



Counter-Fraud Annual Report 2019/20

Cardiff Council



Gweithio dros Gaerdydd, gweithio gyda'n gilydd
Working for Cardiff, working together

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1. Introduction

- 1.1. The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. This report has evolved from previous annual reports, which have focused on the work of the corporate Investigation Team, to providing a Council-wide appraisal of the Counter-Fraud issues, developments and outcomes in accordance with the Council's Counter Fraud and Corruption Strategy.
- 1.2. In preparing this report at the financial year-end, it is recognised that there is an increased risk of fraud, as criminals seek to take advantage of the opportunities presented by the COVID-19 crisis. As the Council has responded to the crisis, through providing and administering a combination of necessary financial, economic and social support, it is recognised that systems and schemes will be targeted and subject to a level of abuse by fraudsters. Directorates have been provided with information and guidance to remain vigilant. The Audit Manager, internal audit and counter-fraud colleagues have also provided critical advice and guidance to support managers in upholding an effective control environment, particularly where services have needed to be adapted or redesigned. Focus has been given to maintaining a combination of effective preventative and detective controls, and participating in a breadth of counter-fraud networks, forums, initiatives and activities, in order to continue to effectively tackle fraud.
- 1.3. The Annual Report is written, following an Audit Wales report issued to the Public Accounts Committee in respect of Counter-Fraud Arrangements in the Welsh Public Sector, and at a time when Audit Wales was concluding a further national study of arrangements in place within Local Authorities, NHS bodies and certain central government bodies. The Audit Manager has received verbal feedback in respect of Cardiff Council, through which Audit Wales has advised, that from its high-level consideration of local arrangements, it is satisfied with the arrangements in Cardiff Council, albeit the national study includes areas for development that are applicable for all local government bodies in Wales. The Audit Committee will consider an overview of the report from Audit Wales in September 2020, and the Council's management response.
- 1.4. The Head of Internal Audit has led the development and communication of the Council's Counter-Fraud and Corruption Strategy, which was approved by Cabinet in July 2019. The Strategy provides a strong corporate commitment to retain and enhance resilience in fraud risk management. This year the Strategy was supplemented by a combination organisational-wide awareness and training, to engage the whole workforce to reaffirm the responsibility of all of us to prevent, detect and report potential fraud.
- 1.5. The portfolio Cabinet Member Cllr Chris Weaver, is actively engaged in the development of counter-fraud policies and strategy, and is provided with the outcomes of exercises to examine and manage risk, including the assessments of counter-fraud, as appended to this report. The Council's Senior Management Team (SMT) have also supported a strong counter-fraud culture, with many providing personal video messages which were communicated as part of the Councils' International Fraud Awareness Week campaign in November 2019. All Directorates also participated in a fraud and corruption tracker exercise during the year, based on a model designed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This enabled a focussed verification and discussion on the volumes and values of fraud across the Council, and the pertinent areas of risk. The volumes and values of fraud are constrained within this report.
- 1.6. The Corporate Investigation Team offers support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent

measures, and policies and procedures. A cohesive approach is taken to reflect best practice, support corporate priorities and the Council in its statutory obligation under section 151 of the Local Government Act 1972. This is to ensure protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Furthermore, it supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity, such as money laundering activity.

- 1.7. This year, key officers have continued to support a Police investigation into alleged fraud within the Council. A reasonable number of investigations have been completed this year, for which details are provided in the sections on our work and impact. An additional Investigator was appointed at the end of September 2019 to provide further resilience to the Council's specialised central team.

2. Developments and Campaigns

- 2.1. There have been a number of developments and campaigns this year, designed to develop and maintain a strong counter-fraud culture across the organisation. These activities have centered on the publication and promotion of the Counter-Fraud and Corruption Strategy, which was approved by Cabinet in July 2019.
- 2.2. To embed key messages from the Counter-Fraud and Corruption Strategy, fraud awareness training has been received by over three thousand people (officers, headteachers and school governors). The training was delivered through a combination of eLearning for PC users, face-to-face training sessions for front-line staff, and targeted school briefings.
- 2.3. The Investigation Team has also worked with the Internal Audit Team, to develop control risk self-assessment (CRSA) audit methodology, which Cardiff Schools participated in during the autumn term 2019, and was followed up with targeted audit testing.
- 2.4. Between the 17-23 November 2019, the Council participated in International Fraud Awareness week. The internal campaign was supported by video messages, articles and guidance for all staff from the Head of Finance on Mandate fraud, the Head of Procurement on Procurement Fraud, and the Chief Digital Officer on Cyber Crime.
- 2.5. Towards the end of the financial year, the Head of Audit produced and circulated management information on fraud risks and mitigations at the outset of the COVID-19 pandemic. The Investigation and Audit Teams are on hand to provide active support and guidance for managers as they respond to meet the unprecedented economic and social demands of the pandemic, recognising the need to put in place a combination of reasonable preventative and detective fraud risk controls, at a time when the threat of opportunist fraud is increased.
- 2.6. Looking further into 2020/21, the Investigation Team will commence consultation and review of a draft Anti-Money Laundering Policy, which has been prepared to replace the existing policy and provide a further strengthening of governance in this area. It is proposed that the Policy will be supplemented by a package of training and support for identified staff.
- 2.7. Building on the success of the approach initiated this year, an awareness campaign will be launched to raise awareness of fraud risks, during the International Fraud Awareness week (15 - 21 November 2020).

