



Report of the Chief Auditor

Audit Committee – 10 April 2018

Internal Audit Section – Fraud Function Anti-Fraud Plan for 2018/2019

Purpose:	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2018/19 and is designed to provide a strategic view of the areas that will be subject to examination.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to fulfil its role in monitoring the Fraud Function.
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that Committee review, discuss and approve the Anti-Fraud Plan for 2018/19.
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Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

1.1 Obligation to combat fraud:

- S151 Local Government Act 1972 – *“Every Local Authority is under a statutory duty to secure the proper administration of its financial affairs”*, (i.e. to safeguard public funds).
- Council Constitution - The obligation set out in S151 is 'underlined' by the Financial Procedure Rules (FPR's) contained in the Council's Constitution. FPR's are the codification of the principles of sound financial management.

1.2 Principles of tackling fraud:

The aim of the Fraud Function is to adhere to the requirements set out in 1.1 by way of effective and appropriate actions in respect of combatting all fraud whether it is perpetrated from outside or inside the Council. The Fraud Function's approach will achieve this by focusing on three key themes:

- Acknowledge
- Prevent
- Pursue

1.3 Ensuring the counter fraud response is comprehensive and effective. Where possible, performance should be compared against each of the following six themes:

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

1.4 The Council's existing Anti-Fraud and Corruption Policy summarises the Council's position, building on the content of a number of corporate policy statements, including:

- Anti-Fraud and Corruption Policy
- Codes of Conduct (members and employees)
- Corporate Risk Management Policy
- Disciplinary Policy
- Whistle-blowing Policy

1.5 Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the '*Nolan principles*'⁷ of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

2. The Aims of the Anti-Fraud Plan

2.1 The Anti-Fraud Plan (AFP) represents the broad areas that will be covered and sets out to provide a balance between proactive and reactive counter fraud activity. It covers the activities of the Council that the Chief Auditor considers to be the most likely to be subjected to fraud in some form, either from within the organisation or from external sources.

- 2.2 The AFP aims to build on activities and outcomes achieved since 1st June 2015, this being the date that Internal Audit's Fraud Function was implemented, and also aims to focus on 'high risk' areas where the most significant losses can occur.
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¹ The 'Nolan principles', which are the basis of the ethical standards expected of public office holders. The 7 principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, the courts and probation services, non-departmental public bodies, health, education, social and care services. The principles also apply to all those in other sectors that deliver public services. They were first set out by Lord Nolan in 1995 and they are included in the Ministerial Code – <https://www.gov.uk/government/publications/ministerial-code>

- 2.3 Some of the matters investigated by the Fraud Function will progress to criminal investigation and others will not, but in all cases appropriate action will be considered / taken, for example disciplinary proceedings in respect of Council employees.

- 2.4 Actions of the Fraud Function which overlap with Human Resources (HR) functions (and vice versa) will be subject to the '*Memorandum of understanding and expectations*', which aims to:

- To address the potential overlap between disciplinary and criminal investigations / offences.
- To clarify the roles of HR and the Fraud Function, in particular the meaning, remit and purpose of the HR Investigating Officer and the Fraud Function's Investigation Officer.

3. Measuring the value of the Fraud Function

- 3.1 The value of the Fraud Function to the organisation can be measured via the following headings:

Deterrent value:

The deterrent value of having a Fraud Function, offering a confidential way to report concerns, acting on the concerns, taking appropriate sanctions, and publicising successes is immeasurable.

Strengthening procedures:

Some internal investigations may not yield immediate and / or quantifiable financial outcomes. However, they may result in changes in policies and procedures that ultimately reduce the potential for loss by fraud or error by enhancing the robustness of those policies and procedures.

Quantifiable financial outcomes:

Fraud Function activities may identify money and / or assets that have been claimed / misappropriated via fraud or error, which can then be targeted for recovery. For example:

- Overpayments of Housing Benefit / Council Tax Benefit / Council Tax Reduction.
- Council properties returned to stock.

- Money resulting from action taken under the Proceeds of Crime Act 2002.
- 3.2 In addition, Fraud Function activities may result in extra liability being created, for example via the removal of Council Tax discounts and exemptions.
- 3.3 Progress and Annual reports to the Audit Committee on the Fraud Function's activities are a key part of building up to the Annual Governance Statement which is published with the Annual Statement of Accounts.
- 3.4 The Fraud Function contributes to the Council's corporate vision and priorities by investigating allegations of fraud and corruption against the Authority, both from within the organisation and from external third parties.

