

**AUDIT COMMITTEE – 22<sup>nd</sup> MARCH 2017**

**CORPORATE ANTI-FRAUD TEAM 2017/18 PLAN AND STRATEGY**

**Executive Summary**

1. The Corporate Anti-Fraud Team supports the Council in its statutory obligation under Section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
2. This report provides the Audit Committee with an updated Corporate Anti-Fraud Team Strategy and outlines a summary of the proposed counter fraud plan for 2017/18.
3. The Corporate Anti-Fraud Team Strategy, prepared by the Head of Internal Audit and Corporate Anti-Fraud is intended to give the Audit Committee assurances regarding how the corporate counter fraud function is resourced, managed, organised and will deliver its responsibilities.

## Report of the Head of Internal Audit and Corporate Anti-Fraud

**AUDIT COMMITTEE – 22<sup>nd</sup> MARCH 2017**

### **CORPORATE ANTI-FRAUD TEAM 2017/18 PLAN**

#### **1. Purpose of Report**

1.1 This report informs the Audit Committee of the Corporate Anti-Fraud Team's plan for 2017/18. The plan is supported by the Corporate Anti-Fraud Strategy.

#### **2. Recommendations**

##### **2.1 It is recommended that:-**

- i. The Corporate Anti-Fraud Team (CAFT) plan 2017/18 and supporting strategy is agreed, acknowledging the need for the Head of Internal Audit to exercise his professional judgement during the year to apply the plan flexibly, allowing for planned proactive/detective days to be diverted to reactive investigation work as required; and**
- ii. the Audit Committee receive regular monitoring reports from the Head of Internal Audit to demonstrate progress against the plan including information where the plan has materially varied from the original plan.**

#### **3. Introduction and Background**

3.1 The Corporate Anti-Fraud Team is responsible for co-ordinating all counter fraud activities across the Council of both a proactive and reactive nature.

3.2 In compiling the Corporate Anti-Fraud Team's Strategy the Head of Internal Audit (HoIA) has taken into consideration the recent publication Fighting Fraud and Corruption Locally (published March 2016). This document sets out a 3 year strategy (2016-19) to assist council leaders, chief executives, finance directors and all those with governance responsibilities undertake their responsibilities.

3.3 The vision of the strategy is that by 2019:

- There is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them;
- By better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services;
- Local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery;
- Local authorities will be sharing information more effectively and by using data technology will prevent and detect losses;
- Fraudsters will be brought to account quickly and efficiently and losses will be recovered.

3.2 CAFT's strategic approach to countering fraud is to:

- Promote a counter-fraud culture and engage employees, members and external clients in combating fraud and error collectively;

- Investigate and report on identified fraud, error and debt, seeking appropriate sanctions and redress where fraud is proven;
- Assess fraud risk, identifying the areas most vulnerable to fraud and assisting management to develop effective counter fraud controls; and,
- Share good practice and develop effective internal and external relationships to combat fraud.

3.3 In compiling the counter fraud plan the HoIA has taken into consideration a number of factors including:

- The Cabinet Office’s National Fraud Initiatives;
- The extent and scope of counter fraud activity in previous years, including previous investigations;
- Emerging national and local fraud risks

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

4.1 The Corporate Anti-Fraud Team Strategy has been revised to reflect emerging corporate risks and to target investigative resources efficiently and effectively.

