

Cyngor Sir Gâr Carmarthenshire County Council

Anti-Fraud and Anti-Corruption Annual Report

2020-21

June 2021

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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 2020/2021 financial year.

2. Strategic Governance

The Anti-Fraud and Anti-Corruption Strategy was approved by the Governance & Audit Committee on 16th 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 have been established 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.

In 2019/20, Audit Wales undertook a national review exercise considering Fraud Arrangements across Wales; 'Raising Our Game - Tackling Fraud in Wales'. The Report identified 15 recommendations for improvement; whilst all 15 recommendations did not apply to Carmarthenshire County Council, 9 of them were relevant and actions to address the recommendations are in the process of being implemented. The action plan relating to the Audit Wales report can be seen at Appendix 1.

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.

During 2020, Fraud Awareness Training was provided to a number of Council Staff and Members of the Executive Board and Governance & Audit Committee through use of the Teams meeting platform; the training was delivered by the Economic Crime Unit at DPP.

Ordinarily, face-to-face presentations are provided by the Fraud Investigator within the Revenues team, however, due to the Covid-19 pandemic, this hasn't been possible during 2020/21.

The Council has a dedicated Fraud and Corruption intranet page, which has recently been reviewed; 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.

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 2020/21, activity in this area has focussed on the following key areas:

- Participation in the review of the Financial Procedure Rules
- Review and update of the Anti-Fraud and Anti-Corruption Strategy

As mentioned earlier within this report, a joint working practice has been established 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 is being undertaken in 2021/22.

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. 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. The total of these grants being prevented and recovered amounted to £105,000, with one such case involving 4 grants paid to the same applicant across 3 separate Local Authorities, amounting to £85,000.

Furthermore, the Internal Audit section assisted in the processes to try to ensure that fraudulent payments were not claimed and paid, by utilising specialist software to identify duplicate claims, thus preventing erroneous payments being made.

Internal Audit undertakes 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 2020/21:

Fraud Offence	Investigations
Fraud by False Representation	4
Fraud by Failure to Disclose Information	2
Fraud by Abuse of Position	4

The following statistics outline **Benefit Fraud** investigatory work undertaken during 2020/21:

A total of 234 referrals were received by the fraud team.

- 84 were accepted for fraud investigation, (a 66% decrease in the number of cases investigated during 2019/20)
- 131 of these were referred to the Department for Work & Pensions (DWP) for their own investigations.
- 19 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 covert risk assessments and covert surveillance were halted.

The inability to interview face to face had a major impact on several of our more serious cases which were joint investigations with colleagues in DWP.

In 2020/21 due to a change in working practices, the focus changed to prevention and detection rather than deterrent.

- A total of £70,756.59 in recoverable Housing Benefit overpayments was identified, an increase of 0.16% on the previous year.
- A total of £20,259.35 in Council Tax Reduction adjustments/overpayments was also identified from investigations, this being a 12.5% increase on 2019/20.
- A limited amount of work has been undertaken in respect of Council Tax investigations in 2020/21 as a new area of risk was identified within business rates grants.
- Although the proactive work around investigating Council tax single person discounts etc. ceased, a company called 'Datatank' were tasked with doing this exercise externally during this period.
- Council Tax charges and arrears identified from investigative work amounted to £5,153 in 2020/21.

It is expected that investigation work will increase in 2021/22 and that results will also incorporate positive outcomes from the bi-annual National Fraud Initiative (NFI) data matching exercise which is currently being undertaken.

The following statistics outline fraud investigatory work undertaken by the **Consumer and Business Affairs service** during 2020/21:

Fraud Act Prosecutions, which have either been completed or are currently in the Court System:	
Fraud Misrepresentation/Unfair Practices	7
Fraudulent Trading	6
Money Laundering	4

During the year, the Consumer and Business Affairs service received a total of 2,113 referrals for investigation, with the following outcomes recorded:

No of convictions completed (all)	18
No of cautions (all)	6
Money Laundering	4
Total detriment prevented (i.e., money that would be lost without Trading Standards intervention)	£2,267,852
Number of preventative / proactive press releases	14
Number of prosecution case press releases	6
Number of preventative/proactive literature distributed	11,090

In November 2018, following a complaint made in relation to the Llanelli Wellness & Life Science Village project, a detailed and complex nine month 2-year investigation was undertaken by the Police and no evidence of criminal offending was found in relation to the procurement process carried out by the Council. The investigation found the correct procurement guidelines were followed and overseen by specialist law firms. Independent procurement specialists supported the enquiry and provided expert advice which confirmed this position. This outcome demonstrates that the policies and procedures we have in place are sound and robust, and we are pleased to confirm that the project is still on course to be delivered.

6. Case Information

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

A complaint was made to a Housing Officer that the tenant of a property had moved out with her family and was no longer living at the claim address. The Housing Officer had made numerous attempts to contact the tenant without success, finally making contact and the tenant advising that she was staying with her Grandfather and was unsure when she would return.

The case was referred for fraud investigation by the Housing Officer.

Although we were unable to make any visits to the address or make door to door enquiries with neighbouring properties, a social media risk assessment was undertaken, and Facebook (FB) profiles were identified for both the tenant and her partner.

Inspection of timelines showed that the family had moved to Cyprus some 6 months previously which was shown by timeline posts and photographs posted on FB from Cyprus during the previous 6 months.

- Authorised Officer powers were used in obtaining a credit report for the tenant via the National Anti-Fraud Network and examination of this identified an active Barclays Bank account held in the tenant's name.
- Statements were obtained for this account using the appropriate legislation and analysis of these statements was used to identify the locations of transactions made during the period of the suspected fraud.

This analysis proved that the tenant had lived in Cyprus continually from October 2020 with the bank also providing a residential address for the account holder in Cyprus from the same date.

As a result of the investigation, the tenant's claims for Council Tax Reduction and Universal Credit were both cancelled, and adjustments/overpayments calculated.

The Council Tax liability was corrected, and the appropriate steps taken by the Housing department to secure the property and bring this back into available Housing stock.

An investigation was undertaken into a School Meals Clerk, employed at a Carmarthenshire County Council School. School Meals Clerks are responsible for appropriately administering and recording School Meals and School Meals income within their designated School. The process includes completing School Meals registers and submitting corresponding e-returns to the Authority. The information on the e-returns should tally to the income banked. Review of the School Meals registers, e-returns and bank information identified that income to the value of £4,691.30 had failed to be banked. Following conclusion of the investigation, a criminal case was opened, and criminal sanctions applied; the perpetrator was found guilty and ordered to repay £4,691 to the Authority and

conduct 100 hours community service. The School Meals Clerk is no longer employed by the Authority.

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

- Abuse of the Flexi system
- Working elsewhere whilst off sick

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.*

Helen Pugh
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16th June 2021