



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

COMMITTEE:

AUDIT COMMITTEE

25th March 2019

Item No. 4
Anti-Fraud, Bribery & Corruption progress report for 2018/19 and proposed work programme for 2019/20

REPORT OF:-

DIRECTOR OF FINANCE & DIGITAL SERVICES

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

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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 and proposed work programme for 2019/20.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Review the outcomes of the anti-fraud work progress during 2018/19;
- 2.2 Consider the proposed work to be undertaken in 2019/20 and provide direction and guidance where necessary within 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

25th March 2019

Report of the Director of Finance & Digital Services

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

Item 4

Anti-Fraud, Bribery & Corruption progress report for
2018/19 and proposed work programme for 2019/20

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Rhondda Cynon Taf County Borough Council

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

and

Proposed work plan for 2019/20

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 2019/20 (**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 targeted Corporate Fraud alerts to all educational establishments based on known attempts identified through the wider fraud network (included as **Appendix 2 - 4**).

1.2.3 Referral of a number of 'Telephone Scams' to the Council's Trading Standards Service and Media Office for appropriate action.

- 1.2.4 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.
- 1.2.5 Provision of bespoke and specific risk assessments and fraud preventative measures to individual Council sections/departments.
- 1.2.6 Active participant to the Cabinet Office's National Fraud Initiative which cross-matches data between different departments of the Council as well as external bodies, such as the NHS.

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 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).
- 1.3.3 Collaborative work with the DWP's FES team on linked national benefit and Council Tax Reduction scheme investigations.
- 1.3.4 Participation in 'data-matching' exercises such as Council Tax 'Single Person Discount' reviews.
- 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 Assessment and review, as necessary, of any corporate fraud referrals.
- 1.3.8 A staff survey was undertaken between November – December 2018. This survey was distributed by email, and Human Resources / Fraud personnel visited various locations across the Council. Results of the survey were reported to Audit Committee at its meeting on the [4th February 2019](#).
- 1.3.9 Members scrutinised the outcomes of the survey, and whilst they accepted the recommendations outlined within the report they were keen for Officers to analyse the feedback further with the aim of assessing whether particular themes or concerns from staff were prevalent within specific service areas of the Council. With these comments in mind, and taking all of the results of the survey into account, the following actions will be addressed during 2019/20:

ACTION 1

Remind staff of the importance of feeling empowered to report any suspicions that they may have.

ACTION 2

Re-assure staff that they will not be the subject of any repercussions if they come forwards and blow the whistle on a Colleague.

ACTION 3

Devise a simplified communication for staff that summarises the Council's whistleblowing and anti-fraud arrangements. Also, remind staff where full copies of the Policies can be found.

ACTION 4

Review the detailed feedback received from the survey, and use this to target resources at areas identified that could improve the arrangements further.

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		
<i>2018-19</i>	On-line	Other	Total
Total (to 15th March 2019)	314	269	583

- 2.2 The vast majority (548) of the 583 referrals received relate to financial fraud against the Revenues and Benefit system, and any which related to DWP paid benefits / income support system are referred to the DWP (FES) team for investigation. The highest referral reason remains 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 developed a suite of management information that will allow the Council to monitor the progress of referrals made and the outcomes achieved.

Outcomes 2018/19

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

Quarter 1 and 2 April - September 2018	Local Service Investigation	Local Service Compliance	Total cases*
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Referrals	17	71	90
Outcomes	23	94	90
Positive Outcomes	13	14	27
Admin Penalty	3		3
Prosecutions	5		6

***Note:** The Management Information 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: DWP (SFIS) Fraud Overpayments notified during 2018/19 at reporting date:

Timeline	Fraudulent Overpayments	
	Housing Benefit (£)	Council Tax Reduction (£)
1	55,042	19,947
2	32,857	8,373
3	38,698	9,490
4	39,398	7,772
	165,995	45,582

Note: 0.2% of projected 2018/19 HB spend, 0.2% of projected CTR spend

Table 4: Corporate Fraud Team's investigatory outcomes to date are:

Corporate Fraud	Allegation	Outcome	Loss (£)
Council Tax Reduction	Working whilst Claiming	Fraud/irregularity proven	833
	Non-resident at property	Fraud/irregularity proven	919
	Undisclosed capital	Other Agencies notified. Financial fraud/irregularity was proven	208
Housing Benefit and Council Tax Reduction	Undeclared residents in the household	Fraud/irregularity proven	6,361
Revenues (Council Tax Single Person Discount)	Undeclared additional residents in household	Fraud/irregularity proven	2,769

Housing Benefit	Claiming in two different local authority areas	A benefit claim was made in two different areas (RCT and Carmarthenshire) for the same period. Fraud/irregularity proven	919
Parking Permits	False obtaining of a permit by disclosing their business premises to be where they resided	The permit holder was visited unannounced by Fraud officers and his permit was confiscated and he was instructed to move his vehicle to avoid a penalty charge.	The Permit can be reallocated appropriately.

