



# Resources Directorate Internal Audit Section

## Investigation Team Progress Report

(as at 30 June 2022)

2022/23

### Planning & Resources

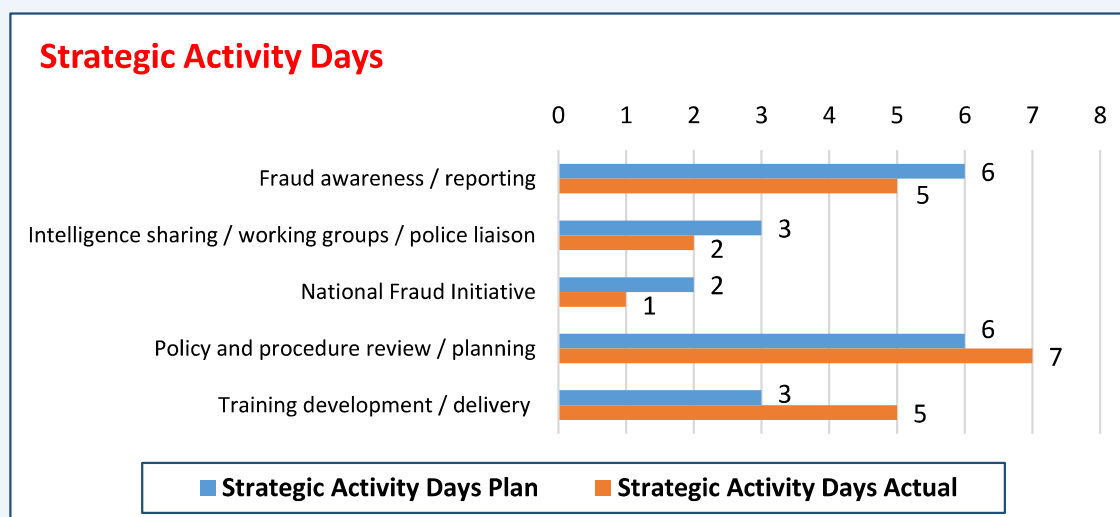
Further to the high level allocation of days reported to Committee on 25 January 2022, four hundred and forty three chargeable days are available based on current resources, indicatively split between strategic (80 days) and operational activities (363 days), as summarised below, for awareness and comment:

<b>Strategic</b>	Fraud awareness / reporting	25	<b>Days</b>
	Policy and procedure review / planning	25	
	Intelligence sharing / working groups / police liaison	10	
	National Fraud Initiative	10	
	Training development / delivery	10	
<b>Operational</b>	Council Tax Liability (CTL)	180	<b>Days</b>
	Council Tax Reduction (CTR)	50	
	Employee misconduct (disciplinary investigations)	40	
	Other fraud (Ad hoc and contingency)	38	
	Tenancy fraud	30	
	Grants	20	
	Advice and guidance	5	

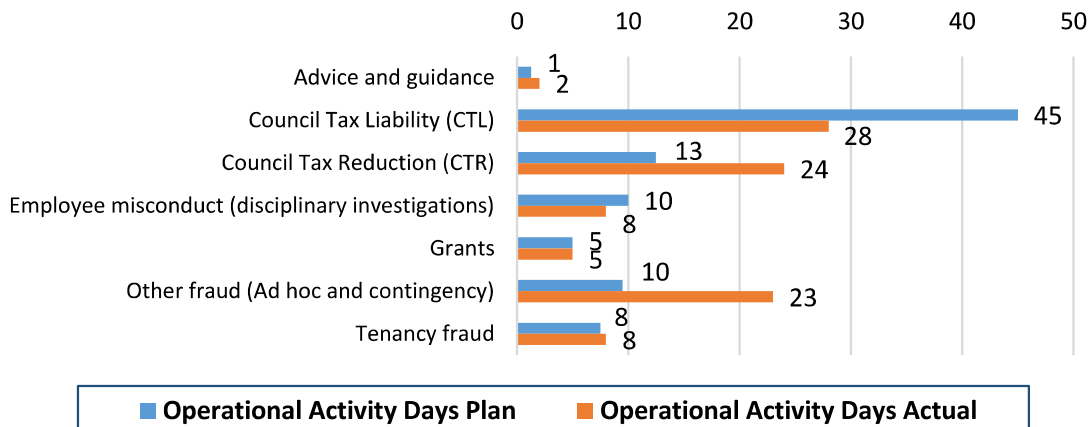
*NB – Audit Manager time is not included within the above apportionment.*