4.2 The key aim of the Strategy is to ensure that public funds entrusted to the Council are protected against fraud and loss. To do these the key objectives of this strategy are:

Acknowledge / Deter	Continued development of the ‘anti-fraud’ culture which highlights the Council’s zero tolerance of fraud, corruption and theft, defines roles and responsibilities and actively engages everyone including service users, the public, Members, staff, schools, contractors and partners.
---------------------	--

Prevent / Detect	Provide a centralised best practice counter fraud service within Internal Audit Services which: <ul style="list-style-type: none"> <li>• Proactively detects error, loss, fraud, corruption and theft;</li> <li>• Works with services across the Council and with partners to support counter fraud activity;</li> <li>• Advises policy, system and control improvements, thereby reducing the Council’s exposure to fraudulent activity.</li> </ul>
------------------	--

Investigate / Pursue	<ul style="list-style-type: none"> <li>• Investigates suspected or detected fraud, corruption and theft;</li> <li>• Enables the Council to apply appropriate sanctions and recover losses wherever possible;</li> </ul>
----------------------	---

4.3 The Corporate Anti-Fraud Team comprises 3 counter fraud officers. These counter fraud resources remain at the same level to the previous year.

4.4 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 work programme will be reviewed on an on-going basis to reflect fraud trends, emerging risks and the general workload.

- 4.5 Whilst the primary focus for the CAFT is the Council, opportunities will be explored to offer services to Internal Audit's external clients. This will further increase income to the Council. External work will be undertaken where this is considered to be in the best interests of both the external client and the Council in respect of competing priorities and resources.
- 4.6 The CAFT and the Internal Audit Team will continue to work closely together to ensure the maximum benefit is achieved to improve the control risk and governance framework of the Council.

**5. Key Aspects of the Plan**

5.1 The key features of the 2017/18 Corporate Anti-Fraud plan are as follows:-

Area of Activity	2017/18 Days	%
<b>Acknowledge / Deter</b>		<b>26</b>
Review and update of counter fraud policy framework	<b>50</b>	
Provide counter fraud advice to management	<b>36</b>	
Increase corporate fraud awareness / publicity / benchmarking / transparency	<b>58</b>	
<b>Prevent / Detect</b>		<b>30</b>
Verification of Right to Buy applications	<b>15</b>	
Co-ordination of the 2016/17 National Fraud Initiative and investigation of subsequent data matches.	<b>95</b>	
Council Tax Single Person Discount credit reference data matching exercise	<b>35</b>	
Referrals to DWP / fraud hotline referrals	<b>23</b>	
<b>Investigate / Pursue</b>		<b>38</b>
Investigation of allegations of direct payment fraud. Applying appropriate sanctions on identified fraudulent claims	<b>49</b>	
Investigation of allegations of council tax discount, exemption and liability fraud. Applying appropriate sanctions on identified fraudulent claims	<b>70</b>	
Investigation of allegations of council tax support fraud. Applying appropriate sanctions on identified fraudulent claims	<b>50</b>	
Investigation (and prosecution where appropriate) of allegations of tenancy fraud including the recovery of properties where tenancy fraud is proven	<b>30</b>	
Investigation of Right to Buy irregularities	<b>15</b>	

Area of Activity	2017/18 Days	%
Investigation Contingency	35	6
<b>Total Chargeable Planned Days</b>	<b>561</b>	<b>100</b>

5.2 CAFT resources will be available to undertake ethical anti-fraud work.

5.3 The level of proactive anti-fraud work will be dependent on the volume of reactive work received by CAFT. As a result not all areas may be reviewed in 2017/18. Any areas that are still relevant will be carried forward to 2018/19.

## **6. Performance Measures**

6.1 CAFT's success will be measured by:

- Monitoring the quality of corporate fraud referrals (inputs) on a quarterly basis;
- Measure the results (outputs) and success rate of corporate investigations on a quarterly basis;
- Production of six monthly and annual reports to the Audit Committee

## **7. Risk Considerations**

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

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

## **8. Local Area Implications**

8.1 There are no local area implications arising from this report.

## **9. Reduction of Crime and Disorder**

9.1 An inherent aspect of counter fraud work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from investigations are always considered to ensure improvements in overall controls. Additionally, the Corporate Anti-Fraud Team will ensure that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption occurring.

9.2 Counter fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedure and Investigations Act (CPIA) 1996, the Regulation of Investigatory Powers Act (RIPA) 2000, the Public Interest Disclosure Act 1998 and relevant Employment Law, Fraud Act 2006, Proceeds of Crime Act 2002 and Prevention of Social Housing Fraud Act 2013.

