

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT AND GOVERNANCE COMMITTEE – 15th March 2023

CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

1. Purpose of the Report

- 1.1 This report provides the Audit and Governance Committee with an account of the work of the Corporate Anti-Fraud Team.

2. Recommendations

2.1 It is recommended that the Audit and Governance Committee:-

- i. Notes the progress report and is assured of the effectiveness of the work of the Corporate Anti-Fraud Team.**
- ii. Continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.**

3. Background Information

- 3.1 The Audit and Governance Committee received details of progress in the Corporate Anti-Fraud Report presented at the September meeting. This report provides a further update in respect of fraud management and investigations during 2022/2023.
- 3.2 The team comprises a Principal Auditor (Corporate Anti-Fraud), a Senior Corporate Investigations Officer and two Corporate Counter Fraud officers.

4. Counter Fraud Work

- 4.1 A fraud risk vulnerability self-assessment has been developed and completed by each Business Unit. The questionnaire documents a list of potential general and specific fraud risk areas.
- 4.2 The aim of the exercise was to raise awareness regarding the vulnerability to fraud in the context of how the service operates e.g., agile working, staff shortages, increasing use of online applications, general workload, and service demand pressures.
- 4.3 Whilst not requiring a fraud risk to be 'scored' in terms of likelihood and impact, managers were asked to consider the controls and procedures in place and the general awareness of staff to the risk of fraud. Managers gave a 'rating' (1 - 4) based on service evidence supporting areas of compliance and effectiveness.

Rating	Assessment	Conclusion	Comments / Actions
4	Controls in place - Fully Compliant	Assessed as a well-managed threat. This type of fraud is not expected to occur due to the controls / processes being in place and effective. There are no gaps or weaknesses in the controls / processes. Remote / Negligible threat	Signpost evidence to support areas of effectiveness and full compliance.
3	Most controls in place - Generally Compliant	Assessed as a reasonably managed threat. Some minor gaps or weaknesses exist in controls and process but are generally effective. Unlikely / Minor threat	Signpost evidence in support of areas of compliance and effectiveness and identify actions to secure improvements in effectiveness to achieve full compliance.
2	Some controls in place - Partial Compliance	Assessed as a possible threat. Some gaps or weaknesses in controls and processes exist and/or are only partly effective. Possible / Moderate threat	Identify actions to secure improvements, better effectiveness and full compliance and signpost evidence to support areas of compliance.
1	Few or no controls in place - Generally Non-Compliant	Assessed as a likely or highly likely threat. Significant gaps or weaknesses in controls / processes or are not effective. Probable / Significant threat	Identify actions to secure improved effectiveness and compliance.
N/A	Not Applicable		

4.4 The results of the exercise have been used to when preparing Internal Audit's and the Corporate Anti-Fraud Team's work.

4.5 A counter fraud and compliance review of the use of procurement cards is currently being drafted. The scope of the review is to provide assurance that procurement card transactions are valid, and business related, and that the requirements of Financial Regulations and Contract Procedure Rules are being complied with.

4.3 Other counter fraud work includes:

- Virtual attendance at the South Yorkshire Police Barnsley District OCG Bronze meetings;
- The Principal Auditor (CAF) is a Yorkshire and Humberside Regional Representative for the 'Fighting Fraud and Corruption Locally' (FFCL) Regional Operational Group and a member of two national working groups which aim to share good practice in relation to data analysis and social care fraud;
- The Principal Auditor (CAF) has attended virtual conferences and seminars to assist with the team's continuing professional development;
- All CAFT officers are members of the Midlands Fraud Forum receiving weekly newsletters of fraud related news items, warnings of scams and alerts and good practise. Warnings are communicated to the relevant service area or publicised via Corporate Communications.
- The two Corporate Anti-Fraud Officers have recently qualified to become Accredited Counter Fraud Specialists;
- An ongoing review and development of corporate training material through the POD system.

5. National Fraud Initiative (NFI)

5.1 The NFI is the Cabinet Office's public sector data matching exercise. The main exercise takes place every two years. Datasets in respect of the 2022/23 exercise were received in January 2023.

- 5.2 It is not a requirement that all matches are investigated and the CAFT will prioritise Key Reports (which relate to higher risk matches).
- 5.3 The Cabinet Office also requires council tax and electoral register data to be matched annually in order to identify potential single person discount fraud or error. Matches in respect of the latest exercise (December 2022) are now being progressed.

6. Reactive Fraud Work

Investigations

- 6.1 A summary of the CAFTs reactive investigation work for the period April to August is shown at Appendix A.

