

Report of the Chief Auditor

Audit Committee – 30 August 2016

CORPORATE FRAUD TEAM PLAN 2016/17

Purpose:	This report provides details of how the Corporate Fraud Team Plan is compiled and outlines the Plan for 2016/17
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss, review and approve the Corporate Fraud Team Plan 2016/17.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Committee approve the Corporate Fraud Team Plan 2016/17
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Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Corporate Fraud Team (CFT) was established within the Internal Audit Section with effect from 1 June 2015
- 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 2016/17.

2. Corporate Fraud Team Plan 2016/17

- 2.1 In preparing the Corporate Fraud Team Plan 2016/17, 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 2016/17 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 There are no legal implications associated with this report.

Background Papers: None

Appendices: Appendix 1 Corporate Fraud Team Plan 2016/17

Corporate Fraud Team Anti-Fraud Plan 2016/17

Introduction

This document sets out the Corporate Fraud Team's Anti-Fraud Plan 2016/17 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 2016/17

Activity	Detail	Target Outcomes
<p>Consider new areas of activity:</p> <ul style="list-style-type: none"> • Planning • Preparation • Procedures 	<p>To explore new areas with a view to undertaking proactive activity</p> <ul style="list-style-type: none"> • Business Rates. • Grants. • Personal budgets 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 'pilot' exercises to</p> <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.
<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>Detect properties purchased via fraudulent right to buy applications.</p> <p>Reduce the number of properties being unlawfully sub-let.</p> <p>Develop an effective process that expedites the recovery of properties where tenancy fraud has been identified.</p> <p>In accordance with the Prevention of Social Housing Fraud Act 2013 and/or the Fraud Act 2006, where appropriate:</p> <ul style="list-style-type: none"> • Undertake criminal prosecutions. • Utilise Unlawful Profit Orders to recover any profit made by offenders. <p>Deliver a Key Amnesty campaign.</p>

Activity	Detail	Target Outcomes
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.
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.</p>	<p>Sharing information and expertise</p> <ul style="list-style-type: none"> • To ensure that the totality of welfare benefit and CTRS 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.
National Fraud Initiative (NFI)	<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>So, for NFI 2016, due to be 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>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 action against offenders.

Activity	Detail	Target Outcomes
<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 2016/17, 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>
<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 - Develop a guide to Corporate Fraud for inclusion in HR Induction Training. • Existing - Develop and deliver training as and when required. • All - In partnership with HR, deliver amendments to relevant Policies including Ant-Fraud and Corruption, Disciplinary, Whistleblowing. <p><u>Members:</u></p> <ul style="list-style-type: none"> • Continue to deliver reports to the Audit Committee. • When scheduled, deliver a Counter Fraud presentation at the Audit Committee's Training Event. <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>