9.3 Where an investigation occurs that identifies a potential criminal offence, the matter is always referred to the police.

**10. Compatibility with European Convention on Human Rights**

10.1 The Corporate Anti-Fraud Team will undertake all investigations in accordance with the provisions of the Data Protection Act 1998, the Human Rights Acts 1998 and the Regulation of Investigatory Powers Act 2000.

**11. Employee Implications**

11.1 There are no employee implications arising from this report. The staffing resources of the Corporate Anti-Fraud Team are established in the approved structure and budget of the Section.

**12. Financial Implications**

12.1 The full cost of the Corporate Anti-Fraud Team has been budgeted for and included in the overall costs of the Corporate Services Directorate.

**13. List of Appendices**

14.1 Appendix 1 – Corporate Anti-Fraud Team Strategy

**Office Contact: Head of Internal Audit and Corporate Anti-Fraud**  
**Telephone No: 01226 773241**  
**Date: 13<sup>th</sup> March 2017**

## CORPORATE ANTI-FRAUD TEAM STRATEGY 2017/18

---

### INTRODUCTION

This document sets out the Council's Corporate Anti-Fraud Team Strategy, which is the basis for the Team's plan of work for the 2017-18 financial year. The Corporate Anti-Fraud Team will support the Council in its statutory obligations under Section 151 of the Local Government Act 1972 to ensure the protection of public funds.

Minimising fraud and irregularity is vital in ensuring resources intended to provide essential services to Barnsley residents are used for that purpose. Fraud committed against the Council is a theft of taxpayers' money, can cause reputational damage for the Council, a loss of confidence amongst the public or stakeholders, and have an adverse effect on staff morale. Through effective counter-fraud measures the Council can reduce the risk of error, loss and fraud. These include arrangements to acknowledge, deter, prevent, detect, investigate and prosecute wrongdoing.

The Council 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 work of the Corporate Anti-Fraud Team (CAFT) supports the protection of public funds by providing a value for money counter fraud function for the Council. The team investigates allegations of frauds and irregularities, detects frauds and identifies losses enabling the recovery of Council funds. In addition, the team supports the application of appropriate sanctions including: prosecution, caution, administrative penalty and disciplinary action.

Ensuring that fraud and irregularity is kept to a minimum is a continual process. Whilst practical arrangements will evolve over time to reflect changes both internal and external to the Council, there is a constant requirement to be alert to emerging fraud risks and to take appropriate actions to address these risks. Changes arising from financial pressures and new methods of service delivery require the approach to be regularly reviewed and refreshed.

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

This strategy outlines the approach the Council will take to combat fraud and corruption and applies to its Members, Officers, suppliers, contractors, customers or any third parties who attempt to commit crime against the Council.

## **OBJECTIVES OF THE CORPORATE ANTI-FRAUD TEAM STRATEGY**

The objectives of this strategy are to:

- Promote a robust anti-fraud & bribery culture;
- Encourage individuals to report fraud and provide them with an effective means of doing so;
- Protect the public purse and minimise the extent of losses through fraud;
- Enable the Council to apply appropriate sanctions and recover any financial loss, using the Proceeds of Crime Act 2002 or, when it is not feasible, to recover the money through civil proceedings;
- Seek to increase the Council's resilience to fraud through the raising of fraud and bribery awareness and working with partners and other bodies to encourage collaborative working;
- Proactively deter, prevent and detect fraud across the Council;
- Ensure prompt and professional investigation of identified fraud.

## **APPROACH TO COUNTERING FRAUD**

This counter fraud strategy is aligned to 'Fighting Fraud & Corruption Locally', the Local Government Counter Fraud and Corruption Strategy 2016-2019, which provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities.

