



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

AUDIT COMMITTEE

5TH NOVEMBER 2018

ANTI-FRAUD, BRIBERY & CORRUPTION PROGRESS REPORT FOR 2018/19

REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

Author: Ian Traylor – Head of Pensions, Payroll & Payments - 01443 680591

1. PURPOSE OF THE REPORT

The purpose of this report is to outline the progress made to date against the Anti-Fraud, Bribery & Corruption work programme for 2018/19.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note and review the outcomes of the anti-fraud work progress during 2018/19;
- 2.2 Receive updates at future meetings in accordance with the Terms of Reference of the Committee.

3. BACKGROUND

- 3.1 In November 2017, members considered and approved the Anti-Fraud, Bribery and Corruption Strategy.
- 3.2 As detailed within the Strategy, update reports will be prepared and provided to Audit Committee at relevant intervals in order to assist the Committee to fulfil its terms of reference.
- 3.3 Included at appendix A is a progress report on the 2018/19 Work Programme for members' consideration.

4. EQUALITY AND DIVERSITY IMPLICATIONS

- 4.1 There are no equality and engagement implications associated with this report

5. FINANCIAL IMPLICATIONS

5.1 There are no financial implications associated with this report.

6. LEGAL IMPLICATIONS

6.1 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.

LOCAL GOVERNMENT ACT, 1972

as amended by

THE ACCESS TO INFORMATION ACT, 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

LIST OF BACKGROUND PAPERS

AUDIT COMMITTEE

5th November 2018

Report of the Group Director, Corporate & Frontline Services

Author: Ian Traylor – Head of Pensions, Payroll & Payments

Item 6

6. Anti-Fraud, Bribery & Corruption progress report for 2018/19

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Rhondda Cynon Taf County Borough Council

Anti-Fraud, Bribery & Corruption progress report for 2018/19

Anti-Fraud, Bribery & Corruption Report 2018/19

Introduction

This report provides Audit Committee with an update of activities carried out in relation to the prevention, detection and investigation of potential fraud during 2018/19. A plan of targeted activity for 2018/19 and the associated progress is included at **Appendix 1**.

1. Headline Activities

1.1 Strategy / Planning

1.1.1 Committee approval of the updated Anti-Fraud, Bribery & Corruption Policy, reinforcing the Council's zero tolerance approach to fraud and corruption.

1.1.2 Joint working with the Council's Internal Audit Team in the review and completion of the Council's Anti-Fraud, Bribery & Corruption Risk Assessment, which helps to target and prioritise areas of activity.

1.1.3 Developed an Anti-Fraud, Bribery & Corruption Plan for 2018/19 (**Appendix 1**), based on shared experience, and associated risk factors.

1.1.4 Developed an internal communication strategy, to help drive the proactive preventative and awareness raising measures across the organisation with the aim to maintain and promote an anti-fraud culture across all Council services.

1.1.5 Developed a central 'hub' for the collation of fraud referrals from all potential sources, e.g. members of the public (telephony/on-line reporting) and other Council departments (e.g. Housing Benefit Section). An accessible Council Internet and Intranet presence.

1.1.6 Supporting corporate policy documents including the Corporate Risk Management Strategy, Code of Conduct, Disciplinary Policy, Whistleblowing Policy and Financial Procedure Rules.

1.2 Prevention / Awareness

1.2.1 Active membership of the National Fraud Intelligence Bureau, sharing fraud experience, alerts and best practice across relevant Council Officers.

1.2.2 Issued a Council wide alert to all educational establishments regarding an attempt to defraud a school (included as **Appendix 2**).

1.2.3 Urgently alerted service users of potential 'Mandate' fraud risks following a referral from South Wales Police in relation to an attempt against another Welsh Council.

- 1.2.4 Provision of bespoke and specific risk assessments and fraud preventative measures to individual Council sections/departments.
- 1.2.5 To provide an awareness session with the Council's Audit Committee around the National Fraud Initiative (NFI) data sharing and investigation process.
- 1.3 Review / Investigation
 - 1.3.1 Coordinate the National Fraud Initiative (Cabinet Office) data sharing exercises across Council systems and support follow-up investigations.
 - 1.3.2 New member added to the team to support the provision of a single and specific point of contact and referral to the Department for Work and Pensions Fraud and Error Service (FES).
 - 1.3.3 Provide a single and specific point of contact for data provision and sharing to internal and external requestors (e.g. South Wales Police, HMRC, other Council departments such as Private Sector Housing).
 - 1.3.4 Collaborative work with the DWP's FES team on linked national benefit and Council Tax Reduction scheme investigations.
 - 1.3.5 Investigation of fraud and/or irregularity within the Revenues arena (e.g. Council Tax discounts/exemptions).
 - 1.3.6 Investigation of fraud and/or irregularity within the Council Tax Reduction scheme.
 - 1.3.7 Participation in 'data-matching' exercises such as Council Tax 'Single Person Discount' reviews.
 - 1.3.8 Assessment and review, as necessary, of any corporate fraud referrals.

