraud alerts received from NAFN, wider networks, and colleagues in other local authorities are being actively followed up for assurance that the Council and its systems remain sufficiently robust.

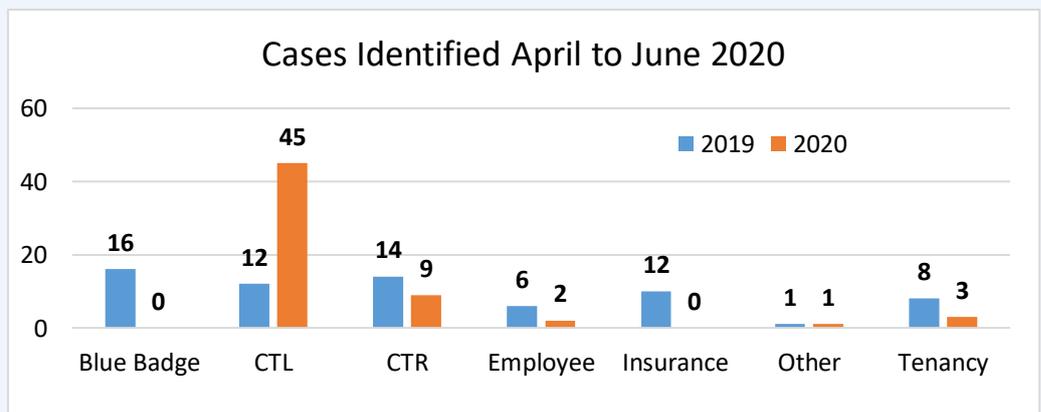
Training & Awareness

As reported previously, following Audit Committee review and Cabinet approval of the Counter-Fraud and Corruption Strategy, mandatory Fraud Awareness Training has been rolled out to all staff.

- More than three thousand, seven hundred employees have completed the eLearning module or attended one of the thirty-seven face-to-face sessions delivered
- More than seventy Headteachers have received Fraud Awareness Training during their conferences
- Two face-to-face sessions have been delivered to School Governors, with thirty-five attendees.

Cases Identified for Investigation

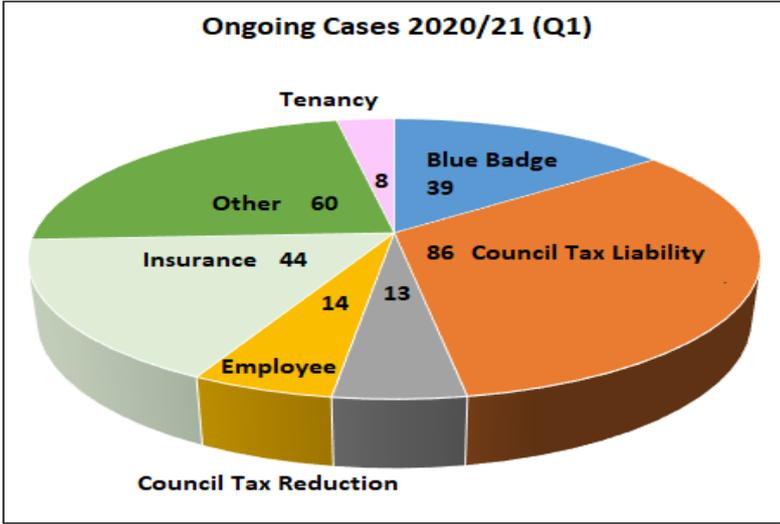
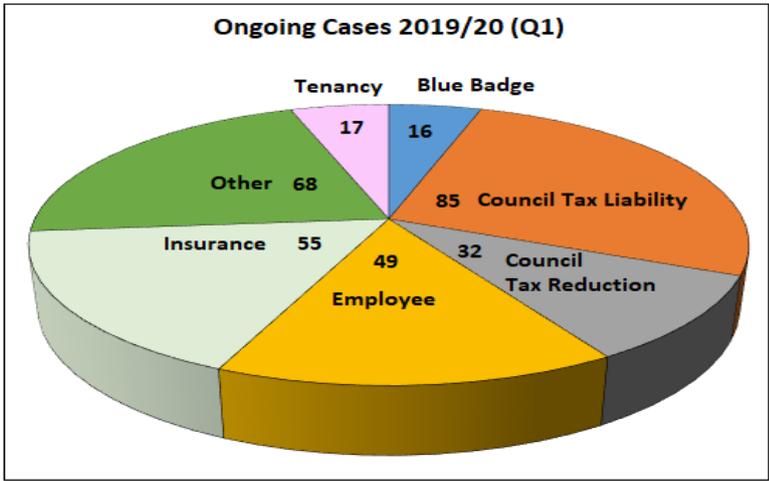
Sixty cases were identified for investigation so far this year, compared to sixty nine for the same period last year:



The case designated as Other in 2020 related to Special Education Needs. Proactive cases in the year to date have represented 65% of all cases identified for investigation, compared to 74% for the same period last year.