Whilst the CAFT will continue to investigate non-benefit and local taxation fraud the team will also have responsibilities for:

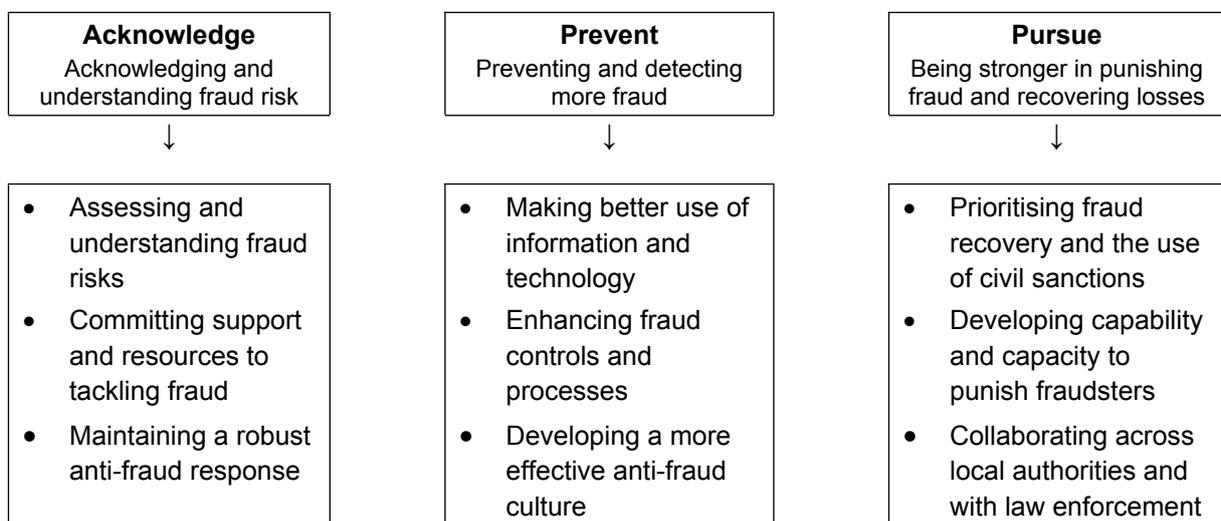
- Reviewing and updating the documents which form the Council's Counter Fraud Policy Framework;
- Co-ordinating and undertaking National Fraud Initiative investigations;
- Investigation of irregularities which appear to stem from errors or system weaknesses;

- 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, guidance and training 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.

## COUNTER FRAUD WORK PROGRAMME

The 'Fighting Fraud & Corruption Locally' 2016-2019 strategy calls for the adoption of a tougher approach to tackling fraud against and within Local Authorities and recommends a three strand approach to countering fraud

The CAFT's strategy and work programme is based upon these three key themes: Acknowledge, Prevent and Pursue.



## **ACKNOWLEDGE**

### Counter Fraud Framework

A number of the key documents which form the Council's Counter Fraud Policy Framework have been reviewed and revised. Other key policy documents are in various stages of the review process. The current stage of each document being reviewed is listed below:

- Corporate Anti-Fraud and Corruption Policy and Strategy (awaiting approval);
- Anti-Bribery Policy (awaiting approval);
- CTRS Anti-Fraud and Sanctions Policy (with management for final comments prior to Members approval);
- Prosecutions Policy (draft version to be forwarded to SMT for comments);
- Corporate Fraud Response Plan (draft format to be reviewed by HoIA);
- Corporate Whistleblowing Policy (to review in 2017/18);
- Anti-Money Laundering Policy (to review in 2017/18)

### Fraud Risks

The creation of a Corporate Anti-Fraud Group, with agreed Terms of Reference, which will meet at intervals agreed by the group members. The group will consist of representatives from departments of the council responsible for investigations.

