

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 16 JUNE 2020

CORPORATE COUNTER FRAUD REVIEW 2019/20

REPORT BY CATHIE WYLLIE, SERVICE LEADER (INTERNAL AUDIT)

ABSTRACT

This report summarises the activity undertaken by the Corporate Fraud Team (CFT) in the year to 31 March 2020.

1. RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

- (i) review and scrutinise the contents of this report
- (ii) note the results of the self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, attached as Appendix 1

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN AND COUNCIL PLAN

This report supports the Council's zero tolerance approach to fraud and corruption, which in turn supports services in the delivery of corporate priorities set out in the Angus Local Outcomes Improvement Plan and the Council Plan.

3. BACKGROUND

This report provides details of the work undertaken to protect the Council from the ongoing threat of fraud. The Council's Corporate Fraud Team (CFT) is charged with preventing, detecting and investigating fraud. This work is often done in partnership with service colleagues.

The Chartered Institute of Public Finance & Accountancy Fraud (CIPFA) Tracker 2019 report indicates that the main types of external fraud facing local authorities are in Council Tax, Housing, Disabled Parking and Business Rates. The NHS Scotland Counter Fraud Services highlight the internal risk to organisations from employee fraud, bribery and theft, especially in organisations experiencing change.

CFT activity in addressing fraud risks disrupts fraudulent schemes with the additional value of preventing future losses and greater harms.

4. 2019/20 OVERVIEW

Resource deployed

The CFT is a specialist investigative team which operated in 2019/20 within the Internal Audit Service reporting to the Chief Executive. The team comprised 3.6 full time equivalent members of staff.

Corporate Fraud

Corporate Fraud includes instances where individuals seek to profit from their position as employees. Any such allegations are investigated in accordance with the Council's Employee Fraud Investigation Framework and Fraud Response Plan. The findings of the investigations

are reported to management to allow appropriate action be taken including disciplinary action and improvements to internal controls. These reports are sent to the Section 95 Officer and the Monitoring Officer, where appropriate. In 2019/20 a revision to the Other Paid Employment personnel advisory bulletin was recommended as a result of an employee investigation and is being progressed.

2019/20 saw the CFT conclude 9 corporate fraud investigations with 4 cases ongoing at 31 March 2020. Matters investigated in 2019/20 included allegations of theft of Council property; missing monies from Council premises; abuse of the flexi-time system; and undeclared conflict of interest.

In addition to the formal investigative work carried out during 2019/20, the CFT has provided advice and support in a number of areas including Waste Operations; Housing; Support Services; and Planning.

Council Tax

Council Tax is an area where the Council is exposed to loss due to fraud. This is largely where false information is provided to obtain reductions and / or discounts and exemptions or where changes in customer circumstances are not reported to the Council.

The CFT use data matching techniques provided by their colleague partners in the Council's Information Technology service in order to identify Council Tax fraud and incorrectness. In doing this the integrity of the Council's records is improved.

In 2019/20, data matching initiatives have resulted in the removal of Council Tax discounts or exemptions amounting to £49,532.

In addition to data matching the CFT continues to examine any allegations of Council Tax fraud. The CFT works in collaboration with colleague partners in Revenues Division and with their continued professional support have identified Council Tax recoveries of £16,364.

Housing Tenancy Fraud

Tenancy fraud remains a significant area of fraud committed against local authorities. Examples of tenancy fraud include wrongful tenancy succession and failure to use a property as the principal home. The CFT investigate tenancy fraud with colleague partners from the Housing service. Effective investigation of tenancy fraud allows for the efficient management of housing stock and frees accommodation for those in genuine need.

The investigation of tenancy fraud allegations has led to the successful recovery of 7 Council properties in 2019/20. This work in identifying tenancy fraud has financial benefits to the Council in that it can reduce costs for temporary accommodation for genuine applicants; reduce legal costs to recover a property and reduce the amount of foregone rent payable by an absent tenant.

