Appendix 3

FRAUD AND CORRUPTION RISK ASSESSMENT 2018/19

BACKGROUND

Fraud and Corruption in local government is a significant issue. Local Authorities lose around £21.4bn to fraud each year to fraud, every pound that is lost is money we cannot use on providing services. The fraud environment changes quickly and it important that there is a culture in which officers and councillors are given the tools required to recognise potential frauds, be aware of emerging frauds and trends and to be confident in reporting suspected frauds.

This review is based on good practice identified in the Local Government Fraud Strategy and looks at control framework and working practices which are in place to prevent and detect fraud. Where it was felt that some improvements or actions were required these were noted and reported to the relevant manager for review and action.

Conclusions

There are Policies and Procedures in place which prescribe Officer and Councillor Responsibilities in relation to Fraud and Corruption. Some of these Policies were found to be up to date, however there were others that needed review. There were some where the similar information was found to be in two policies and needed to be reviewed to give a consistent message.

Polices were located in a number of different locations on the Network Drive and on Sharepoint, going forward it would be good practice to have all polices in one area, i.e Sharepoint.

There have been some significant changes with the 5 Councils outsourcing a number of services including Revenues and Benefits and Finance. Weaknesses exist in the reporting of Fraud statistics to the council. The Client Management Function is still under review and the outcome of this is still not known. Once this is finalised the council needs to agree a Fraud reporting process with Capita.

The Hospitality book is underused, some reminders have been sent out to Management Team regarding this and there are plans to include reminders to Councillors and Officers in Training and Newletters.

Fraud and Cyber Security training has taken place for Officers and Councillors and this is set to continue on an annual basis along with a regular fraud newsletter. Consideration should be given to Whistleblowing Training.

There could be more done to promote fraud prevention in the local community our Website could be used as the driver for this.

FRAUD RISK ASSESSMENT 2018/19

Ref	Requirement	Current Status	Action Required	Responsibility	Status
1. ACKNOWLEDGE THE RISK OF FRAUD AND CULTURE					
1.1	Does the Council have a zero tolerance policy towards fraud?	The Anti-Fraud and Corruption Policy dated April 2018 states that there is a Zero Tolerance towards fraud.			Control Satisfactory
1.2	Are there employee codes of conduct in place for Employees and Councillors	A Code of Conduct for Members was found on the website, dated 29 November 2012 The Code of Conduct and Disciplinary rules was found on the Network Drive and are dated January 2013. Details contained in these polices differ from the Anti-fraud and Corruption policy. There needs to be some consistency when amending a policy to ensure that where it is duplicated elsewhere then it is also amended.	Review the Code of Conduct for both Officers and Members and ensure that it reflects current legislation and good practice	Monitoring Officer Action Due by March 2019	

		Sharepoint is an ideal platform for keeping all the current versions of policies and procedure – however it was found that the code of conduct was not in there – It is understood that as part of the Sharepoint project that policies will be uploaded to the site.	Complete Current Review of Key Policies and Procedures	Corporate Strategy and Development Manager Action Due by December 2018	
1.3	Is the council aware of the fraud risk threats that it is exposed to?	The council uses the following to identify potential fraud risks: Annual Fraud Risk Assessment Heads of service review risks within their areas and Fraud is discussed at review meetings – this is something that should be reviewed on an ongoing basis and cascaded to staff It should be noted that all of the Risk Registers are currently being reviewed and 'Fraud and Corruption' has been included as a standard item.	That Management ensure that their Fraud Risk Registers are up to date with any trending fraud risks in their area.	All Heads of Service Action Ongoing	

		A summary of Operational Risk registers are reported to Service Boards. Internal Audit consider the risk of fraud as part of each audit review carried out. Fraud Awareness Training was provided during 2018 to all employees. This is also being rolled out to members. There are plans for a newsletter and a 'walk round' to identify potential risks for 2018 With the 5 Councils and other contracted out services there is the potential that the Fraud threats are not reviewed and monitored sufficiently. Checks should be made that contractors have a positive fraud awareness culture and that management information is reported back to the Client teams and Management – Any changes to policies should be communicated to contractors	Shared Services and Services Contracted out should be monitored to ensure that there is anti-fraud culture within these organisations	Heads of Service Action Ongoing	

