



Report of the Chief Auditor

Audit Committee – 20 April 2021

Internal Audit Section – Fraud Function Anti-Fraud Plan for 2021/2022

Purpose:	This report sets out the planned areas of activity for the Internal Audit Section's Fraud Function for 2021/22 and is designed to provide a strategic view of the areas that will be subject to examination.
Policy Framework:	None
Consultation:	Legal, Finance, Access to Services
Recommendation(s):	It is recommended that Committee review, discuss and approve the Anti-Fraud Plan for 2021/22.
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Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Miller

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 underpinned 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 Policy²
- 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*'¹ 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 Finance and S151 Officer and the Chief Auditor consider 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 identified, and also aims to focus on 'high risk' areas where the most significant losses can occur.

2.3 The fraud risks associated with Covid 19 have proven to be significant and it is anticipated that continued reactive resources will need to be diverted during 2021/2022 but it is forecast that this demand will diminish as the year progresses.

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 This policy is continually reviewed and is due to be revised 2021/2022.

- 2.4 Additionally, the AFP for 2021/2022 will incorporate those works streams directly attributable to or are supported by the Fraud Function that were reported to Audit Committee 09/03/21. A copy of the Action Plan from the report can be found in Appendix 1
- 2.5 These works streams arose as a result of the Auditor General for Wales reports of June 2019 and July 2020 which gave an overview of the scale of fraud in the Welsh Public Sector and sought to encourage Local Authorities to strengthen their strategic leadership, coordination and oversight for counter-fraud. A copy of the Audit Wales Report 'Raising Our Game – Tackling Fraud' can be found in Appendix 2.
- 2.6 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.
- 2.7 Actions of the Fraud Function which overlap with Human Resources & Organisational Development (HROD) functions (and vice versa) will be subject to the *'Memorandum of understanding and expectations'*, which aims to:
- Address the potential overlap between disciplinary and criminal investigations / offences.
 - Clarify the roles of HROD and the Fraud Function, in particular the meaning, remit and purpose of the HROD 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 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 assurance supporting 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*'.
- CIPFA's March 2020 report 'Tackling fraud in the public sector - a local government perspective'
- '*CIPFA Fraud and Corruption Tracker (CFact) Results 2020*'
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.
- '*Review into the risks of fraud and corruption in local government procurement A commitment from the UK Anti-Corruption Strategy 2017- 2022*'
- 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.
- 'Cross-Government Fraud Landscape Annual Report 2019' published by the Cabinet Office

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. Integrated Assessment Implications

6.1 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 victimization 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment process ensures that we have paid due regard to the above.

The IIA indicated that there are low impacts on any identified group and the plan applies equally to all. Public consultation and engagement is not required for the plan. All WFG considerations are positive and the risk identified is low. The overall impact of the plan is positive as it will support the Authority in its requirement to protect public funds. (See Appendix 4 for IIA)

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 - Report to Audit Committee 9th March 2021(Action Plan)
Appendix 2 - Raising our Game – Audit Wales Report 2020.
Appendix 3 - Anti-Fraud Risk Assessment Checklist 2021/22.
Appendix 4 - Anti-Fraud Statement 2021/22.
Appendix 5 - Anti-Fraud Plan 2021/22
Appendix 6 - Equality Impact Assessment Screening Form