3. Resources

- 3.1. To support the Counter-Fraud and Corruption Strategy, this year there has been an investment in the Investigation Team, with the appointment of an Investigator who commenced at the end of September 2019. The team now comprises 2.5 Fte, dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety. Two members of the team are professionally qualified counter fraud officer's, accredited with Portsmouth University, with the third team member being a former police officer with many years of professional expertise.
- 3.2. The training and development of all staff has been an important element of counter-fraud work this year as referred to in the following section on 'developments and campaigns'. The intention has been to maintain and improve a counter-fraud culture across the organisation, through supporting fraud risk awareness to prevent and detect cases of fraud, bribery and corruption.
- 3.3. The Head of Internal Audit supports Senior Officers in the investigation of allegations of fraud and financial impropriety either directly, or through the assignment of a member of the Investigation Team. The Investigation Team provides the capacity to conduct criminal and civil investigations, and supports a process to achieve consistent sanctions and recovery. Wider capacity to investigate cases of employee misconduct is maintained through a pool of Investigating Officers who are provided with professional internal training and support.
- 3.4. The planned and actual number of days applied by the corporate Investigation Team in 2019/20 are shown in the table below. The planned activity is used for indicative purposes only, as the majority of the teams' work continues to be responsive to risk, and the investigation of cases of potential fraud and impropriety identified through data matching exercises and referrals received. The reasons for notable variances from planned time were as follows:
- More time was applied than planned on fraud awareness, in addition to wider policy development, through engagement with senior management in a fraud and corruption tracker exercise, and fraud awareness week preparations for all staff.
 - The majority of planned training was delivered, although some fraud awareness training events scheduled for March 2020 needed to be cancelled due to the COVID-19 pandemic;
 - The administration of NFI data was completed as planned, but in less time than allotted;
 - The capacity to identify and progress council tax liability and tenancy fraud cases, and to support employee investigation cases increased following the appointment of an Investigator at the end of September 2020;
 - The council tax reduction, tenancy fraud and ad hoc unplanned investigation variances represent the difference between the judgement of potential cases at the beginning of the year, and the actual cases received / identified.

	Planned Days	Actual Days
Strategic	80	63
Awareness, Planning, Policies & Procedures	22	30
Training Development	20	8
Training Delivery	17	11
NFI Administration	15	10
Police Liaison / Intelligence	3	3
Working groups	3	1

	Planned Days	Actual Days
Operational	296	358
Council Tax liability	135	170
Employee Investigations	67	119
Council Tax Reduction	30	38
Tenancy Fraud	35	19
Ad hoc unplanned investigations	15	10
Internal - Advice and Guidance	12	1
Other	2	1
Total	376	421

3.5. A Blue Badge pilot exercise was also established this year with the Planning Transport and Environment directorate and a third party provider, through which investigators were engaged from May 2019 to work for two days a week to identify, investigate and progress sanctions for abuse of the scheme.

4. Work and Collaboration

4.1. The Council has participated in a combination of National Fraud Initiative (NFI) data matching exercises and reactive investigation work to identify and review potential frauds and irregularities. Professional networks are in place to work with other local authorities to share intelligence and best practice externally, and the corporate Investigation Team has provided specialist internal guidance, training and support.

4.2. This year, specialist internal advice has continued to be sought, and has been provided on twenty-two occasions, compared to thirty in 2018/19. Requests originated from a number of different teams, covering topics such as data matching, preliminary investigations, gathering evidence, conducting investigations, and prosecutions. Through corporate exercises, such as the fraud and corruption tracker, the reasons for reduced levels of advice sought will be explored, which may represent improved awareness and maturity for self-management, a change to the level of fraud activities, or other factors to be considered.

4.3. On behalf of the Council's Academy, the Investigation Team has continued to develop and deliver the mandatory Disciplinary Investigating Officer training for which performance is recorded in the following table.

Investigating Officer training	2017/18	2018/19	2019/20
Number of attendees	78	75	53
Number of sessions	11	9	5
% satisfied	100%	100%	100%

4.4. Disciplinary investigation note taker training has also continued to be delivered by the Investigation Team through 2019, for which performance is recorded in the following table.

Note Taker training	2017/18	2018/19	2019/20
Number of attendees	31	24	9
Number of sessions	4	3	1
% satisfied	100%	100%	100%

4.5. The aim of the training summarised above is to ensure a Disciplinary Policy Investigations are conducted to a consistently high standard. The feedback from attendees continues to provide confidence that officers feel well trained to deliver their roles, and the reducing numbers of those attending training reflects the existing provision of an established pool of trained officers. During Disciplinary Policy investigations where there is an allegation of financial impropriety or fraud, a member of the Investigation Team is allocated to each case with a view to support consistency and quality, through providing advice, guidance and support.

4.6. Responsive work takes up the majority of the time of the Investigation Team and relates to referrals from various sources, including, members of the public, Council employees as well as anonymous referrals.

4.7. The work of the Investigation Team comprises the following primary elements:

Corporate Investigations	Dealing with internal matters relating to staff (fraud, bribery, corruption, financial impropriety), misuse of council services/ assets. Part of the work of the team is to assist in improving systems and controls compromised by abuse and to assist the audit function, in the identification of areas of identified risk. There is also a commitment to develop training and awareness within the Council.
National Fraud Initiative (NFI)	In addition to investigating referred cases, the team also undertakes various proactive exercises including, a biannual proactive data matching exercise run by the Cabinet Office / Audit Wales, in which each local authority participates. These exercises generate a substantial volume of ongoing work in respect of Council Tax, with Council Tax Liability cases representing the highest volume of work, and with increasing Council Tax Reduction cases.
Intelligence	Reviewing and risk assessing allegations of impropriety, utilising access to Council systems and outside data sources, including credit reference agencies.
Social Housing Investigations	Dealing with allegations of tenancy fraud, including subletting / abandonment and Right to Buy applications.
Blue Badge Investigations	Dealing with allegations of fraudulent misuse of the scheme, within Cardiff. This year the Planning Transport and Environment directorate have established an initiative with a third party to deliver targeted work in this area. Details of the initiative and its results are contained within this report.