4. Focussing Fraud Function resources

- 4.1 When considering where to focus the Fraud Function's resources due regard was given to:
- The Chartered Institute of Public Finance and Accountancy's (CIPFA's) '*Code of Practice on Managing the Risk of Fraud and Corruption*' and '*Fighting Fraud Locally*'.
 - '*Protecting the English Public Purse 2015*' published by The European Institute for Combatting Corruption And Fraud (TEICCAF).
 - '*The Annual Fraud Indicator 2016*' produced in partnership by Experian, PKF Littlejohn and the University of Portsmouth's Centre for Counter Fraud Studies.
 - '*Fighting Fraud & Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019*' supported by CIPFA Counter Fraud Centre.
 - '*CIPFA Fraud and Corruption Tracker (CFact) Results 2017*'
The results of CIPFA's survey aim to provide a national picture of fraud, bribery and corruption in local government in England, Scotland and Wales.
 - The requirements of FPR's, external guidance, best practice and legislation.
 - The extent and scope of counter fraud activity in previous years, including the previous investigations, Internal Audit reports and recommendations made to strengthen controls or enhance systems.

5. Summary

- 5.1 The aim of this document is to demonstrate the Council's ongoing commitment to tackle fraud, promote the highest levels of integrity, minimise the potential for reputational damage, and ensure transparency by 'being seen to be getting its own house in order'.

6. Equality and Engagement Implications

- 6.1 There are no equality and engagement implications associated with this report.

7. Financial Implications

7.1 There are no financial implications associated with this report.

8. Legal Implications

8.1 In accordance with the provisions of Section 151 of the Local Government Act 1972 and section 5 of the Accounts and Audit (Wales) Regulations 2005, the 'Responsible Officer' is responsible for ensuring that the Council has control systems in place "to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records."

Background Papers: None.

Appendices:

Appendix 1 - Anti-Fraud Risk Assessment Checklist 2018/19.

Appendix 2 - Anti-Fraud Statement 2018/19.

Appendix 3 - Anti-Fraud Plan 2018/19.

Appendix 1 – Anti-Fraud Risk Assessment Checklist 2018/19

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This is explicitly set out within the Anti-Fraud and Corruption Policy. Where there is sufficient evidence, appropriate action, including criminal proceedings, will be taken. Internal and external web pages reinforce this stance.		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swansea Council has a full suite of appropriate policies in place, which are subject to regular review.		
3. Do we have dedicated counter-fraud staff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Up to 31.05.15, the Council had a dedicated Housing Benefit Investigation Team. In Swansea, from 01.06.15 responsibility for investigating Housing Benefit transferred to the DWP's Counter Fraud Division. This provided the opportunity to set up a new Fraud Function within the Audit Section.		
4. Do counter-fraud staff review all the work of our organisation?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The Internal Audit Plan, which is approved annually by the Audit Committee, takes a risk-based approach in deciding which areas are selected. There are insufficient resources available to cover every single area in the Council. Internal Auditors will always be alerted for potential control weaknesses in our systems, and for any potentially fraudulent behaviour.		
5. Have we an Audit Committee with a portfolio for fighting fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One of the Audit Committee's terms of reference is to monitor the counter fraud strategy, actions and resources. The Committee meets at least bi-monthly.		
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Audit Committee receive an annual Anti-Fraud and Corruption review report, plus on-going internal audit reports at every meeting where any fraud risks would be highlighted and management are required to respond promptly.		
7. Have we assessed our management of counter-fraud work against good practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We use Protecting The English Public Purse, Fighting Fraud Locally, Annual Fraud Indicators and CIPFA (Chartered Institute of Public Finance and Accountancy) resources including their Code of Practice 'Managing the Risk of Fraud and Corruption', and the results of their Fraud and Corruption Tracker survey. The Council is a member of NAFN (National Anti-Fraud Network) and participates in the NFI (National Fraud Initiative). This, coupled with other sources and affiliates, e.g. the Wales Audit Office, Welsh Chief Auditors Group, ensures we receive regular updates on best practice, legislation etc. Officers undertaking the Fraud Function have attended relevant anti-fraud related events and are Accredited Counter Fraud Officers / Specialists.		