### Activities

In the financial year to 30 June 2022, the team have applied 118 days as follows:



## Operational Activity Days



## Training and Awareness

**Mandatory Fraud Awareness training** continues to be delivered. More than six thousand staff and school governors have completed the eLearning or attended a face-to-face session.

**Anti-Money Laundering eLearning** training is in place to reinforce the requirements of the Council's Anti-Money Laundering Policy. The Money Laundering Reporting Officer (MLRO) is a senior officer in the Internal Audit Section, for reporting, advice and guidance needs.

**An Internet Investigation Procedure** has been developed by the Corporate Investigation Team and Legal Services, to support effective, safe and legal use of the internet to obtain information about individuals or businesses. For example, the Council may need to check online if a business is still trading or to make relevant social services / safeguarding checks. The procedure applies to all Council officers with effect from 1 June 2022 and is commended to schools for consideration and adoption by their respective Governing Bodies. A staff information article has been published, and eight awareness sessions have been delivered via Teams, with more than 270 participants, including separate sessions for School Headteachers.

## COVID Grants and Schemes

As referred to in previous updates, the Audit and Investigation Teams 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.

### Business Grants

As reported previously, members of Internal Audit supported colleagues across the organisation to administer business grants on behalf of Welsh Government, linked to non-domestic properties.

Post payment verification and assurance processes for Business Grants consisted of four exercises:

- Manual system checks (open-source information)
- Electronic system checks (utilising Experian's commercial database)
- Participant in Pilot NFI data matching exercise, working with Audit Wales and the Cabinet Office
- Participant in the national NFI data matching exercise

One thousand two hundred and fifty-six priority matches were identified for review through the above activities. Investigation Team staff have worked with the Business Rates Team, to review the matches generated.

Twelve grant recipients are subject to ongoing review, the Investigation Team is also progressing one criminal investigation at the present time.

### **Current Outcomes**

As a result of Audit, Investigation and Business Rate colleagues interrogating systems, records, and data matching output, £875k has been identified as paid in error of which £509k has been recovered. and work continues to recover the remainder.

