



# Resources Directorate Internal Audit Section



## Investigation Team Progress Report

(as at 30 June 2021)

2021/22

### Planning & Resources



Further to the high level allocation of days reported to Committee on 26 January 2021, four hundred and forty two chargeable days are available based on current resources (2.5 fte), indicatively split between strategic (80 days) and operational activities (362 days), as summarised below, for awareness and comment:

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

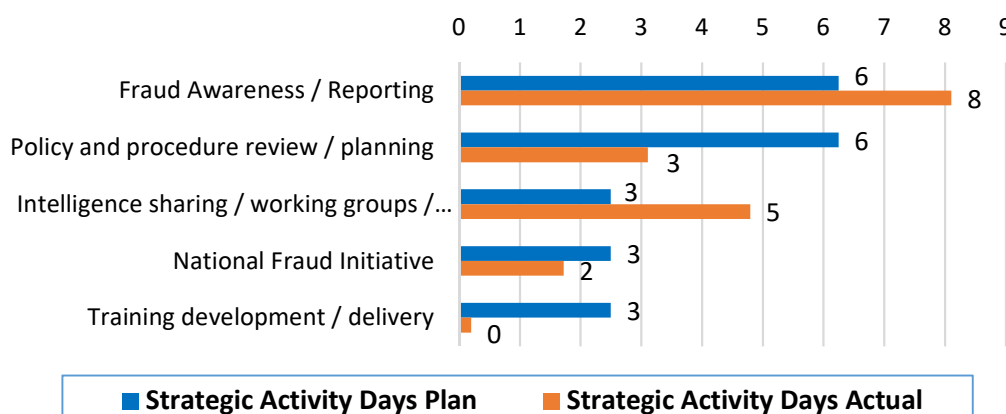
Operational	Council Tax Liability (CTL)	180	Days
	Council Tax Reduction (CTR)	50	
	Employee misconduct (disciplinary investigations)	40	
	Other fraud (Ad hoc and contingency)	37	
	Tenancy fraud	30	
	Grants	20	
	Advice and guidance	5	

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

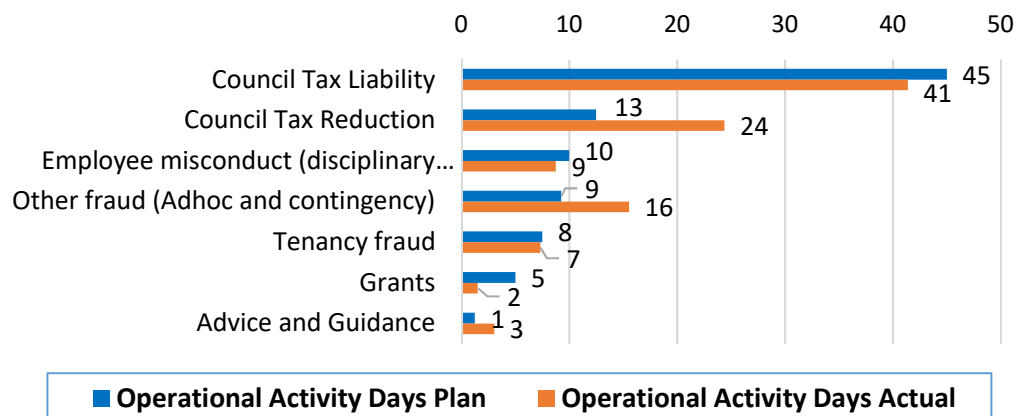
### Activities

In the financial year to 30 June 2021, the team have applied 120 days as follows:

#### Strategic Activity Days



### Operational Activity Days



#### COVID Grants and Schemes

The Audit and Investigation Teams, as directed by the Audit Manager, continue to provide 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.

The Committee has been previously advised of the post-payment verification process in respect of business support grants, for which the application system opened and payments to eligible businesses commenced in March 2020. From the £69 million distributed by the Council, to date £780k has been identified as paid in error of which £461k has been recovered. Seventy-seven cases are subject to ongoing review.

Following the Council's participation in a Cabinet Office / Audit Wales National Fraud Initiative pilot exercise, post award verification matches have been rolled out to all Local Authorities. Work will continue on these matches throughout the next quarter.

#### Training & Awareness

Mandatory fraud awareness training is available to all staff via an online eLearning module, and when circumstances allow, through face-to-face training sessions.

As at the 30 June, more than five thousand staff and school governors had completed the eLearning or attended a face-to-face session.