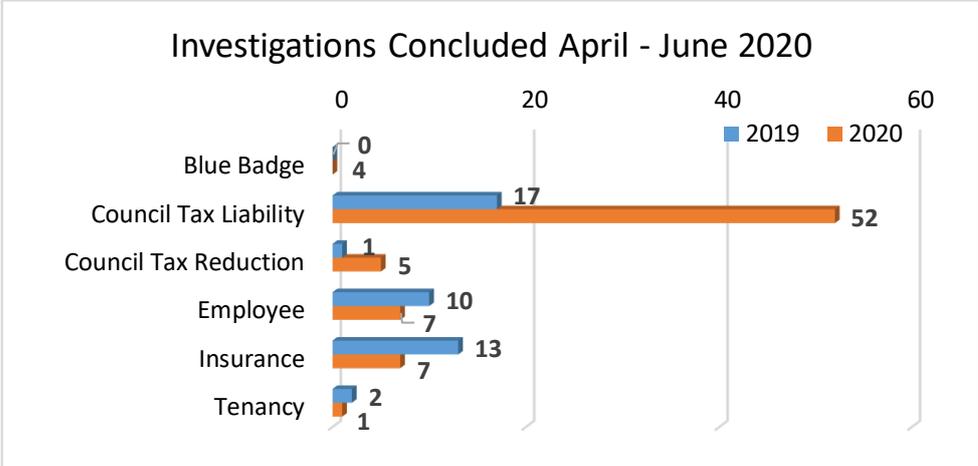
Ongoing Cases

There are currently two hundred and sixty four investigations ongoing, compared to three hundred and twenty two, for the same period last year:



Concluded Cases

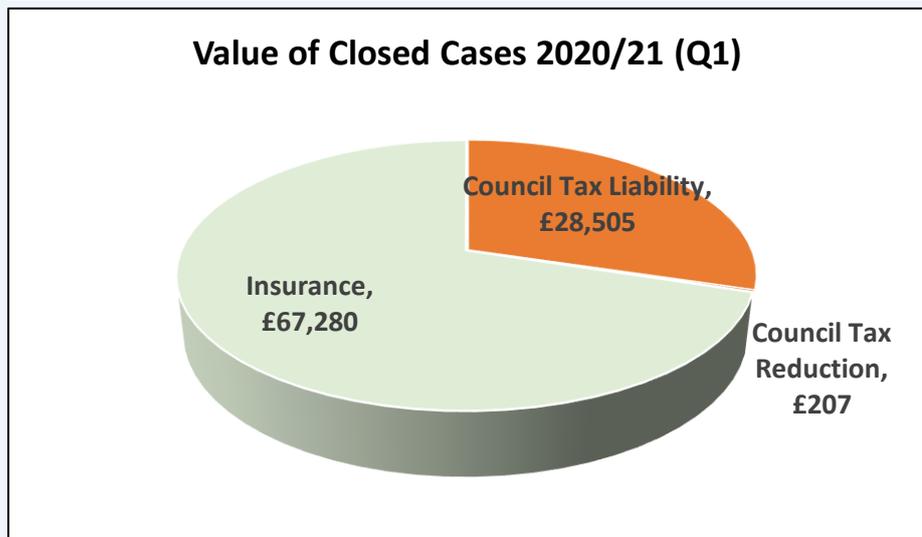
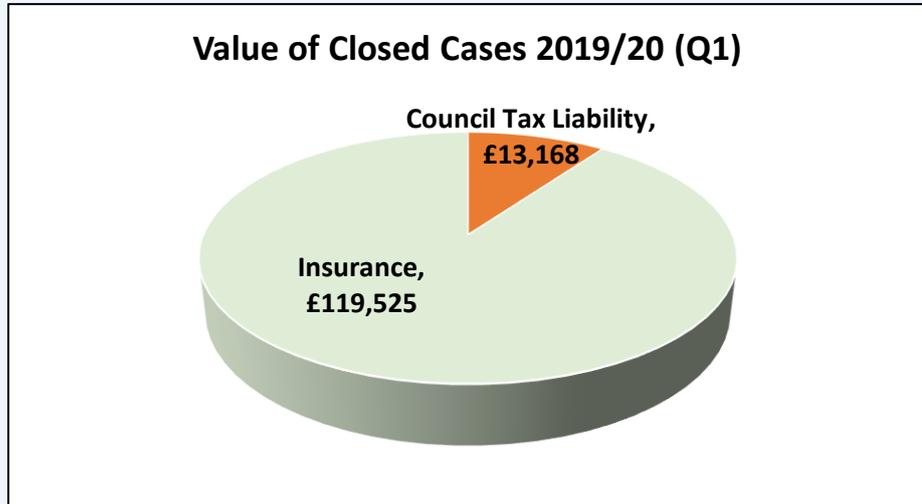
Seventy six investigations were concluded between April and the end of June 2020, this compares to forty three over the same period last year:



Insurance cases relate to contrived, exaggerated, fictitious misrepresented, and staged claims. Council Tax Liability investigations predominantly relate to false information provided in order to receive a discount, or failing to declare the occupation of a second adult, when in receipt of a single person discount.