***Note:** there are a 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 and on-going monitoring, 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 2019/20 will ensure the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventative measures capable of identifying and addressing new threats.

Appendix 1

Anti-Fraud, Bribery & Corruption Plan 2019/20

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 continue to raise awareness of the team and the role they undertake and support they provide.	Link with Human Resources around the Induction of new employees. Jointly work through the Actions identified following the previous Audit Committee.	A staff survey was undertaken during November / December 2018 which reported relatively low numbers of staff being aware of the Corporate Fraud Team and the role it carried out.
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.	On-going
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.	On-going
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.	On-going

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 are currently 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 now underway. 7,398 matches received across 83 datasets. <ul style="list-style-type: none"> • 1,721 processed to date • 67 cases being investigated.
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 29 th April 2019 for RCT.
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 received reports that a school within a neighbouring authority has received an e-mail purporting to indicate that they are to be the beneficiary of a 'donation' and in order to receive this, the school must provide financial information relating to their bank details. The e-mail was reported in the following form;

"Good morning

We hope to find you are well and to let you know that one of our donors has nominated your school for a donation.

The good news is we have completed our checks and you are already set up on our system. However so we can send your donations quickly and securely via BACs, we need your bank details.

To allow us to do this and abide by UK anti money laundering rules and to minimise any risk, we require a scanned copy of a void cheque, paying in slip or bank statement dated within 6 months, showing the name of the school.

Please reply to this email within the next 7 days and we can get it all set up for you.

Your beneficiary account is: XXXXXXXXXXXXXXXXXXXX Please keep this number safe, as you'll need to write it on any CAF Vouchers you receive, before you send them in or quote on any correspondence with us.

If you need a little help please call us on XXXXXXXXXXXXXXXXXXXX

Kind regards

XXXXXXXXXXXXXXXXXX

Validation Officer

UK Validation, Customer Services

Charities Aid Foundation"

The overriding message is to be **VIGILANT** and thoroughly check that any email address that you are dealing with is genuine and to consider whether the process the fraudster is using (i.e. providing a donation) would be undertaken that way by a genuine organisation.

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

Advice to help prevent this type of fraud

- Urgently advise all staff whom may receive such e-mails to not respond to the e-mail outlining financial account information.
- Secure and restrict access to financial records at the school to limit the chances of the school's financial information being unwittingly provided.
- Never arbitrarily respond to an e-mail of this nature without verifying the legitimacy of it, e.g. by telephoning the source.
- Even by telephoning, the level of sophistication by the perpetrators, may lull you into believing that this is genuine. Therefore, if something sounds too good, more often than not, it is.
- A genuine organisation making a donation will make their intentions far clearer and known and not just issue an e-mail expecting you to reciprocate with financial account details.
- 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:

Bronwydd

Porth

CF39 9DL

Telephone: (01443) 680508

Email: Fraud@rctcbc.gov.uk

RCT Corporate Fraud Team

FRAUD ALERT



The Council has recently received reports that schools are becoming increasingly targeted for 'Phishing Fraud'. This type of fraud involves attempts by a fraudster to deceive a person into believing that they (i.e. the person or company) are genuine. Fraudsters will often call an organisation or school pretending to be a legitimate company and asking for financial account information or for a payment to be made to a financial account set-up by the fraudster. Our relationship support manager from Barclays plc has provided the following warning;

The overriding message is to be **VIGILANT** and thoroughly check that any person

We are seeing a significant increase in fraud attacks at the moment. A recent one involved a school (not within RCT) that had been the subject of a 'Phishing Fraud', which involved paying away £37,900. The fraudster pretended to be from Barclays Fraud Team and it was only when our payments team called the school that they stopped making the payment. The fraud team have advised us that there has been a spate of these targeting schools, and I thought it was worth letting you know in case you wanted to share this with your school contacts together with the best precautions to take. Below is a reminder of what Barclays will never ask during a genuine call:-

Best practices

- Do not assume a caller is genuine because they know information about you or your company – fraudsters are skilled in collecting enough information and use technology to be convincing
- Remember that Barclays may ask you for some information, but will **NEVER:**
 - ❖ ask you for your PIN number or your full password
 - ❖ provide you with account details to make a payment
 - ❖ request you change permission levels of who can access your account
 - ❖ or request that you grant them remote access to your systems or PC

you are dealing with is genuine and from the company or organisation they say they are from.

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

Advice to help prevent this type of fraud

- Ensure all sensitive correspondence outlining financial account information is stored securely and, if necessary, disposed of responsibly by way of a company, authorised to securely destroy confidential information.
- Secure and restrict access to financial records at the school to limit the chances of the school's financial information being unwittingly provided.

- Never arbitrarily respond to a telephone call without verifying the legitimacy of it, e.g. by telephoning the source or your known contact within the company or organisation.
- Before acting, contact the Council's Corporate Fraud Team for urgent advice if you think someone is attempting to 'phish' you.
- 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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