

Fraud and Corruption Risk Plan

2017-18

Havant Borough Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Forward

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

It is these principles that underpin the Southern Internal Audit Partnership’s approach to support the management of the risk of fraud and corruption within Havant Borough Council.

Havant Borough Council promotes a zero tolerance culture to fraud and corruption:

*‘The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside of the Council...’
(HBC - Anti Fraud & Corruption Policy)*

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti Fraud & Corruption Policy; Anti Fraud & Corruption Response Plan; Whistleblowing Policy; Anti Bribery Policy and Anti Money Laundering Policy). This document provides an extension to the Council’s existing policies affording a framework of reactive and proactive initiatives to detect fraud and/ or demonstrate assurance that fraud has not taken place.

The Fraud & Corruption Risk Plan compliments the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.



2. The Changing Face of Fraud

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government. The principles of the required approach are outlined in (fig 1).

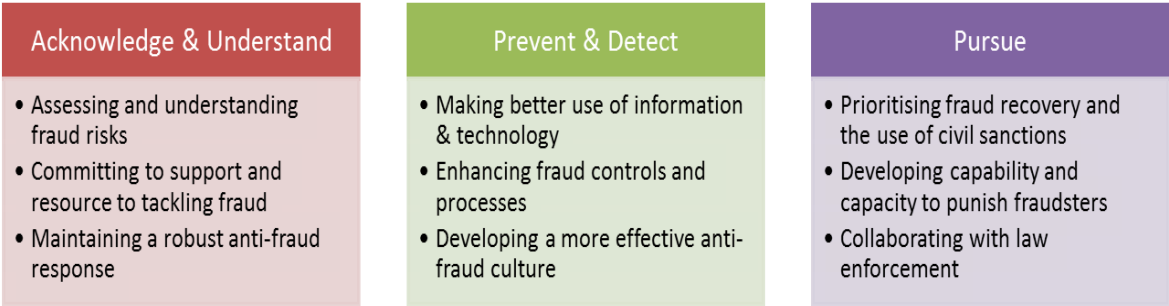
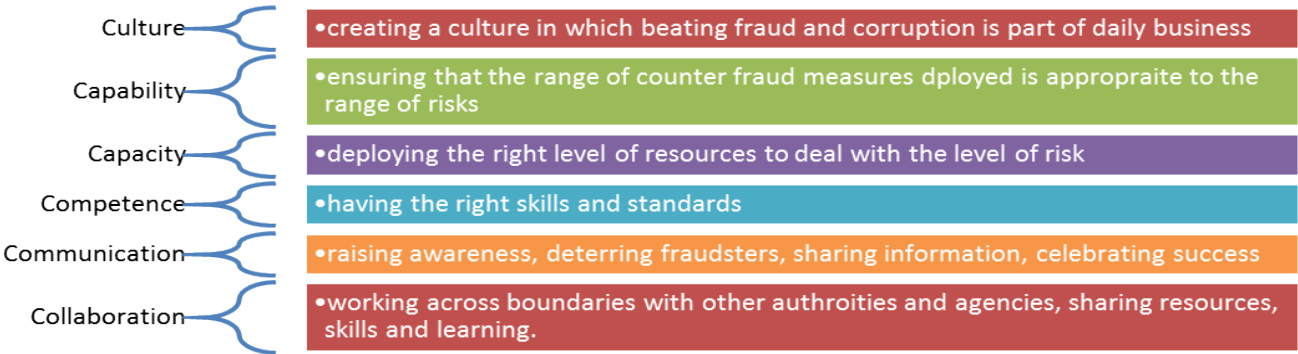


fig 1 (Fighting Fraud & Corruption Locally – The local government counter fraud & corruption strategy)

These principles are underpinned by demonstrable regard to:



3. Reactive Fraud Activity

The Southern Internal Audit Partnership will work with Havant Borough Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti Fraud & Corruption Policy and Response Plan.

By its nature such reactive fraud and irregularity work is unpredictable with regard its level and duration. Recent history has demonstrated low levels of required activity in respect of reactive fraud work in Havant Borough Council, however, a contingent level of capacity for such eventualities is considered prudent.

