Havering
LONDON BOROUGH

AUDIT COMMITTEE

19 February 2014

Subject Heading:	Draft Anti-Fraud Work Plan 2014/15
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Policy context:	To advise the Committee of the planned work of the Council's Corporate Fraud team
Financial summary:	This report details information on the Council's draft Anti-Fraud plan designed to minimise loss through fraud

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

SUMMARY

This report advises the Committee of the planned work of the Internal Audit Corporate Fraud Team for 2014/15.

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of the officers where required with regards to the planned work of the Corporate Fraud team.

REPORT DETAILS

DRAFT ANTI-FRAUD WORK PLAN 2014/15

1. INTRODUCTION

1.1 The National Fraud Authority (NFA) produces the Annual Fraud Indicator (AFI) which provides an overview of the cost of fraud broken down by sector. The AFI for 2013 identified more than £207 million of losses from fraud across local government. The NFA has also published Fighting Fraud Locally: The Local Government Fraud Strategy, which is intended to help councils tackle and prevent these fraud losses and provides a blueprint to better equip local authorities to fight a range of frauds.

1.2 The strategy places a greater emphasis on preventing fraud from occurring in the first place, as well as the employment of resources and mechanisms for detecting occurrences of fraud. This is a shift from the traditional approach of tackling fraud that typically focused on reactive methods such as conducting investigations. The strategy emphasises the cost effectiveness and positive outcomes from preventing losses through fraud from occurring in the first place. It also recognises that an effective investigative resource is also an essential part of the strategy.

1.3 The draft 2014/15 Anti-Fraud work (Appendix A) plan reflects the range of best practice principles for effectively tackling fraud within London Borough of Havering. The range of activities are categorised as:

- Creating an Anti-Fraud Culture
- Deterring Fraud
- Preventing Fraud
- Detecting Fraud
- Investigations
- Sanctions
- Redress

1.4 This plan is a corporate fraud plan and therefore does not include coverage for Housing Benefit Fraud, Council Tax Support Fraud or Housing Tenancy Fraud investigation. The introduction of the Single Fraud Initiative makes the future remit of these areas uncertain.

1.5 This plan focuses on the type of work to be conducted during financial year 2014-15 and informs a proactive detection work programme across the Council.

1.6 Outlined below are some areas which will form part of this programme over the coming three year cycle. These areas will be subject to on-going review, with changes made as required on the identification of emerging fraud risks or areas identified through proactive work undertaken, or reactive investigations root cause analysis work:

- Fraud within Procurement
- Fraud within the Payroll System
- Grant Fraud / Funding of Voluntary Organisations
- Blue Badge Fraud
- Education & Schools (including admissions)
- Public Health Services.

1.7 This plan has been constructed with consideration of objectives and incorporating best practice devised from:

- National Fraud Authority, ‘Fighting Fraud Locally: The Local Government Fraud Strategy’ (2012)
- Havering’s Anti-fraud Strategy
- National Fraud Authority, ‘Tackling fraud and error across the public sector 2011’ document
- Audit Commission, ‘Protecting the Public Purse 2013’ document
- CIPFA Red Book 2, “Managing the Risk of Fraud” best practice document
- Intelligence gained from previous and current work of the Corporate Fraud team that includes social care direct payments)
- Liaison with Internal Audit relating to their work.

Appendix A: DRAFT ANTI-FRAUD WORK PLAN 2014/15

1.	Scope: Creating a Counter-fraud Culture

	OUTCOME	PLANNED ACTIVITY
1.1	The Council has a clear programme of work designed to create an anti-fraud and corruption and zero tolerance culture.	Take part in the Induction programme for new staff and deliver presentations on anti-fraud work to relevant staff groups.
1.2	Arrangements are in place to ensure that individuals benefit from successful anti-fraud work.	Email an introduction or reminder to all staff with the details of anti-fraud staff, their role and contact details. Use resulting communications to enhance rapport with staff groups.
1.3		Review information distributed to staff during induction process, including slides and handout.
1.4		A programme of Fraud Awareness training to be delivered to staff at all levels with the Council (eg. Councillors/Committees, managerial and operational staff). The Corporate Fraud team should aims to provide at least 15 presentations to staff groups. The aim of this is to ensure the Council is proactive in raising fraud awareness and develops an anti-fraud culture. The awareness presentations will be provided to: • The Audit Committee • Staff Groups/ Forums • Corporate and Service Management Teams • Operational managers.
1.5	There are clear goals for counter-fraud work e.g. the number/ percentage of staff and the public who recognise their responsibilities to protect the Council and its resources.	Evaluate all presentations, collate results and amend presentations in response to feedback. Report outcomes to the Internal Audit and Corporate Risk Manager and the Audit Committee.
1.6		Review localised fraud leaflets and posters to promote the anti-fraud work undertaken by the Council. Distribute to appropriate locations.
1.7	The counter-fraud programme is implemented effectively.	Place at least two counter fraud articles per year in the in-house publication/newsletter.
1.8		Place at least one anti-fraud article per year in an external publication.
1.9		Develop and maintain anti-fraud information on the Council's intranet. Items on the intranet to include: • An overview of the Council's anti-fraud work and work done nationally • The role of the Council's anti-fraud staff • Fraud, Corruption, Bribery, Money laundering policies • Information on proven cases and sanctions applied