To support the Anti-Money Laundering Policy which was considered by the Committee prior to being approved by Cabinet in December 2020, the Senior Management Team discussed an associated eLearning module that had been developed by the Investigation Team, and identified the following groups as requiring training:

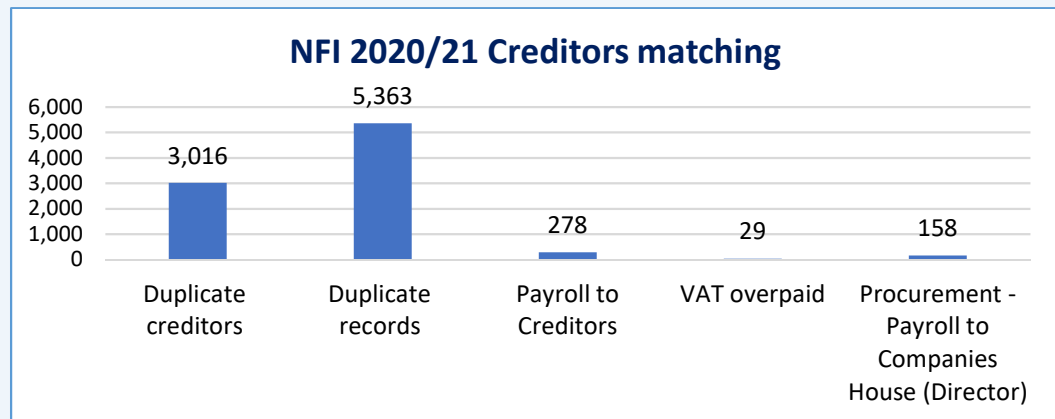
- All Staff who receive cash, monitor cash receipts or who manage staff in these areas;
- All solicitors;
- All Operational Managers\*

\*Having completed the training, Operational Managers are to use their knowledge to identify and direct any other relevant staff to complete the training.

Further work will be undertaken during the year to raise awareness and promote the completion of the Anti-Money Laundering eLearning module.

## Data Matching

During June, eight thousand eight hundred and forty four matches were generated, as part of the current National Fraud Initiative – NFI 2020/21:



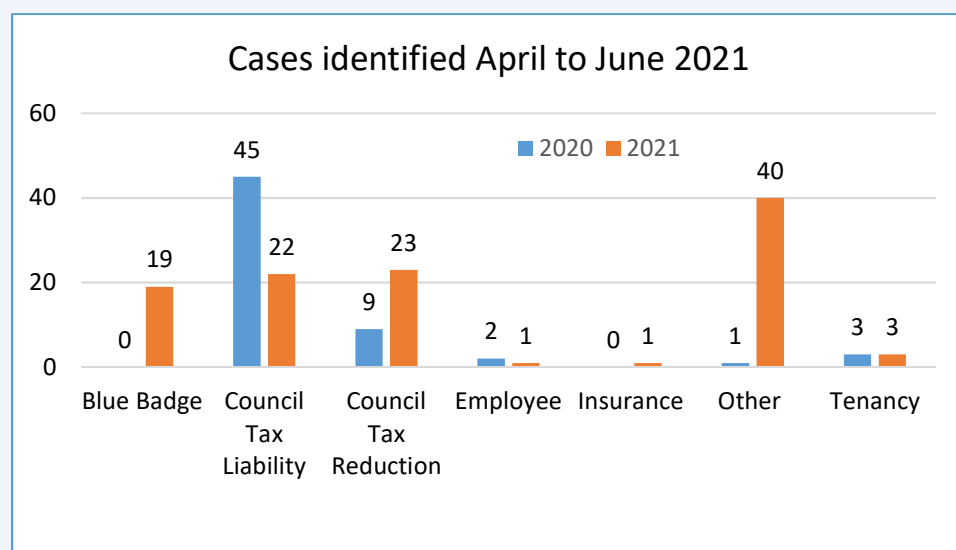
Data matching involves comparing sets of data electronically, such as the payroll or creditors records of a body, against other records held by the same or another body. Participating organisations receive the resulting data matches for consideration and investigation where appropriate.

The data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified. No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed.

A risk-based approach is applied in reviewing matches and higher risk output prioritised. The 'Payroll to Creditors' match detects instances where an employee and creditor are linked by the same bank account or address. Fifty-three matches were flagged as 'high' risk. Following the reporting period, many have been cleared and early indications are that there were legitimate reasons for the employees matched to receive a creditor payment. A further update will be provided in the next progress report.

