



**AUDIT COMMITTEE – 25<sup>th</sup> MARCH 2015**

**CORPORATE ANTI-FRAUD TEAM STRATEGY**

**1. Purpose of the Report**

- 1.1 The purpose of this paper is to outline the Corporate Anti-Fraud Team's Strategy in delivering a corporate fraud function.

**2. Recommendations**

- 2.1 **It is recommended that the Audit Committee consider the Corporate Anti-Fraud Team Strategy and receive 6-monthly update and progress reports regarding the delivery of the Strategy and successes in identifying and responding to incidents of alleged or actual fraud, bribery, corruption of general irregularity.**

**3. Background Information**

- 3.1 The Audit Committee received a brief summary regarding the creation of a central Corporate Anti-Fraud Team within Internal Audit at the December meeting.
- 3.2 The Corporate Anti-Fraud Team Strategy, prepared by the Head of Internal Audit (HoIA) is intended to give the Audit Committee assurances regarding how the corporate counter fraud function is resourced, managed, organised and will deliver its responsibilities.

**4. Corporate Anti-Fraud Team Strategy**

- 4.1 This Corporate Anti-Fraud Team Strategy reflects the working arrangements of the function which has been structured to reflect the emerging corporate risks, targeting investigative resources more efficiently and effectively.
- 4.2 The key aspects of the strategy are:
- i. The Strategy reinforces the objective of the service as a valuable asset to the Authority and its other clients, supporting the protection of public funds by providing a value for money anti-fraud function to the Council and residents.
  - ii. The Strategy and work programme is based on the Local Government Fraud Strategy: Fighting Fraud Locally which calls for the adoption of a tougher approach to tackling fraud against and within Local Authorities.
  - iii. The Strategy addresses how the counter fraud function will be prioritised and delivered as the Council undergoes organisational and national changes.

iv. The development of a flexible Corporate Anti-Fraud Team with a broad and professional skill base to prevent, detect and investigate fraud.

4.3 A detailed operational work programme has also been developed to ensure the resources of the CAFT are utilised in an efficient, effective and accountable way. This detailed work programme will be reviewed on an on-going basis to reflect fraud trends, emerging risks and the general workload.

## **5. Financial Implications**

5.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

5.2 It will be a particular focus for the Corporate Anti-Fraud Team and Internal Audit generally to ensure that the cost of controls are kept to an absolute minimum given the financial pressures on the council and all client organisations.

5.3 The costs of the Corporate Anti-Fraud Team have been included in the costs of the Internal Audit function approved through the budget process and following the Future Council review programme.

5.4 For part of 2014/15 and 2015/16 a grant secured through a DCLG funding scheme will be utilised to offset the costs of the Team. The funding is non-recurring beyond 2015/16.

## **6. Risk Considerations**

6.1 Failure to have robust counter fraud arrangements will increase the Council's susceptibility to fraud and will result in loss of public money.

6.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

## **7. Appendices**

7.1 Appendix 1 - Corporate Anti-Fraud Team Strategy

**Contact Officer:** Head of Internal Audit  
**Telephone:** 01226 773241  
**Date:** 12<sup>th</sup> March 2015

## Corporate Anti-Fraud Team Strategy

---

### **Introduction**

The Council has a responsibility to protect the public purse through the proper administration and control of public funds and has recognised the risk of fraud in the Strategic Risk Register:

Reference 3035: Loss of assets and resources as a result of a one-off incident of fraud / corruption / bribery or a sustained or widespread occurrence.

The Council's Housing Benefit Fraud Team will transfer to the DWP's Single Fraud Investigation Service (SFIS) on 1<sup>st</sup> April 2015. The SFIS will not be responsible for investigating non-benefit and local taxation fraud such as Council Tax Single Persons Discount or Local Council Tax Support which will remain the responsibility of the Council. Having considered this potential loss of experienced investigation officers and, as part of Future Council restructures, the Corporate Anti-Fraud Team (CAFT) has been formed within Internal Audit and will become fully effective from 1<sup>st</sup> April 2015.

The work of the CAFT will support the protection of public funds by providing a value for money anti-fraud function to the Council and residents. The team will investigate allegations of frauds and irregularities referred, detect fraud and identify losses to enable recovery of Council funds and take appropriate sanctions including: prosecution, caution, administrative penalty and disciplinary action.

A key challenge in responding to fraud risk is that no two frauds are the same. Fraud comes in many forms and from many sources e.g. tenancy, benefit or corporate fraud. The CAFT will need to be responsive to new challenges as well as proactive in detecting fraud to enable the recovery of Council funds. An important role of the team will be preventative – being a visible presence within the Council and across the borough, working alongside the police and DWP to raise public awareness and prevent fraud before it occurs.

The team will offer support, advice and assistance on matters of fraud risks including prevention and detection. All of the CAFT's work will be carried out in accordance with Council policies and relevant Government legislation.

