Report of the Deputy Chief Executive

Audit Committee – 9 March 2021

Counter Fraud

Purpose:	The report provides an action plan from the findings of the Audit Wales report 'Raising Our Game' – Tackling Fraud in Wales and The Counter Fraud Phase 2 Question Hierarchy Responses which informed the development of the Raising Our Game report.
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1. Background – Raising Our Game –Tackling Fraud in Wales (ROG)

1.1 The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today. Figures could be anywhere between £100 million and £1 billion.

1.2 Fraudsters appear the very instant that an opportunity presents itself. Recently, there has been an explosion in fraudulent activity, and especially in cybercrime, during the current COVID-19 pandemic

1.3 Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements.

1.4 In June 2019 the Auditor general published a report giving an overview of the scale of fraud in the Welsh Public Sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. A further report was published in July 2020 which was based on a more extensive programme of field work, and identified a range of opportunities to improve on the current national position, including:

- strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;

- increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;

- getting the right balance between proactive and reactive counter-fraud activities;

- improving awareness-raising and staff training in counter-fraud

- better evaluation of fraud risks and sharing of fraud information, both within and across sectors.

1.5   The full report can be found in Appendix 1.

2.   Counter Fraud Phase 2 (CFP2)

2.1   The Wales Audit Office (now Audit Wales) produced a question Hierarchy (see appendix 2), which was used as fieldwork to answer the question "are arrangements for preventing fraud and detecting fraud in the Welsh public sector effective?" in particular:

- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
- Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
- Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
- Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
- Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
- Does the organisation have an appropriate response to fraud?
- Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

2.2   This information and responses along with the evidence was used as part of the fieldwork to inform the "Raising Our Game" report and recommendations.

3.0   Action Plan

The 2 documents identified improvements or recommendations. Set out below are the actions which relate to Swansea Council.

CFP2 No.	ROG No.	Question	Improvements identified	Action	Timescale / Responsible Officer
1		**Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?**			
1.1	R2	Do those charged with governance in the organisation promote a clear message in terms of having a zero tolerance of fraud?	It would be more effective for the CMT to take a proactive role in promoting the consequences of fraudulent behaviour within their service areas	Add to PFM meetings as well as 151 Officer bringing regular update as part of the agenda for CMT - Finance update.	Immediate effect CMT
1.2	R2	Does the organisation's senior leadership team and management actively promote the importance of a good anti-fraud culture?	SLT set a good tone from the top that fraud will not be tolerated, however they could take a more proactive role in actively promoting the message.	CMT will, through the reporting structure, identify areas where fraud has been identified and where appropriate promote through the various media channels and internally	Immediate effect CMT / Head of Communications and Marketing.
1.3	R6	Are all staff required to attend fraud and ethics awareness training so that roles and responsibilities are clear?	Fraud awareness training is not undertaken on an annual basis.	To consider how this could be introduced as an online e-learning package in collaboration with fraud Team.	September 2021 HR & OD Manger
2		**Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?**			
2.5	R11	Does the organisation have an annual programme of proactive counter-fraud work (i.e. fraud prevention work) which covers the risks identified in the risk assessment with ring fenced days for proactive	There are no ring-fenced days for proactive work to be undertaken given the limited resources much of the work completed is reactive.	As part of developing the forward work programme that identifies proactive work this will be reviewed to see what proactive or how this can be included.	October 2021 Chief Auditor

		work to be undertaken?			
3		**Does the organisation have a sound policy framework to support effective counter-fraud arrangements?**			
3.1	R5	Does the organisation have a counter-fraud strategy in place to address identified risks which is communicated across the organisation and is overseen by those charged with governance?	It would be more effective to include fraud risk within the corporate risk register to ensure that the risk is highlighted and disseminated across the organisation	Corporate risk Register to be reviewed and risk added.	April 2021 Deputy Chief Executive / Chief Finance Officer
3.2	R2	Does the organisation have a code of conduct which sets out clearly for employees and contractors which behaviours are acceptable and unacceptable and includes a section for reporting and addressing conflicts of interests?	There is a limited reference to anti-fraud procedures in the Code of Conduct.	The code of conduct will be amended with a section included on Fraud.	June 2021 HR &OD Manager / CFT / Chris Williams
4		**Does the organisation undertake an effective fraud risk assessment together with appropriate responses to emerging issues?**			
4.1	R3	Does the organisation undertake a regular and comprehensive fraud risk assessment which is shared and discussed with the Board/Senior Management Team/Audit Committee?	Fraud risk is not assessed on a Senior Management Level as part of the Corporate Risk Register.	Corporate risk Register to be reviewed and risk added.	April 2021 Deputy Chief Executive / Chief Finance Officer