8. Do we raise awareness of fraud risks with:		
• New staff (including agency staff)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fraud awareness material containing a meaningful introduction to the Fraud Function is included in Corporate Induction training. This includes making new staff fully aware of relevant policies including the Anti-Fraud and Corruption Policy.		
• Existing staff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Fraud Function web pages were launched 1 April 2016 to raise awareness and act as a guide to all types of fraud and how to report them (in confidence). Presentations / guides have been be devised / issued to relevant staff as necessary.		
• Elected members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Information on fraud and corruption risks is included in the Members Induction programme. Presentations are regularly delivered to the Audit Committee, including reports on Fraud Function activities and ongoing training in respect of fraud awareness.		
• Contractors?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
There are suitable controls in Contract Procedure Rules to guide and protect officers, and various declarations that the contractors must sign such as an anti-collusion declaration, but it could be of benefit to include further awareness materials. Subject to available resources, the intention is to explore this further in the coming year.		
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Members of NAFN (National Anti-Fraud Network) Members of TFF (Tenancy Fraud Forum). Members of the Wales Fraud Officers Group. Members of the Local Organised Crime Group. Participates in NFI (National Fraud Initiative). Has links to CIPFA (Chartered Institute of Public Finance & Accountancy). Has dialogue with the WAO (Wales Audit Office). Attends the Welsh Chief Auditors Group.		
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Particularly through the National Fraud Initiative. Always responds promptly to information requests, e.g. from other Councils in relation to S29(3) Data Protection Act 1998 (prevention and detection of crime). Participated in a joint working pilot with DWP's Counter Fraud Division from November 2015 to November 2017. Due to the Government's intention to roll-out joint working nationally from 2018, following the cessation of the pilot, Internal Audit adopted joint working with DWP's Counter Fraud Division as a 'business as usual' function.		
11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal Audit carry out a number of pro-active audits that look to identify weaknesses in control. Any other audits consider the possibility of failure of control leading to fraud.		

12. Do we maximise the benefit of our participation in the National Fraud Initiative administered by the Cabinet Office, and receive reports on our outcomes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><u>General:</u> The Audit Section co-ordinates the collation of data for submission to NFI. Audit / Fraud Function also receive details of potential frauds and either investigate or distribute to relevant sections. Audit / Fraud Function monitors the progress of investigations via the NFI's on-line reporting facility.</p> <p><u>How matches have been dealt with from NFI 2016:</u> The DWP has received relevant matches directly from the Cabinet Office, thereby reducing the burden to Local Authorities. Audit / Fraud Function have coordinated the allocation/monitoring of matches to various stakeholders including Accounts Payable, Customer Services, Housing, Pensions, and Revenues & Benefits. Audit / Fraud Function has also had responsibility for examining and/or investigating appropriate matches.</p>		
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>The Council's suite of policies contains an Anti-Money Laundering Policy. All policies are readily available on staffnet. Specific web pages also highlight this issue.</p>		
14. Do we have effective arrangements for:		
<ul style="list-style-type: none"> Reporting fraud? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>All financial irregularities should be reported to the Chief Auditor – this is stated in many policies and the FPR's. In addition there is a specific Whistleblowing Policy.</p> <p>Specific web pages were launched 1 April 2016 containing a stand-alone narrative on the types of fraud and how to report them.</p>		
<ul style="list-style-type: none"> Recording fraud? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Internal Audit keep records of all fraud reported to them.</p>		
15. Do we have effective whistle-blowing arrangements? In particular are staff:		
<ul style="list-style-type: none"> Aware of our whistle-blowing arrangements? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>We have a policy in place, and it is available to all staff on the Council's intranet.</p>		
<ul style="list-style-type: none"> Confident in the confidentiality of those arrangements? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>No evidence to suggest to the contrary.</p>		
<ul style="list-style-type: none"> Confident that any concerns raised will be addressed? 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>No evidence to suggest to the contrary.</p>		
16. Do we have effective fidelity guarantee insurance arrangements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Cover: Loss of money or goods belonging to the Authority because of fraud or dishonesty of employees.</p> <p>Limit of Indemnity: £20,000,000 any one person and in the aggregate any one period of insurance.</p>		

