

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	28 NOVEMBER 2019
TITLE	COUNTER FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY ARRANGEMENTS
PURPOSE OF REPORT	TO UPDATE THE COMMITTEE ON THE COUNCIL'S ANTI-FRAUD AND ANTI-CORRUPTION WORK, AND PROGRESS ON THE WORK PROGRAMME FOR THE NEXT THREE YEARS
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ACTION	CONSIDER AND CHALLENGE THE CONTENTS OF THE REPORT

Introduction

- 1 The “**Risk of Fraud, Bribery and/or Corruption**” has been identified as one of the Council’s corporate risks. Currently, this is considered to be of a **low risk** (score of 4) within the context of the Council’s governance framework because of:
 - An **Impact score of 2** (A **significant** effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a **visible** effect on many residents), and
 - A **Likelihood score of 2** (the likelihood of it happening is low – but is still there). It is believed that the likelihood is low because internal controls are generally robust; this is confirmed by the work of Internal Audit.
- 2 The purpose of this report is to:
 - Present information to the Committee on the Council’s fraud investigations.
 - Update the Audit and Governance Committee on progress on the programme of work of Gwynedd Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy for 2019-2022 adopted by the Audit and Governance Committee on 14 February 2019
 - To present information to the Committee on National developments in the context of fraud against the public sector.

FRAUD INVESTIGATIONS

- 3 The Council's officers are not currently investigating allegations of fraud against it. In the period since 1 April 2019, the benefit service has referred 22 Housing Benefit cases to the Department for Work and Pensions (UK government) for further investigation.

PROGRAMME OF WORK OF THE ANTI-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY STRATEGY

- 4 Gwynedd Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy for 2019-2022 was adopted by the Audit and Governance Committee on 14 February 2019. The strategy includes eight actions which should be delivered over the three years to strengthen the Council's anti-fraud arrangements within available resources.

IDENTIFYING EMERGING RISKS

Action: Hold regular workshops of relevant officers to discuss matters arising, emerging risks and share good practice

- 5 The holding of such a workshop in order to identify new areas of potential fraud (as well as to assess the risks of which we are already aware) will be part of the planning of Internal Audit's work programme for 2020/21, and subsequent years. To this end, such a workshop is planned for December 2019 or early January 2020, before the Audit Manager and Assistant Head of Finance attend departmental management team meetings to discuss the draft audit plan for its submission to the Audit and Governance Committee on 13 February 2020.
- 6 Following the first meeting, we will be programming six-monthly meetings to consider developments.

COUNCIL TAX REDUCTION FRAUD

Action: Collaboration with the Department for Work and Pensions to develop the work of investigating Council Tax Reduction fraud

- 7 Concrete steps have been taken to address this.
- 8 Three Benefits officers and three Taxation officers are currently working for the CIPFA Accredited Counter Fraud Technician (ACFTech) qualification. This is a significant investment in our fraud prevention procedures. The course will examine the impact of fraud in the UK and includes an overview of the civil and criminal justice systems. It focuses on fraud awareness, how to gather evidence and how to obtain information without prejudicing any later investigation. In addition, it looks at:
 - the civil and criminal justice systems
 - the Fraud Act 2006 and other relevant acquisitive crime legislation
 - the UK Bribery Act 2010
 - types of evidence, elementary 'rules of evidence', maintaining probity and exhibits handling
 - human rights legislation and the impact on investigations
 - compliance with procedural legislation including data protection, whistleblowing and disclosure of investigative material
 - witness and suspect interviews and obtaining statements
 - fundamentals of managing an investigation.
- 9 The qualification is accredited by the Counter Fraud Professional Accreditation Board, and on completion, the officers will be recognised as 'Accredited Counter Fraud Technicians'. This will be an important step forward in developing the skills and qualifications necessary for Benefit Officers to be able to work more closely with the Department for Work and Pensions (DWP) fraud investigators.
- 10 When the strategy was presented to the Committee in February 2019, members were keen to ensure that Council Tax fraud was also addressed. The qualification of Taxation officers will also enable them to develop their fraud investigation skills.

- 11 In addition to Benefits and Taxation officers, two internal auditors also undertaking the training.

CIPFA COUNTER FRAUD CENTRE

Action: Continue to subscribe to the CIPFA Counter Fraud Centre and make use of the facility, including the source for identifying fraud risks, to ensure access to good practice

- 12 We are committed to membership for the current financial year, and we expect that we will continue thereafter. Further, we aim to be proactive, and have contributed to the service's annual "Fraud Tracker" exercise.