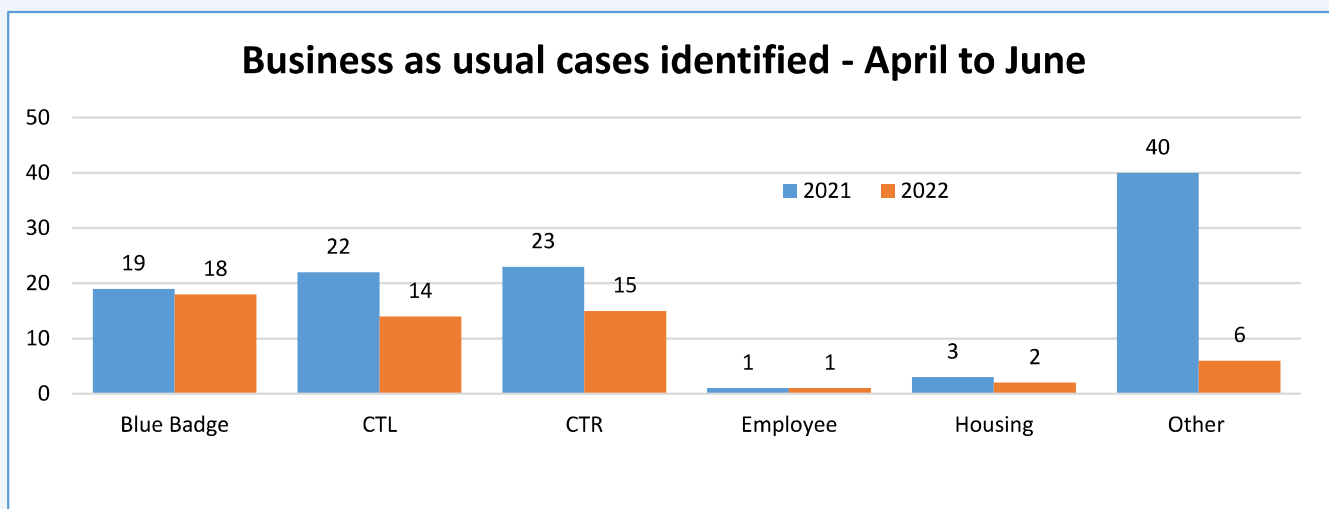
### **Note**

Insurance data is not available at the time of reporting, so this data has been excluded from the following investigation case data and information.

The position for insurance cases will next be reported as part of the quarter two Committee update.

### **'General' Cases Identified for Investigation**

Excluding the stand-alone Business Grants work, as detailed above, fifty-six cases have been identified for investigation so far this year, compared to one hundred and eight for the same period last year:

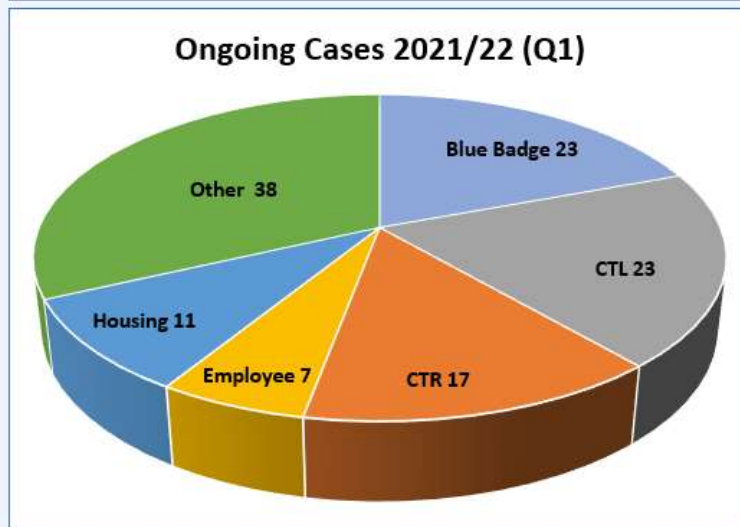
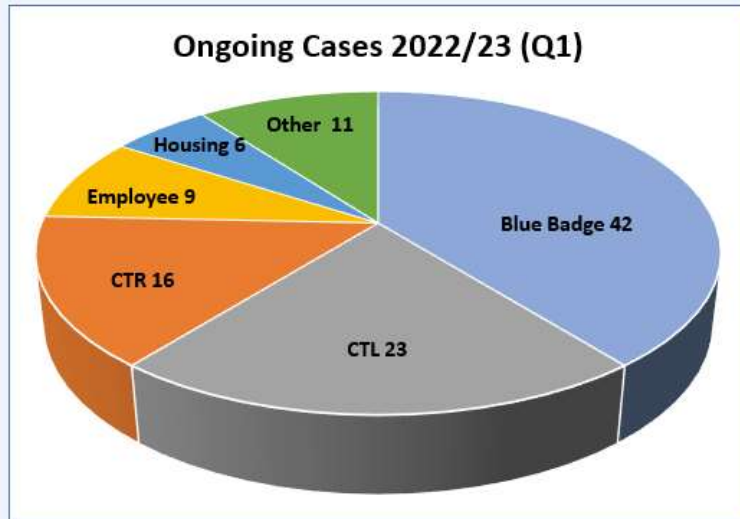


The cases designated as 'other' this year related to four grants, one intercepted cheque and a care provider investigation.

Thirty-eight of the forty cases designated as 'other' last year were in respect of National Fraud Initiative data matching output – specifically Payroll to Creditors. The remaining two related to grant claims.