## 'General' Cases Identified for Investigation

Excluding the stand alone Business Grants work, as detailed above, one hundred and nine cases were identified for investigation so far this year, compared to sixty for the same period last year:

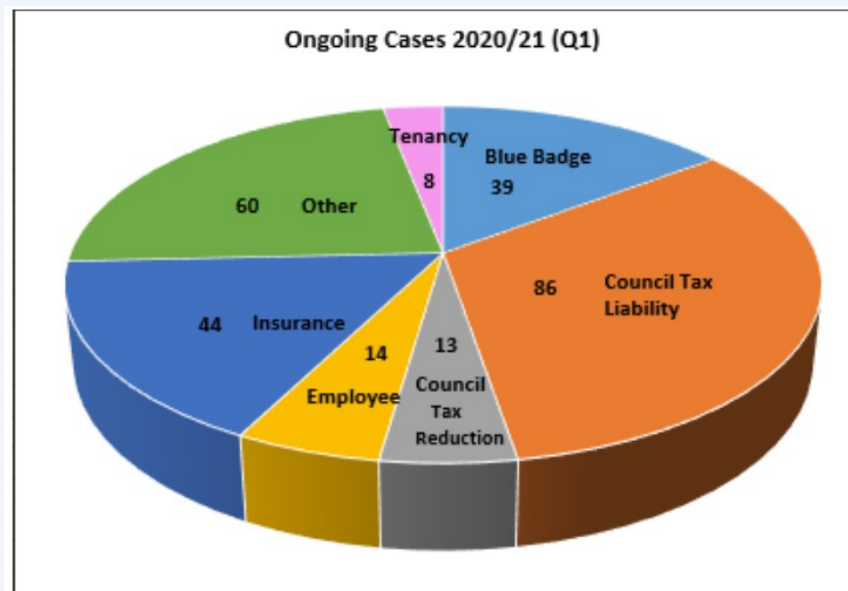
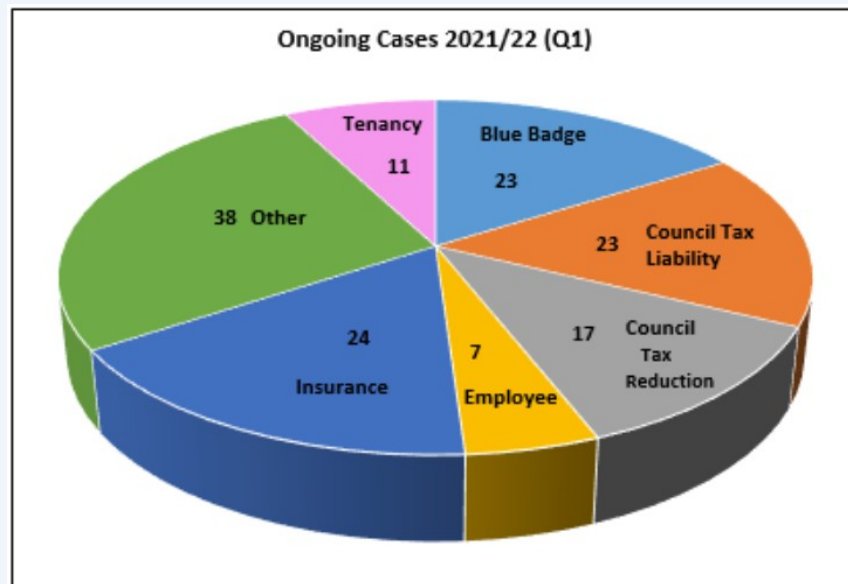


Thirty eight of the forty cases designated as Other, are referred to in the Data Matching section above, and relate to the National Fraud Initiative, Payroll to Creditors matches.

Proactive data matching referrals in the year to date have represented 52% of all cases identified for investigation, compared to 65% for the same period last year.