The key aims of the group will be to:

- Promote good practice with regard to investigation work;
- Discuss current/future legislative issues, relevant to investigation work;
- Share local/national counter fraud intelligence to identify other potential areas for investigation and ensure an effective use of Council resources;
- Compile an inventory of investigative / surveillance equipment for corporate use;
- Establish the need for a financial investigator with a view to agreeing a SLA with a neighbouring authority or South Yorkshire Police

The Fighting Fraud & Corruption Locally' 2016-2019 strategy details the following areas as significant risk to Local Authorities:

Known Fraud Risks Remaining Significant	Emerging / Increasing Fraud Risks
<p><b>Tenancy</b> – Fraudulent applications for housing or successions of tenancy, and subletting of the property</p>	<p><b>Business rates</b> – Fraudulent applications for exemptions and reliefs, unlisted properties</p>
<p><b>Procurement</b> – Tendering issues, split contracts, double invoicing</p>	<p><b>Right to buy</b> – Fraudulent applications under the right to buy/acquire</p>
<p><b>Payroll</b> – False employees, overtime claims, expenses</p>	<p><b>Money laundering</b> – Exposure to suspect transactions</p>
<p><b>Council tax</b> – Discounts and exemptions, council tax support</p>	<p><b>Insurance Fraud</b> – False claims including slips and trips</p>
<p><b>Blue Badge</b> – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person’s Blue Badge, badges issued to institutions being misused by employees.</p>	<p><b>Disabled Facility Grants</b> – Fraudulent applications for adaptations to homes aimed at the disabled</p>
<p><b>Grants</b> – Work not carried out, funds diverted, ineligibility not declared</p>	<p><b>Concessionary travel schemes</b> – Use of concession by ineligible person, including Freedom Passes</p>
<p><b>Pensions</b> – Deceased pensioner, overpayments, entitlement overstated</p>	<p><b>No recourse to public funds</b> – Fraudulent claim of eligibility</p>
<p><b>Schools</b> – Procurement fraud, payroll fraud, internal fraud</p>	<p><b>New Responsibilities</b> – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.</p>
<p><b>Personal budgets</b> – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim</p>	<p><b>Commissioning of services</b> – Including joint commissioning, third sector partnerships – conflicts of interest, collusion</p>
<p><b>Internal fraud</b> – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working</p>	<p><b>Local Enterprise Partnerships</b> – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.</p>
<p><b>Identity fraud</b> – False identity / fictitious persons applying for services / payments</p>	<p><b>Immigration</b> – Including sham marriages. False entitlement to services and payments.</p>
	<p><b>Cyber dependent crime and cyber enabled fraud</b> – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.</p>

The CAFT will provide advice, knowledge and support to the Council in managing these risks. The Team will also review fraud risks at a national and local level. The fraud landscape is always changing and the CAFT will keep up to date with these changes through training, attendance at relevant fraud conferences and by keeping up to date with best practice and legislative changes.

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 combatting fraud and corruption seriously. This will raise the profile of the CAFT, fraud hotline and online fraud reporting forms.

## **PREVENT**

### Training and Fraud Awareness

All members of the Corporate Anti-Fraud Team are now trained and qualified Accredited Counter Fraud Specialists.

The CAFT will continue to work in a professional manner in order to ensure we prevent fraud occurring. This will reduce losses across the Council, which in turn will ensure the CAFT are value for money and cost effective.

A general Fraud Awareness E-Learning programme has been prepared and is currently being uploaded to the Corporate E-Learning platform by the Human Resources department. It is anticipated that the new version will be available for use in May.

The learning will reinforce messages about the standards of behaviour expected from BMBC employees, ways to consider fraud risks and how/when to report suspicions of fraud. The aim of the training will be stop fraud at the outset and emphasis will be shifted to stopping and preventing economic crime at the point of origin.

The CAFT will develop the BOLD Fraud Awareness E-Learning further in 2017/18 to include specific guidance relating to The Bribery Act and money laundering.

### Publicity

A deterrent effect can be achieved by publicising criminal investigation work and all successful prosecutions 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 investigating fraud and corruption.

