

Report of the Chief Auditor

Special Audit Committee – 28 March 2017

CORPORATE FRAUD TEAM PLAN 2017/18

Purpose:	This report provides details of how the Corporate Fraud Team Plan is compiled and outlines the Plan for 2017/18
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss, review and approve the Corporate Fraud Team Plan 2017/18.
Consultation:	Legal, Finance and Access to Services It is recommended that Committee approve the Corporate Fraud Team Plan 2017/18
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1. Introduction

- 1.1 The Corporate Fraud Team (CFT) was established within the Internal Audit Section with effect from 1 June 2015 on an initial 2 year trial period but funding to make the Team permanent was provided in December 2016
- 1.2 To ensure that the CFT's limited resources are targeted at the areas of most risk of fraudulent activity, an Anti-Fraud Risk Assessment Checklist has been completed and used to prepare an Anti-Fraud Statement which describes the Council's commitment to ensuring a zero-tolerance approach to fraud from both internal and external sources.
- 1.3 The Anti-Fraud Risk Assessment Checklist and Anti-Fraud Statement have been used to compile the Corporate Fraud Team Plan 2017/18.

2. Corporate Fraud Team Plan 2017/18

- 2.1 In preparing the Corporate Fraud Team Plan 2017/18, a fraud risk assessment has been completed using the Audit Commission's *Protecting the Public Purse – Fighting Fraud Checklist* which was published in 2014.
- 2.2 The Checklist includes a series of questions aimed at assessing the Council's exposure to fraud and includes questions covering the Council's policy in relation to fraud, the counter-fraud resources available, the role of the Audit Committee, how fraud awareness is raised and whether links exist with other organisations.
- 2.3 The Checklist also covers specific areas where research has identified fraud could be a significant risk including
- Housing Tenancy
 - Procurement
 - Recruitment
 - Personal Budgets for Social Care
 - Council Tax Discounts and Exemptions
 - Housing Benefit
 - Other
- 2.4 A copy of the completed Fraud Risk Assessment Checklist can be made available to Committee members if they wish.
- 2.5 In addition to the Risk Assessment, the CFT have prepared an Anti-Fraud Statement in line with the *CIPFA Code of Practice on Managing the Risk of Fraud and Corruption* which was published in 2014.
- 2.6 The Code of Practice includes 5 key principles in relation to managing the risk of fraud and corruption
- Acknowledge the responsibility of the governing body for countering fraud and corruption
 - Identify the fraud and corruption risks
 - Develop an appropriate counter fraud and corruption strategy
 - Provide resources to implement the strategy
 - Take action in response to fraud and corruption
- 2.7 The Anti-Fraud Statement defines fraud, corruption, bribery, theft and financial malpractice/irregularity and identifies the following themes which are taken from the *'Fighting Fraud Locally – the Local Government Fraud and Corruption Strategy 2016-2019'* as a method of ensuring that the Council's counter fraud response is comprehensive and effective

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business.
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk.
- **Competence** – having the right skills and standards.
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes.
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

2.8 The Anti-Fraud Statement also outlines the responsibilities of the Council, councillors, managers, employees, contractors, Internal Audit, CFT and the general public in relation to fraud and ensuring that a zero-tolerance approach to fraud and corruption exists.

2.9 The Fraud Risk Assessment and Anti-Fraud Statement have been used to prepare the Corporate Fraud Team Plan 2017/18 which is shown in Appendix 1

3. Equality and Engagement Implications

3.1 There are no equality and engagement implications associated with this report

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 The Accounts and Audit (Wales) Regulations 2014 require the maintenance of an adequate and effective system of internal audit of the Council's accounting records and control systems. This is essential to the prevention and detection of fraud and corruption and is a key element of the Chief Finance Officer's statutory duties as contained in section 151 of the Local Government Act 1972.

Background Papers: None

Appendices: Appendix 1 Corporate Fraud Team Plan 2017/18

Corporate Fraud Team Anti-Fraud Plan 2017/18

Introduction

This document sets out the Corporate Fraud Team's Anti-Fraud Plan 2017/18 which covers the principles set out in the '*CIPFA Code of Practice on Managing the Risk of Fraud and Corruption*'.

The Plan is based on the three key themes of:

- Acknowledge
- Prevent
- Pursue

We know that fraud will be attempted against the Council during the coming year and as a result, we will maintain a team dedicated to investigating allegations of fraud, seeking to punish those who have committed fraudulent acts against the Council, identifying losses to be recovered and, where appropriate, taking appropriate recovery action.

Estimates published in the '*Annual Fraud Indicator 2016*' and '*Fighting Fraud Locally – the Local Government Fraud and Corruption Strategy 2016-2019*', suggests that fraud is committed in all organisations to varying degrees. Some areas that are considered to more at risk than others are:

- Council Tax Discounts
- Council Tax Reduction
- Grants
- Housing Tenancy
- Procurement

The Corporate Fraud Team intends to target these areas along with Social Care Direct Payments, which have been identified as 'at risk' in other Local Authorities, but which up to now the City and County of Swansea has not been in a position to tackle in a strategically effective way.

Controls are in place to mitigate internal fraud, but any allegations will be fully considered and where appropriate investigated which may lead to further action being taken, including disciplinary and criminal prosecutions. Sources of allegations may arise from pro-active measures or being re-active to referrals from the public/staff/members or via a 'whistle blower'.

The Corporate Fraud Team resources will be directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Cases of suspected fraud or financial irregularity should be referred to the Chief Auditor or Corporate Fraud Team for assessment and appropriate action.