Counter Fraud Checks

- 6.2 The CAFT continue to provide counter fraud checks of submitted insurance claims and Right to Buy applications. These checks, including financial and residential verification, provide assurance that the claims/applications are genuine and bona fides.
- 6.3 CAFT has undertaken checks against 24 insurance claims during the financial year to date. These checks did not identify any evidence of fraud. A further referral requires additional checks.
- 6.4 CAFT has undertaken checks against 81 RTB applications during the financial year to date. A summary of these referrals is shown below.

Details	No.
No evidence of fraud	79
Referred to DWP	1
Ongoing	1
Total	81

7. Preventative Work

- 7.1 The CAFT continue to have a focus on the preventative side of fraud.
- 7.2 Fraud awareness e-learning is incorporated into the induction process for new employees. This e-learning has been refreshed and revised to include emerging fraud risks.
- 7.3 Further e-learning training is currently being developed. These include procurement fraud awareness, direct payment fraud awareness, whistleblowing, money laundering and grant fraud awareness.
- 7.4 A suite of counter fraud guidance documents are also being developed under the strapline 'Fighting Fraud Together'. These short fraud awareness guides will be published via the Council's Intranet.

7.5 Fraud transparency data has continued to be reported on the website as part of the Local Government Transparency Code 2015.

8. Emerging Risks

8.1 The Covid-19 pandemic and the current cost-of-living crisis have increased and continue to increase fraud risks for local authorities and members of the public. These risks mainly relate to organised crime attacks and social engineering fraud, although 'opportunistic' frauds have also increased nationally.

8.2 The 2023/24 operational work programme will ensure the resources of the CAFT are utilised in an efficient, effective, and accountable way. This work programme will be reviewed continually to reflect fraud trends, emerging risks, and the general workload.

9. Plan Progress

9.1 A total of 645 days has been allocated to the Corporate Anti-Fraud Team for reactive and proactive fraud work in 2022/23.

9.2 The following table shows the progress of the Corporate Anti-Fraud Team plan delivery as at 27th February 2023 against the FFCL areas.

FFCL Area	Planned Days	Actual Days
Govern	99 (15%)	78 (79%)
Acknowledge	104 (16%)	78 (75%)
Prevent / Detect	243 (38%)	182 (75%)
Pursue	187 (29%)	183 (98%)
Protect	0	0
Contingency	12 (2%)	12
Total	645 (100%)	544 (84%)

10. External Clients

10.1 Whilst the primary focus for the CAFT is the Council, the team also offers a counter fraud service to Internal Audit's external clients. This external work is only undertaken where it is in the best interests of both the external client and the Council in respect of competing priorities and resources.

11. Financial Implications

11.1 The structure and budget that CAFT operate within has proven successful and provides sufficient resource required to carry out an efficient value for money anti-fraud service.

11.2 Identifying a definite amount to be recognised as the impact of the CAFT is difficult beyond such results as the single person discount and other benefit fraud work as much of the work of CAFT is about avoiding loss. The NFI

produce an 'Outcomes Calculation Methodology' document that seeks to put a value on the results of 'fraud avoidance'. For example:

£575 per blue badge cancelled to reflect lost parking charges
£93,000 per property recovered through tenancy fraud
£72,000 per Right to Buy application withdrawn

11.3 These (and other) calculations are used to estimate the national impact of fraud. Reflecting on these figures together with the periodic results from SPD exercises demonstrates that the CAFT more than pays for itself every year in direct activity and contributes additional fraud / loss avoidance through fraud awareness training, policy review and advice.

12. Risk Considerations

12.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.

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Summary of Reactive Work

Fraud Type	b/f from 21/ 22	Referrals Received	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	WIP	Frauds No.	Prosecutions No.	Other Action	Value	Notional
Blue Badge	0	4	4	3	1	1	2	0	0			
Council Tax	5	24	29	12	17	24	5	0	0		£251.73	
Council Tax SPD	5	23	28	9	19	1	8	0	0	4 cases identified as non-eligible discount	£3,219.16	
CTRS	4	48	52	5	47	1	4	0	0	Overpayment of discount identified	£301.52	
Housing Benefit	2	15	17	6	11	4	2	0	0			
NDR	0	2	2	2	0	0	2	0	0			
Tenancy	15	37	52	38	14	25	13	0	0	3 tenancies were terminated due to non-residency	CTRS: £4,803.76 HB: £24,033.93 CT SPD: £14,535.30	£279,000
Social Care	0	6	6	1	5	0	1	0	0			
School Admissions	0	1	1	1	0	0	1	0	0			
Corporate	0	2	2	1	1	1	0	0	0			