National Fraud Initiative

The National Fraud Initiative (NFI) is a biennial counter fraud initiative, led by Audit Scotland, which matches individuals' electronic data, within and between public and private sector bodies to prevent and detect fraud. Business areas covered by the NFI include Housing, Payroll, Care Payments, Creditors and Licences.

Participation in the National Fraud Initiative (NFI) is an integral part of the Council's corporate approach to the prevention and detection of fraud and error. NFI matches received in the early part of 2019 have been reviewed and investigations are complete. A report will be submitted to this committee after the publication of the national report scheduled for June 2020.

Non-Domestic Rates

In 2019 the Council were amongst seven voluntary participants in an Audit Scotland led pilot exercise to identify fraud and incorrectness in non-domestic rates. The exercise matched data within and between the participant councils to indicate where Small Business Bonus Scheme

(SBBS) payments had been paid without entitlement. The exercise found 4 instances where SBBS was incorrectly claimed amounting to £10,924.

Benefit Fraud

The responsibility for the investigation of Housing Benefit fraud is that of the Department for Work and Pensions (DWP) though the CFT continue to identify benefit overpayments. These recoverable amounts arise from the investigation of other case types such as tenancy fraud and Council Tax allegations and also from referrals received from the Housing Benefit Matching Service. The overpaid benefits identified during the year to 31 March 2020 amounts to £27,487.

The CFT also assist DWP with benefit investigations through the sharing of intelligence and during 2019/20 that work identified £17,903 of fraud and error in Housing Benefit and Council Tax.

Counter Fraud E-learning

The CFT, working with Organisational Development colleagues, have developed an online Counter Fraud e-learning course. The course is available to employees and is housed on the Always Learning platform. The learning sets out the definition of fraud, explains why fraud might occur and introduces the main areas of fraud risk to the Council. The course sets out the duty of an employee to report suspicions of fraud and how the CFT would typically deal with an allegation.

The course was launched in January 2020 and publicised on the intranet carousel. It is considered a key tool in raising fraud awareness and promoting the services provided by the CFT. Participant feedback is sought and, where provided, has been positive.

Covid-19

The onset of the Covid-19 pandemic saw new and enhanced fraud threats to the Council. The CFT worked in various ways to address these threats. In the period prior to the 31 March 2020 the CFT worked with Revenues & Benefits colleagues to develop a response to fraud in Business Grant applications.

Recoveries

The CFT examines all allegations of fraud received and some of the work done can identify sums of money to be recovered. The table below summarises the amounts identified for recovery by CFT activity in the year to 31 March 2020.

Recoveries Summary	2019/20	2018/19
	£	£
Housing / Council Tax Benefit Overpayments	27,487	26,118
Council Tax Discounts / Reduction	16,364	9,132
Data matching - Council Tax Single Person Discount	49,532	73,176
Data matching – Non-Domestic Rates	10,924	Nil
Initiative – Student Council Tax Discounts	20,834	Nil
NFI - Duplicate Payment and Residential Care Payments	20,361	Nil
Settlement from Council Insurer	6,083	Nil
TOTAL	151,585*	108,426*
DWP benefit overpayments	17,903**	30,754**

Tenancy Fraud properties recovered	7	4
Corporate / Employee Frauds closed with recommendations	9	12

*Includes NFI 2018 outcomes.

**CFT investigators support Department for Work and Pensions colleagues as single points of contact for investigations which include HB/CTB/CTR.

5. FUTURE PLANS

Work will begin on the NFI 2020 exercise with the upload of Council data sets scheduled for October 2020. Subject to the results of an ongoing consultation Covid-19 fraud risks may form part of the NFI exercise.

The CFT will use ongoing internal data matching to identify fraud & incorrectness and seek new opportunities in this work.

Targeted promotion of the counter fraud e-learning course is planned and will raise awareness of the Council's zero tolerance approach, the fraud risks faced and the means of reporting suspicions of fraud.

Covid-19 fraud risks are being considered with service colleagues and information in respect of emerging fraud risks will continue to be shared appropriately across the Council.

The team will consolidate the use of the Pentana Risk system to record recommended actions.

Self-assessment against national standards will continue.