Fighting Fraud with reduced resources		
17. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>An Audit based Fraud Function consisting of 3 officers was created on 01.06.15.</p> <p>However, due to significant ongoing Corporate pressures in respect of diminishing financial resources, it was with reluctance that the Fraud Function Managers post was deleted on 31.03.18 following an agreement to allow the post holder to leave the Council via early redundancy.</p> <p>Inevitably, this situation will necessitate a more robust approach to the evaluation of allegations and investigation into allegations of wrongdoing/fraud.</p> <p>Existing Audit staff have assisted Fraud Function staff as and when appropriate. Subject to available resources, this assistance will continue when needed.</p>		
Current risks and issues		
Housing tenancy		
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Housing Department staff carry out checks prior to allocation of housing.		
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Checks are carried out by Housing Department staff responsible for appropriate 'estate management' action in instances where the 'lawful tenant' is not in occupation.</p> <p>According to the Annual Fraud Indicator 2016, this is a high-risk area accounting for an estimated loss of £1.75 billion. This risk is further underlined by the CIPFA Fraud and Corruption Tracker Results 2017. As a consequence:</p> <ul style="list-style-type: none"> • Awareness sessions will continue to be delivered to relevant Housing Department staff as necessary. • A Key Amnesty exercise was undertaken in February & March 2017. The intention is to consider undertaking another exercise in 2019. • From December 2016, the joint working pilot between 7 LA's (including Swansea) and DWP' Counter Fraud Division was extended to include Housing Tenancy Fraud related cases, where there is a clear link with Social Security fraud. • The Fraud Function is continuing to develop specific processes to aid identification, investigation, and prompt resolution of tenancy fraud cases utilising relevant legislation including: <ul style="list-style-type: none"> • The Prevention of Social Housing Fraud Act 2013, and, • The Prevention of Social Housing Fraud (Detection of Fraud) (Wales) Regulations 2014. 		
Procurement		
20. Are we satisfied our procurement controls are working as intended?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Controls appear to be adequate - Contract Procedure Rules.</p> <p>According to the Annual Fraud Indicator 2016, this is a high-risk area with an estimated loss of £4.13 billion. This risk is further underlined by the CIPFA Fraud and Corruption Tracker Results 2017.</p> <p>Consequently, subject to available resources, the Fraud Function intends to develop proactive work in this area.</p>		

21. Have we reviewed our contract letting procedures in line with best practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Procedures appear to be adequate. There has been no credible criticism of the Council's procurement procedures, e.g. from unsuccessful bidders.		
Recruitment		
22. Are we satisfied our recruitment procedures that:		
• Prevent us employing people working under false identities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Resources impose rigorous controls of this nature for appointments.		
• Confirm employment references effectively?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources – References Policy.		
• Ensure applicants are eligible to work in the UK?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources.		
• Require agencies supplying us with staff to undertake the checks that we require?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Completed by Human Resources.		
Personal Budgets for Social Care (Direct Payments)		
23. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Personal Budgets have been subject to Departmental and Internal Audit review. Personal Budgets is an area that the Fraud Function made inroads into in 2016/17. Consequently, recommendations made as regards the need for more 'robust' declarations on relevant documents were considered as part of the Direct Payments Strategy review undertaken by Social Services, Legal Section and the Fraud Function. The Fraud Function also triggered a review of the need for Policies in respect of Conflicting Roles, Suspending Direct Payments, and Ending Direct Payments. This risk in Personal Budgets for Social care was underlined by the CIPFA Fraud and Corruption Tracker Results 2017. Therefore, the Fraud Function will continue to review and develop processes to aid the identification and investigation of any fraud.		
24. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The existing whistle-blowing policy is fit for purpose. The Fraud Function web pages also re-inforce the message.		
Council tax discount & exemptions		
25. Do we take proper action to ensure that we only award discounts and exemptions to those who are eligible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
The Council Tax Section undertakes regular postal and in-person reviews. In 2014 & 2016, 'Data Tank' was commissioned to identify cases where an award of SPD may not be appropriate. This risk in this area was underlined by the CIPFA Fraud and Corruption Tracker Results 2017. Subject to the availability of financial resources, the intention is to utilise 'Data Tank', or a similar product, again in 2018. The Council is also participates in the bi-annual National Fraud Initiative (NFI).		