		Audit attended the Fraud and Error Conference 2018 which highlighted some emerging risks			
1.4	Has the council allocated sufficient resource to tackle fraud risks and investigate suspected and known fraud?	A shared Fraud resource is in place of 0.5 days per week from Basingstoke and Deane BC. The resource is professionally trained and has up to date skills. It has been noted that there is little presence in HDC – this was raised at an Audit review meeting in April 18. The resource is used to both raise awareness of fraud and corruption risks and where required investigate non Housing Benefit fraud and NFI data matches. Capita are contracted to follow up on NFI Matches that relate to Housing Benefits and Council Tax. A Single Person Discount review was completed in 17/18. There is a Fraud Officer in place in for the 5 Councils Revenues and Benefits work stream.			Control Satisfactory
1.5	Does the council keep a record of all suspected and known fraud?	The Finance Client has intercepted two bank mandate frauds be fraudulent – records of where			

		these have occurred and what actions have been taken have been retained. Formal records would be recorded if there were any frauds –albeit it was unclear where these were to be recorded. None were available for review during this audit. Housing Benefit Frauds identified by Capita and dealt with directly by the DWP. Benefit Fraud is directly added to the DWP website or details sent to DWP – this is not recorded by Capita or by HDC – Consideration should be given to sharing with Council Tax and Housing Colleagues. There was no evidence that Capita feedback any information to HDC regarding any fraud referrals to the DWP or any potential frauds.	Consider having a log to record all reports of fraud and consider sharing this information with other departments where it may have an impact. The Capita Fraud Officer should share information of suspected fraud with both Council Tax and Housing Teams. That Capita notifies the Council of any suspected fraud referred to the DWP	Audit Manager Action due by December 2018 Capita Benefits Manager Action due by September 2018 Capita Benefits Manager Action due by September 2018	
1.6	Does the council review controls in place in areas that are more vulnerable to the risk of fraud?	During the annual audit reviews of Housing Benefits, Payroll and Accounts Payable Fraud Controls will be reviewed.			Control satisfactory

1.7	Is a Fraud Response Plan in place to ensure investigations are carried out in a consistent manner and provides clear guidance on how an investigation should be conducted?	There is a Fraud Response plan in place dated May 2016 – It would be good practice to review this plan to ensure that it is still current.	The Fraud Response Plan needs to be reviewed to ensure that it is still current.	Audit Manager Action due by December 2018	
1.8	Does the council have an understanding on how resilient it is to the risk of fraud?	There have been a number of changes over the last few months in the way in which the services are delivered by Capita as part of the 5 Councils Contract. The client role has not been fully implemented as per the 5 councils contract and it was noted that there is limited resource in place in HDC to monitor the Revenues and Benefits work stream where there are fraud risks. With the number of outsourced services that the Council work with the Council must recognise that they may lose some control over how services are administered. This will include how fraud is dealt with in those organisations.	Ensure that there is appropriate reporting of Fraud from Capita and all other key partners	Heads of Service Action due by March 2019	

1.9	What sort of Fraud Awareness Training in place to make officers and councillors aware of the risks and policies?	Fraud training took place for officers in November 2017 Further Fraud Awareness training is planned for November 2018 Cyber Security Training took place of for officers in February 2018 Councillors have Fraud training arranged for dates in June and July 2018. Councillors have Cyber Security training programmed for September 2018 There is no specific training for Whistleblowing – an awareness training should be considered as part of the training plan for 2018/19. The Induction pack for new starters has a list of policies and procedures for review – Fraud and Corruption and Whistleblowing policy is included on this list.	Consider arranging a Whistleblowing awareness course for Officers and Members	Monitoring Officer Action due by December 2018	Control Satisfactory

2. PREVENT THE RISK OF FRAUD					
2.1	Does the council use any data analytic tools for the purpose of detecting fraud?	There is some use of Data Analytics to identify fraud e.g. Idea and NFI data matches. The Council should consider the use of further analytic tools as part of the partnership working with Basingstoke and Deane.	Continue the use of data analytics to assist in the identification of potential frauds	Audit Manager Action – Ongoing	
2.2	Can the council demonstrate that it has imbedded an anti- fraud culture?	There have been annual Fraud Awareness Training sessions taking place for Officers and there are further ones planned for Q3. Cyber Security Training took place in early 2018 for Officers and a further session for Councillors is planned for later in 2018. Training is also planned for Councillors on Fraud in Q2. A Fraud Awareness newsletter is being put together to remind staff of policies and also to highlight frauds that have taken place.			