4.8. Three hundred and eighty one cases were identified in 2019/20, compared to two hundred and twenty six the previous year. Two hundred and thirty eight investigations were concluded during the year, compared to one hundred and ninety seven last year. The pertinent reasons of the differences in activity were as follows:

- The number of cases identified for investigation represents as a positive outcome from the extensive Council-wide fraud training and awareness campaign this year;
- A proactive Blue Badge pilot exercise was also established this year with the Planning Transport and Environment directorate and a third party provider, increasing activity;
- In the final months of 2019/20 an auditor was assigned to complete some focussed NFI work, which generated a number of Council Tax Liability cases for which investigation commenced at the year end and will conclude in 2020/21;
- Whilst the appointment of an Investigator at the end of September 2020 enabled the progression of a number of council tax liability and tenancy fraud cases, the investigator had a high active case load of investigations which will conclude in 2020/21;
- With the new investigative resource from the mid-year, Council Tax Reduction referrals steadily increased, a number of referrals were also generated by the team as a result of National Fraud Initiative (NFI) matches, in respect of Council tax liability queries;
- NFI work also generated fifty-seven cases of the cases categorised as “other”, these related to Pensions and Personal Budgets.

4.9. The majority of investigation cases continue to be generated in respect of Council Tax Liability issues through reviewing NFI matches. Council Tax fraud could be when a person claims to live in a single adult household when more than one adult lives there, or they might claim to be a student when they are not. Referrals may be received from the Council Tax Team, members of the public or via data matching.

Cases	2017/18		2018/19		2019/20	
	Identified	Concluded	Identified	Concluded	Identified	Concluded
Council Tax Liability	85	94	122	117	145	73
Insurance	40	22	36	36	26	47
Employee Misconduct	16	18	47	24	18	32
Council Tax Reduction	9	9	9	8	36	31
Blue Badge	2	2	2	3	71	28
Tenancy	11	16	7	7	19	15
Other Cases	5	12	3	2	66	12
Number of Cases	168	173	226	197	381	238

4.10. Seventy-three Council Tax Liability investigations were completed, compared to one hundred and seventeen last year. A number of active cases are ongoing at the year-end, which were identified through reviewing the annual NFI Council Tax to Electoral Register data matches, which are released each December. These matches identify Council Tax accounts (single adult households) receiving a single person discount where the Electoral Register identifies that there is more than one adult at the property. Between December 2018 and March 2020, seven hundred and ninety seven matches were reviewed for it to be determined if a formal investigation is necessary or if the discount was received in error.

- 4.11. Forty-seven cases have been concluded in respect of insurance claims. In these cases, insurance payments were made at a reduced rate where elements of claims were not supported, and in other cases insurance claims were withdrawn.
- 4.12. Thirty-two investigations have concluded relating to employee misconduct. The allegations included: abuse of position, failure to manage staff, failure to safeguard the Council, overtime – inflated claims, corruption, theft, working whilst sick.
- 4.13. Thirty-one Council Tax Reduction investigations were concluded, compared to eight last year. Council Tax Reduction is classed as a local benefit; however, recipients may also be in receipt of a national benefit, for example, Universal Credit, Housing Benefit, Pension / Tax Credits. In these cases, fraud referrals are sent to the DWP to investigate.
- 4.14. As referred to above, a Blue Badge pilot exercise has been established this year with the Planning Transport and Environment directorate and a third party provider, whereby external investigators work two days a week. Between May 2019 and the end of March 2020 as a result of the exercise seventy-one were seized. The majority of badge seizures were as a result of a vehicle being parked, whilst the Blue Badge holder was not present.
- 4.15. Fifteen tenancy investigations were completed, compared to seven last year.
- 4.16. Officers actively collaborate in available groups and forums in order to continue to understand fraud risks, trends and best practice approaches to prevent and detect fraud.

Groups & forums attended (2019/20)	Wales Fraud Officers Group - the Group Auditor (Investigations) engages in quarterly meetings, for networking and sharing best practice and proactive initiatives.
	Welsh Chief Auditor's Group - The Audit Manager attends these meetings, where strategic and operational fraud matters are discussed.
	National Anti-Fraud Network (NAFN) - Cardiff Council is a member of the NAFN, which acts as a hub for the collection, collation and circulation of intelligence alerts. NAFN is recognised as an expert provider of data services by the Interception of Communications Commissioner's Office, the Home Office, the DWP and the DVLA amongst others.
	Wales Fraud Forum & Audit Wales Good Practice Exchange – Lead counter-fraud officers attend these events for best practice advice and insight.

5. Impact

Council Tax Liability

- 5.1. Council Tax Liability investigations concluded during the year identified £42,038 of under charged liability, due to be recovered.

Council Tax Liability	2017/18	2018/19	2019/20
Investigations concluded	94	117	73
Overpayment Identified	£58,000	£63,500	£42,038

- 5.2. The National Fraud Initiative, data match investigations concluded resulted in thirty-seven Council Tax liabilities being amended and the Council Tax department issuing revised bills, increasing liabilities by £15,939.