It is the CAFT's medium-term aim to undertake a publicity campaign within the community to raise the profile of the Council' Corporate Anti-Fraud Team and the fact that the Council takes combatting fraud and corruption seriously.

### Right To Buy

Since the implementation of the £75,000 discount in April 2012, Right to Buy sales and frauds have increased nationally. The CAFT will continue to 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 in order to provide assurance that applications are genuine and bona fide.

### Council Tax SPD Review

The majority of the pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount is now complete.

The CAFT are in the process of reviewing returned documents where the taxpayers have indicated a continued entitlement to a single person discount but third party data matching suggests a second person may be resident.

### Procurement

In 2013 it was estimated that £2.1 billion of fraud was perpetrated against local government nationally of which £876m related to procurement fraud (National Fraud Authority 2013 Annual Fraud Indicator).

A recent Home Office pilot has explored the threat from Serious and Organised Crime posed to publicly procured services in Local Government.

The exercise concluded that public procurement is attractive to, and is therefore at risk of infiltration by organised criminals (particularly in areas such as waste, taxi and transport services, and lower-level spend).

The report recommended raising awareness, protecting and reducing vulnerability, and taking action collaboratively.

The HoIA and Principal Auditor (Corporate Anti-Fraud) are to meet with a senior Detective within South Yorkshire Police with a view to identifying this type of fraud against the Council.

### Blue Badge Abuse / Misuse

An 'Enforcement of the Blue Badge Scheme of Parking Concessions Policy' was introduced by the Council following recommendations made during a blue badge anti-fraud audit in 2013. The Policy was enforced by the Council's Community Safety and Enforcement Unit.

However, following a Future Council restructure of the department the Community Safety and Enforcement Unit will cease to investigate blue badge abuse / misuse with effect from 1<sup>st</sup> April 2017.

Investigation of blue badge abuse / misuse will be transferred to the CAFT in 2017/18. The team will liaise with Parking Enforcement and the Blue Badge Team to develop a new approach to countering blue badge abuse / misuse.

## **PURSUE**

### Data Matching

The CAFT co-ordinate and manage the National Fraud Initiative (NFI) data matching exercise. The NFI is the Cabinet Office's biennial data matching exercise designed to detect fraud, error and overpayments across the public sector.

Data matches appearing in BMBC's NFI reports will be prioritised and investigated by the CAFT and any overpayments identified and savings made will be recorded.

The 2016/17 datamatches were received in January 2017. Investigations into these matches have now commenced and checks to a report matching residential care home payments to DWP deceased records have identified £20K overpayments. These overpayments have already been recovered and the CAFT are intending to repeat this specific datamatch exercise in six months time using the NFI recheck facility.

### Council Tax Fraud

The CAFT team will investigate allegations of fraud and abuse of council tax, including council tax support, exemptions, discounts and reliefs, and apply appropriate sanctions on identified fraudulent claims.

### Direct Payment / Personal Budget Fraud

The National Fraud Authority have identified that social care fraud is an emerging fraud risk area for local authorities. Social care fraud can take many forms but the areas of greatest concern are the misuse of personal budgets, and people with no recourse to public funds deceiving local authorities into providing services to them.

The team will provide an investigative support across all aspects of social care fraud including fictitious carers, exaggeration of carer's hours, and misappropriation of direct payment funds.

The CAFT will undertake criminal prosecutions where appropriate having regard for the Fraud Act 2006.

#### Social Housing Fraud

The team will provide an investigative support across all aspects of tenancy fraud including sub-letting and false succession applications.

The CAFT will undertake criminal prosecutions where appropriate having regard for the Fraud Act 2006 and the Prevention of Social Housing Fraud Act 2013.

#### Investigative Support

To CAFT will provide an investigative support across all aspects of the Council's service and functions (and external clients as deemed appropriate) and/or specifically lead in investigations regarding allegations or suspicions of fraud, theft, bribery or corruption.