

# Anti-Fraud and Anti-Corruption Annual Report

2021-22

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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 2021/2022 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, this hasn't been possible to undertake. It is hoped that face-to-face presentations will soon resume.

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 December 2021 on tackling fraud, and specifically the 'Take Five' campaign. Take Five is a national campaign that offers straight-forward and impartial advice to help everyone protect themselves from preventable financial fraud. The message was issued to staff via the Authority's Marketing & Media weekly e-mail.

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. As such during 2021/22, activity in this area has focussed on the following key areas:

- Financial Procedure Rules
- Contract Procedure Rules

During the year, a media article was published in a national newspaper, detailing several successful prosecutions achieved by the Council. Where possible, successful cases are promoted in order to achieve a deterrent effect, deterring anyone from committing 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 was undertaken in 2021/22. The exercise identified numerous matches which were further explored; the majority of matches had either already been identified through Internal Audit testing and worked through to ensure they were not fraudulent, or were genuine situations which were not fraudulent. One match did, however, result in a positive identification of an employee having worked elsewhere whilst on sick leave from the Authority; this case is currently continuing to be investigated.

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.

Due to the Covid-19 pandemic, a number of additional payments have been, and continue to be, made to individuals and businesses, for example in the form of free school meals payments and grants, via the Authority. Investigations into potentially fraudulent grant applications prevented substantial payments of support grants and identified some grants which had been fraudulently claimed owing to misrepresentation by the applicant. Furthermore, the Internal Audit section has, and continues to, assist in the processes 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. During the year, this testing identified duplicate travel claims having been made and paid; 56 journeys, relating to 17 different employees, were found to have been erroneously claimed. Further detailed testing was undertaken on the duplicate claims to ensure that the claims were not the result of fraudulent activity. All duplicate payments made were subsequently recovered from the relevant employees.

## 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 2021/22:

<b>Fraud Offence</b>	<b>2021/22 Investigations</b>	<b>2020/21 Investigations</b>
Fraud by False Representation	7	4
Fraud by Failure to Disclose Information	0	2
Fraud by Abuse of Position	3	4

The following statistics outline **Benefit Fraud** investigatory work undertaken during 2021/22:

A total of 245 referrals were received by the fraud team (compared to 234 referrals in 2020/21).

- 68 were accepted for fraud investigation.
- 173 of these were referred to the Department for Work & Pensions (DWP) for their own investigations.
- 4 were rejected.

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.

The restrictions placed on duties due to the pandemic meant that the inability to interview face to face had a major impact on a number of more serious cases which are joint investigations with colleagues in DWP. Full duties continue to remain restricted since March 2020 (office interviews and home visits), but it is hopeful that these ongoing restrictions will be removed in the coming months.

The Compliance Officer was redeployed on other duties for the majority of the financial year which also impacted upon the ability to deal with workloads.

In 2021/22, as in the previous year, due to a change in working practices, the focus changed to prevention and detection rather than deterrent.

- A total of £46,741.27 in recoverable Housing Benefit overpayments was identified, a notable decrease of 33.9% on the previous year and deemed to be directly attributable to the impact of Covid-19 and the restrictions on duties as well as the redeployment of staff.
- A total of £22,446.07 in Council Tax Reduction Scheme adjustments/overpayments was identified from investigations.
- Council Tax charges and arrears identified from investigative work amounted to £10,285.40 in 2021/22 and empty property discounts were cancelled to the total value of £2,264.34.

The following statistics outline fraud investigatory work undertaken by the **Consumer and Business Affairs service** during 2021/22:

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

During the year, the Consumer and Business Affairs service received a total of 2,244 referrals for investigation (compared to 2,113 in 2020/21), with the following outcomes recorded:

No of convictions completed (all)	9
No of cautions (all)	3
Total detriment prevented (i.e., money that would be lost without Trading Standards intervention)	£5,176,000
Number of preventative / proactive press releases	7
Number of prosecution case press releases	8
Number of preventative/proactive literature distributed	6,784

## 6. Case Information

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

A Housing Benefit Matching Service (HBMS) data match report identified a tenant who was claiming Housing Benefit and Council Tax Reduction at a privately rented property in Llanelli and was also linked to an address in the Midlands.

Enquiries with fraud colleagues in Birmingham City Council established that Housing Benefit had been claimed from them for an overlapping period.

The tenant denied the offence stating that he had not claimed elsewhere and had not given anyone permission to claim on his behalf.

Evidence of identity provided by the tenant when making his claim in the Midlands was obtained from the Council in Birmingham, this including his signature on a tenancy agreement and also his passport. The evidence providing conclusive proof that the tenant had claimed for the same period in Birmingham and Carmarthenshire.

As a result of the investigation the tenant was ordered to repay in excess of £6,500 Housing Benefit and over £500 Council Tax Reduction, both of which would not have been paid if the tenant had correctly informed of his circumstances.

A full investigation into Housing Benefit and Council Tax Reduction claims commenced following a referral from the Housing department.

It was alleged that a single male had not been living at his claim address for some time and had possibly been absent for more than 12 months and suspected that he may be living near or with his estranged wife in the Bristol area. The tenant's wife had been previously subject to a similar non-residency investigation and was found to be living in Gloucestershire while continuing to claim benefits in Carmarthenshire.

Enquiries made through the National Anti-Fraud Network (NAFN) identified third party credit checks having been made for the subject at his wife's address in Bristol – an address he had never declared he was living.

Investigations identified two active bank accounts; inspection of bank account statements identified the subject to have been living permanently in Bristol, from June 2020, with the exception of a couple of days in August 2020 when he had returned to Llanelli.

As a direct result of the investigation both the Housing Benefit and Council Tax Reduction claims were cancelled due to non-residency with a recoverable overpayment of Housing Benefit calculated amounting to £6,996.49 and a further Council Tax Reduction overpayment/adjustment of £1,578.15.

During the year, an investigation was undertaken into a staff member who was abusing the Authority's flexi time system. The investigation involved review of the use of the Authority's IT systems, which evidenced that the hours worked by the employee were substantially less than the employee had claimed on their flexi sheet. Following a disciplinary hearing, the employee was issued with a written warning, with time owed to the Authority worked back.

Further examples of fraud investigations undertaken relating to members of staff include:

- Working for a different employer whilst off sick from the Authority;
- Submitting false claims for payment;
- Personal use of Council vehicle.

During the year, the Consumer and Business Affairs service has investigated a variety of cases, including the following examples:

Unsafe / misrepresented PPE - *hand sanitiser not safe for use.*

Sale of puppies – *including fraudulent documents and fraudulent adverts.*

Rogue trading – *examples of conducting work where not required, overcharging for work, charging for work not complete and pressure sales.*

Fraudulent trading – *home improvement, gold bullion sales, Internet Protocol television (IPTV) sales – whereby the whole business is operated for the purpose of fraud.*

## **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 2021/22. 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.
- Fraud Awareness Webinar provided by the Authority's Banking Provider.
- Further fraud awareness messages to staff and Members within the Authority.

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*6<sup>th</sup> July 2022*