

# Anti-Fraud and Anti-Corruption Annual Report

2022-23

August 2023



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## 1. Introduction

Carmarthenshire County Council is one of the largest unitary Authorities in Wales, and the largest local employer with over 8,000 staff. The Council owns significant assets, operates a range of systems and deals on a day-to-day basis with a wide range of contractors and customers. The diverse range and nature of services and activities coupled with the size of its operations and budgets inevitably put Carmarthenshire County Council at risk of fraud and corruption, from both internal and external sources.

Fraud is not a victimless crime and can affect us all.

**The monetary cost** – In monetary terms, fraud costs the country billions of pounds a year. It also affects the amount of money we have available to spend on providing public services.

**The human cost** – There are other not-so-obvious costs as a consequence of some frauds. For example, a consequence of Council Housing Tenancy Fraud is that available housing spaces are reduced thereby depriving families and vulnerable people on the waiting list.

Good Corporate Governance requires that the Authority clearly demonstrates its commitment to dealing with fraud and corruption and will deal equally with perpetrators from inside and outside the Council.

The culture of the Council is one of openness and the core values of Integrity, Taking Responsibility and Excellence support this. Carmarthenshire County Council is committed to the highest ethical and moral standards and is determined that the culture of the organisation is that of honesty, integrity and transparency, and fundamental to these core values is its commitment to combat fraud and corruption.

The overall responsibility for dealing with fraud and corruption within the Authority sits within the Revenues & Financial Compliance service in the Corporate Services Department; functions are shared between Internal Audit and a Specialist Unit within the Revenues team, which deals with all forms of Benefit Fraud; the Fraud team comprises of one Fraud Investigator and one Compliance and Visiting Officer. Additionally, the Consumer and Business Affairs service of the Authority is responsible for investigating suspected fraud arising from inappropriate trading.

This report provides a summary of the activities of the Anti-Fraud functions for the 2022/23 financial year.

## 2. Strategic Governance

The Anti-Fraud and Anti-Corruption Strategy was approved by the Governance & Audit Committee on 16<sup>th</sup> October 2020. The Strategy has been actively promoted to Authority staff through a dedicated page on the Council's intranet and staff

news e-mails. Promotion of the Strategy and key messages and information to staff will continue.

The Authority has a close working relationship with Dyfed Powys Police (DPP) and has in place a Memorandum of Understanding, which establishes an agreed pathway for the Council to report criminal offences to DPP and outlines the agreed responsibilities of both parties.

The fraud risks facing the Authority have been reviewed and analysed; the information has been brought together into a Fraud Risk Register, which is continually monitored.

Quarterly Fraud Case Management meetings take place between the Internal Audit team and the People Services Manager (HR). These meetings facilitate discussions between both parties to enable the controlled, effective sharing of information.

### **3. Proactive Work**

Proactive work is designed to raise awareness of the risks of fraud and corruption within the Council, and their consequences. Developing a strong anti-fraud and anti-corruption culture within the organisation underpins all other work undertaken and is closely linked to the creation of a strong deterrent effect.

Ordinarily, face-to-face presentations are provided by the Fraud Investigator within the Revenues team, however, since the outbreak of the Covid-19 pandemic in 2020, these presentations have not taken place. Whilst it was planned that these would recommence during 2022/23, the Fraud Investigator left the role with the Authority during the year, with successful recruitment to the position recently completed. It is hoped that face-to-face presentations will resume when the new Fraud Investigator commences in post.

The Council has a dedicated Fraud and Corruption intranet page; the page has been designed to provide staff with information on the affects of fraud and, importantly, how to report any suspicions of fraud or corruption.

A staff message was published in November 2022 on cyber fraud, and the importance of protecting staff's personal information and the Authority's information online. The message was issued to staff via the Authority's Marketing & Media weekly e-mail.

During March 2023, a screen saver dedicated to countering fraud was published on all staff laptops. The screen saver, titled 'Help us to stay protected against fraud, corruption and theft' gave details of the Council's Anti-Fraud and Anti-Corruption Strategy and signposted staff to the relevant information on the Council's intranet page.

Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received fraud awareness training.

#### **4. Prevention and Deterrence**

Work in this area is centred on discouraging individuals who may be tempted to commit fraud or corruption against the Authority and ensuring that opportunities for them to do so are minimised.

A key principle in preventing and deterring fraud and/or corruption is the 'fraud-proofing' of relevant policies and procedures. This process is intended to minimise the opportunity for economic crime to occur, by identifying and addressing potential risks or loopholes, and implementing measures to increase their resilience to such activities. There is no such thing as a completely fraud-proof policy or process, however a commitment to fraud-proofing reduces the risk and minimises the potential for a policy or procedure to be misinterpreted or for lack of clarity to be used as a defence. During 2022/23, activity in this area included the following key areas:

- Financial Procedure Rules
- Contract Procedure Rules
- Review of the revised Travel and Associated Expenses Policy

Where possible, successful cases and prosecutions achieved by the Council are promoted in the media in order to achieve a deterrent effect, deterring anyone to try to commit fraud against the Authority.

A joint working practice is in place between Internal Audit and HR, through quarterly Fraud Case Management meetings, and ad-hoc meetings where required. Where credible information is received regarding a potential fraud threat, it is important that this is promptly and appropriately investigated, in order to reduce the risk to the Authority. Having this valuable meeting structure in place has allowed, and will continue to allow, for the effective sharing of information, enabling appropriate action to be undertaken promptly.

The Authority participates in the National Fraud Initiative (NFI) exercise, where data, including data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues, is matched nationally every 2 years to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations commenced during the end of 2022/23 and is currently continuing to be undertaken.

Intelligence reports and information are exchanged and shared from the National Anti-Fraud Network (NAFN) and colleagues in other Local Authorities as part of the Wales Fraud Officer's Group.

During the Covid-19 pandemic, a number of additional payments were made to individuals and businesses, for example in the form of free school meals payments and grants, via the Authority. Since then, further additional payment streams have been set up to make urgent payments, such as the Winter Fuel Payments, for example. The Internal Audit section has, and continues to, assist by utilising specialist software to identify potential duplicate claims, thus preventing erroneous payments being made.

Internal Audit undertakes, on an annual basis, a pro-active analysis of financial transactions linked to Payroll and Creditors to identify any potential anomalies for further investigation. The results of the analysis are reviewed and used to identify possible system weaknesses.

## 5. Investigations

The Anti-Fraud and Anti-Corruption Strategy sets out the Authority's zero-tolerance attitude towards fraud and corruption, its commitment to the rigorous investigation of all reports received, and the consistent application of appropriate sanctions.

A key aspect of effective counter fraud work is the thorough, impartial and professional investigation of suspicions as they arise.

The length and timescale of an investigation can vary considerably from case to case, with some cases being resolved in a matter of days and other, more complex cases taking months or even a number of years. Evidence and intelligence can be obtained from many sources such as the National Anti-Fraud Network which enables a legal gateway to requesting information from Banks, Building Societies, other financial institutions, DVLA, Utility providers, the Royal Mail, the Police, DWP, covert surveillance, and other government departments.

The following statistics outline **Corporate** fraud investigatory work undertaken during 2022/23:

<b>Fraud Offence</b>	<b>2022/23 Investigations</b>	<b>2021/22 Investigations</b>
Fraud by False Representation	3	7
Fraud by Failure to Disclose Information	0	0
Fraud by Abuse of Position	4	3

The following statistics outline **Benefit Fraud** investigatory work undertaken during 2022/23:

A total of 227 referrals were received by the fraud team (compared to 245 referrals in 2021/22).

- 44 were accepted for fraud investigation.
- 183 of these were referred to the Department for Work & Pensions (DWP) for their own investigations.

Fraud referrals, allegations and suspicions are received from various sources which can include anonymous telephone calls and letters, online and email referrals, staff in Revenues and other departments, The Police, DWP, Data Matching exercises etc.