Insurance

- 5.3. The Insurance Team has worked with their claims handler to quantify the value of prevented insurance claims due to fraud or error.

Insurance	2017/18	2018/19	2019/20
Investigations concluded	22	36	47
Prevented payments	£222,008	£473,678	£531,898

- 5.4. In the majority of cases, the prevented payments are represented by claims, which were either withdrawn by claimants, or were considered as exaggerated claims which were subsequently paid at a reduced rate.

Employee Investigations

- 5.5. Thirty-two employee investigations were concluded; this resulted in 1 verbal warning, 1 written warning, 2 final written warnings and 6 dismissals. Additional, corrective action, and a number of management recommendations were made, in order to improve systems and controls.

Council Tax Reduction

- 5.6. Council Tax Reduction investigations resulted in overpayments of £25,911, to be recovered.

Council Tax Reduction	2017/18	2018/19	2019/20
Investigations concluded	9	8	31
Overpayment Identified	£16,000	£11,909	£25,911

Blue Badges

- 5.7. Twenty five Blue Badge cases have progressed through the courts, two received a simple caution and twenty three were fined:

	Fine	Costs	Surcharge	Total
Total:	£3,682	£6,200	£718	£10,600

Tenancy

- 5.8. In addition, fifteen tenancy investigations were completed, compared to seven last year. As a result, one individual was removed from the waiting list.

Other

- 5.9. Of the twelve 'other' cases concluded, 1 related to a deceased pensioner, for which £8,540 was identified for recovery, and 2 cases represented the conclusion of historic insurance claims with the Council's previous claims handler.

6. Fraud Measurement and Assurance

- 6.1. The Counter-Fraud and Corruption Strategy sets out the approach taken to measure the fraud risk with Cardiff Council, which is built upon national trends and intelligence and Council specific intelligence, which includes management and internal audit assurance, data matching and analysis through participation in the National Fraud Initiative Cabinet Office exercises, and disclosures in the public interest through the Council's whistleblowing scheme.

- 6.2. The Council has made a proper assessment of its fraud and corruptions risks, with the overarching position represented on, and managed through the corporate risk register. The corporate risk of 'fraud, bribery and corruption' is subject to ongoing monitoring and management. The risk has been updated on at least a quarterly basis for SMT consideration and Audit Committee review, with the position considered by Cabinet twice a year.

- 6.3. A number of methods are used to identify and respond to the risk of fraud and corruption:
- **Annual assessment against the ‘Fighting Fraud and Corruption Locally Strategy 2020’, and the Governments’ twelve ‘Functional Standards’.** Further information on these is provided in the following paragraphs;
 - **Participation in the CIPFA fraud and corruption tracker.** This year, the tracker was responded to by each directorate management team, with the overall position considered and agreed in SMT. The process enabled a coordinated assessment and validation of fraud and corruption risks and data, and provided an opportunity for directorates to consider the position in respect of their directorate risk assessment, and make appropriate updates;
 - **Senior Management Assurance Statements on fraud, bribery and corruption risk management on a twice-yearly basis.** Prior to each director submitting a senior management assurance statement of their maturity in this area, they are required to review the position with their respective management teams. The responses this year have been subject to a level of verification by the corporate Investigation team, to inform directorate feedback.

Fighting Fraud and Corruption Locally Strategy 2020

- 6.4. As referred to above, the Investigation Team has reviewed the Council’s position in respect of counter-fraud through the use of two public sector checklists. Firstly, an assessment has been made against the ‘Fighting Fraud and Corruption Locally 2020 Strategy’. The strategy has been for English Local Authorities supported by CIFAS and CIPFA, to provide *“a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.”*
- 6.5. A high-level assessment against the senior stakeholder checklist is included in **Annex 1**, followed by the detailed checklist of thirty-seven points for which the Council’s self-assessment results are included in **Annex 2**. The self-assessments have provided general comfort in the strength of the counter-fraud approach in the Council and has reinforced the ongoing approach to Council-wide training and awareness as important cornerstones of the corporate counter-fraud response. It has reaffirmed the importance of the approach ongoing to coordinate fraud and corruption risk assessments, to communicate effectively on risk identification and awareness, and to review cases of proven fraud for lessons learned purposes. These areas are carried forward onto the ongoing Counter-Fraud Action Plan.

Functional Standards

- 6.6. In 2017, the Government launched a set of twelve “functional standards” for counter fraud, detailing the main components government organisations should have in place to deal with fraud effectively. The functional standards for counter fraud were developed by a senior group of fraud experts in government. They were approved by the finance leaders group and were launched by the minister for the constitution in 2017. The standards apply to all government departments and their arms-length bodies.
- 6.7. The Council’s position has been reviewed against the twelve Functional Standards. The self-assessment results are included in **Annex 3**. The self-assessment provided general assurance that the Council has strong foundations in place to deal with fraud effectively.