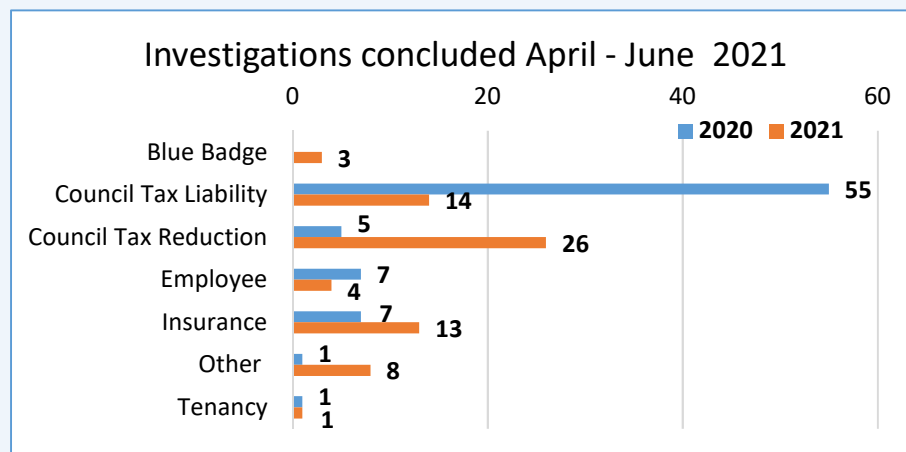
### Ongoing Cases

Excluding the stand alone Business Grants work, as detailed above, there are one hundred and forty three investigations ongoing, compared to two hundred and sixty four, for the same period last year:



### Concluded Cases

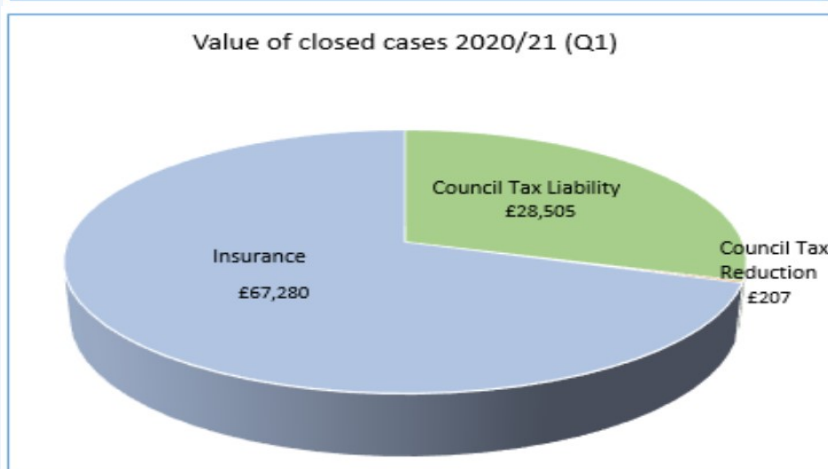
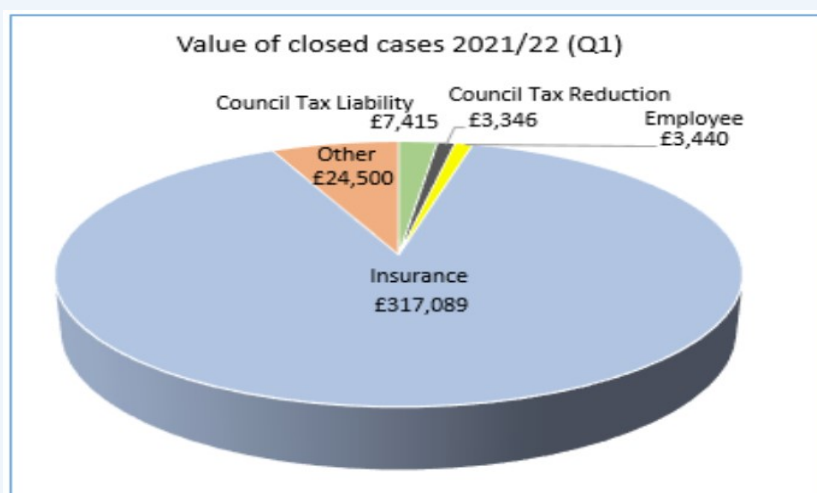
Excluding the stand alone Business Grants work, as detailed above, sixty nine investigations were concluded between April and the end of June 2021, this compares to Seventy six over the same period in the prior:



Insurance cases relate to contrived, exaggerated, fictitious misrepresented, and staged claims. Council Tax Liability investigations typically 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. Council Tax Reduction investigations typically relate to those on low income, in receipt of a discount, failing to declare their income properly.

## Financial Value

Excluding the stand alone Business Grants work, £355,790 has been attributed to concluded cases in the 2021/22 year to date, compared to £95,992 for the same period last year:



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

Insurance and Investigation Officers are reviewing the insurance cases to consider if further actions / investigations are appropriate.

## 2020/21 – Year-end position

In advance of the Counter-Fraud Annual Report 2020/21, to be provided to the Governance and Audit Committee on 28 September 2021, the activity and outcomes for 2020/21 are shown below.