### **Scope and Objectives**

In addition to raising fraud awareness throughout BMBC and its key partners, the team's key objective will be to investigate allegations of fraud, bribery and corruption, false accounting and collusion affecting the Authority involving customers, suppliers, contractors, employees, members and other stakeholders. All investigations will be carried out in line with current procedures, guidelines and legislation.

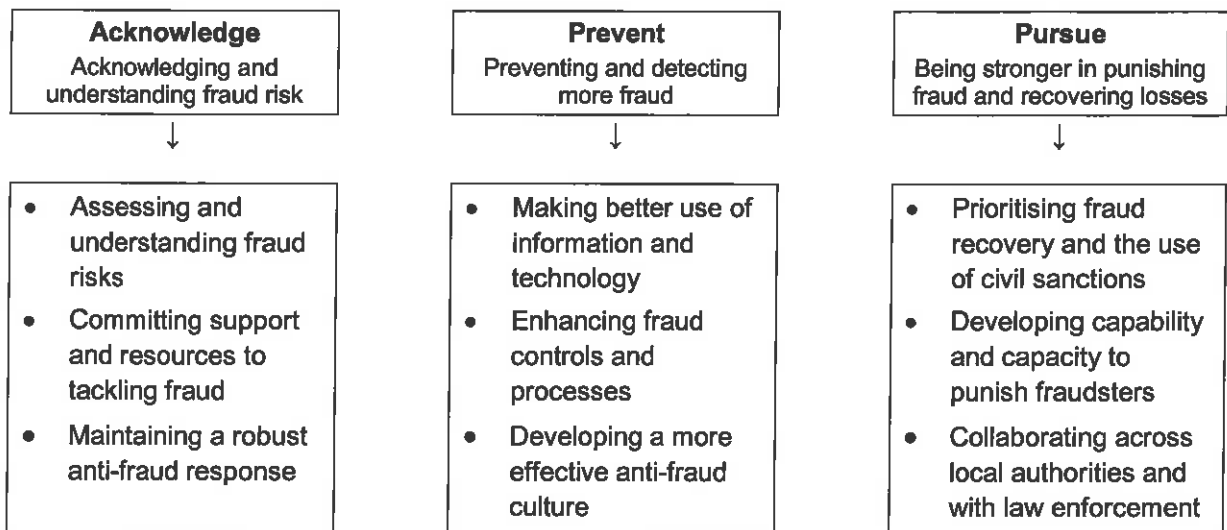
Although initially focusing on investigating non-benefit and local taxation fraud such as Council Tax Single Persons Discount and Local Council Tax Support to recover income due to the Council the CAFT will also have responsibilities for:

- Drafting/updating of the corporate anti-fraud and corruption strategy including financial irregularities, the fraud response plan and investigation guidelines.
- Co-ordinating and undertaking National Fraud Initiative investigations;
- Investigations of alleged Council Tax Discount / Exemption frauds;
- Investigation of irregularities which appear to stem from errors or system weaknesses;
- Investigation of irregularities which appear to stem from fraud, theft, deception, bribery and corruption or collusion. To include internal and external cases and any surveillance requiring RIPA authorisation:
  - Systems based anti-fraud reviews in high risk areas;
  - Systems advice on fraud prevention and detection;
  - Advice and guidance to managers on fraud investigation, awareness raising activities;
  - Reporting to Audit Committee on irregularities arising from systems weaknesses;
  - Reporting to Audit Committee on cases of fraud, theft, deception, bribery and corruption or collusion;
  - Undertaking, reporting and improving the function through benchmarking and trend analysis;
  - Assisting External Audit in their annual review of anti-fraud arrangements;
  - National Anti-Fraud Network liaison, fraud/scam alerts, police liaison/protocols, bulletins, newsletters;
  - Provide relevant and appropriate advice to external clients as requested.

The Council's fraud related policies and procedures will require comprehensive review and approval to be used as a framework for the Corporate Fraud Team's operations and will be one of the main priorities in the 2015-16 financial year.

### **Counter Fraud Work Programme**

The CAFT's strategy and work programme will be based upon the three key themes: Acknowledge, Prevent and Pursue, which form the basis of the Local Government Fraud Strategy: Fighting Fraud Locally and calls for the adoption of a tougher approach to tackling fraud against and within Local Authorities.