4. Proactive Approach

Whilst the established process to reactive fraud assists the Council in appropriately responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and detect fraud risks across the organisation.

Such proactive measures have been designed alongside the themes outlined within the 'Six Cs' (culture, capability, capacity, competence, communication and collaboration) and are mapped within Appendix 1.

The Southern Internal Audit Partnerships understanding of Havant Borough Council's service activities coupled with research from national surveys / publications and benchmarking with other local authority fraud risks have highlighted a list of areas for consideration as part of our proactive fraud activities for 2017-18 (Appendix 2).

It is also recognised that 2017 is a National Fraud Initiative download year and as such the Southern Internal Audit Partnership will be facilitating this process.

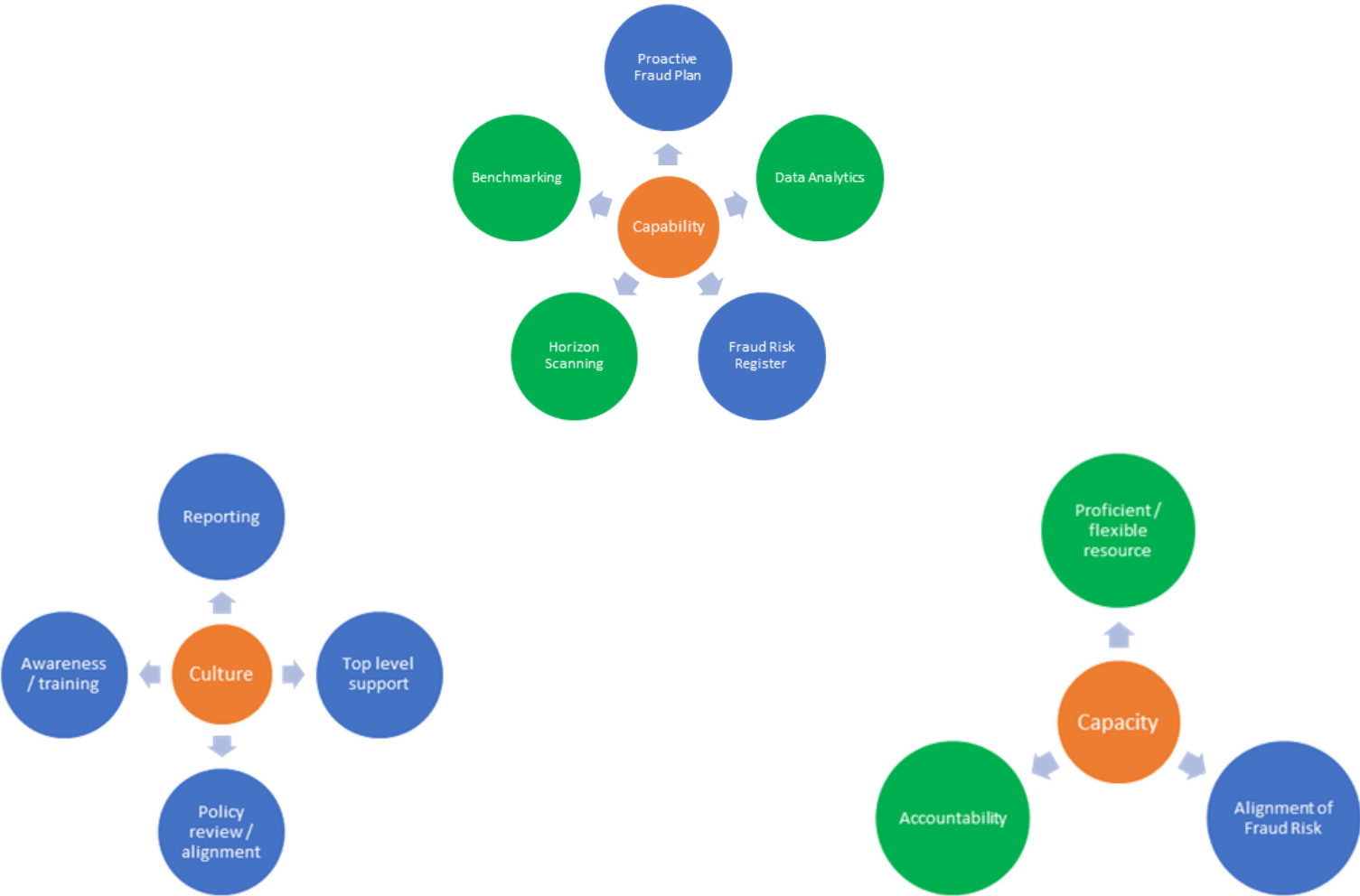
5. Fraud Action Plan 2017-18

Many of the aspects contributing to an effective proactive approach to fraud risk management are implicit within the Southern Internal Audit Partnership's established processes to which Havant Borough Council are a part. This is demonstrated through our dedicated and qualified fraud team, the tools to which they have access and participation in national and local collaboration groups. Building on intelligence from such collaboration and through discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2017-18.

| Activity | Scope | Responsible Officer | Expected Outcome |
|--|--|----------------------------------|---|
| Fraud Risk Registers | To build on the early development of fraud risk registers and alignment to compliment the existing risk management approach | Iona Bond, Audit Manager (Fraud) | Key fraud risks aligned to the organisation on which to monitor and focus future proactive fraud activity. |
| National Fraud Initiative | To facilitate the timely delivery of NFI 2017 data matches | Iona Bond, Audit Manager (Fraud) | To monitor investigation of all 'High Recommended' matches as reported in the NFI download in addition to timely responses to queries posed by other participating organisations |
| Training & Awareness | Develop an effective fraud awareness training programme for Members and Officers | Iona Bond, Audit Manager (Fraud) | Delivery of an agreed stream of training in accordance with organisational priorities. |