Housing benefit		
26. When we tackle housing benefit fraud do we make full use of data matching?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
As a Council, we utilise data matching via several avenues: <ul style="list-style-type: none"> • Interactive Data Extraction and Analysis software – as and when necessary via the Audit Section; • Housing Benefit Matching Service – monthly via the DWP; • National Fraud Initiative – biannually via the Cabinet Office. 		
Other fraud risks		
27. Do we have appropriate and proportionate defences against the following fraud risks		
<ul style="list-style-type: none"> • Business rates? <p>The Council has a process of postal and in-person reviews to check properties for indication of a business operating undeclared.</p> <p>Subject to available resources, this is an area that the Fraud Function intends to explore to determine the extent of any fraud, in particular:</p> <ul style="list-style-type: none"> • Properties occupied by a registered charity or community amateur sports club, and used for charitable purposes which can be awarded 80% mandatory or 100% discretionary relief. • Empty business properties are exempt from paying business rates for 3 months after the property is vacated. 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • Right to Buy? <p>To help tackle the shortage of affordable housing in the City, the Council's RTB scheme has been suspended for an initial period 01.12.14 to 30.11.19.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • Council Tax Reduction? <p>Along with 6 other sites, from November 2015 to November 2017, The Internal Audit's Fraud Function participated in a Joint Working Pilot with DWP's Counter Fraud Division (Swansea being the only Welsh pilot site).</p> <p>Due to the Government's intention to roll-out joint working nationally from 2018, following the cessation of the pilot, the Fraud Function adopted joint working with DWP's Counter Fraud Division as a 'business as usual' function.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • Schools? <p>There is a schools audit programme within the Internal Audit plan each year.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • Grants? <p>There is a grants audit programme within the Internal Audit plan each year.</p> <p>Although this was not specifically reported as high-risk area in the CIPFA Fraud and Corruption Tracker Results 2017, it was reported as such in the Annual Fraud Indicator 2016, with an estimated loss of £198 million. Consequently, subject to available resources, the Fraud Function intends to continue to develop proactive work in this area.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Appendix 2 - Anti-Fraud Statement 2018/19

1. Defining Fraud

- 1.1 What is fraud? The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For the purposes of this strategy, fraud is defined as:

'...the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.'

The definition covers various offences including deception, forgery, theft, misappropriation, collusion and misrepresentation.

- 1.2 What is Corruption? Corruption is defined as...

'...the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of any person.'

These inducements can take many forms including cash, holidays, event tickets, meals.

- 1.3 What is Bribery? The Bribery Act 2010 creates offences where:

'...an individual or commercial organisation offers or receives a bribe to bring about or reward the improper performance of a function or activity.'

Bribery can be the acceptance of gifts, money, and hospitality in return for providing something of value to the briber. More information on bribery can be found in the Council's 'Anti-Fraud and Corruption Policy'.

- 1.4 What is Theft? The Theft Act 1968 details the legal definition of theft. For the purposes of this statement, theft is defined as...

'...the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. client funds), including cash, equipment, vehicles, data, etc.'

Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or Members whilst on Council property.

- 1.5 What is Financial Malpractice/Irregularity? This term is used to describe...

'...any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements.'

These actions do not have to result in personal gain.

2. Statement of Intent

2.1 We recognise that dealing with fraud is important and that there is a duty to Council Tax payers and Welsh / Central Government to ensure that all public funds are administered correctly.

2.2 We aim to cover the principles set out in the '*CIPFA Code of Practice on managing the risk of fraud and corruption*' that define the governance and operational arrangements necessary for an effective counter fraud response. The five key principles are to:

- 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.

2.3 Our intention to combat fraud and corruption is made up of the following key elements:

Acknowledge

The Council acknowledge that as an organisation we are at risk of fraud and will seek to understand our fraud risks, we will:

- Maintain the Fraud Function whose members are trained and qualified to an appropriate level;
- Maintain a risk based approach to tackling fraud referrals to make optimum use of the available resources.

Prevent

The Council recognises that fraud and corruption are costly, in terms of both financial losses and reputational risk. The prevention and detection of fraud is therefore a key objective of the authority. The Internal Audit Section and it's Fraud Function are mutually complimentary and work side by side to provide the Council's audit and fraud investigation functions. They employ a multi-disciplinary approach that includes pro-active work determined by a formal risk assessment. In addition, the Fraud Function is free to work with other agencies in pursuance of the Council's anti-fraud aims. In addition, the prevention and detection includes a commitment to:

- Seek to promote a zero tolerance anti-fraud culture across the community by publicising the impact of fraud on the community. We will also seek to assist our partners and stakeholders to understand and reduce the threats of fraud. Furthermore, we will seek to deter fraudsters through specific publicity and general campaigns.
- Publicise counter fraud work to the widest possible audience and appropriate successful prosecutions will be reported to the media.
- Undertake data matching exercise with other Local Authorities and relevant external organisations to pro-actively identify fraudulent activity.
- Continue to ensure it has access to all intelligence sources and best practice to combat fraud and corruption, for example via the National Anti-Fraud Network (NAFN) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Operate a Whistleblowing policy to ensure concerns of internal probity can be raised in confidence and ensure protection for those who come forward.

- Strive to prevent fraud from entering systems in the first place by ensuring that appropriate staff receive fraud awareness signposts/training/material.

