

AUDIT COMMITTEE – 23rd MARCH 2016

CORPORATE ANTI-FRAUD TEAM 2016/17 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 2016-17.
3. 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.

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CORPORATE ANTI-FRAUD TEAM 2016/17 PLAN

1. Purpose of Report

1.1 This report informs the Audit Committee of the Corporate Anti-Fraud Team's plan for 2016/17. 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 2016/17 and supporting strategy is agreed, acknowledging the need for the HoIA 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 quarterly monitoring reports from the HoIA 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, formed on 1st April 2015 and reporting to the HoIA, is responsible for co-ordinating all counter fraud activities across the Council of both a proactive and reactive nature.

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 The team has been pro-active during its first year, successfully leading a Council Tax Single Person Discount Review which has so far resulted in 1,218 discounts being removed and an additional £333,256 Council Tax income being raised across the identified Council Tax accounts. The review is not yet complete and additional outcomes are expected over the next few months.

3.4 In addition to the above the team have:

- successfully prevented a fraudulent Right to Buy application from being processed;

- identified £136K overpayments via the National Fraud Initiative data matching exercise;
- Supported Berneslai Homes to recover two properties which were not being used by the tenant's as their main homes;
- Obtained delegated authority to investigate tenancy fraud under the Prevention of Social Housing Fraud Act 2013

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.
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Prevent / Detect	Provide a centralised best practice counter fraud service within Internal Audit which: <ul style="list-style-type: none"> • Proactively detects error, loss, fraud, corruption and theft; • Works with services across the Council and with partners to support counter fraud activity; • Advises policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.
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Investigate / Pursue	<ul style="list-style-type: none"> • Investigates suspected or detected fraud, corruption and theft; • Enables the Council to apply appropriate sanctions and recover losses wherever possible;
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4.3 The Corporate Anti-Fraud Team comprises of 3 fraud investigating staff. 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 detailed 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 however, 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.

5. Key Aspects of the Plan

5.1 The key features of the 2016/17 Corporate Anti-Fraud plan are as follows:-

Area of Activity	2016/17 Days	%
Acknowledge / Deter		25
Review and update of counter fraud policy framework	50	
Provide counter fraud advice to management	36	
Increase corporate fraud awareness / publicity / benchmarking / transparency	58	
Prevent / Detect		28
Verification of Right to Buy applications	13	
Co-ordination of the 2016/17 National Fraud Initiative and investigation of subsequent data matches.	85	
Council Tax Single Person Discount credit reference data matching exercise	45	
Referrals to DWP / fraud hotline referrals	18	
Investigate / Pursue		41
Investigation of allegations of council tax discount, exemption and liability fraud. Applying appropriate sanctions on identified fraudulent claims	95	
Investigation of allegations of council tax support fraud. Applying appropriate sanctions on identified fraudulent claims	95	
Investigation (and prosecution where appropriate) of allegations of tenancy fraud including the recovery of properties where tenancy fraud is proven	25	
Investigation of Right to Buy irregularities	26	
Contingency	34	6
Total Chargeable Planned Days	580	100

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 2016-17. Any areas that are still relevant will be carried forward to 2017-18.

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 quarterly 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 Where an investigation occurs that identifies potentially a 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 Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

11. Employee Implications

- 11.1 There are no employee implications arising from this report. The staffing resources of 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

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Corporate Anti-Fraud Team Strategy 2016/17

Introduction

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 and 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 anti-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 risks including prevention and detection. All of the CAFT's work will be carried out in accordance with Council policies and relevant Government legislation.

Background

On 1st April 2015 the Council's Housing Benefit Fraud Team transferred to the DWP's Single Fraud Investigation Service (SFIS) and, as part of Future Council restructures, the Corporate Anti-Fraud Team was formed within Internal Audit.

Much of the first part of 2015/16 was devoted to the establishment of the CAFT, including the induction of two new members of staff into Internal Audit (who have both successfully completed a CIPFA investigative practice qualification), the procuring of a third party supplier to assist with a review of council tax single person discount and the procuring of a fraud management system.

Throughout 2015/16 the CAFT has focused resources on corporate investigation work mainly involving council tax liability, council tax support, council tax single person discount review and the investigation of National Fraud Initiative (NFI) data matches.

It should be noted that the above investigation work has helped identify in excess of £469K overpayments (including frauds, errors and duplicate payments).