6. CONCLUSION

2019/20 saw the CFT work to counter the fraud threats faced by Council with emphasis on the evidence based main fraud risks. The team will continue to work with service colleagues to prevent, detect and investigate suspicions of fraud. The work of the CFT will play a significant role in not only protecting public resources and assets but in encouraging fairness, process improvements and promoting a healthy culture within the council.

7. FINANCIAL IMPLICATIONS

During the financial year to 31 March 2020, the CFT identified recoveries in excess of £151k (2018/19 £108k) from investigative work and a further £18k (2018/19 £31k) of fraud and error in Housing Benefits and Council Tax through the sharing of intelligence with SFIS. Action is taken by Angus Council to recover these monies.

Additional financial benefits have accrued by the CFT's work in disrupting fraudulent activity, preventing fraud by fraud awareness action and by improving internal controls.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

REPORT AUTHOR: Ewan Ritchie, Team Leader – Counter Fraud
EMAIL DETAILS: ChiefExec@angus.gov.uk

List of Appendices: 1: Self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

Self-Assessment against CIPFA Code of Practice on Managing the Risk of Fraud & Corruption

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
A1 The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.	It is good practice for the responsibilities for managing the risk of fraud and corruption to be included in the organisation's scheme of delegation or terms of reference.	<p>Fin Regs 1.3 – includes zero tolerance stance.</p> <p>Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A Committee and approved by the P&R committee, November 2018 (363/18).</p> <p>Oversight of counter fraud arrangements is provided by the S&A Committee in response to twice yearly reports.</p> <p>Resources are provided for a Counter Fraud Team.</p>	Counter fraud performance made a key indicator in the Angus Council Annual Performance Report 2018/19.
A2 The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud	The organisation's leadership team can support a counter fraud culture by:	Fin Regs 12.2 – includes member and officer responsibility to report.	Temporary Counter Fraud Officer appointed until May 2021. Post financed