Pursue

The Council will take a strong approach to punishing fraud and recovering fraud losses:

- In cases where fraud is discovered we will take criminal, civil or disciplinary action or a combination of these. Decisions will be based on our Human Resources Policies and the Code for Crown Prosecutors, which includes the evidential and public interest tests for prosecution.
- In all appropriate cases of fraud or corruption recovery action will be taken to ensure the money is returned to us, this may include civil recovery methods or recovery through criminal proceedings using the Proceeds of Crime Act where appropriate.
- The Fraud Function will continue to work in partnership with other relevant organisations such as Trading Standards and South Wales Police.

2.4 Turning Strategy into Action

'Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2016' 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 the Fraud function's intention to adhere to the themes:

- **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.

3. Responsibilities

Corporate Responsibilities

- 3.1 The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and the Fraud Function web pages bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.
- 3.2 The endorsement of this statement sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified it will be dealt with in a professional and timely manner using the strongest punishment available in accordance with available guidance. In addition, restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong anti-fraud culture, the Council aims to deter potential perpetrators from targeting its finances and services. Within the corporate framework, there are a number of facets that exist to protect the Council against fraud. These include:

- The Constitution, Financial Procedure Rules;
- An established Audit Committee;
- Codes of conduct for Members and Employees;
- Statutory responsibility for the oversight of all financial and legal affairs;
- An Anti-Fraud and Corruption Policy;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures – reference and DBS checks;
- Internal controls regularly reviewed and annually certificated by Heads of Service;
- Checks by Internal Audit in line with the Audit Plan;
- A confidential reporting code (Whistle-blowing procedure);
- A Complaints procedure available to the public;
- An External Audit;
- A Fraud Function;
- Participation in the National Fraud Initiative, the National Anti-Fraud Network, the Tenancy Fraud Forum, and the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre;
- Internal and external webpages offering anti-fraud advice to employees and the public;
- Contract Procedure Rules.

Councillor Responsibilities

- 3.3 The Council's Members lead by example at all times, maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct.
- 3.4 Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value (£25.00 as at December 2017).

Manager Responsibilities

- 3.5 Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertakes independent assessments of the key risks and associated controls within systems across the Council.
- 3.6 Managers will ensure that staff receive appropriate training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
- 3.7 Managers are required to report all instances of suspected, reported or detected fraud to the Chief Auditor who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation.

Employee Responsibilities

- 3.8 Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The employees Code of Conduct and Anti-Fraud and Corruption Policy explain the requirement for all staff to be vigilant and describes how they should raise any concerns they may have.

- 3.9 The Code and Policy mentioned in 3.8 require that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to the Head of Service or independently to the Monitoring Officer.
- 3.10 Through its Whistle-blowing Policy, the Council provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the Council's policies. The policy offers employees and councillors protection from recrimination and allows them anonymity if they so choose.
- 3.11 Gifts/hospitality over £25 must be recorded. However, for Housing and Public Protection staff ALL gifts /hospitality must be recorded and registered (as a number of small gifts over a period of a year could take the value over £25).

Contractor Responsibilities

- 3.12 All Contractors appointed by the Council must act with complete honesty and integrity when engaging in works or delivering services for the Council, its service users and residents. All contractors must comply with all applicable laws, statutes, regulations and codes relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud, bribery and/or corruption against the Council. Contractors or their employees may report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager or they may make a report using the Council's whistle blowing policy.

Internal Audit and Fraud Function Responsibilities

- 3.13 As part of the Council's system of internal control, the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
- 3.14 The Council provides an anti-Fraud Function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.
- 3.15 The Chief Auditor is responsible for making appropriate arrangements to co-ordinate the Council's work on the National Fraud Initiative and to undertake internal data matching across Council systems.
- 3.16 The Chief Auditor or his representative will advise Heads of Service of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.
- 3.17 The Chief Auditor or his representative is responsible for reporting to and liaising with the local police/Council's Legal Section on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

General Public – Responsibilities

- 3.18 The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.
- 3.19 The Fraud Function web pages should raise awareness of how to report fraud by providing a 'one stop shop' containing an overview of all types of fraud, including how to report fraud. This includes: on-line report forms, telephone hot lines, an investigation mailbox, and an address for postal reports. Reports can be made anonymously. In any case, all reports / contact details will be treated with sensitivity, professionalism and in confidence.