Financial Value

In respect of the investigations concluded, £95,992 has been attributed to these cases in the 2020/21 year to date, compared to £132,693 for the same period last year:



** Court imposed Blue Badge fines and costs, and any notional values are excluded from the above.*

Policy Review

As Audit Committee was advised on 21 January 2020, a review has been undertaken of the current Money Laundering Policy and Procedure. This takes into account the Money Laundering and Terrorist Financing (Amendment) Regulations 2019, which came into force on 10th January 2020.

The timescale for SMT consideration is to be determined once more immediate COVID-19 priorities are addressed. Once internal reviews and consultation are complete, the Audit Committee will receive an opportunity to consider the revised policy in a future meeting, in advance of consideration by Cabinet.

Blue Badge Update



Blue Badge cases have been progressing, through the collaborative arrangement between Planning Transport and Environment and their external service provider, but no further badges were seized during quarter as working practices needed to temporarily adjust due to COVID-19.

2019/20 – Year-end position

As the Audit Committee meeting scheduled for 24 March 2020 was cancelled due to the COVID-19 crisis, the progress report planned at this time was not provided. In advance of the Counter-Fraud Annual Report 2019/20, to be provided to the Audit Committee in due course, the activity and outcomes for 2019/20 are shown below.

Activity

2019/20 - Activity

The substantive position of investigation cases identified and concluded in 2019/20 and compared to the prior year, are shown below:

Cases	2018/19		2019/20	
	Identified	Concluded	Identified	Concluded
Council Tax Liability	122	117	145	73
Blue Badge	2	3	71	28
Insurance	36	36	42	47
Employee Misconduct	47	24	18	32
Council Tax Reduction	9	8	36	31
Tenancy	7	7	19	15
Other Cases	3	2	66	12
Number of Cases	226	197	397	238

Three hundred and ninety seven cases were identified in 2019/20, compared to two hundred and twenty six the previous year. Two hundred and thirty eight investigations were concluded during the year, compared to one hundred and ninety seven last year. The pertinent reasons of the differences in activity were as follows:

- The number of cases identified for investigation represents as a positive outcome from the extensive Council-wide fraud training and awareness campaign this year;
- A proactive Blue Badge pilot exercise was also established this year with the Planning Transport and Environment directorate and a third party provider, increasing activity;
- In the final months of 2019/20 an auditor was assigned to complete some focussed NFI work, which generated a number of Council Tax Liability cases for which investigation commenced at the year end and will conclude in 2020/21;
- Whilst the appointment of an Investigator at the end of September 2020 enabled the progression of a number of council tax liability and tenancy fraud cases, the investigator had a high active case load of investigations which will conclude in 2020/21;
- With the new investigative resource from the mid-year, Council Tax Reduction referrals steadily increased, a number of referrals were also generated by the team as a result of National Fraud Initiative (NFI) matches, in respect of Council tax liability queries;
- NFI work also generated fifty-seven cases of the cases categorised as “other”, these related to Pensions and Personal Budgets.

2019/20 – ImpactCouncil Tax Liability

Council Tax Liability	2018/19	2019/20
Investigations concluded	117	73
Overpayment Identified	£63,500	£42,038

Council Tax Liability investigations concluded during the year identified £42,038 of under charged liability, to be recovered.

The National Fraud Initiative data match investigations concluded resulted in thirty-seven Council Tax liabilities being amended and the Council Tax department issuing revised bills, increasing liabilities by £15,939.

Blue Badges

Twenty five Blue Badge cases have progressed through the courts, two received a simple caution and twenty three were fined:

	Fine	Costs	Surcharge	Total
Total:	£3,682	£6,200	£718	£10,600

Insurance

The Insurance Team has worked with their claims handler to quantify the value of prevented insurance claims due to fraud or error.

Insurance	2018/19	2019/20
Investigations concluded	36	47
Prevented payments	£473,678	£531,898

In the majority of cases, the prevented payments are represented by claims which were either withdrawn by claimants, or were considered as exaggerated claims which were subsequently paid at a reduced rate.

Employee Investigations

Thirty-two employee investigations were concluded; this resulted in 1 verbal warning, 1 written warning, 2 final written warnings and six dismissals. Additional, corrective action, and a number of management recommendations were made, in order to improve systems and controls.

Council Tax Reduction

Council Tax Reduction investigations resulted in overpayments of £25,911, to be recovered.

Council Tax Reduction	2018/19	2019/20
Investigations concluded	8	31
Overpayment Identified	£11,909	£25,911

Tenancy

In addition, fifteen tenancy investigations were completed, compared to seven last year. As a result, one individual was removed from the waiting list.

Other

Of the twelve 'other' cases concluded, 1 related to a deceased pensioner, for which £8,540 was identified for recovery, and 2 cases represented the conclusion of historic insurance claims with the Council's previous claims handler, for which further details are being sought at the time of writing.