COMMITTEE REPORT

Action: Include an item on counter fraud work on the Audit and Governance Committee agenda twice a year

- 13 Following the presentation of this update, we expect to report to the May and November meetings of the Committee, and this will be noted on the forward programme as it is updated from time to time.
- 14 The Audit Manager's report, [INTERNAL AUDIT OUTPUT 2/2/2019 - 31/3/2019](#) was presented to the Audit and Governance Committee on 13 June 2019. The report included reference to the report "**Managing the Risk of Fraud and Corruption**". The report received an opinion of an "Satisfactory" level of assurance. The main findings were:

The self-assessment against the checklist shows that the Council complies fully with 22 out of the 34 standards, with 12 partially complying.

Several of the standards refer to an Anti-Fraud Team. Gwynedd Council does not have a dedicated Counter Fraud Team, but fraud and investigations will be carried out by the Internal Audit Service. For local authorities with dedicated anti-fraud teams, they have specific work plans for carrying out fraud investigations as well as proactive anti-fraud and prevention work.

The work of conducting fraud investigations in Gwynedd falls on the Internal Audit Service. In the annual audit plan, provision is made for fraud and corruption prevention work together with the National Fraud Initiative exercise. The provision for 2019-20 is 40 days and a 40 day provision has been earmarked for undertaking responsive work.

Due to the fact that Gwynedd Council does not have a dedicated Anti-Fraud Team, this means that it is not possible to comply fully with the 34 standards.

Actions have already been identified for:

- Workshops are held and good practice shared
- Working together to develop fraud investigations
- Report to the Audit and Governance Committee on fraud prevention work biannually
- Raise awareness of fraud across the Council
- Provide training.

It was seen that the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy 2019-22 was at present not available to staff on the Policy Centre.

Source: Internal Audit report, "Managing the Risk of Fraud and Corruption" March 2019

- 15 The report contained one agreed action, which was to **Ensure that the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy 2019-22 is made available on the Council's Policy Centre**. This has been implemented.

USE OF DATA

Action: Assess the possibility of using data better in order to identify and investigate fraud

Review of Council Tax Discounts

- 16 The main current scheme for using data to identify and investigate fraud is the Taxation Service's exercise to review some of the discounts and exemptions allowed to the county's Council Tax accounts.
- 17 The last such exercise was undertaken in 2016, but this time the review will take place on a continuous basis over three years. As part of this work, the Council will ensure that only those households who are entitled to receive Council Tax exemptions do so, including the single person discount – a 25% reduction in the amount payable.
- 18 To put this work in context, recent research has revealed that falsely claiming Single Person Discount is the third most prevalent type of fraudulent activity carried out by adults in Wales. The work was commissioned by Cifas and was carried out by WPI Economics.
- 19 Cifas is an organisation bringing together members working in a number of industries in the fight against fraud. Set up initially in 1988 by seven retail credit companies, its membership has now grown to over 400 members from various sectors such as banking, retail, insurance, mortgages and credit card providers. The aim is to share fraud intelligence and details of fraudulent conduct from both the public and private sector on the National Fraud Database, the only cross sector data sharing platform in the UK, to help prevent further fraud.
- 20 The WPI Economics study looked specifically at "First party fraud", that is, fraud perpetrated by consumers, rather than fraud perpetrated by workers or offenders who had stolen someone else's identity. In the study, 2,070 adults across England, Wales and Scotland (including 99 in Wales) were interviewed in March 2019 (from the specialist company ComRes).
- 21 The individuals in the sample were presented with 10 scenarios and were asked if they, or someone they knew, had committed the fraud in the 10 scenarios. They were also asked if committing these types of fraud is reasonable. Overall, one in seven (14%) respondents either admitted to committing one or more of these types of fraud, or knew someone who had.
- 22 Across all locations, age, gender, and socio-economic group, there were two types of frauds far beyond the rest in terms of prevalence and being seen as reasonable. These were "Deshopping" (purchasing an item of clothing, wearing it once and then returning it to the supplier by claiming that it is not suitable) and "Fronting" (taking out a car insurance policy in the name of someone who is not a principal driver, usually a parent on behalf of a young person). 44% of respondents either achieved "Deshopping" themselves, or knew someone who had, with the corresponding figure for "Fronting" at 41%.
- 23 However, taking the whole sample, the third highest in incidence was claiming a single person council tax discount when the household had more than one liable person. 25% of people in the whole sample (England, Scotland and Wales) admitted that they or someone they knew had perpetrated this type of fraud – and 10% felt that committing this type of fraud was reasonable. Taking Wales separately, the incidence figure increased to 31%. That is, almost 1 in 3 people in Wales in the sample had either fraudulently claimed a single person's discount themselves or knew someone who had. The Welsh figure is slightly lower than Scotland (which is 33%), but higher than in all the English regions.
- 24 This shows that single person discount fraud is common and recurring – and there is no reason to think that Gwynedd is different to the rest of Wales.