4. Reporting Fraud

4.1 A summary of the telephone numbers/email addresses to report concerns relating to fraud, corruption, bribery or other financial irregularities follow.

4.2 **Blue Badge fraud**

- Online at www.swansea.gov.uk/bluebadgefraud
- By telephoning 01792 637366.
- By e-mail to fraud@swansea.gov.uk

4.3 **Council Tax Reduction fraud**

- Online at www.swansea.gov.uk/reportctrfraud
- By telephoning 01792 635359
- By e-mail to fraud@swansea.gov.uk

4.4 **Other frauds that affect the Council**

- Online at:
 - Staffnet: www.swansea.gov.uk/staffnet/fraud
 - Public web-site: www.swansea.gov.uk/fraud
- By telephoning 01792 635359
- By e-mail to fraud@swansea.gov.uk

4.5 **In all instances the frauds mentioned above can also be reported in writing to:**

Fraud Function
Internal Audit Section
Financial Services and Service Centre
Guildhall
Swansea
SA1 4PE

4.6 **Housing Benefit fraud – dealt with by the Department for Work and Pensions**

- Online at www.gov.uk/report-benefit-fraud
- By telephoning 0800 854440
- In writing to NBFH, PO Box 224, Preston, PR1 1GP

4.7 **Fraud that does not affect Swansea Council can be reported to Action Fraud**

- Online at www.actionfraud.police.uk/report-a-fraud-including-online-crime
- By telephoning 0300 123 2040.

5. Recording fraud reports/investigations

5.1 The Fraud Function records all details of every fraud report/investigation.

5.2 These records are held securely but can be readily retrieved in appropriate circumstances for review and reporting purposes.

6. Reporting fraud outcomes

6.1 The Fraud Function records information that enables the following to be reported on as necessary:

- The number of fraud referrals received.
- The number of fraud referrals by type.
- The number of fraud referrals accepted for investigation.
- The number of referrals not accepted for investigation.
- Outcomes.

6.2 Outcomes include the following:

- Overpayments / additional liability raised / recovered,
- Council Housing brought back into stock,
- CTRS Administrative Penalties,
- Prosecutions,
- Other monies recovered, e.g. via Proceeds Of Crime Act 2002 or Profit Orders awarded under The Prevention of Social Housing Fraud Act 2013,
- Disciplinary action - warnings or dismissals.

6.3 In addition to measurable outcomes, there are other valuable benefits, which are not readily measurably. Namely:

- The deterrent value of having a Fraud Function:
 - Offering a confidential way to report concerns,
 - Taking action in respect of the concerns,
 - Seeking appropriate sanctions,
 - Publicising activities / successes.
- The strengthening of procedures:
 - Some internal investigations may not yield quantifiable actual savings.
 - However, they may result in changes in policies and procedures, which ultimately reduce the potential for future loss by fraud or error by enhancing the robustness of those policies and procedures.

Appendix 3 - Anti-Fraud Plan 2018/19

1. Introduction

- 1.1 This document sets out the Fraud Function's Anti-Fraud Plan 2018/19, which covers the principles set out in the '*CIPFA Code of Practice on managing the risk of fraud and corruption*'.
- 1.2 The Plan is based on the three key themes of:
 - Acknowledge
 - Prevent
 - Pursue
- 1.3 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.
- 1.4 Estimates published in the 'Annual Fraud Indicator 2016' and 'Fighting Fraud Locally – The Local Government Fraud and Corruption Strategy 2016-2019', and the CIPFA Fraud and Corruption Tracker Results 2017 suggest 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,
 - Payments for Social Care,
 - Procurement.
- 1.5 Controls are in place to mitigate internal fraud, but any allegations will be fully considered and where appropriate investigated 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, for example to referrals from the public/staff/members or via a 'whistle-blower'.
- 1.6 Fraud Function resources will be directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.
- 1.7 Cases of suspected fraud / financial irregularity should be referred to the Chief Auditor / Fraud Function for assessment and appropriate action.
- 1.8 '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 the Fraud Function's intention to adhere to the themes:
 - Culture
 - Capability
 - Capacity
 - Competence
 - Communication
 - Collaboration