Counter-Fraud and Corruption Tracker

- 6.8. In May 2019, CIPFA conducted its latest annual Counter-Fraud and Corruption Tracker survey, the aim being to create a national picture of the amount, and types of fraud carried out against local authorities. In the results subsequently published it has recommended that:
- Public sector organisations must remain vigilant and determined in identifying and preventing fraud throughout their procurement processes;
 - Effective practices for detecting and preventing fraud should be shared and adopted across the sector. Fraud prevention should be embedded in 'business as usual' across an entire organisation to improve the effectiveness of preventative measures;
 - All staff, across all public sector work functions, should receive fraud awareness training in order to better identify fraud risks, fraud attempts and implement effective controls;
 - All organisations should ensure that they have strong counter fraud leadership at the heart of senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively;
 - Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement bodies and third party experts;
 - Where counter fraud functions are decentralised within an authority, counter fraud leads should ensure effective inter-departmental collaboration (i.e. between housing, IT (cyber security), revenues, etc.). For some authorities, necessary collaboration could be achieved through the formation of a counter-fraud working group;
 - The importance of the fraud team's work should be built into both internal and external communication plans. Publicly highlighting a zero tolerance approach can work to improve the reputation and budget position of authorities.
- 6.9. The CIPFA fraud tracker 2019 was reviewed by SMT on 14 January 2020 together with their individual responses on a directorate basis against an internal fraud tracker for the 2019/20 mid-year position. SMT recognised many of the trends in cases of fraud reported nationally in local authorities, and reinforced the importance of the ongoing commitment to the prevention and detection of fraud, built on the ongoing strategic approach underway for Council-wide training and awareness. The national data on fraud trends, volumes and values has informed ongoing risk assessments within directorates, and the programming of internal audit work.

Action Plans

- 6.10. The Investigation Team Annual Report 2018/19 contained an action plan arising from the strategic intentions in respect of counter-fraud activity, informed by the year-end assessment against the functional standards and the review of the Fighting Fraud and Corruption Strategy in place at the time. Progress against the action plan was monitored throughout the year, and an interim update was provided to the Audit Committee in its meeting on 21 January 2020. The year-end position is included within **Annex 4**, in which two actions are reported as completed and six, which were of an ongoing nature, are reported as in place and to continue.
- 6.11. The ongoing Counter-Fraud Action Plan is included within **Annex 5**, which follows the review of the previous action plan progress and the self-assessments of fraud and corruption through the aforementioned checklists and exercises. The action plan contain seven actions overall, six actions of an ongoing nature from the previous year's action plan, and a further action to continue to complete the counter-fraud and corruption tracker annually via the senior management team.

7. Investigation Plan 2020/21

7.1. Looking forward to 2020/21, there are four hundred and ninety four chargeable days available in the plan based on the current resources available, these have been indicatively split between strategic (80 days) and operational activities (414 days) as summarised within the table below:

Strategic (Planned Days)	80
Policy and procedure review / planning	25
Fraud awareness	20
Training development / delivery	20
National Fraud Initiative	10
Police liaison / intelligence sharing / working groups	5

Operational (Planned Days)	414
Council tax liability	180
Employee misconduct (disciplinary investigations)	100
Business Grants	50
Council tax reduction	30
Other fraud (Ad hoc and contingency)	30
Tenancy fraud	20
Advice and guidance	4

NB – Audit Manager time is not included within the above apportionment.

7.2. The Planning, Transport and Environment Directorate is reviewing its officer resources in respect of Blue Badge Fraud, and looking to commission ongoing external support in 2020/21.

Fighting Fraud and Corruption Locally (FFCL) 2020

Senior stakeholders - Checklist

The Chief Executive

Expectations
Ensure that your authority is measuring itself against the checklist for FFCL
Is there a trained counter fraud resource in your organisation or do you have access to one?
Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?
<i>Commentary – The above mechanisms and arrangements are in place, as outlined in more detail within the following FFCL checklist</i>

The Section 151 Officer

Expectations
Is there a portfolio holder who has fraud within their remit?
Is the head of internal audit or counter fraud assessing resources and capability?
Do they have sufficient internal unfettered access?
Do they produce a report on activity, success and future plans and are they measured on this?
<i>Commentary – The above mechanisms and arrangements are in place, as outlined in more detail within the following FFCL checklist</i>

The Monitoring Officer

Expectations
Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?
<i>Commentary – Audit Committee induction training provided, further training / information to be delivered to Audit Committee Members based on the CIPFA knowledge and skills framework, within best practice guidance. All Elected Members can access the Fraud Awareness training module. The Investigation Team is independent, and produces progress reports for Audit Committee consideration at least quarterly.</i>

The Audit Committee

Expectations
Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
Should support proactive counter fraud activity
Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.
Commentary – <i>The above mechanisms and arrangements are in place, as outlined in more detail within the following FFCL checklist. Additional information and details are included within the Annual Report to appropriately inform the Audit Committee.</i>

The Portfolio Lead

Expectations
<i>Receives a regular report that includes information, progress and barriers on:</i>
The assessment against the FFCL checklist
Fraud risk assessment and horizon scanning.
Commentary – <i>The Portfolio Cabinet Member (Councillor Weaver) receives corporate risk information, and has been provided with the completed FFCL checklist, the Functional Standards self-assessment from this report, and the results of the Fraud and Corruption Tracker exercise.</i>

Fighting Fraud & Corruption Locally 2020 Checklist

Self-Assessment

Checklist		Position	Action Required
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	<p>In December 2019, all directorates contributed to a risk assessment of their respective fraud and corruption risks. Each directorate assessed their position against the CIPFA fraud and corruption tracker, and all results were considered in SMT on 14th January 2020.</p> <p>Directorates undertook to add relevant risks to their risk registers, as appropriate, and the Audit Manager reported the position to Audit Committee in the meeting of 21 January 2020.</p> <p>Any actions resulting from risk assessments as a corporate level of fraud and corruption are included within the corporate risk register, which is owned by the SMT, and is regularly reported to the Audit Committee and Cabinet.</p> <p>Directors respond to an assurance statement twice a year in respect of fraud, bribery and corruption as part of the Senior Management Assurance Statement (SMAS) process. The Investigation Team reviewed and provided commentary on the mid-year responses 2019/20 and will continue to provide periodic supporting reviews.</p>	Annex 4 – Action 1.
2	The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon	Each directorate considered their fraud and corruption risks through participating in the CIPFA fraud and corruption tracker exercise in December	Annex 4 – Action 2.

	scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.	<p>2019. This assessment included the consideration of the wider impact of fraud.</p> <p>December 2019 was the first time that each Directorate was asked to participate in the exercise collectively, through which Council and UK-wide local authority trends on the volumes and values of prevented and detected fraud were circulated. It is intended for this Council-wider review and information sharing to take place on an annual basis going forward for awareness, and SMT oversight of consistency in response.</p>	
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.	The Investigation Team Annual Report includes the assessment against the FFCL checklist and in consideration of the wider strategy.	Annex 4 – Action 3.
4	The relevant portfolio holder has been briefed on the fraud risks and mitigation	<p>The portfolio Cabinet Member is named against the corporate risk of fraud bribery and corruption, and kept engaged on the current mitigation and planned further activities and response. The strategic response to the risk of fraud is co-ordinated through the Counter-Fraud and Corruption Strategy, which was approved by the Cabinet in July 2019.</p> <p>The Portfolio Cabinet Member (Councillor Weaver) receives corporate risk information, and has been provided with the completed FFCL checklist, the Functional Standards self-assessment from this report, and the results of the Fraud and Corruption Tracker exercise.</p>	

5	The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources	The Audit Committee receives an annual plan of the proactive and reactive areas of work for the Investigation Team each year, and progress reports in each Committee meeting on the work and outcomes of counter-fraud work. The Audit Committee self-assessed their counter-fraud performance as effective in their self-assessment in January 2020.	
6	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	The Counter-Fraud and Corruption Strategy included a requirement for all officers to undertake fraud awareness training for which progress is being monitored, and for the Council to participate an international fraud awareness week communication campaign, which took place in November 2019.	
7	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	The key operational policies and arrangements, and the frequency of their review, are set out in the Counter-Fraud and Corruption Strategy.	
8	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	The risk of fraud, bribery and corruption is included on the corporate risk register, with the assessment and actions formally reported on quarterly.	
9	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Responses from directorates as part of the recent fraud and corruption tracker return considered that this was effectively in place.	

10	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	The Council has a 'publicity policy' for cases of proven fraud.	
11	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	The Audit Committee receives a progress report in each Committee meeting, which provides details the proactive and reactive work, the number and nature of referrals, ongoing cases, closed cases, and the outcomes.	
12	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality.	The Council has codes of conduct and registers of interest, gifts and hospitality. Each of these areas require monitoring by management, as well as review by the Standards and Ethics Committee and routine audit by the Internal Audit Service.	
13	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially	The Council requires that appropriate vetting is required by staff prior to employment, undertaken by management, with the support of HR People Services. The recruitment process is subject to Internal Audit for assurance on these controls.	

	dishonest employees from being appointed.		
14	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	The requirement for Members and Officers to make appropriate personal, business, gifts and hospitality disclosures are communicated and subject to Internal Audit.	
15	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	A number of communication campaigns have been introduced to provide a base level of understanding of fraud risks and the counter-fraud culture required across the organisation. This has been primarily delivered through the roll out of mandatory fraud awareness training and the focus in fraud awareness week on key areas of fraud (mandate fraud, procurement fraud and cyber crime). All corporate training has been designed and facilitated by the Council's counter-fraud experts.	Annex 4 – Actions 4 & 5
16	There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	The Council's Monitoring Officer maintains the whistleblowing policy. The Standards and Ethics Committee is provided with information to enable them to monitor the number and nature of cases, their progress and outcomes.	
17	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.	Contractors are made aware of the Council's whistleblowing policy as part of standard contracts, through which they can make a disclosure in the public interest.	
18	Fraud resources are assessed proportionately to the risk the local	Fraud resources are monitored in respect of the risk of fraud. To support the resilience of the small corporate Investigation Team, a pool of Investigating Officers have been formally trained to conduct professional internal	

	authority faces and are adequately resourced.	investigations in accordance with the Council's disciplinary, and fraud, bribery and corruption policies.	
19	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The annual fraud plan is considered by the Audit Committee each year, which reflects risks and covers all areas of Council business. The plan indicates the proportion of time expected to be used in respect of strategic and operational work, and any comments from Audit Committee are accounted for in the deployment of the team. The Investigation Team needs to be responsive to risk and referrals, through which the actual work completed and the outcomes are reported to the Audit Committee in each meeting.	
20	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	The investigation Team provides progress reports on the work and outcomes of the work led by the team. The outcomes of the small number of areas where work is led outside of the team, namely insurance investigations, and a pilot blue badge initiative with a third party, are periodically collated and reported to Audit Committee.	
21	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	
22	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.	There is a Publicity Policy in place to guide the approach to publicising fraud and corruption cases internally and externally, supported by the Council's Communications Team.	