'Fighting Fraud Locally – the Local Government Fraud and Corruption Strategy 2016-2019' suggests that Local Authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against the following six themes. It is Corporate Fraud Team's intention to adhere to the themes

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

Corporate Fraud Team Anti-Fraud Plan 2017/18

Activity	Detail	Target Outcomes
Consider new areas of activity: <ul style="list-style-type: none"> • Planning • Preparation • Procedures 	To explore new areas with a view to undertaking proactive activity <ul style="list-style-type: none"> • Business Rates. • Grants. • Personal budgets for social care. • Procurement. 	'Fact finding' in order to establish an understanding of relevant legislation and best practices. Devise and implement proactive 'pilot' exercises to <ul style="list-style-type: none"> • Assist in ensuring that funds are used for the intended purposes. • Maximise income from Business Rates • Identify fraud and error. • Seek to recover losses. • Take criminal action in appropriate cases.
Tackle social housing tenancy fraud	Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud from unlawful subletting to bogus succession claims.	Raise awareness of the problem of social housing fraud and the damage that it does. Investigate any cases where evidence suggests a property may have been unlawfully sub-let or unlawful successions to a property has occurred. Develop an effective process that expedites the recovery of properties where tenancy fraud has been identified. Undertake criminal prosecutions and utilise Unlawful Profit Orders to recover any profits made by offenders in accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006
Tackle Council Tax fraud	Utilise internal and external data matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.	Recover single person discounts 'incorrectly' claimed. Recover other disregards and discounts 'incorrectly' claimed.

Activity	Detail	Target Outcomes
Tackle Council Tax Reduction Fraud	<p>Prior to the introduction of SFIS, Council Tax Reduction fraud was investigated by the HB Investigation Team. CFT will continue to investigate Council Tax Reduction fraud where no other welfare benefit is in payment.</p> <p>To continue to participate in the joint working pilot with SFIS.</p> <p>The initial pilot was for 6 months: November 15 to May 16. It has since been extended to October 16 and then to March 17, and probably thereafter,</p> <p>National roll-out is intended for 2018/19.</p>	<p>Sharing information and expertise</p> <ul style="list-style-type: none"> • To ensure that the totality of welfare benefit, CTRS and tenancy* frauds is tackled in the most efficient and effective manner. • To identify overpayments and excess reductions. • To take sanction action in appropriate cases. Administrative Penalties and prosecutions. <p>*Tenancy fraud cases were included in the extended pilot from 01/12/16 to 31/03/17</p>
Tackle Personal Budgets for Social Care (Direct Payments)	Continue to review and develop processes to aid the identification and investigation of any fraud	<p>CFT Officers to attain a practicable appreciation of relevant legislation and related processes applied to the application and monitoring of Direct Payments</p> <p>To consider 'suspicious' cases with a view to determining appropriate action including</p> <ul style="list-style-type: none"> • Seeking to ensure procedures and documents are sufficiently robust • Identifying potential overpayments • Instigating criminal proceedings where appropriate
Tackle Procurement Fraud	Continue to develop proactive work in this area	<p>Establish a formal relationship between CFT and the Procurement Team</p> <p>Attain a practicable appreciation of relevant legislation and related processes</p> <p>Determine whether any proactive work can be completed with a view to undertaking sample testing</p>

Activity	Detail	Target Outcomes
<p>National Fraud Initiative (NFI)</p>	<p>Continue to participate in the National Fraud Initiative.</p> <p>Since SFIS became responsible for investigating HB and CTB fraud and a Fraud and Error Reduction Incentive Scheme (Feris) Officer was appointed in the Revenues and Benefits Section, towards the tail end of NFI 2014, it became clear that the approach to subsequent exercises would need to change.</p> <p>From NFI 2016, published in January 17, the Feris Officer will have a significant role in dealing with matches in respect of HB. Whereas, CFT will mainly deal with non-benefit related matches.</p>	<p><u>Benefit related matches</u></p> <p>As appropriate, liaise with the Feris Officer and SFIS to ensure that all relevant NFI Reports are examined/considered so that:</p> <ul style="list-style-type: none"> • Fraud, error, overpayments and excess reductions are identified. • To take appropriate against offenders. <p><u>Non-Benefits related matches</u></p> <p>CFT will mainly deal with the following matches</p> <ul style="list-style-type: none"> • Housing Tenants to Housing Tenants • Housing Tenants to Council Tax Reduction • Housing Benefits to Council Tax Reduction • Housing Tenants Payroll;, Pensions, Taxi Drivers <p>Other reports to be dealt with by staff in the relevant sections</p>
<p>Tackle other internal and external fraud, examples include</p> <ul style="list-style-type: none"> • Abuse of Position • Blue badge • Flexi time • Income collection and banking • Payroll • Pensions • Travel and subsistence 	<p>During 2017/18, CFT will continue to investigate various anomalies and referrals.</p> <p>CFT will continue to work with internal departments and external organisations in order to undertake risk assessments, and gather intelligence and evidence to point towards or away from fraud and error.</p> <p>Subject to available resources, CFT will consider and investigate any other frauds if it is in the best interests of the Council and the general public it serves.</p>	<p>Retain public confidence.</p> <p>Maintain the Council's good reputation.</p> <p>Identify fraud, error and over payments.</p> <p>Instigate criminal proceedings as appropriate.</p> <p>Recover losses.</p>

Activity	Detail	Target Outcomes
<p>Raising Fraud Awareness</p>	<p>Continue to raise awareness of the role of CFT both inside and outside the Council.</p> <p>The aim is to maintain reputation and to encourage the reporting of potential fraud in the belief that action will be taken.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> • New - A guide to Corporate Fraud for inclusion in HR Induction Training has been devised • Existing – Continue to develop and deliver training as and when required. <p><u>Members:</u></p> <ul style="list-style-type: none"> • Continue to deliver presentations and reports to the Audit Committee and any other members as necessary. <p><u>Contractors:</u> Develop a guide that highlights their role in combatting fraud.</p> <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>