



## Report of the Chief Auditor

Governance and Audit Committee - 14 December 2022

### **Internal Audit Section – Corporate Fraud Function Mid-Year Update Report for 2022/2023**

<b>Purpose:</b>	This report provides a mid-year update on the work undertaken by the Corporate Fraud Function in 2022/23.
<b>Policy Framework:</b>	None.
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<b>For Information</b>	

#### **1. Introduction**

- 1.1 The Anti-Fraud Plan for 2022/2023 was presented and approved at Governance and Audit Committee on 13 July 2022.
- 1.2 This report provides a summary of the activities of the Fraud Function for the first half of the year 2022/23 and reviews progress against the outcomes contained in the Fraud Function Anti-Fraud Plan 2022/2023.

#### **2. Team Structure**

- 2.1 Further resources have been identified to support the Corporate Fraud team and a new structure has been implemented which includes a Fraud Manager and three Fraud Investigators
- 2.2 The Fraud Manager left the team in September 2022, but two new fraud investigators have been appointed and their start date is imminent.
- 2.3 The fraud manager post remains vacant.

### **3. Mid-Year Review of Outcomes against the Corporate Fraud Function Anti-Fraud Plan for 2021/22**

- 3.1 In accordance with the corporate worktime and accommodation strategy, the team continues to operate in a hybrid manner splitting time between home and office location.
- 3.2 Good progress has been made against all eight planned activities contained within the Corporate Fraud Function plan and the team are on target to complete all activities by year end. Appendix 1 provides commentary against these activities.
- 3.3 As noted in the Annual Report for 2021/22, the teams' limited resources and the requirements of reactive work continue to impact the ability to be proactive in certain areas albeit the NFI exercise is considered a proactive exercise.
- 3.4 Urgent employee investigations continue to be prioritised and time critical responses and actions are undertaken where Covid protocols allows.
- 3.5 The team continues to receive and evaluate a consistently high level of reports consistent with previous years.
- 3.6 The team continues to respond to high levels of data requests consistent with previous years.

### **4. Overview of Other Activities**

- 4.1 The following is a brief overview of activities undertaken outside the remit of the Corporate Fraud Function Ant-fraud Plan 2022/23 to date.
- 4.2 In line with the completion of NFI 2020, the Auditor General for Wales has published a report that has three recommendations. The full report can be found at: <https://www.audit.wales/cyhoeddiad/national-fraud-initiative-2020-21>
- 4.3 The Audit Wales report recommendations and our response outlining how these will be addressed in advance of the 2022/23 exercise are noted in the table below:

<b>Recommendation</b>	<b>Response</b>
All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.	Guidance notes are reviewed for each match prior to commencing the detailed investigation. All those tasked with reviewing matches are pointed to the general guidance notes and match specific guidance available on the NFI Site.
Audit committees, or equivalent, and officers leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2022-23 NFI exercise.	The NFI self-appraisal checklist will be reviewed and completed in advance of the 22/23 NFI exercise.

Where local auditors recommend improving the timeliness and rigour with which NFI matches are reviewed, NFI participants should take appropriate action.	N/A. We have not received any specific guidance from our auditors in relation to the NFI exercise.
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**4.4 Inter-Agency work and Data Exchange**

- 4.4.1 During 2022/23 the team has continued to develop its role in inter-agency working and data exchange.
- 4.4.2 Staff have continued to lead regular meetings and continued to shape the development of the Welsh Fraud Officers group.
- 4.4.3 Staff have also continued to attend regular online inter agency meetings with other government agencies tackling organised crime and sit on the Local Organised Crime Board.
- 4.5.4 The team are directly involved or assisting in with multi-agency investigations with the Police, DWP Organised Crime, NHS and Immigration.

**5. Integrated Assessment Implications**

- 5.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 5.2 The Well-being of Future Generations (Wales) Act 2015 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’.
- 5.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 5.4 The IIA indicated that there are low impacts on any identified group and the Corporate Fraud Mid-Year Update Report applies equally to all. Public consultation and engagement is not required for the report. All Wellbeing and

Future Generations Act considerations are positive and the risk identified is low. The overall impact of the report is positive, as it will support the Authority in its requirement to protect public funds. (See Appendix 2 for IIA)

## **6. Financial Implications**

6.1 There are no financial implications associated with this report.

## **7. Legal Implications**

7.1 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 – Mid-Year Review of the Corporate Fraud Function Anti-Fraud Plan for 2022/23