23	All allegations of fraud and corruption are risk assessed.	All allegations of fraud and corruption are subject to a preliminary assessment, through which the allegations and associated risk are assessed.	
24	<p>The fraud and corruption response plan covers all areas of counter fraud work:</p> <ul style="list-style-type: none"> – prevention – detection – investigation – sanctions – redress. 	<p>The fraud and corruption response plan covers all areas of counter fraud work:</p> <ul style="list-style-type: none"> – prevention – detection – investigation – sanctions – redress. 	
25	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	The Audit Manager, prepares the Internal Audit Plan and the Fraud Plan. Both plans are co-ordinated to target and receive assurance on areas of risk. The Audit Plan is communicated with SMT, as are the priorities in respect of the Investigation Team’s proactive and reactive planned work.	
26	Asset recovery and civil recovery are considered in all cases.	Asset recovery and civil recovery are considered in all cases.	
27	There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.	There is a zero tolerance approach to fraud and corruption that is defined in the Counter-Fraud and Corruption Strategy, and associated policies, which are monitored and considered by the Audit Committee. .	

28	There is a programme of proactive counter fraud work which covers risks identified in assessment.	The proactive work is informed by risk, and intelligence, whether it involves the focus / deployment of training and awareness campaigns, to targeted data matching exercises.	
29	The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	The Investigation team works jointly with other enforcement agencies, including the Police, Cabinet Office, DWP, and a range of professional networks.	
30	The local authority shares data across its own departments and between other enforcement agencies.	The local authority shares data across its own departments (such as procurement, legal, Council Tax, Finance (Inc. Audit and Investigation Teams), and between other wider agencies (including the DVLA, Cabinet Office / National Fraud Initiative, Home Office, Police, DWP).	
31	Prevention measures and projects are undertaken using data analytics where possible.	The Investigation Team co-ordinates and actively participates in the National Fraud Initiative data matching exercises. The Investigation and Internal Audit Teams continue to advocate Directorate use of data analytics in the processing of applications across the Council.	Annex 4 – Action 6.
32	The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.	<i>n/a – English LA's only</i>	
33	The counter fraud team has access to the FFCL regional network.	<i>n/a – English LA's only</i>	

34	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	Counter-Fraud work is undertaken by the Investigation Team, who are professionally trained and suitably accredited.	
35	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	The counter fraud team has adequate knowledge in all areas of the local authority.	
36	The counter fraud team has access (through partner-ship/ other local authorities/or funds to buy in) to specialist staff for: – surveillance – computer forensics – asset recovery – financial investigations.	The counter fraud team has access (through partner-ship/ other local authorities/or funds to buy in) to specialist staff for: – surveillance – computer forensics – asset recovery – Financial investigations.	
37	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and appropriate mechanisms are used to feedback improvements to fraud-proof systems to directorates, such as action plans resulting from investigations, or separate Internal Audit engagements and associated recommendations in the event of ongoing control gaps.	Annex 4 – Action 7.

Functional Standards – Self-Assessment

The Functional Standard sets out the basics that public bodies should have in place to find and fight fraud. All public bodies should understand and seek to meet the standard.

Functional standards		Position	Action Required
1	Have an accountable individual at Board level who is responsible for counter fraud, bribery and corruption	The Section 151 Officer as a member of the Senior Management Team is responsible for the prudent management of the Council’s financial affairs and oversees the counter fraud, bribery and corruption response led by the Internal Audit Investigation Team and overseen by the Audit Manager.	
2	Have a counter fraud, bribery and corruption strategy that is submitted to the centre	The Counter Fraud and Corruption Strategy was approved by Cabinet in July 2019.	
3	Have a fraud, bribery and corruption risk assessment that is submitted to the centre	A corporate risk on Fraud, Bribery and Corruption is reviewed by the Senior Management Team and Audit Committee quarterly and reported to Cabinet twice a year.	
4	Have a policy and response plan for dealing with potential instances of fraud, bribery and corruption	There is a robust counter-fraud policy framework in place, as summarised in the Counter-Fraud and Corruption Strategy.	
5	Have an annual action plan that summarises key actions to improve capability, activity and resilience in that year	Counter-Fraud Response Plan sets out the key actions and activities, and their frequency. The Corporate Risk register also includes the mitigations in place and planned to develop and maintain counter fraud resilience.	

6	Have outcome-based metrics summarising what outcomes they are seeking to achieve that year. For organisations with 'significant investment' in counter fraud or 'significant estimated' fraud loss, these will include metrics with a financial impact	The values of detected fraud and the nature of the fraud detected is included in the regular Investigation Team progress reports to Audit Committee. Progress is also visible against the targeted actions within the corporate risk register.	
7	Have well established and documented reporting routes for staff, contractors and members of the public to report suspicions of fraud, bribery and corruption and a mechanism for recording these referrals and allegations	Comprehensive reporting mechanisms are in place and well documented on the Council's website and within the Counter-Fraud and Corruption Strategy.	
8	Will report identified loss from fraud , bribery, corruption and error, and associated recoveries, to the centre in line with the agreed government definitions	Identified loss from fraud is recorded and reported to Audit Committee. Recovery rates are reported as performance information across the Council. Any significant fraud cases reported in detail to the Audit Committee and Senior Management, and a fraud tracker has been introduced for all Directors to provide a return at least annually to validate corporate information, and for co-ordinated SMT risk assessment and review.	
9	Have agreed access to trained investigators that meet the agreed public sector skill standard	The Investigation Team is small, but contains a well trained and experienced investigations manager (Group Auditor – Investigations), Investigator, and Investigations Assistant.	

10	Undertake activity to try and detect fraud in high risk areas where little or nothing is known of fraud, bribery and corruption levels, including loss measurement activity where suitable	<p>Management are responsible for reviewing fraud risks and maintaining appropriate controls. Internal audit staff, test controls focussing on high risk areas.</p> <p>The Investigation Team co-ordinate and lead participation in NFI data matching to detect potential fraud in many high-risk areas.</p>	
11	Ensure all staff have access to and undertake fraud awareness, bribery and corruption training as appropriate to their role	<p>Fraud awareness eLearning training is mandatory for all Council staff. Audit Committee Members are due to receive focussed counter-fraud training.</p>	
12	Have policies and registers for gifts and hospitality and conflicts of interest	In place.	