		• Presentation slides • Link to appropriate HR policies and whistleblowing policy • Link to appropriate external websites including Audit Commission. A record of the numbers of visitors to the information should be maintained.
1.10		Develop and maintain anti-fraud information on the Council's website. A record of the numbers of visitors to the information should be maintained.
1.11	There are arrangements to evaluate the extent to which anti-fraud and corruption and zero tolerance culture exists or is developing throughout the Council.	Identify and analyse the level of fraud awareness by conducting a staff survey (possibly by using a survey/link on the intranet)
1.12		The Corporate Fraud Manager to meet with a different operational manager each month to highlight the role of the corporate fraud team and offer to deliver a fraud awareness presentation.
1.13		Corporate Fraud Manager to meet members of CMT and SMT to discuss fraud matters.

2.	**Scope: Deterring Fraud**

	OUTCOMES	**PLANNED ACTIVITY**
2.1	The Council has a clear programme of work designed to have a deterrent effect.	Meet with the Press Officer / Communications Manager to discuss: • utilisation of publicity on actual frauds at the Council and local, regional and national cases of fraud that are appropriate to the work of the Council.
2.2	The Council has a programme of work that publicises the: • The hostility of the honest majority to fraud and corruption • Effectiveness of preventative arrangements • Sophistication of arrangements to detect fraud and corruption • Professionalism of those investigating fraud and corruption and their ability to uncover evidence • Likelihood of proportionate sanctions being applied and losses	Review the communication strategy to ensure that the most effective ways of communicating with staff are utilised. Strategy will provide a formal record of the anti-fraud work done to create an anti-fraud culture on which deterrence is built and maintained. The strategy contains a structured and cohesive framework of tasks which the Corporate Fraud manager can use to measure the progress of raising fraud awareness.

	OUTCOMES	PLANNED ACTIVITY
	being recovered.	
2.3	The Council successfully publicises counter fraud work.	Prepare paper(s) of recent local government fraud cases for the Organisational Risk Management Group to assess potential risk.
2.4	Publicity is targeted at areas of greatest fraud loss.	Design an annual/biannual anti-fraud newsletter to publish proven cases of fraud in local authorities and other beware notices.
2.5	Publicity is targeted at areas of greatest fraud loss.	Publicise successful investigations.

3.	Scope: Preventing Fraud

	OUTCOMES	PLANNED ACTIVITY
3.1	The Council seeks to minimise the risk of fraud and corruption through the design of new and the revision of existing policies and systems. There is a system for considering and prioritising action to resolve the identified policy and systems weaknesses.	Review the existing corporate fraud policy and amend and update as necessary.
3.2		Ensure that the whistleblowing policy, disciplinary policy, Code of Conduct, Declarations of Interests, Gifts and Hospitality policies and procedures and other relevant workforce policies are sufficiently robust to deter fraud.
3.3		Distribute annual Conflicts of Interest statements. The statements contain information on fraud and fraud sanctions and the statements are signed by staff. Ascertain if this is sufficient to deter potential fraud in this area.
3.4		Fraud-proof a selection of general policies, procedures and claim forms that are used throughout the Council to • Recruitment including the controls covering qualification, employment history and DBS checks • Timesheets and associated procedures/policies including on-call arrangements and remote working controls • The payment of other ad hoc allowances • Travel and associated expenses • Security of confidential data • Recovery of overpayments/advances of pay • Asset verification checks • Acceptance of gifts and hospitality Mobile phone policy and private phone calls.
3.5	The work of the Corporate Fraud team is targeted at those areas of highest risk of fraud.	Consider whether the risk of fraud and corruption should be included in the corporate risk register.
3.6		Liaise with the Operational Risk Management Group to ensure intelligence regarding fraud risks is used to inform risk assessments.
3.7		Conduct a risk assessment on the overall anti-fraud arrangements and use the outcomes to target areas identified as being weak.