4.2	R4	Does the organisation consider fraud risk as part of the overall risk management process?	The Council have not included fraud risk within the Corporate Risk Register which is overseen by the Senior Management Team	Corporate risk Register to be reviewed and risk added.	April 2021 Deputy Chief Executive / Chief Finance Officer
5	**Does the organisations internal control environment support effective arrangements for preventing and detecting fraud?**				
5.2	R4	Does internal audit look at fraud risks and test controls designed to prevent and detect fraud as part of its annual programme of work?	There is no specific reference to fraud risk detection in the internal audit work programme	The current testing of controls does cover this but it is not specifically stated in the audit programme. All tests are designed to ensure controls are effective and hence preventing fraud.	Chief Auditor to consider this during the year.
5.4	R12 / R13	Does the organisation regularly use data analysis/matching (outside NFI) to validate data and detect potentially fraudulent activity?	The Benefits team use Data Tank to establish any fraud risk. No other data analysis/ matching exercise is used.	Review of system to be undertaken and identify if any other analysis / matching would be beneficial	October 2021 Chief Finance Officer
6	**Does the organisation have an appropriate response to fraud?**				
6.1	R5	Does the organisation have an appropriate fraud response plan that is communicated to all staff which makes clear that all allegations of fraud will be investigated?	There is no specific fraud response plan in place at Swansea Council	Development and implementation plan to be developed mapped out details and timescales and any additional resource required to	August 2021 Chief Auditor

				deliver a fraud response plan	
6.2	R5	Does the organisation take action to ensure that allegations of fraud, including anonymous allegations are assessed in line with the fraud response plan?	No set policy in place about how the investigation will take place	Development and implementation plan to be produced mapping out details and timescales and any additional resource required to deliver a fraud response plan including investigation policy	August 2021 Chief Auditor / Chief Finance Officer
6.3	R5	Does the organisation have documented procedures in place for conducting fraud investigations which follow proper professional practice?	The Council have no documented procedures in place for conducting fraud investigations which follow proper professional practice	Development and implementation plan to be produced mapping out details and timescales and any additional resource required to deliver investigation policy for conducting fraud investigations	August 2021 Chief Auditor / Chief Finance Officer
6.4	R5	Does the organisation effectively investigate allegations of fraud in line with their procedures?	The Council have no documented procedures in place for conducting fraud investigations which follow proper professional practice	Development and implementation plan to be produced mapping out details and timescales and any additional resource required to deliver investigation policy for conducting fraud investigations.	August 2021 Chief Auditor / Chief Finance Officer

7		**Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?**			
7.3	R7	Does the organisation provide an appropriate level of information to an Audit Committee to enable it to discharge its duties in relation to counter-fraud?	The Audit Committee should take a more proactive role in helping to promote a good anti-fraud culture.	The audit committee and chair to be made aware of opportunities throughout the year	Ongoing

Chief Auditor. |

Key to recommendation or question numbers:

CFP2 = Counter Fraud Phase 2 Question Hierarchy Responses

ROG = Raising Our Game – Tackling Fraud In Wales

4.   Equality and Engagement Implications

4.1   The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

4.2   Our Equality Impact Assessment process ensures that we have paid due regard to the above. There are no direct equality implications.

5.   Legal Implications

5.1   There are no legal implications.

6.   Financial Implications

6.1   There are no financial implications.

Background papers: None.

Appendices: Appendix 1: Raising Our Game – Tackling Fraud In Wales
Appendix 2: Counter Fraud Phase 2 Question Hierarchy Responses.