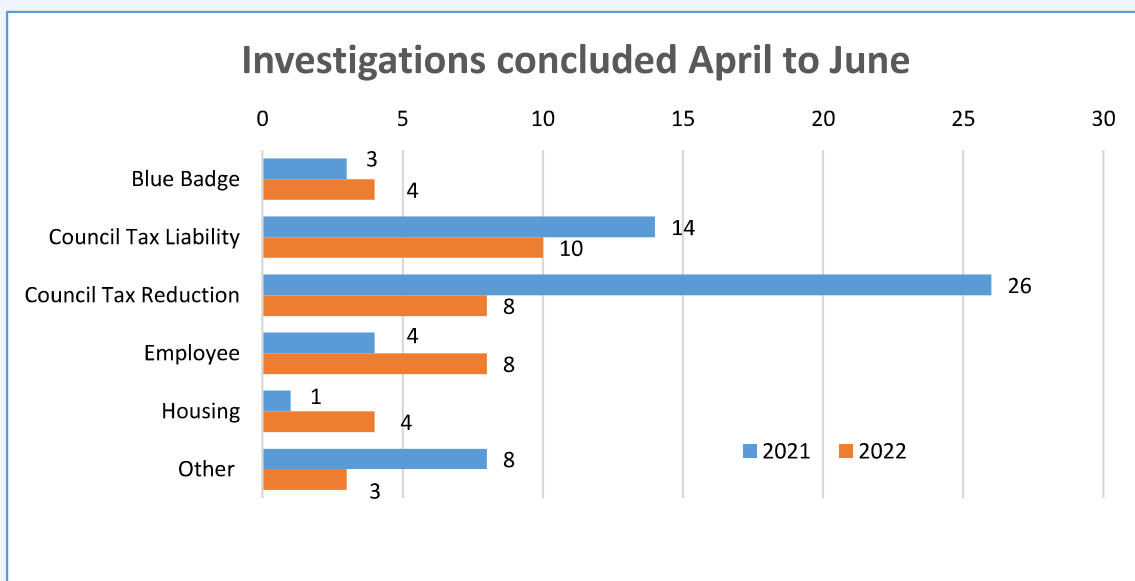
### **'General' Ongoing Cases**

Excluding the stand-alone Business Grants work, there are currently one hundred and seven investigations ongoing, compared to one hundred and nineteen, for the same period last year:



#### 'General' Concluded Cases

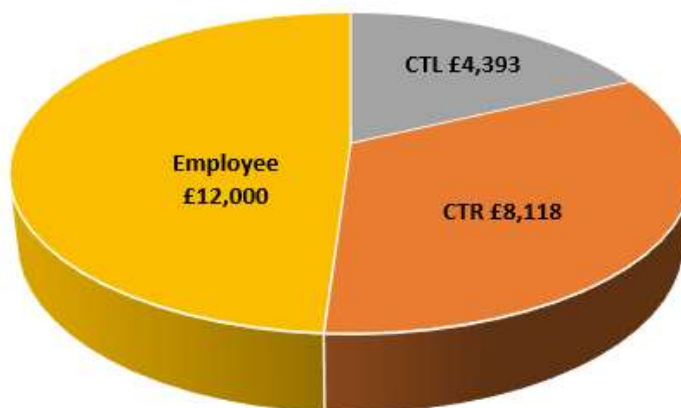
Excluding the stand-alone Business Grants work, as detailed separately, thirty-seven investigations have concluded so far this year, compared to fifty-six over the same period last year:



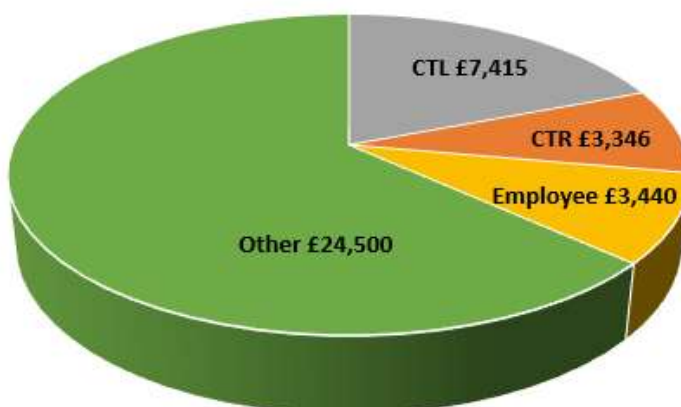
## Financial Value

Excluding the stand-alone Business Grants work, £24,511 has been attributed to concluded cases in the 2022/23 year to date, compared to £38,701 for the same period last year:

### Value of closed cases 2022/23 (Q1)



### Value of closed cases 2021/22 (Q1)



- Council Tax Liability investigations typically relate to cases of false information provided to receive a discount, or a failure 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.