	OUTCOMES	PLANNED ACTIVITY
3.7		Meet with managers of areas with a high risk of fraud to develop local fraud risk assessments and plans.
3.8		Check vulnerable areas of income and expenditure to identify anomalies for e.g.: • Overtime payments • On-call payments • Travel expenditure • Bank and agency usage Use of selected external contractors, suppliers, taxi companies.
3.9		Ensure that potential vulnerabilities within the Council are identified from frauds perpetrated against other similar organisations.
3.10	Investigation reports include a specific section on identified policy and systems weakness that enabled the fraud/corruption to place.	Establish a protocol with Internal Audit for the dissemination of information for areas where control weaknesses may allow a potential fraud to remain undetected or where identified system weaknesses may require future Internal Audit review.
3.11		Ensure that a system of follow up reviews regarding previous fraud investigation reports exists to identify the auctioning of recommended changes to the control environment.
3.12		Review reporting arrangements for informing the Audit Committee and the Director/Head of Finance of fraud alerts and notices.
3.13		Consideration given to preventative work on receipt of all referrals.
3.14		Respond to weaknesses identified from investigations or received from intelligence sources.

4.	Scope: Detecting Fraud

	OUTCOME	PLANNED ACTIVITY
4.1	Analytical intelligence techniques are used to identify potential fraud and corruption.	Undertake the mandatory national Fraud Initiative exercises as instructed by the Audit Commission.
4.2	The Council has effective arrangements for collating, sharing and analysing data and intelligence.	Undertake pro-active fraud work as agreed by the Head of Finance and Procurement.
4.3		Pro-active fraud work guided by fraud risk assessments, information on national trends contained in the annual Protecting the Public Purse report and local intelligence.
4.4	The Council has appropriate arrangements for ensuring that suspected cases of fraud and corruption are reported promptly and appropriately investigated.	Review the Council's whistleblowing and fraud reporting arrangements.

5.	Scope: Investigations

	OUTCOME	PLANNED ACTIVITY
5.1	The Council's investigation work is effective and carried out in accordance with clear guidelines. The officers carrying out investigations have the necessary authority and powers within the organisational and legal powers where necessary.	Reactive investigations are conducted in accordance with best practice. Investigations are carried out in accordance with the Police and Criminal Evidence Act 1984 Codes of Practice and Regulation of Investigatory Powers Act 2000 (RIPA). Records are maintained and stored appropriately.
5.2		Ensure that the Corporate Fraud Managers requirements are adequately recorded in the Council's Data Protection Register and that the Council's Data Protection Manager is aware of the work undertaken by the Corporate Fraud team.
5.3		Regular checks are undertaken to ensure that the storage and retention of information by the fraud team accords with the requirements of the Data Protection Act.
5.4		Review the Council's Constitution including the Scheme of Delegation to ensure that the documents empower those officers and members responsible for the Council's anti-fraud activity and accurately reflect the legal powers and responsibility.
5.5	Referrals are handled and investigations undertaken in a timely manner.	Access to the fraud team's case management system is restricted. The case management system is used to record details of all referrals received.
5.6	The Council has arrangements for assessing the effectiveness of investigations.	Summary information on the outcomes of fraud investigations collated and analysed. Comparison made with fraud trend information.

6.	Scope: Sanctions

	OUTCOME	PLANNED ACTIVITY
6.1	The Council has a clear consistent policy on the application of sanctions where fraud and corruption are proven.	Ensure that the Council's policies and procedures enable parallel sanctions (i.e. civil, disciplinary and/or criminal). Assist with embedding parallel sanctions within the organisational culture.
6.2	All possible sanctions are considered. Appropriate sanctions take place at the end of an investigation when all evidence is available.	Undertake effective liaison with members of staff to ensure that sanctions such as disciplinary action are not applied in isolation where there are indications of potential wider fraudulent / criminal activity.
6.3	The Council monitors the extent to which the applications of sanctions are successful.	Fraud trends are identified and monitored to determine whether disciplinary, civil and or criminal sanctions are successful.

7.	Scope: Redress

	OUTCOME	PLANNED ACTIVITY
7.1	The Council has a clear policy on the recovery of losses through fraud or corruption.	Ensure that the Council has an appropriate procedure in place to recover money.
7.2	The Council is effective in recovering any loss resulting from fraud and corruption.	Maintain comprehensive records of time spent on each investigation to enable this to be included in any compensation claim made by the Council following a successful outcome.
7.3	The Council uses both criminal and civil proceeding where appropriate.	Identify and maintain a record of the actual proven amount of loss to the Council so that appropriate recovery procedures can be actioned.
7.4	The Council has a successful recovery rate.	Accurate records of costs incurred in pursuing criminal and civil proceedings.

IMPLICATIONS AND RISKS

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud team often identifies losses which may be recouped by the Council. There are however, no direct financial implications or risks arising directly from this report.

Legal implications and risks:

There are no apparent legal implications or risks from noting the content of this report.

Human Resources implications and risks:

There are no HR implications from noting the contents of this report.

Equalities implications and risks:

There are no Equalities implications from noting the contents of this Report.

BACKGROUND PAPERS

None.