2. Referrals and Outcomes 2018/19

- 2.1 Referrals to the Corporate Fraud Team are received from employees, members of the public, external agencies (e.g. HMRC, DWP), through the online fraud facility, whistleblowing facility or telephone/letter directly to the team. They are initially assessed to determine whether any investigatory action is appropriate.

Table 1 - Fraud Referrals 2018/19

	Referral Stream		
2018-19	On-line	Other	Total
Total (to 29th October 2018)	183	169	352

- 2.2 The vast majority of referrals received above i.e. 332 relate to financial fraud against the Revenues and Benefit system, and any including DWP paid benefits benefit / income support system and accordingly are forwarded to the DWP (FES) team for investigation. The top referral reason is in respect of suspicions around inappropriately obtaining a benefit through non-declaration of parties living together.
- 2.3 Following the transfer of responsibility for investigating Housing Benefit fraud into DWP Fraud and Error Service (FES), DWP has recently developed a suite of management information that will allow the Council to monitor the progress of referrals made and the outcomes achieved.

Outcomes 2017/18

Table 2: DWP (FES) Quarters available at reporting date:

Quarter 4 Data January - March 2018	Local Service Investigation	Local Service Compliance	Total cases*
Referrals	10	18	31
Outcomes	6	27	53
Positive Outcomes	3	10	13
Admin Penalty	1		1
Prosecutions	31		1

*The MI set out in the above table is a snap-shot of a quarter and will never balance exactly with the dates the referral was sent. The total cases data also includes data for other areas within FES, for example organised fraud so does not necessarily add up to the totals of investigations and compliance activities.

Key:

- Referrals The total number of HB fraud referrals received by DWP in the quarter as a result of HB processing.
- Outcomes Number of cases with an outcome recorded in the quarter.
- Positive Outcomes Number of cases with an outcome recorded in the quarter. Includes all outcome categories listed in 'Outcomes' except for 'No Result'
- Ad Pens Number of cases with an outcome of 'Admin Penalty' recorded in the quarter.
- Prosecutions Number of cases with an outcome of 'Prosecution' recorded in the quarter.

Local Service Investigation – The ‘criminal’ investigatory arm of the DWP’s FES

Local Service Compliance – The ‘non-criminal’ investigatory arm of the DWP’s FES

Table 3: Corporate Fraud Investigatory Outcomes to date:

Corporate Fraud	Cause	Action
Regeneration and Planning (Grant awards)	Applied for financial assistance, concerns around the supporting information were referred to the Fraud team.	When interrogated the organisation withdrew their application for a grant of £37k.

Corporate Fraud	Cause	Action
Council Tax – discount/exemption fraud	Attempt at tax evasion by failing to disclose resident at a property within RCT that was receiving an exemption from council tax.	Discounts amounting to £1,878.07 were removed and the proper council tax charges are now applied and being collected.
HB/CTB	Undeclared capital/savings resulting in a fraudulent overpayment in excess of £30k.	Case set for trial at Cardiff CC on the 6/11/18. POCA action to be included.
Parking Permits	A salon owner and her employee falsely applied for parking permits, claiming their salon to be the place of their residence, thus denying genuine residents the permits in an area of limited parking.	Their permits were immediately revoked following the matter being referred to the Fraud Team.

Note: there are a small number of on-going investigations which will be reported to Audit Committee following their conclusion.

3. Concluding Comments

- 3.1 Audit Committee approval of the updated Anti-Fraud, Bribery and Corruption Strategy in November 2017 has reinforced the Council's commitment and zero tolerance approach towards fraudulent activity.
- 3.2 Progress of the Anti-Fraud, Bribery & Corruption work programme for 2018/19 will ensure the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventive measures capable of identifying and addressing new threats.

