

Counter Fraud Plan  
2017/18

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## Executive Summary

**Fraud continues to be a major issue for local authorities, particularly in an era of cybercrime and increased data sharing.**

**The Audit will focus mainly on risk and identification of potential areas to strengthen using data analytics and targeted reviews.**

**There will be no additional audit fee for this work.**

**A detailed plan is set out from page 4 of this plan.**

### Approach to Counter Fraud

Following a service re-organisation in late 2016/17, SWAP have taken over responsibility for delivering a counter fraud programme for the Council which is set out in this plan. This is principally a proactive and preventative approach to counter fraud, whilst undertaking any reactive fraud work, e.g. investigations.

Fraud continues to be a major issue for local authorities, particularly in an era of cybercrime and increased data sharing.

The plan has been derived from a risk assessment using the general Healthy Organisation approach set out in our main Audit Plan, as well as focus on areas raised by management, use of data analytics and a focus on cash raising service areas.

The Counter Fraud Plan is split into three sections:

- Proactive and Preventative;
- Reactive; and
- Internal Audit Reviews (9)– that will include specific fraud tests

The inclusion of internal audit reviews is not indicative of suspected or known fraud in the areas but operational areas of high fraud to the Council.

SWAP has assessed the resource requirements and confirmed that the additional counter fraud plan set out can and will be absorbed within the current audit fee set out in the main audit plan. The cost of the counter fraud plan is £71,852 and is included in the full analysis of costs, contained in the Internal Audit Plan 2017/18.

It will be delivered by the local team together with specialised fraud resources from across SWAP.

## The Audit Team

SWAP will use a highly qualified Audit Team to deliver the Counter Fraud Plan at Wiltshire Council.



### SWAP Internal Audit Team

<b>Assistant Director:</b> Ian Withers CPFA, CMIIA, QIAL	Ian leads the team and has responsibility for the delivery of the plan. Ian has over 30 years' experience of finance, internal audit and has held senior positions with a number of large local authorities.
<b>Senior Auditors:</b> Joanna Dixon CMIIA Kerry Chisholm MAAT	Jo and Kerry are lead auditors responsible for delivery of individual audit reviews. They have extensive experience in local and central government.
<b>Senior IT Auditor:</b> Stuart Trubee MAAT	Stuart is a senior auditor and the ICT audit specialist in the team.
<b>Auditors:</b> Andrew Adlam MAAT Pat Jenkins	Andrew and Pat have extensive local government finance experience with Wiltshire Council. Pat is relatively new to SWAP and currently studying for the MIIA qualification.
<b>Counter Fraud Specialist:</b> Nick Hammacott GCFS	Nick is a senior auditor based in Taunton and also a counter fraud specialist for across SWAP partner organisations, recently leading the South West Fraud Partnership.
Other SWAP counter fraud specialists will be used from other partner sites as required.	

Title	Rationale	Indicative Quarter
<b>Proactive and Preventative – overall governance arrangements to recognise, deter and prevent:</b>		
Counter Fraud Strategy and Framework	From the latest CIPFA Fraud Tracker report (2016), it is estimated that £325m was detected by local authorities, the largest proportion being in Council Tax and Housing. It is important that that Council has a robust response to the risk of fraud from for example financial and reputational loss. This review will examine the effectiveness of the strategy and framework operating.	2
Whistleblowing Arrangements	As an early warning system, whistleblowing arrangements can alert the Council to various elements of risk that could threaten its employees, Members, public or reputation. These could be from suspected misconduct, illegal acts (e.g. fraud and corruption) or failures to act (e.g. safeguarding). It has been a number of years since a review was carried out of the whistleblowing arrangements, and thus to ensure the effectiveness of arrangements operating this audit will review these. The audit will look at how current policies (e.g. complaints, grievances and whistleblowing) fit alongside each other and how they support the effective running of the council's business; how aware the organisation is of these policies and how they are communicated; how action is taken; and compliance with the national Code of Practice.	3
Fraud Intelligence Hub	In 2016 the CIPFA Counter Fraud Centre, together with BAE developed a Counter Fraud Hub for London using advanced analytical software. This has yielded significant results in the matching of data across London Councils and identifying fraud. They are now looking at expanding outside London and developing pilots. The Council's S151 Officer has already registered interest in the Council being a pilot and for this piece of work and SWAP will take this forward.	2-4