Action	Target	Position as at April 2020
<p>1.</p> <p>Twice a year, the Investigation Team to review directorate:</p> <ul style="list-style-type: none"> • responses to their assurance statements on the prevention and detection of fraud • risks relating to fraud, bribery and corruption risks, to provide advice and guidance. 	<p>Twice yearly</p>	<p>In place and ongoing</p> <p>The Investigation Team participated in a review of the mid-year Senior Management Assurance Statements, and provided an independent consideration of the responses in respect of the prevention and detection of fraud, informed by the work and knowledge of the Team.</p> <p>In respect of risk reviews, the decision was made to engage all directorates in the fraud tracker exercise, in which directorates are required to identify their most significant risks of fraud, bribery and corruption. As an outcome of the exercise, many directorates have taken actions to update their risk registers in respect of the matters identified. The Investigation Team will consider the recording and management of these risks in 2020/21.</p> <p>The action will be adjusted to an annual frequency from 2020/21, recognising the work completed in 2019/20, and the work of internal audit in reviewing governance and risk management annually.</p>
<p>2.</p> <p>A documented assessment against the Fighting Fraud and Corruption Locally checklist to completed annually, and included in the Investigation Team Annual Report.</p>	<p>Following each financial year-end</p>	<p>In place and ongoing</p> <p>Documented assessments were completed against the Fighting Fraud and Corruption Locally checklist and the Government’s twelve Functional Standards for counter-fraud following the 2019/20 financial year-end. These assessments will be completed again following each financial year-end, and are included in the respective Counter-Fraud Annual Reports.</p>

3.	Awareness campaign for the launch of the Counter Fraud and Corruption Strategy and roll out of mandatory eLearning.	July 2019	<p>In place and ongoing</p> <p>To embed key messages from the Counter-Fraud and Corruption Strategy, fraud awareness training has been received by over three thousand people (officers, headteachers and school governors). The training was delivered through a combination of eLearning for PC users, face-to-face training sessions for front-line staff, and targeted school briefings.</p>
4.	Participate in International Fraud Awareness Week in November each year, working with the Council's Communications Team.	November 2019	<p>In place and ongoing</p> <p>Cardiff Council participated in International Fraud Awareness Week (17-23 November 2019), supported by messages and guidance for all staff from the Head of Finance on Mandate fraud, the Head of Procurement on Procurement Fraud, and the Chief Digital Officer on Cyber Crime.</p> <p>There is a commitment to participate in the International Fraud Awareness Week in 2020.</p>
5.	The use of data matching intelligence at the point of processing Council applications will be tested and advocated through the Internal Audit regime.	Ongoing	<p>In place and ongoing</p> <p>Internal Auditors were briefed in May 2019 on the expectation to consider the feasibility of services using data matching intelligence at the point of processing Council applications.</p>
6.	In instances of proven fraud and corruption, a post fraud review will be prepared once all associated civil and legal activities have concluded, for reporting to SMT and the Audit Committee, for lessons to be learned	Ongoing	<p>In place and ongoing</p> <p>In respect of cases of proven corporate fraud, post fraud reviews will take place as appropriate, from which the findings and relevant actions will be shared with SMT and Audit Committee as appropriate.</p>

			Internal Audit engagements will continue to be targeted in high-risk areas, mindful of any concerns or allegations raised in respect of the Council's control environment.
7.	The level of fraud information reported to SMT to expand.	From 2019	Q2 Completed The Fraud Tracker Exercise was undertaken in Q3 and results were reported to and considered by SMT on 14 January 2020. It is planned for this activity to take place each year, and for the audit manager to continue to provide updates to SMT on fraud information, as appropriate.
8.	The Investigation Team will await any Audit Wales recommendations from their ongoing reviews of Counter-Fraud, and respond accordingly.	July 2019	Completed No specific recommendations or improvement areas were received as a result of the work completed on phase one of the study. Audit Wales are completing the second part of their work, and any areas for improvement will be considered and appropriately responded to.

Counter-Fraud Action Plan for 2020/21

Annex 5.

Action	Target
<p>1. On an annual basis, the Investigation Team to review directorate:</p> <ul style="list-style-type: none"> • responses to their assurance statements on the prevention and detection of fraud • risks relating to fraud, bribery and corruption risks, to provide advice and guidance. 	Annually
<p>2. The Audit Manager to co-ordinate participation in a corporate fraud tracker exercise with SMT on an annual basis.</p>	Annually
<p>3. A documented assessment against the Fighting Fraud and Corruption Locally checklist to completed annually, and included in the Counter-Fraud Annual Report.</p>	Following each financial year-end
<p>4. Audit Manager to support requests for counter-fraud training, and to monitor and report on the completion of the mandatory Fraud Awareness Training eLearning module.</p>	Ongoing
<p>5. Participate in International Fraud Awareness Week in November each year, working with the Council’s Communications Team.</p>	November 2020
<p>6. The use of data matching intelligence at the point of processing Council applications will be tested and advocated through the Internal Audit regime.</p>	Ongoing
<p>7. In instances of proven fraud and corruption, post fraud reviews will take place as appropriate, from which the findings and relevant actions will be shared with SMT and Audit Committee as appropriate</p>	Ongoing