Appendix 1

Anti-Fraud, Bribery & Corruption Plan 2018/19

In addition to the on-going activities, key liaison and collaborative work already undertaken, the Corporate Fraud Team will look to:

Activity	Explanation	How we intend to do it	Progress
Increased awareness of the role of the Corporate Fraud Team	To raise awareness of the team and the role they undertake and support they provide.	Payroll inserts as well as engagement with senior management to promote fraud awareness, reporting methods, sharing of best practice and internal control. Link with Human Resources around the Induction of new employees.	Payroll inserts complete. Ongoing work continues with engagement with senior management. A staff survey is to be undertaken during November 2018 to ascertain the levels of awareness of staff in reporting instances of fraud.
Review and completion of the Council's Fraud Risk assessment.	To provide assistance to the Audit team in the continued risk assessment of all Council areas. Targeting the limited resource against areas of greatest risk (financial and /or reputational) / opportunity.	High level assessment of internal control using shared experience, civil/criminal procedural knowledge and fraud expertise.	Ongoing
Training (Fraud Awareness)	A more in-depth and focussed training package for specific sections or departments designed around the role of the department and the internal and external risks they face.	Target delivery due to potential risks established from the risk assessment, shared intelligence or by Service request.	Ongoing
Intervention	As informed by the risk assessment, work with the following Service Areas (supporting Internal Audit), around reviewing the existing internal control environment. <ul style="list-style-type: none"> • Licensing • Private Sector Housing (Grant awards) 	In conjunction with the Internal Audit team, a qualified fraud investigating officer will visit, interview staff, scrutinise and examine documents and procedures to strengthen areas of potential risk and promote a culture of prevention and detection.	In Progress

Activity	Explanation	How we intend to do it	Progress
Investigation (reactive)	Investigate other internal fraud/irregularity, these could include; <ul style="list-style-type: none"> • Employee frauds • Social Care (Personal Budgeting/Direct Payments) • Grant awards • Pensions 	Use the qualified fraud investigators currently employed to investigate and report as appropriate. Support from Internal Audit and Human Resources as required.	A number of enquiries in progress
'Fighting Fraud & Corruption' locally	To ensure that all items contained on the 'Checklist' (ref: Appendix 3 of the 'Anti-Fraud, Bribery & Corruption Strategy') are considered, measured and implemented.	In conjunction with the Internal Audit team.	Complete
NFI Data Sharing Exercise	Data analysis across the following service areas: <ul style="list-style-type: none"> • Payroll • Creditors • Debtors • Pensions • Housing Benefit • Council Tax 	Provision of data and comparative analysis with other public sector records, with follow-up investigation (repeated every 2 years) <ul style="list-style-type: none"> • Fraud, error, overpayments and excess reductions are identified. • To take appropriate action against offenders. 	National bi-annual exercise commenced- 8/10/18. Data being uploaded for cross-matching. Output due- February 2019. NFI awareness session held with the Council's Audit Committee.
Joint collaborative investigation with DWP	Participate in the joint working arrangements with DWP (investigators and DWP legal resources) on linked national benefit and Council Tax Reduction scheme investigations	Sharing information and expertise, to ensure that collectively welfare benefit and CTRS are resourced in the most efficient and effective manner.	Official rollout for joint working will commence on- 1 st April 2019 for RCT and all other Welsh LA's.
Investigate suspected Council Tax frauds	Utilise internal and external data matching products to identify potential discrepancies in Single Person Discounts and other Council Tax discounts, disregards and exemptions.	Recover single person discounts 'incorrectly' claimed. Recover other disregards and discounts 'incorrectly' claimed.	Ongoing. Datatank 'Single Person Discount' to Credit Reference Agency data matching exercise underway

RCT Corporate Fraud Team

FRAUD ALERT



The Council has recently prevented an attempt to de-fraud school funds. The attempt was made via a fake school email address, requesting a change to the school bank account details; this is known as 'Mandate Fraud'. The Council's internal control arrangements in respect of bank detail changes and vigilance of the Council's Central Creditors Team prevented this attempt.

Through our networks, we are also aware of a similar attempt having been made against a school at a neighbouring Council during this same period.

The overriding message is to be **VIGILANT** and thoroughly check that any email address or letterhead that you are dealing with is genuine and any noticeable and unexplained differences in quality, font size or type of text are acted upon. Whilst this is particularly important in respect of a request to change bank account details, this is not the only channel that fraudsters target.

Furthermore, please read the following advice from the Council's Corporate Fraud Team:

Advice to help prevent this type of fraud

- Ensure that the control of school email accounts and the network is secure; fraudsters will attempt to intercept and use genuine correspondence to support their activity;
- Secure and restrict access to all financial documents at the school;
- Always verify requests for changes to financial arrangements with the organisation directly using established contact details you have on file. The Council's Central Creditors Team will facilitate this control on behalf of all non-chequebook schools;
- If you are concerned about the source of a call, hang up and call them back using established contact details you have on file;
- Check your bank statements carefully and in a timely manner, for any unauthorised payments;
- Report any suspicious or suspected fraudulent activity to the Council's Corporate Fraud Team, who will investigate on your behalf and share intelligence across the Public Sector National Fraud Network.

If you have any questions in relation to this alert, please contact the Council's Corporate Fraud Team:

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