- 25 At present, almost 18,000 Gwynedd households are in receipt of a 25% Council Tax single person discount which is awarded when there is only one adult living at a property.
- 26 Therefore, to ensure that all discounts and exemptions awarded are correct, Gwynedd Council will be working with Datatank, a leading service provider which specialises in these types of reviews and has worked with the Council in the past. The review will confirm the discount for genuine claimants and identify those people who are claiming a 25% single persons discount on their Council Tax when they are not entitled to it.
- 27 Where incorrect claims are identified, the Council will terminate the claims, writing to the taxpayer and seeking to reclaim the discount.

National Fraud Initiative

- 28 The National Fraud Initiative (NFI) is a biennial data-matching exercise that helps detect and prevent fraud and overpayments from the public purse across the UK.
- 29 The NFI matches data across organisations and systems to help public bodies identify fraud and overpayments. A full NFI exercise will not be undertaken during 2019/20 – one was held in 2018/19, with a further exercise in 2020/21. However, there will be an annual review which compares Council Tax single person discount data with the electoral register. Data will be uploaded onto the NFI system on 2 December.
- 30 The Council's contract with Datatank means that a monthly review will take place, which looks at more data than just the electoral register (although it is likely that the information of the electoral register will be up to date given that there will be a general election on 12 December). As part of the agreement, Datatank will compare the outcome of the NFI exercise with their own results in order to update information.

NEW DEVELOPMENTS

Action: The Council will be alert to the risk of fraud with new developments within the Council

- 31 This action goes hand-in-hand with the work to strengthen and develop the Council's risk management arrangements. With that in place, it should become natural for officials to identify new developments within the Register. It is important to note that the main risk of the majority of developments is not fraud, but we must be aware that there is potential fraud in any situation where money transfers.

RAISING AWARENESS

Action: Establish a team Task and Finish Group to identify ways of raising awareness of fraud across the Council

- 32 This has not yet happened. It is aimed to implement it during quarter 4 of the current financial year.

TRAINING EVENTS

Action: Being proactive by attending training events provided by professional bodies, and/or provide training jointly with other authorities in order to maximise effectiveness

- 33 It is noted above that a number of council officers are undertaking an Accredited Counter Fraud Technician training course. In addition, two internal audit officers attended the "Working in partnership to combat fraud" event in Llanrwst organised by the Good Practice Exchange (part of the Wales Audit Office) in May 2019. Learning, and course material, will assist in the planning of internal audit work for 2020/21.

NATIONAL CONTEXT

- 34 In November 2018, the National Assembly's Public Accounts Committee requested that the Auditor General for Wales review the situation with regards to fraud perpetrated against the public sector in Wales.
- 35 The Auditor General's report, "***Counter-fraud Arrangements in the Welsh public Sector – An overview for the Public Accounts Committee***", was published in June 2019. Since the purpose of the report is to provide the Public Accounts Committee with an overview, it does not contain recommendations or proposals for improvement. However, it is a report that gives a picture of the types of fraud that could be committed against the public sector in Wales, and the arrangements that are in place within the different types of public bodies.
- 36 From a local government perspective, the Auditor General states in the report that:

There are 22 Unitary Local Authorities in Wales. Each is a corporate body responsible for exercising the functions devolved to them under the Local Government (Wales) Act 1994.

These elected councils are responsible for policy formulation and determining spending priorities. Accordingly, each council determines how much resource to allocate to counter fraud and what policies and strategies they wish to follow.

The counter-fraud landscape across Local Government differs markedly from the NHS and Central Government in Wales. There is no all-Wales team responsible for local government counter-fraud or an overarching strategy or policy framework. Arrangements vary widely from council to council.

Source: Counter-fraud Arrangements in the Welsh public Sector – An overview for the Public Accounts Committee, Auditor General for Wales, June 2019

- 37 A copy of the full report is found here:

<http://www.audit.wales/system/files/publications/Counter%20fraud%20arrangements%20-%20english.pdf>

- 38 On 1 July, Public Accounts Committee held an event for stakeholders to exchange support, good practice and knowledge about counter fraud in the public sector. The event considered:
- How key organisations (Welsh Government, police, NHS, local government, CIPFA, National Crime Agency etc) interact and promote an effective anti-fraud and corruption culture and policy framework across the Welsh public sector.
 - Identified how and quantified the extent to which the resources are allocated towards preventing and detecting fraud and corruption across the Auditor General's audited bodies in the context of wider financial pressures; and
 - Quantified the total identifiable loss across our audited bodies arising from fraud and corruption together with case study type analysis of significant instances of loss.