Approach to Countering Fraud

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

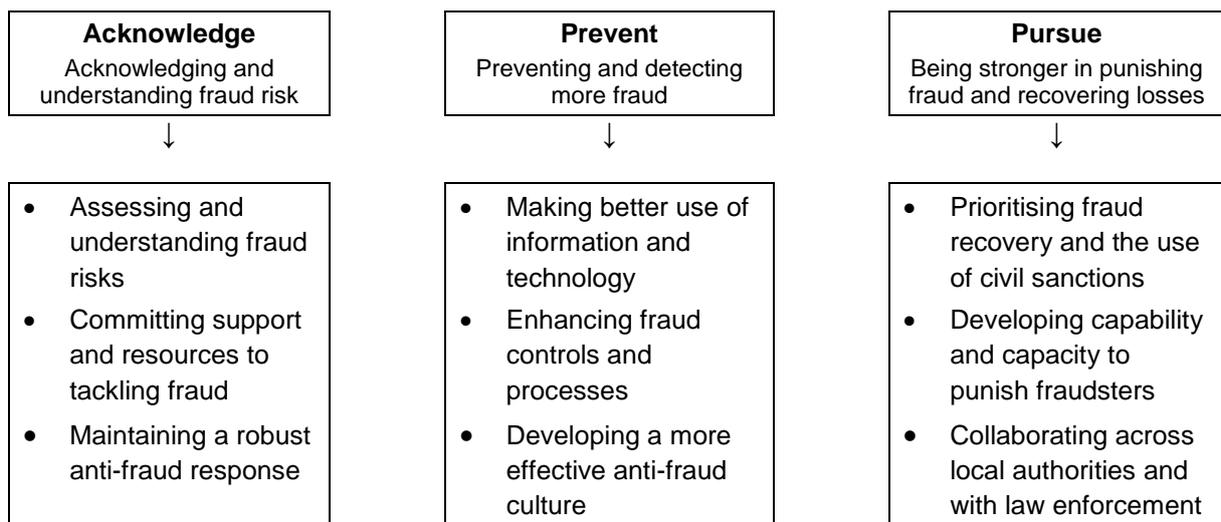
- Reviewing and updating the documents which form the Council's Counter Fraud Policy Framework;
- Co-ordinating and undertaking National Fraud Initiative investigations;
- Investigation of irregularities which appear to stem from errors or system weaknesses;
- Investigation of irregularities which appear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

In addition to raising fraud awareness throughout BMBC and its key partners, the Team's key objective is 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 are carried out in line with current procedures, guidelines and legislation.

Counter Fraud Work Programme

The CAFT's strategy and work programme is based upon the three key themes: Acknowledge, Prevent and Pursue, which form the basis of the national 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 and update of Counter Fraud Policy Framework	<p>The key documents comprising the Counter Fraud Policy Framework are:</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; Anti-Bribery Policy; Investigation guidelines. Anti-Money Laundering Policy</p>	To ensure that all corporate anti-fraud policies and guidance are relevant, up-to-date and accessible to all employees
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.</p> <p>The key aims of the group will be to:</p> <ul style="list-style-type: none"> • Promote good practice with regard to investigation work; • Discuss current/future legislative issues, relevant to investigation work; • Discuss areas of known fraud and local/national intelligence to identify other potential areas for investigation; • 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 	To share counter fraud intelligence to ensure an effective use of Council resources, prevent duplication of work and identify future areas of investigation work.
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.
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	Managers and staff are aware of fraud risks and how to raise suspicions of

Activity	Detail	Target Outcomes
	how and when to report suspicions of fraud.	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 is recorded to help determine the success of the publicity.

Prevent

Activity	Detail	Target Outcomes
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 investigating fraud and corruption.	To act as a deterrent factor and to evidence the Council's commitment to taking action against anyone who commits fraud.
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.	To identify instances of fraud or provide assurance that processes with regards to processing right to buy applications are effective.
Co-ordinate and manage the National Fraud Initiative (NFI) data matching exercise.	The NFI is the Audit Commission's biennial data matching exercise designed to detect fraud and error 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.	To identify fraud, error and overpayments.
Continuation of the council tax single person discount review.	A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount.	To identify fraud and error, apply sanctions where required and record potential savings made.

Pursue

Activity	Detail	Target Outcomes
Investigation of allegations of Council Tax fraud.	The team will investigate allegations of fraud and abuse of council tax, including exemptions, discounts and reliefs, and apply appropriate sanctions on identified fraudulent claims.	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.
To provide an investigative support across all aspects of tenancy fraud	The team will investigate allegations of tenancy fraud including sub-letting and false succession applications and apply appropriate sanctions on identified fraudulent cases.	To identify fraud and error and apply sanctions where required.
To provide an investigative support across all aspects of the Council's service and functions (and external clients as deemed appropriate)	The Team will support management and/or specifically lead in investigations regarding allegations or suspicions of fraud, theft, bribery or corruption.	To ensure a successful and effective investigation to identify those responsible, ensure appropriate sanctions are applied and assist in the recovery of monies or assets.