		As many services are outsourced and are provided in a number of different locations around the country it can sometimes be difficult to establish the culture in these organisations	Encourage open and honest reporting between suppliers and HDC Client / Management Teams to ensure that there is a consistent approach to dealing with Fraud awareness, Reporting of fraud and the handling of any reported cases.	All Heads of Service Action due by December 2018	
2.3	Are all staff and members of the public able to report suspected fraud to the council?	The Anti-Fraud and Corruption policy and Whistleblowing Policy details reporting lines for fraud referrals There is a section on the website where you are able to report – Benefit Fraud - reporting from here is directed to an external link and is dedicated to benefit fraud – this is the only type of Fraud that can be reported via the website The A to Z of services only identifies Benefit Fraud.	Review Fraud information contained on the HDC website	Audit Manager Action due by December 2018	
2.4	Has the council put in place polices in the following areas and are they publicised to staff:	There is a Whistle Blowing Policy in place however this is policy was last reviewed in October 2016 – this was raised in last year's Fraud	Review Whistleblowing Policy	Monitoring Officer	

	Anti-Fraud Whistleblowing Money Laundering	Risk Assessment and to date has not yet been reviewed. It is recommended that this policy is reviewed and updated. There is an Anti-Fraud and Corruption Policy – This policy is dated April 2018 and is available for staff on Sharepoint There is an Anti-Money Laundering Policy dated January 2018 which is available for staff on Sharepoint Generally when polices are updated this is communicated to management team. It would be good practice going forward to publicise these documents in the Fraud Awareness Newsletters. The Induction process incorporates a fraud element		Action due by March 2019	
2.5	Is there high level support for counter fraud work?	There was no evidence to suggest that this is not the case.			Control Satisfactory
2.6	How does the council ensure it is up to date with good anti- fraud practice?	As there is no dedicated resource in HDC – A shared Fraud Resource is provided by Basingstoke and Deane.			Control Satisfactory

		Information and updates on good practice are passed on by BDBC – Minutes of the Hampshire Fraud Group are circulated and meetings are held to discuss issues and plan for the year.			
2.7	Does the council publicise its stance against fraud?	Correspondence and application form Revenues and Benefits historically contained references to Fraud prevention – this is something that should be checked during the annual audits in these areas It has been a while since there was any article regarding Fraud in the Hart News A Officer and Councillor Fraud Newsletter is being planned and snippets from this could be incorporated in to the regular staff newsletter. There were no posters /signs, leaflets or electronic displays in reception to advertise the means to report suspected fraud. There are plans from the Joint Hampshire Fraud group to doing a campaign.	Consider incorporating any Fraud Prevention work in Hart news Liaise with corporate communications to ensure that Fraud awareness is incorporated in to the regular staff news letters Consider the use of the screen in Reception to promote the reporting of suspected fraud.	Audit Manager Action due by October 2018 Audit Manager Action due by December 2018 Audit Manager Action due by December 2018	

2.8	Is the internal control framework sufficient to prevent and detect fraud?	Key controls are checked on an annual basis. It is important that there is a robust client function in place to ensure that there is oversight in to the fraud culture in our suppliers and that suspected fraud is investigated / reported correctly.	Ensure that the Client function includes the reporting on Fraud in the Service Improvement Group meetings	Head of Corporate Services	
2.9	Is a Gifts and Hospitality Book in place and is it kept up to date?	The Hospitality Book (which is held in corporate services) was reviewed to establish entries. Since the start of 2018 there has been 4 entries for officers – for the whole of 2017 there were only 6 entries made. In 2017 there were no Councillor entries in to the book and so far into 2018 there is only 1 entry for officers. It was felt that this is not a true reflection of the gifts and hospitality received, or declarations of interest. A reminder was sent out to Management Team by the Audit Manager at the beginning of June, with a copy of the Fraud and	Review the hospitality book in approximately 6 months time to review entries. Ensure that this topic is covered in the training for both councillors and officers	Monitoring Officer Action due by December 2018 Audit Manager This has been completed for Members Action due for staff December 2018	