## **Acknowledge**

Activity	Detail	Target Outcomes
Review of corporate anti-fraud policies	<p>As a result of the transfer of the Housing Benefit Fraud Team to the DWP and the creation of the CAFT the following corporate anti-fraud policies will require review and amendment:</p> <p>Corporate Anti-Fraud and Corruption Policy and Strategy;            Corporate Fraud Response Plan;            Corporate Whistleblowing Policy;            Prosecutions Policy;            CTRS Anti-Fraud Policy;            CTRS Sanctions Policy;            Bribery Act Policy;            Investigation guidelines.</p> <p>Money Laundering Policy</p>	To ensure that all corporate anti-fraud policies and guidance is relevant, up-to-date, accessible to all employees and there is a high level of awareness.
Corporate Anti-Fraud Group	<p>The creation of a Corporate Anti-Fraud Group, with agreed Terms of Reference, which will meet at intervals agreed by the group members.</p> <p>The group will consist of representatives from departments of the council responsible for investigations e.g. Trading Standards, Enforcement, Personal Care and Planning.</p> <p>The key aims of the group will be to:</p> <ul style="list-style-type: none"> <li>Promote good practice with regard to investigation work;</li> <li>Discuss current/future legislative issues, relevant to investigation work;</li> <li>Discuss areas of known fraud and local/national intelligence to identify other potential areas for investigation;</li> <li>Compile an inventory of investigative / surveillance equipment for corporate use;</li> <li>Establish the need for a financial investigator with a view to agreeing a SLA with a</li> </ul>	To share counter fraud intelligence to ensure an effective use of Council resources, prevent duplication of work and identify future areas of investigation work.

Activity	Detail	Target Outcomes
	neighbouring authority or South Yorkshire Police	
Computer Forensics	<p>It is important that the CAFT has access to technical and specialist support to investigate irregularities involving the use of IT.</p> <p>It is also important that the CAFT have an overall controlling and monitoring role in how computer forensics are utilised to ensure compliance with legislation and good practice.</p>	To ensure that IT investigations are conducted in accordance with legislation and good practice.
Right to Buy	<p>Since the implementation of the £75,000 discount in April 2012, Right to Buy sales and frauds have increased nationally.</p> <p>Within Barnsley the number of Right to Buy sales has increased from x in 2012 to y in 2014/15.</p> <p>The CAFT will work with the Right to Buy team to conduct a detailed check into applicants who have, or are in the process of purchasing their council property.</p>	To identify instances of fraud or to give assurance that the current processes the council operates with regards to processing right to buy applications are effective.

### Prevent

Activity	Detail	Target Outcomes
Continue and develop BOLD Fraud Awareness E-Learning	The E-Learning will raise the profile of counter fraud and will reinforce messages about the standards of behaviour expected from BMBC employees, ways to consider fraud risks and how and when to report suspicions of fraud.	Managers and staff are aware of fraud risks and how to raise suspicions of fraud.
To raise the profile of the CAFT, fraud hotline and online fraud reporting forms	The team will use internal newsletters e.g. InBrief and the Council's website to publicise the work of the CAFT and the fact that the Council takes fraud and corruption seriously.	The source of referrals will be recorded in order to help determine the success of the publicity
Undertake investigations from the new Coactiva Risk Based Verification Process	To assess the roughly 20% of benefit applications in the high risk category	To prevent fraudulent claims for HB/CTS
Publicity	All successful prosecutions will be publicised via the Communications Team as press releases. This may deter some members of the community from attempting to commit fraud against the Council and will evidence the Authority's commitment to	To act as a deterrent factor and to evidence the Council's commitment to

Activity	Detail	Target Outcomes
	investigating fraud and corruption.	taking action against anyone who commits fraud.

### Pursue

Activity	Detail	Target Outcomes
The CAFT will investigate anomalies raised by the Audit Commission's National Fraud Initiative data matching exercise.	<p>The National Fraud Initiative (NFI) is the Audit Commission's biennial data matching exercise designed to detect fraud and error across the public sector.</p> <p>Datamatches appearing in BMBC's NFI reports will be prioritised and investigated by the CAFT and any overpayments identified and savings made will be recorded.</p>	To identify fraud, error and overpayments.
A specific data matching exercise will be undertaken to identify council tax payers fraudulently claiming a single person discount.	A pro-active exercise to detect these frauds will be undertaken by engaging with credit reference agencies and/or the Electoral Register to highlight cases where a person is claiming a single person discount but other records suggest that the individual should be liable for a full charge.	To identify fraud and error, apply sanctions where required and record potential savings made.
Investigation of instances of Council Tax Reduction Scheme fraud.	The team will investigate allegations of council tax support fraud and apply appropriate sanctions on identified fraudulent claims.	To identify fraud and error, apply sanctions where required and record potential savings made.
Social Care Payments Fraud	<p>BMBC have 620 Direct Payments customers. Of this total, approximately 520 Direct Payments relate to Adults with the remaining 100 relating to Children.</p> <p>BMBC are encouraging other clients to manage their own care budget by transferring it to the Direct Payments scheme. The aim is that all clients will eventually manage their own budget.</p> <p>It is likely that such a significant increase in activity increases the risk that monitoring arrangements designed to tackle such fraud could be stretched.</p> <p>The team will undertake a fraud review of high risk Direct Payment cases to detect payment fraud/financial irregularity.</p>	To identify fraud, error and overpayments.