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
and corruption and aligns to the principles of good governance.	<ul style="list-style-type: none"> • Providing visible support for counter fraud and corruption activity. • Recognising the risk of fraud and corruption and the harm it can cause to the organisation and to those the organisation helps and/or protects • Including reference to counter fraud and corruption activities in the principles of good governance and standards of conduct adopted by the organisation • Ensuring the organisation is responsive to new fraud and corruption risks • Embedding strong counter fraud controls and systems within the organisation • Providing visible support and resourcing for fraud awareness activity • Supporting counter fraud and corruption training throughout the organisation • Ensuring that other governance papers, 	<p>Counter-Fraud & Corruption Strategy and Fraud Response Plan in place (see A1).</p> <p>Employee Code of Conduct in place including the Nolan Principles.</p> <p>Counter fraud arrangements are considered as part of the annual governance statement.</p> <p>Corporate Fraud Team based within Internal Audit.</p> <p>Resources are provided for a Counter Fraud Team to raise fraud awareness.</p> <p>e-learning training materials.</p>	<p>by the Change Fund and filled internally from May 2019.</p> <p>On-line counter fraud training developed by the Team Leader Counter Fraud and made available to all council staff through Always Learning.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
	strategies and policies include fraud and corruption risks wherever relevant		
A3 The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.	<p>The governing body should ensure that there is a clear programme of work in accordance with the Code to manage the risk of fraud and corruption.</p> <p>The organisation's leadership team can also provide strong and genuine support by delegating appropriate authority to counter fraud professionals</p>	<p>Fin Regs 1.3</p> <p>Fin Regs 12.2</p> <p>Adoption of this CIPFA self-assessment.</p> <p>Remit of Scrutiny & Audit committee.</p> <p>Local Code of Corporate Governance includes reference to counter-fraud work.</p> <p>Annual Governance Statement.</p>	<p>Local Code of Corporate Governance published June 2019.</p> <p>Annual Governance statement approved as part of the final accounts process.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
<p>A4 The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.</p>	<p>Could include:</p> <ul style="list-style-type: none"> • Formal fraud risk management process • Production, maintenance and review of a fraud strategy • Formal fraud awareness activity • Clear directions on actions to be taken if fraud or corruption is discovered 	<p>Counter-Fraud & Corruption Strategy sets out how the council will seek to detect fraudulent activity.</p> <p>Fraud Response Plan.</p> <p>Employee Fraud Investigation Framework.</p> <p>Corporate Fraud Team.</p> <p>Corporate Fraud team annual plan of work.</p> <p>E-learning training materials.</p>	<p>Stated goal of zero-tolerance in the Counter Fraud and Corruption Strategy.</p> <p>Internal data matching exercises undertaken using CT SPD and internal records.</p> <p>Participated with 6 other councils in the 2019 National Fraud Initiative pilot data matching Non-Domestic Rates records.</p> <p>Participation in the forthcoming National Fraud Initiative.</p> <p>Fraud Awareness e-learning has been published on the Always Learning portal and publicised on the intranet. Targeted publicity planned in high risk areas.</p>
<p>B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.</p>	<p>Fraud risk identification could include:</p> <ul style="list-style-type: none"> • Compare identified risks with other similar organisations • Fraud risk workshops within departments 	<p>6 monthly counter fraud reports to S&A.</p> <p>Senior Managers questionnaire on Fraud Risks in July 2015.</p>	<p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and reported to S&A.</p> <p>Directors' assessment of fraud risks sought in the Annual Governance Questionnaire.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
	<ul style="list-style-type: none"> Fraud risk review conducted by internal audit, external audit or specialist consultant 	Revised Risk Management Guidance approved November 2019.	<p>Risk management guidance, refreshed in November 2019 includes that fraud risks must be considered as part of the development of all risk registers. Training being developed by the Risk & Insurance Advisor.</p>
B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.		<p>Fin Regs 1.3</p> <p>Fin Regs 12.2</p> <p>Codes of Conduct for councillors and staff.</p> <p>Local Code of Corporate Governance which sets out the principle of “behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law”.</p> <p>Annual Governance Statement.</p>	<p>Local Code of Corporate Governance annually updated in line with Delivering Good Governance 2016 and approved by S&A committee in June 2019 (197/19).</p> <p>A Whistle Blowing arrangements review is scheduled.</p> <p>The Senior Managers Fraud Risks questionnaire has been issued and responses are awaited.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
<p>B3 The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.</p>	<p>The organisation can use estimates of fraud loss and any measurement exercise to quantify the potential losses that different fraud risks cause.</p>	<p>Work of counter fraud team includes review of published information including the CIPFA reports Fraud and Corruption Tracker and Fighting Fraud Locally.</p>	<p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and report to S&A.</p> <p>Participated with 6 other councils in the 2019 National Fraud Initiative pilot data matching Non-Domestic Rates records. CIPFA researched evidence this as a key risk area to local authorities.</p>
<p>B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.</p>	<p>Reputational damage to the organisation or damage to specific service objectives</p>	<p>Counter fraud work contributes to the council's priorities including:</p> <ol style="list-style-type: none"> 1. Inequality reduction (Housing, Education, Blue Badge) 2. Sustainable communities (Housing) 3. Effectiveness, Efficiency & Fairness (Advice to services, local taxation, resource allocation, responsibility & accountability) <p>Risk management guidance includes that fraud risks must be considered as part of the development of all risk registers.</p>	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.		Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A Committee and approved by the P&R committee, November 2018 (363/18).	Counter-Fraud & Corruption Strategy references the core activities required to address risks e.g. Culture, Deterrence, Detection, and Investigation. Counter-Fraud & Corruption Strategy to be reviewed.
C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.		'Working with Partners' section within the Counter-Fraud & Corruption Strategy.	.