| Mobile Devices | Experience through work carried out by the Southern Internal Audit Partnership has highlighted local authorities exposure to unsolicited charges and unauthorised data usage through analysis of the billing of mobile devices. Such activity whilst can appear immaterial at an individual level can be significant when accumulated. | Iona Bond, Audit Manager (Fraud) | To utilise data analytics in the analysis of billing information to identify inappropriate spend or provide assurance that the billing and payment of mobile devices is appropriate and in line with business need. |
| Annual Report on Fraud & Irregularity | To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives. | Iona Bond, Audit Manager (Fraud) | To present a report to CMT and Governance & Audit Committee outlining progress against the 'Fraud Action Plan 2017-18' relaying outcomes, assurance, investigations, sanctions, savings etc. as appropriate. |

Six Cs – Matrix

Annex 1





Orange circle: Six Cs principle

Green circle: Coverage implicit through SIAP

Blue circle: Coverage via fraud risk planning

Key Fraud Risks relevant to HBC – National Survey

(Fighting Fraud & Corruption Locally 2016-19)

| Fraud Risk Area | Overview |
|------------------------------------|--|
| Council Tax Fraud | Validity of discounts awarded including Single Person Discounts and property exemptions |
| National Non Domestic Rates | Validity of exemptions (including small business and charitable), empty properties and extensions |
| Procurement Fraud | Vulnerabilities through price fixing, bid rigging, double invoicing. To include PCards |
| Blue Badge Fraud | Use of counterfeit / altered badges, use when disabled person not in the vehicle, use of deceased persons badge, badges issued but misused by institutions |
| Internal Fraud | Allowance / expense claims, misuse of time / resources, conflicts of interest, inappropriate acceptance of gifts & hospitality, manipulation of key systems i.e. payroll, pre-employment fraud, abuse of position etc. |
| Insurance Fraud | Fictitious claims, including slips and trips |
| Disabled Facility Grants | Adaptions to homes other than those to which grant is entitled |
| Cyber and e-enabled fraud | Payment authorisation requests / BACS transfer requests from unsolicited sources, ransom mail etc. |
| Mandate Fraud | Manipulation of vendor bank details (internal or external) |