Appendix 2 – Integrated Impact Assessment

## Appendix 1 – Mid- Year Review of the Corporate Fraud Function Anti-Fraud Plan for 2022/23

Activity	Detail	Target Outcomes	Outcomes Achieved
1. 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.	<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 &amp; 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>Good progress - On target to be achieved.</p> <p>The team have continued to receive a number of referrals from the public and the Housing Department</p> <p>Full investigations are being undertaken</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
2. 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.	<p>Recover single person discounts 'incorrectly' claimed.</p> <p>Recover other disregards and discounts 'incorrectly' claimed.</p> <p>Identify cases of council tax evasion through non-registration of liability and banding.</p> <p>Identify cases that should attract a premium charge</p>	<p>Good progress - On target to be achieved.</p> <p>Incorrectly claimed discounts, exemptions and premium charges, have been identified via individual investigations and via internal &amp; external data matching.</p>
3. Tackle Council Tax Reduction fraud	Continue to work with DWP's Counter Fraud Division in countering CTRS fraud.	<p>Sharing information and expertise between the Fraud Function &amp; DWP's Counter Fraud Division:</p> <ul style="list-style-type: none"> <li>• To ensure that the totality of welfare benefit and CTRS frauds tackled in the most efficient and effective manner.</li> <li>• To identify overpayments and excess reductions.</li> <li>• To take sanction action in appropriate cases. Administrative Penalties and prosecutions.</li> </ul>	<p>Good progress - On target to be achieved.</p> <p>The team have continued to receive referrals in this area and provided support.</p> <p>Full investigations are being undertaken, including jointly with the DWP.</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
4. Cabinet Office National Fraud Initiative	<p>Complete the National Fraud Initiative 2020.</p> <p>Address HMRC report relating CTAX/SPD by allocating appropriate Finance resources with Revenues department.</p> <p>Commence the National Fraud Initiative 2022</p>	<p>To ensure an appropriate number of matches are examined with particular reference high fraud risk 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 action against offenders.</p>	<p>Good progress - On target to be achieved.</p> <p>NFI20 exercise was completed 30.11.2022</p> <p>HMRC report relating to CTAX/SPD has been considered in a proactive joint working arrangement between corporate fraud and council tax.</p> <p>However, due to a lack of resources in both areas, limited progress has been made, and the data in the report has become obsolete.</p> <p>The matter will be carried forward to 2023/24 when a further report will be released by NFI.</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
<p>5. Internal Employee Matters</p> <ul style="list-style-type: none"> <li>• Abuse of Position</li> <li>• Travel and subsistence</li> <li>• Flexi time/timekeeping</li> <li>• Other matters of misconduct/gross misconduct</li> </ul>	<p>Continue to assist Human Resources &amp; Organisational Development in conjunction with various client departments</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>Support disciplinary process</p> <p>Consider as appropriate criminal/civil proceedings.</p> <p>To take appropriate action against offenders</p> <p>Maintain the Council's good reputation</p>	<p>Good progress - On target to be achieved.</p> <p>Urgent employee investigations continue to be prioritised and time critical responses provided</p>
<p>6. Tackle other internal and external fraud, examples includes:</p> <ul style="list-style-type: none"> <li>• Procurement fraud</li> <li>• Social Care (Direct Payments)</li> <li>• Blue badge</li> <li>• Income collection and banking</li> <li>• Grants</li> <li>• Payroll</li> <li>• Pensions <ul style="list-style-type: none"> <li>• Etc.</li> </ul> </li> </ul>	<p>During 2021/22, 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>Identify fraud, error and overpayments.</p> <p>Assist in the recovery of 'losses', financial or otherwise.</p>	<p>Good progress - On target to be achieved.</p> <p>The team has considered all allegations received.</p>



Activity	Detail	Target Outcomes	Outcomes Achieved
7. 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>To work with HROD to develop bi-annual fraud awareness training for all employees.</p>	<p><u>Staff:</u></p> <ul style="list-style-type: none"> <li>• New – A guide to Corporate Fraud is included in Corporate Induction Training provided by Human Resources.</li> <li>• Existing – Continue to develop and deliver training as and when required.</li> </ul> <p><u>Members:</u> Continue to deliver presentations/ reports to the Audit Committee and other members as necessary.</p> <p><u>Public:</u> Continue to publicise activities, successes, and prosecutions.</p>	<p>Good progress - On target to be achieved</p> <p>The team continue to liaise with HROD on Corporate Induction Training</p> <p>In line with the corporate annual report, a press release was issued 11th July 2022 that appeared in the Evening Post, Swansea Bay News and Walesonline</p>

Activity	Detail	Target Outcomes	Outcomes Achieved
8. Policy and Procedure Developments	<p>To work with nominated officers as prescribed in the Action Plan presented to Audit Committee 9<sup>th</sup> March 2021 to deliver on the appropriate actions.</p> <p>To recruit and appoint suitably two additional qualified Counter Fraud Investigators. To commence the implementation of the Government Counter Fraud Professional Standards.</p>	<p>To produce the products in-line with the timetable contained within the Action Plan</p> <p>For the positions to be filled no later than September 2022, and for the new team structure to be developed and fully implemented prior to the financial year 2023/24.</p>	<p>Good progress - See Internal Audit Q2 2021/22 Monitoring Report for commentary on progress presented to the committee in November 2021. Continue to work with HROD to develop fraud awareness training and to finalise the Anti-Fraud and Corruption Policy.</p> <p>A new team structure has been developed and implemented.</p> <p>Two new investigators have been appointed and their start date is imminent.</p> <p>The Fraud Manager position had been filled for a short period but this post is now vacant and it is envisaged that recruitment to fill the post will commence once the two new investigators have started.</p>