		Corruption Policy which references the use of the book. There is no specific book for officers to declare conflicts of interest – the Code of Conduct makes reference to informing a Manager and recording – it is not clear where. The Anti-Fraud and Corruption Policy (3.7) does not make reference to recording or reporting declaration of interests – It should be noted that the wording in the Code of Conduct (e.g. 7.4 /7.16.2) Differs from the Anti-Fraud and Corruption Policy	Ensure that the Code of Conduct and Anti-Fraud and Corruption Policy are consistent in wording.	Audit Manager Action due by March 2019	
2.10	Is there awareness in place to ensure that staff are aware of current trends in Fraud	GDPR was introduced in May 2018 – This highlighted data retention and holding data securely – This was a compulsory training for staff There was Cyber Security Awareness undertaken in 2018 – this was for Officers this will be rolled out to Councillors in September 2018			Control Satisfactory

3. PURSUE					
3.1	Does the council have detailed documented processes for the Investigation and sanctions of any fraud mater	There is a Fraud Response plan in place – this is dated 2013 and was last reviewed in May 2016. There is a HR disciplinary policy in place – this is dated January 2011 and was last reviewed in 2012. It should be noted that the polices are held on a network It is noted that work is in progress to ensure all key policies and procedures will be uploaded to Sharepoint.	Review the Disciplinary policy to ensure it reflects current legislation and working practices.	Head of Corporate Services Action due by March 2019	
3.2	Does the council have the appropriate level of specialist resource to investigate suspected fraud?	A specialist fraud resource is in place as part of a shared resource with Basingstoke and Deane. The resource equates to 0.5 days per week which is appropriate for the level of fraud identified. If a significant Fraud were to be identified and needed to be investigated there may be the need to get additional resource to investigate this.			

		Internal Audit are responsible for Fraud – RIPA training took place for one of the audit team. It would be advisable for some training to take place in basic investigation as not all of the audit function is recently trained in this area.	Look at some refresher training for Fraud Investigation	Audit Manager Action due by March 2019	
3.3	Do officers that have a responsibility to investigate fraud have the appropriate authority to pursue their remit effectively?	The Audit Charter and standards document refer to this.			
3.4	Does the council have the appropriate policies in place in terms of sanctions that are made against those that commit fraud?	The Fraud Response Plan and the Anti-Fraud and Corruption Policy states this			
3.5	Is training provided to those who are required to carry out fraud investigations as part of their role?	Fraud resource at BDBC are fully trained.	See above re training for internal audit.		
3.6	Does the council work with other agencies to ensure fraud investigations are carried out effectively?	The council works with the DWP via Capita to investigate any frauds. We also share fraud knowledge with other councils.			

		Where criminal activity is discovered then this will be referred to the police			
3.7	Does the council ensure that whenever possible proceeds from fraud are recovered?	There is an overpayment officer in place as part of the 5 Councils to recover benefit overpayments. However, there is no information currently provided by Capita on the level of benefit overpayments recovered. The Anti Fraud and Corruption Policy 5.3 states the it will seek to recover financial loss in full	Agree with Capita what type of Fraud management reporting is provided to the Council to give assurance that action is being taken to recover any fraud proceeds e.g. Benefit Overpayments	Head of Corporate Services Action due December 2018	

Fraud and Corruption Checklist

Based on Fighting Fraud Locally Strategy 2016 – 2019

Does the Council make a proper assessment of its fraud and corruption risks?	Yes
Is an Action Plan put in place to address any weaknesses identified?	Yes
Does the Council consider future risks of fraud and corruption?	Yes
Is there an annual report to the Audit Committee on the results of the assessment?	Yes
Does the Council have a counter fraud strategy is in place and has been communicated to all employees, members and stakeholders?	No
Does the Council have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business?	Yes
Is the risk of fraud specifically considered as part of the risk management process?	Yes

Are details of successful proven fraud/corruption cases publicised to raise awareness?	Yes
Has the Council put in place arrangements to prevent and detect fraud and corruption and does it report the arrangements to committee?	Yes
Does the Council have in place arrangements to monitor and comply with standards of conduct across the council covering: Codes of Conduct including behaviour for counter fraud, anti-bribery and corruption Register of interests Register of gifts and hospitality	Yes
Does the Council carry out recruitment vetting?	Yes
Are Members and Employees aware of the need to make appropriate disclosures of gifts, hospitality and business interests. Is this checked and reported?	Yes
Is there a programme of work to ensure a strong counter fraud culture exists across all services?	Yes
Is there is an independent whistleblowing policy?	Yes

Appendix 3