During the year, a total of £48,422.65 was identified from Housing Benefit overpayments, Council Tax Reduction Scheme and Council Tax adjustments/overpayments.

The following statistics outline fraud investigatory work undertaken by the **Consumer and Business Affairs service** during 2022/23:

<b>Fraud Act Prosecutions, which have either been completed or are currently in the Court System:</b>	<b>2022/23 Investigations</b>	<b>2021/22 Investigations</b>
Fraud Misrepresentation/Unfair Practices	<b>17</b>	11
Fraudulent Trading	<b>2</b>	3
Money Laundering	<b>3</b>	3

During the year, the Consumer and Business Affairs service received a total of 2113 referrals for investigation (compared to 2244 in 2021/22), with the following outcomes recorded:

	<b>2022/23 Outcomes</b>	<b>2021/22 Outcomes</b>
No of convictions completed (all)	<b>12</b>	9
No of cautions (all)	<b>6</b>	3
Total detriment prevented (i.e., money that would be lost without Trading Standards intervention)	<b>£11,000,000</b>	£5,176,000
Number of preventative / proactive press releases	<b>11</b>	7

Number of prosecution case press releases	<b>11</b>	8
Number of preventative/proactive literature distributed	<b>3200</b>	6784

## 6. Case Information

This section provides some examples of cases investigated during the year.

During the year, an investigation was undertaken into a staff member who was falsely claiming travel expenses. The investigation involved review of travel claims, for excess travel, submitted by the employee over a period of four years. At a disciplinary hearing, the employee admitted making a number of incorrect claims for reimbursement; the employee was issued with a final written warning, with the overclaimed expenses to be paid back to the Authority.

A full investigation into a case of Council Tax avoidance was commenced following a referral made to the Authority.

It was alleged that a family and further occupants were residing at an address within Carmarthenshire, without having registered any of the dwellings. Authority officers attended the site, whilst it was under the control of the Police and the occupants were being held off site. It was found that the site consisted of four dwellings, which were occupied by 9 occupants; none of which were registered for Council Tax.

As a direct result of the investigation, the tenants were ordered to pay £4742.38.

The Director of an Ammanford company was given a suspended prison sentence following an investigation by Carmarthenshire County Council's Trading Standards team.

The Director pleaded guilty to offences under the Consumer Protection from Unfair Trading Regulations 2008 at Swansea Crown Court for five separate instances where he had agreed to carry out building and landscaping work, for which he received a total of £34,290.77 from his victims.

Where work had been carried out, it was found to be of very poor quality, and in some cases very little or no work had been carried out, despite the victims paying for these services.

The Court sentenced the Director to 16 weeks imprisonment suspended for 12 months and 100 hours unpaid work.

He was ordered to pay £12,000 compensation to be distributed between the five victims and was disqualified from being a Company Director for 4 years.



## 7. Conclusion

Carmarthenshire County Council prides itself on setting and maintaining high standards and a culture of openness, with core values of **Integrity, Taking Responsibility** and **Excellence**. The Anti-Fraud and Anti-Corruption Strategy fully supports the Council's desire to maintain an honest Authority, free from fraud and corruption.

The aims and objectives of the strategy are to:

- *Make better use of resources*
- *Prevent Fraud, through understanding the root cause of problems and driving improvements for long-term impact*
- *Work with others in a collaborative way to find shared, sustainable solutions*

This Annual Report demonstrates the actions taken to deliver these aims and objectives during 2022/23. We will continue to strive to deliver these aims and objectives over the coming year, with actions also undertaken to further enhance the controls in place, including further proactive work in the form of staff training and fraud awareness:

- A Fraud e-learning module is currently being explored, to be rolled out to all staff and Members within the Authority; making this training mandatory would be strongly desired, to ensure that the anti-fraud message is successfully delivered to all parties.
- Fraud Awareness Webinar provided by the Authority's Banking Provider.
- Further Fraud Awareness messages to staff and Members within the Authority.

**Helen Pugh**  
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*4<sup>th</sup> August 2023*