## Blue Badge Update

Further to the above activities, on-street enforcement activity continues. This year eighteen badges were seized, and there are forty-two cases ongoing which are at various stages of investigation, including being prepared for / due to go to Court.

## 2021/22 – Year-end position

In advance of the Counter-Fraud Annual Report 2021/22, to be provided to the Governance and Audit Committee in September 2022, the activity and outcomes for 2021/22 are shown below.

### Activities

#### 2021/22 – Activity

##### Business as usual cases

Excluding the stand-alone Business Grants work, the substantive position of investigation cases identified and concluded in 2021/22 and compared to the prior year, are shown below:

Cases	2020/21		2021/22	
	Identified	Concluded	Identified	Concluded
Blue Badge	27	37	76	73
Council Tax Liability	67	146	157	153
Council Tax Reduction	54	44	74	86
Employee Misconduct	14	22	67	60
Insurance	12	27	12	35
Tenancy	9	6	12	13
Other Cases	9	62	71	69
<b>Number of Cases</b>	<b>192</b>	<b>344</b>	<b>469</b>	<b>489</b>

Four hundred and sixty-nine business as usual (BAU) cases were identified in 2021/22, compared to one hundred and ninety-two the previous year. Four hundred and eighty-nine BAU investigations were concluded during the year, compared to three hundred and forty-four last year.

- The activity in 2020/21 was different than last year, as the Investigation Team and managers adapted to the emerging risks associated with the pandemic, with a flexible approach to resource planning, tasking and case progression. At that time, a risk-based approach was adopted, and priority was given to providing post Covid grants and awards payment verification.
- In 2021/22 there has been a recovery in business-as-usual case work levels. It should be noted that NFI work generated sixty-four of the cases categorised as “other” which related to Creditor and VAT matches.

### COVID Grants and Schemes

#### COVID-19 Activities

The Business Grants scheme was administered by the Council on behalf of Welsh Government at the onset of the pandemic. Regular updates were provided to Committee, 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 2022:

- 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.

*As at 30 June 2022, twelve cases are subject to ongoing review, which includes the priority matches and some further cases, which the Investigation Team considered merited review.*

## Impact

### 2021/22 – Impact

#### Business as usual cases

#### Blue Badges

Forty-four offenders received a criminal sanction during the year.

Blue Badge Sanctions	2020/21	2021/22
Caution	3	2
Prosecution	26	42

#### Council Tax Liability

Council Tax Liability investigations concluded during the year identified £72,498 of under charged liability, to be recovered.

Council Tax Liability	2020/21	2021/22
Investigations concluded	146	153
Overpayment Identified	£74,264	£72,498

#### Council Tax Reduction

Council Tax Reduction investigations resulted in overpayments of £9,726 to be recovered

Council Tax Reduction	2020/21	2021/22
Investigations concluded	44	86
Overpayment Identified	£9,455	£9,726

### Employee Investigations

Sixty employee investigations were concluded; this resulted in the following outcomes: 8 management action, 2 written warnings, 2 resignations and 4 dismissals. Additional corrective actions, and 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.

<b>Insurance</b>	<b>2020/21</b>	<b>2021/22</b>
Investigations concluded	27	35
Prevented payments	£396,505	<b>£750,332</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

Thirteen tenancy investigations were completed, compared to six during the same period 2020/21.

### Other

Of the sixty-nine cases concluded, sixty-four were in respect of Creditor/ VAT data matching. The five other cases included contract awards, conflict of interest, invoice discrepancies, lock down grant, and planning. In total £24,880 was identified for recovery, which related to one grant and one instance of overpaid VAT.

## **Business Grants**

### 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 £875,000. Of this, £509,000 has been recovered and work continues to recover the remainder.

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, at a time when only a small number of case reviews remain.