39 After the event of 1 July, the Chair of the Public Accounts Committee wrote to the Welsh Government. A copy of the letter is found here: <http://www.senedd.assembly.wales/documents/s93429/Letter%20from%20the%20Committee%20Chair%20to%20the%20Permanent%20Secretary%20Welsh%20Government%20-%2027%20August%202019.pdf>, but some of the points raised were:

- “The resources devoted to counter-fraud activity vary widely across the public sector in Wales;
- NHS Wales invests extensively in both national and local counter-fraud activity;
- Welsh Government activity prioritises investigation, rather than prevention; and
- across local government in Wales, counter-fraud resourcing arrangements differ markedly from council to council and there is no all-Wales team responsible for local government counter-fraud activities or any overarching strategy or policy framework.”

“With regards to Local Government we were particularly concerned to hear that most councils no longer have a dedicated council-wide counter-fraud team, and instead, Internal Audit has been designated the counter-fraud role in many councils. Not all internal audit teams have received any formal training in this specialist area, and many teams lack counter-fraud experience.”

“We would like to see greater collaboration led at a national level within Wales, particularly in relation to the sharing of information and good practice with local authorities. Currently, there is no overarching group or professional network that specifically promotes counter-fraud in local government. Councils do have some links with CIPFA and often use its published information (for example, the ‘Fighting Fraud Locally Strategy’). However, most councils do not tend to engage actively with CIPFA. On cost grounds, only two councils currently subscribe to the resources and expertise available from the CIPFA Counter Fraud Centre.”

“We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.”

“The Committee intend to continue to scrutinise counter-fraud across the Welsh public sector and are particularly encouraged that, building on his initial landscape review, the Auditor General now intends to undertake local audit work across all parts of the Welsh public sector to examine how effective their counter-fraud arrangements are in practice and to make recommendations for improvement.”

Source: Letter from the Chair of the Public Accounts Committee (NAW), August 2019

40 The response of the Permanent Secretary in the Welsh Government is found here: <http://www.senedd.assembly.wales/documents/s94312/Letter%20from%20the%20Permanent%20Secretary%20to%20the%20Committee%20Chair%20-%2024%20September%202019.pdf>. In her reply, the Permanent Secretary notes:

“The Welsh Government recognises and fully supports local authorities addressing fraud within the £8 billion of their general revenue expenditure. As independent democratically led organisations, the prime responsibility for the detection and prevention of fraud is for each of the 22 councils themselves. As such, we would expect all to be fully engaged in this work and for local politicians to understand and provide leadership. To make sure that the recommendation is understood and given priority, officials will raise the matter with Ministers to secure an item on the Partnership Council agenda as well as its Finance Sub Committee. Subject to Ministers’ agreement, we will agenda an item for the next possible meeting.”

“Therefore, I believe the Welsh Government can achieve the outcome desired by identifying strategies to support the work of the [Wales Fraud] Forum, raising its profile within the Welsh Public Sector and seek a high level of commitment to support it. I will ask Officials to engage with the Forum to discuss strategies for strengthening its effectiveness by the end of the calendar year.”

“I will write to provide the Committee with an update on the actions taken by the end of the current financial year.”

Source: Letter from the Permanent Secretary, Welsh Government, September 2019

- 41 The Public Accounts Committee has endorsed the Auditor General's proposal to undertake a Phase 2 follow-up review across a range of Welsh public sector bodies to examine the effectiveness of the anti-fraud arrangements in practice and to make recommendations on for improvement.
- 42 The Phase 2 review will address the following overall question: '**Are the arrangements for preventing and detecting fraud in the Welsh public sector effective?**' More specifically, the Wales Audit Office will be considering the following issues:
- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
 - Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
 - Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
 - Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
 - Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
 - Does the organisation have an appropriate response to fraud?
 - Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

43 According to WAO:

We are aiming to publish our Phase 2 report in June 2020. This national report will concentrate on the key messages rather than ranking or describing in detail the actual arrangements in place at audited bodies. That said, we anticipate that our local audit teams will provide tailored local feedback to audited bodies in order to help generate improvements.

Source: Client Briefing: A review of the effectiveness of counter-fraud arrangements in the Welsh Public Sector, Wales Audit Office, September 2019

- 44 A request for information has been submitted to the Head of Finance in October, and the information requested has been submitted. The Audit and Governance Committee is asked to note the WAO timetable to report the results; this may of course be subject to change, and we will report to the Committee on the outcome of the work, and particularly any issues specific to Gwynedd Council.