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
<p>C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.</p>	<p><u>Proactive</u></p> <ul style="list-style-type: none"> • Develop a counter fraud culture • Prevent fraud through internal control measures • Use techniques to validate data • Publicise counter fraud policy and actions <p><u>Responsive</u></p> <ul style="list-style-type: none"> • Detecting fraud through data and intelligence analysis • Implement effective reporting arrangements • Investigate fraud referrals 	<p><u>Proactive</u></p> <ul style="list-style-type: none"> • Partnership work with internal colleagues • Online fraud reporting form • Robust internal controls • Intranet publicity <p><u>Responsive</u></p> <ul style="list-style-type: none"> • Data matching – internal and NFI. • Fraud response plan • Whistleblowing • Recovery of losses • Disciplinary/legal action • Specialist investigations 	<p>Continuous auditing will be further developed by Internal Audit during 2020/21.</p>
<p>C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.</p>	<p>The strategy should-</p> <ul style="list-style-type: none"> • Allow for measurement • Identify the key fraud risks • Be considered by audit committee 	<p>Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A Committee and approved by the P&R committee, November 2018 (363/18).</p>	<p>Continued S&A oversight.</p> <p>Counter-Fraud & Corruption Strategy to be reviewed.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.	An annual assessment should be conducted to review whether the level of resource invested is proportionate for the level of risk.	Internal Audit assessment. External Audit comment. Annual Governance Statement.	6 monthly reports to S&A summarise counter fraud activity in the period and emerging risks. The CFT report to the Service Leader internal audit and the annual internal audit plan will include an annual assessment of resource vs risk. Further assessment of resource will follow in stage 2 of the organisational structure review.
D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation	Training needs to be provided to ensure that counter fraud staff have the skills, experience and accreditation to conduct their work.	Counter fraud team staff are appropriately qualified, skilled and experienced.	Ongoing consideration is given to the training requirements of counter fraud staff.
D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.		Internal Audit Charter (reviewed annually and approved by S&A).	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.		Data sharing register. Service Level Agreement with DWP.	The CFT will continue to work with partners including the DWP, NFI, the National Anti-Fraud Network, Police Scotland and others to share data and intelligence to support counter fraud activity.
E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes: <ul style="list-style-type: none"> • Counter fraud policy • Whistleblowing policy 		Policy in place Policy in place	Counter Fraud and Corruption Strategy, Fraud Response Plan & Whistleblowing Policy to be reviewed.
<ul style="list-style-type: none"> • Anti-money laundering policy • Anti-bribery policy • Anti-corruption policy • Gifts & hospitality policy & register • Pecuniary interest and conflicts of interest policies and register 		Policy in place Policy in place Counter-fraud & corruption strategy and fraud response plan Fin Regs / Code of Conduct In place for elected members & staff	2020/21 Internal audit plan includes a review of Gifts & Hospitality and Registers of Interest.

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
<ul style="list-style-type: none"> • Codes of conduct and ethics • Information Security Policy • Cyber security policy <p>The above policies are x-referenced and are available to staff from the intranet.</p>		<p>In place for elected members & staff</p> <p>Policy in place</p> <p>Not formally in place</p>	<p>2019/20 Internal Audit plan included a review of compliance with the policy. Work has been delayed due to Covid-19 and will be undertaken in 2020/21.</p> <p>Policy to be written by IT.</p>
<p>E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.</p>	<p>A proactive plan can be developed to achieve early detection of fraud and corruption</p>	<p>Key risks are addressed thus contributing to the overall goal.</p>	<p>Proactive work will continue to be planned as a response to the key fraud risks faced by the council.</p>
<p>E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.</p>		<p>National Fraud Initiative</p> <p>Scottish Local Authority Investigator's Group</p> <p>National Anti-Fraud Network</p> <p>Scottish Local Authority Chief Internal Auditor's Group</p>	<p>National Fraud Initiative participation completed for exercise 2019/20.</p> <p>National Fraud Initiative participation planned for exercise 2020/21.</p> <p>Participated in the 2019 National Fraud Initiative pilot exercise in Non-Domestic Rates.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
E4 Providing for independent assurance over fraud risk management, strategy and activities.		Internal Audit annual report External Audit report to Members	PSIAS External Quality Assessment underway March 2020 postponed due to Covid 19 emergency, will be undertaken as soon as possible during 2020.
E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.		Internal Audit annual report Annual Governance Statement 6-monthly counter-fraud report to S&A committee	