### Activity

#### 2020/21 – Activity

##### Business as usual cases

Excluding the stand alone Business Grants work, the substantive position of investigation cases identified and concluded in 2020/21 and compared to the prior year, are shown below:

Cases	2019/20		2020/21	
	Identified	Concluded	Identified	Concluded
Blue Badge	71	28	27	37
Council Tax Liability	145	73	67	146
Council Tax Reduction	36	31	54	44
Employee Misconduct	18	32	14	22
Insurance	43	47	12	27
Tenancy	19	15	9	6
Other Cases	66	12	9	62
Number of Cases	398	238	192	344

One hundred and ninety two business as usual (BAU) cases were identified in 2020/21, compared to three hundred and ninety eight the previous year. Three hundred and forty four BAU investigations were concluded during the year, compared to two hundred and thirty eight last year. The pertinent reasons of the differences in activity were as follows:

- Adapting to emerging risks associated with the pandemic, required a flexible approach to resource planning, tasking and case progression.
- A risk-based approach was adopted and priority was given to providing post Covid grants and awards payment verification.
- The proactive Blue Badge pilot exercise administered by the Planning Transport and Environment directorate continued, albeit with significant limitations imposed by restrictions.
- The lower level of Insurance and Blue Badge cases received relates in part to the restrictions on movement and activity of members of the public during the pandemic.
- In prioritising Covid-related work, less progress was made in reviewing Council Tax Liability data matches until after the financial year-end.
- Council Tax Reduction referrals were received from Housing & Communities.
- NFI work generated fifty-three of the cases closed, which were categorised as “other”. These related to Social Services matches.

## COVID-19 Activities

The Business Grants scheme was administered by the Council on behalf of Welsh Government. Applications were open from 26 March until 30 June 2020.

Regular updates were provided to Committee during the year, which set out the guidance received from Welsh Government to local authorities, the terms of the scheme and the post payment verification approach adopted by Internal Audit and the Investigation Team.

As at 31 March 2021:

- Five thousand and eighty-eight applications were paid, with a total value of £69.037 million;
- One thousand and fifty applications (17%) were rejected due to ineligibility.

A multidisciplinary team of colleagues from Business Rates, Audit, Accounts Payable, IT and Information Governance worked closely together in order to ensure that up-front controls were robust, anomalies were investigated and payments were reviewed.

Post payment verification and assurance has included:

- Manual checks of entitlement / eligibility, using information submitted on the payment file, and open source information to confirm businesses were trading;
- Participation in two data matching exercises for wider verification.

One thousand one hundred and two priority matches were initially identified for review, as at 31 March 21.

*As at 30 June 2021, seventy-seven cases are subject to ongoing review, which includes the priority matches and some further cases, which the Investigation Team considered merited review.*

## **Impact**

### 2020/21 – Impact

#### Business as usual cases

#### Blue Badges

Twenty-nine offenders received a criminal sanction during the year.

Blue Badge Sanctions	2019/20	2020/21
Caution	2	3
Prosecution	23	26

#### Council Tax Liability

Council Tax Liability	2019/20	2020/21
Investigations concluded	73	146
Overpayment Identified	£42,038	£74,264

Council Tax Liability investigations concluded during the year identified £74,264 of under charged liability, to be recovered.

### Council Tax Reduction

Council Tax Reduction investigations resulted in overpayments of £9,455 to be recovered.

Council Tax Reduction	2019/20	2020/21
Investigations concluded	31	<b>44</b>
Overpayment Identified	£25,911	<b>£9,455</b>

### Employee Investigations

Twenty-two employee investigations were concluded; this resulted in the following outcomes: 2 management action, 1 written warning, 1 resignation and 2 dismissals. Additional, corrective action, and a number of management recommendations were made, in order to improve systems and controls.

### Insurance

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

Insurance	2019/20	2020/21
Investigations concluded	47	<b>27</b>
Prevented payments	£531,898	<b>£396,505</b>

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.

### Tenancy

Six tenancy investigations were completed, compared to 15 during the same period 2019/20.

### Other

Of the sixty-two cases concluded, fifty-three were in respect of Social Services / Direct Payment data matching. The nine other cases included pension life check, residential parking, carer credentials and falsified claims, council tax exemption, and conflict of interest. In total £7,374 was identified for recovery, which related to a pension case.

### COVID-19 Related Cases

As a result of Audit, Investigation and Business Rate colleagues interrogating systems, records, and data matching output, overpayments attributable to applicant error have been identified, with a total value of £780,000 subject to recovery action.

Post assurance manual and data matching checks and analysis have not identified material cases of fraud or error to date in the context of the value of payments, although a number of case reviews are ongoing and, through participation in the National Fraud Initiative further data matching output is expected to generate cases for investigation in 2021/22.