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Title	Rationale	Indicative Quarter
<b>Proactive and Preventative – overall governance arrangements to recognise, deter and prevent:</b>		
Data Analytics Exercises	<p>The use of data analytics to examine 100% of data transactions is an effective tool in identifying fraud and error.</p> <p>This work will use IDEA audit data analytical software internally to data match applications, identifying fraud and revenue opportunities.</p>	1-4
Organisation Fraud Awareness	<p>Fraud awareness is key across the Council in responding to fraud and corruption. SWAP will review how aware the council's staff are of the risk of fraud and corruption, as well as seeking to raise awareness through for example use of the Intranet, e-learning, workshops and alerts.</p>	1-4
National Fraud Initiative (NFI) Data Matching Exercise	<p>To co-ordinate data collection / submission, and review the outcomes from NFI including alerts and matches to assess potential areas of fraud risk and where appropriate make recommendations to remove weaknesses that could be exploited to commit fraud. To further ensure the Cabinet Office requirements are achieved.</p>	1-2
Fraud Referral Process	<p>Allegations and intelligence for fraud and corruption can be made through various communication channels with the Council. It is key to the Council's response that allegations are captured and risk assessed before any action considered. This would have been carried out by the previous Counter Fraud Team and case managed. With this function re-assigned in early 2017, there is a fraud risk to the Council of responses to allegation and intelligence not being actioned. This audit will review the process and ensure effective including effective response.</p>	2

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Title	Rationale	Indicative Quarter
<b>Internal Audit Reviews - that will include specific fraud tests</b>		
Direct Payments	The requirement for the Council to provide direct payments represents significant level of expenditure (£11m) together with the risk of client fraud and abuse. This audit will review the controls operating and compliance with statutory requirements of the Health & Social Care Act 2002 and to ensure direct payments are not misused by service users. The audit will include the use of data analytics where appropriate to identify any themes or recurrent control weakness.	4
Financial Assessments	To review the controls operating over financial assessments and personal budgets for adult social care to ensure effectively supported by evidence of capital and savings to determine level of contributions.	3
Staff Travel and Expenses	Staff travel and expenses represents a high are of expenditure for the Council, with associated risk of fraud, abuse and poor value for money. This audit will review the effectiveness of the controls operating, in particular the use of SAP and adequate support for expenditure items claimed.	2
Off Street Parking	The Council's income for parking income is approximately £7.5 per annum. Risks include loss of income from poor collection and theft. There have been some significantly losses incurred recently by other local authorities through poor system processes. This audit will review the controls over the collection, reconciliation and accounting for income.	2

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Title	Rationale	Indicative Quarter
<b>Internal Audit Reviews - that will include specific fraud tests:</b>		
Registration Service	This audit will focus on service income for which the Council received approximately £1.04m from various statutory activities. The audit will also include the control over key documentation and records to comply with the requirements of the Government Records Office (GRO) and opportunities for increasing income.	1
City Hall Salisbury	City Hall is a major entertainment venue managed and operated directly by the Council with an approximate annual turnover of £1.6m and net income to the Council of £480k. . The centre is also part of the development of a cultural quarter in Salisbury. This audit will review the operational arrangements for the centre including control over events and other trading income.	1
Licensing (Taxi and Private Hire)	To review controls over the issue of licences and that arrangements sufficiently address safeguarding risks. Further use of data analytics to compare licences data with business premises.	1
Housing Tenancy Management	A major area of risk is the process around the allocation of housing. This audit will review the effectiveness of controls operating over allocation by Homes 4 Wiltshire (Choice Based Lettings) and the management of tenancies	4



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Pupil Premium	The Pupil Premium is a significant funding stream for schools based on disadvantaged pupils from families on low income. It relies on declarations from the pupil's parents that has been found by other local authorities not to always occurs. The families will often also be claiming housing benefits and this audit will use data analytics to match data between the housing benefits application and pupil premium data to identify where further funding can be claimed.	1
Market Trading	There are eighteen weekly markets operating with an annual income of approximately £400k. This audit will review the operation of market trading across Wiltshire and control over pitches and income. Although income comparatively low, there is a risk of income not being accounted for and received by the Council. Recent frauds have occurred at other local authorities.	3
Schools Admissions and Places Planning	To provide assurance that the admissions process is fair and equitable, appropriate evidence based decisions are made and appeals process operates in accordance with statutory requirements. The audit will also review the planning arrangements for school places including decision process.	3
<b>Title</b>	<b>Rationale</b>	<b>Indicative Quarter</b>
<b>Reactive:</b>		
Investigations	To undertake ad hoc unplanned investigations as agreed.	1-4