2. Content of the Plan

Activity	Detail	Target Outcomes
<p>Continue to consider new areas of activity:</p> <ul style="list-style-type: none"> • Planning, • Preparation, • Procedures. 	<p>Subject to available resources, to continue to explore new areas with a view to undertaking proactive activity. For example:</p> <ul style="list-style-type: none"> • Grants. • Payments for Social Care. • Procurement. 	<p>'Fact finding' in order to establish an understanding of relevant legislation and best practices.</p> <p>Devise and implement proactive exercises to:</p> <ul style="list-style-type: none"> • Assist in ensuring that funds are used for the intended purposes. • Identify fraud and error. • Seek to recover losses. • Take criminal action in appropriate cases.
<p>Tackle social housing tenancy fraud</p>	<p>Continue to work in partnership the Housing Department and Legal Section to combat tenancy fraud: from unlawful subletting to bogus succession claims.</p>	<p>Raise awareness of the problem of social housing fraud and the damage that it does.</p> <p>Prevent the unlawful succession to social housing properties by people that do not have a right to succeed the tenancy</p> <p>Reduce the number of properties being unlawfully sub-let.</p> <p>Recover properties where tenancy fraud has been identified.</p> <p>Undertake criminal prosecutions & utilise Unlawful Profit Orders to recover any profit made by offenders, in accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006.</p>
<p>Tackle Council Tax fraud</p>	<p>Utilise internal and external Data Matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.</p>	<p>Recover single person discounts 'incorrectly' claimed.</p> <p>Recover other disregards and discounts 'incorrectly' claimed.</p>

Activity	Detail	Target Outcomes
Tackle Council Tax Reduction fraud	<p>Continue to investigate CTR fraud solely or jointly with DWP's Counter Fraud Division.</p> <p>From November 2015 to November 2017, The Fraud Function participated in a Joint Working Pilot with DWP's Counter Fraud Division to ensure that the full extent of all welfare benefit and CTRS frauds were considered / progressed via a single investigation.</p> <p>Due to the Government's intention to roll-out joint working nationally from 2018, following the cessation of the pilot, the Fraud Function adopted joint working with DWP's Counter Fraud Division as a 'business as usual' function.</p>	<p>Sharing information and expertise between the Fraud Function & DWP's Counter Fraud Division:</p> <ul style="list-style-type: none"> • To ensure that the totality of welfare benefit and CTRS and Tenancy* frauds 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><i>*Tenancy fraud cases were included in the joint work pilot from 01.12.16-30.11.17.</i></p>
Tackle payments made in respect of Social Care (Direct Payments)	Continue to review and develop processes to aid the identification and investigation of any fraud.	<p>Fraud Function Officers to attain a practicable appreciation of relevant legislation and related processes applied to the application / monitoring of Direct Payments.</p> <p>Offer advice and guidance to Social Services. For example to ensure that relevant documents such as the Direct Payments Contract are 'criminally robust'.</p> <p>To consider 'suspicious' cases with a view to demining appropriate action, including:</p> <ul style="list-style-type: none"> • Seeking to ensure procedures and documents are adequately robust. • Identifying potential overpayments. • Instigating criminal proceedings where appropriate.

Activity	Detail	Target Outcomes
Tackle Procurement fraud	Continue to develop proactive work in this area.	<p>Reinforce existing relationships between the Fraud Function 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 undertaken with a view to undertaking sample testing.</p>
National Fraud Initiative (NFI)	Continue to participate in the biannual National Fraud Initiative coordinated by the Cabinet Office.	<p>To ensure an appropriate number of matches are examined with particular reference to High Priority Reports and Recommended Matches.</p> <p>To identify processes and procedures that need to be made more robust.</p> <p>To identify overpayments and excess reductions.</p> <p>To take appropriate against offenders.</p>
<p>Tackle other internal and external fraud, examples includes:</p> <ul style="list-style-type: none"> • Abuse of Position • Blue badge • Flexi time • Income collection and banking • Payroll • Pensions • Travel and subsistence • Etc 	<p>During 2018/19, the Fraud Function will continue to investigate various anomalies and referrals.</p> <p>The Fraud Function 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, the Fraud Function will consider and investigate any other frauds if it is in the best interests of the Council and the public it serves.</p>	<p>Maintain public confidence by being 'transparent'.</p> <p>Maintain the Council's good reputation.</p> <p>Identify fraud, error and over payments.</p> <p>Instigate disciplinary / criminal proceedings as appropriate.</p> <p>Assist in the recovery of 'losses', financial or otherwise.</p>

Activity	Detail	Target Outcomes
Raising Awareness	<p>Continue to raise awareness of the role of the Fraud Function 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 is included in Corporate Induction Training provided by Human Resources. • Existing – Continue to develop and deliver training as and when required. <p><u>Members:</u> Continue to deliver / presentations reports to the Audit Committee and other members as necessary.</p> <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>