

Annual Fraud Report

2017 - 18

Hampshire County 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 Hampshire County Council.

Hampshire County Council promotes a zero tolerance culture to fraud and corruption:

‘The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services....The Council will seek to create a zero tolerance culture to fraud and corruption...’ (HCC - Anti Fraud & Anti Corruption Policy Statement)

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 Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.



2. Reactive Fraud Activity

The Southern Internal Audit Partnership work with Hampshire County 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.

Recent history has demonstrated that given the size and diversity of the organisation, relatively low levels of activity have been required in respect of reactive fraud work in Hampshire County Council.

Analysis is provided (fig. 1) highlighting the fraud types that have been subject to internal audit referral/ investigation across Hampshire County Council over the last two years. It should be acknowledged that the figures relate to areas of investigation and not proven fraud.

Many of the ‘fraud types’ evident in the table are reflective of national trends and as such are not issues unique to Hampshire County Council.

Type	16/17	17/18
Procurement	2	
Theft	6	6
P-Card	1	1
False Representation	2	1
Care Charges	4	2
Cyber	2	1
Total	17	11

Fig.1

Where relevant, referrals have been made to the police and we continue to assist them where appropriate with their investigations.

3. Proactive Approach

Whilst the established process to reactive fraud assists the Council in 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. Initiatives and subsequent outcomes during the year included:

Compliance against the CIPFA Code – During the year we have conducted a self assessment of the organisations arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. We are satisfied that in all material respects the organisation operate in accordance with the Code of Practice, however, an action plan is in place (Appendix 1) to stimulate improvement in identified areas of existing practice.

Schools Fraud Health Check – A combination of face to face interviews and questionnaires were used to assess fraud awareness and control across a sample of maintained schools. The health check was modelled on key areas of fraud risk exposure attained from a national analysis of reported frauds within schools compiled by Mazars coupled with our own understanding and knowledge of fraud risk exposures.

In total 50 schools were contacted and generally responses were found to provide a reasonable level of assurance that the framework of controls and governance maintained were working effectively. However, there were a number of areas of commonality identified for improvement which have been disseminated to all schools across the County. Such improvements include effective review and maintenance of key policies and procedures, building/ site access and receipt and secure retention of assets.

Security of Cash & Assets – A thematic review was undertaken across a sample of schools and Council establishments to assess security arrangements in place with regard income and equipment held. Areas of weakness common across each of the establishment types included, secure retention of cash (safe limits exceeded/ insecure retention & access); retention of inventories and secure marking of assets; CCTV coverage and maintenance; and assets disposal. Key findings have been appropriately disseminated to all relevant establishments.

Data Analytics - Through benchmarking with peers across fraud networking groups, coupled with review of national publications it was acknowledged that there had been significant success from the outcomes of investigations of ongoing direct payment and private residential care payment matches against the deaths register prompting the redemption of accumulated overpayments.

In addition to the bi-annual data matching exercise through the NFI, a rechecking facility is offered by the Cabinet Office. To facilitate this review and ensure the most up to date and timely information was available internal audit requested an updated match of the Councils direct payments and private residential care payments against the DWP death register.

Private Residential Care Payments - The recheck report on residential care payments identified 49 positive matches against the register of deaths. Review of these matches has established in 26 cases (53%) there was a financial consequence to the authority through continuing to make payments to providers for care that was no longer being supplied. For these cases, analysis confirmed that a total of £143,705.27 was required to be recovered from care providers.

The causes for payments continuing to be paid after death were:

- Late notification from the care home of the death of a client (7 of 26)
- Failure of a care home to notify of the death of a client (17 of 26)
- Failure of HCC staff to update AIS appropriately following notification of a death (2 of 26)

Given the findings from our recheck exercise we explored further with Adult Services the extent of checking undertaken on the NFI match reports released in 2017. It would appear that checks extended only to whether AIS had a date of death entered. No further work beyond this was undertaken.

Whilst the NFI will generate a match report where a date of death is absent on AIS, it will not identify instances whereby there has been a delay in inputting the date of death into AIS. Any delay in updating AIS provides the potential for an overpayment to be generated.

As an addition to the basic NFI match report a bespoke report was run (by Adult Services) from AIS detailing where there was differential (of more than 1 day) between actual date of death and date AIS was updated. The report generated a list of 740 cases where a variance was evident ranging from 1 to 801 days

As part of this review internal audit have undertaken an analysis of the top 20 time delayed cases and 8 others from this report and have confirmed that in each case an overpayment has been incurred and that the total overpayments due to be recovered from providers for these cases is £146,449.30.

We cannot provide an exact overpayment figure across the whole population of 740 cases, however applying a conservative weekly average figure of £500 (Paying For Care estimate the weekly average is £583, without nursing costs), to the 202 cases (exceeding 14 days delay in updating AIS), the total recoverable figure due could be in the region of £1m.

Direct Payments - The recheck report on direct payments identified nine positive matches against the register of deaths suggesting that further investigation would be beneficial.

Of these nine, one was confirmed as a death which the Council were unaware of. The claimant died in December 2017 and as of 19 February 2018 the Council were still paying the direct payment. On further review the direct payment account also had a substantial balance and as such Adults are now looking to reclaim £18,304.37.

Joint Working Initiatives – Following receipt of a joint correspondence from the DCLG and DWP in October 2017 Hampshire County Council completed an expressions of interest in an initiative to work with Government to more efficiently and effectively fight local fraud and corruption.

The initiative builds on DWP’s work with council fraud teams, on joint criminal fraud investigations of the Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud within Unitary and Tier 2 councils.

DWP’s Joint Working project team continue to develop the principles of including other types of local authority (incl. county council payments) within joint criminal fraud investigations and work is underway to establish the extent of data sharing and disclosure allowed under existing legislation in order to expand the scope further.

We look forward to working with colleagues across Government throughout 2018/19 as initiatives and opportunities present.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to NFI on a regular basis (every two years). The last NFI data upload was carried out in October 2016 with match reports received and disseminated to key contacts in January 2017. The outcomes of NFI work across Hampshire County Council is summarised below:

Dataset	Recommended Matches	Matches Reviewed	Fraud/irregularities Identified	Value (£)	Recovered (£)
Pensions	763	1,521	0	0	0
Payroll	258	212	0	0	0
Blue Badges	1,841	900	600	345,000*	N/A
Concessionary Travel	5,706	6,490	5,708	137,000**	N/A
Procurement – Companies House	87	26	1	0	0
Private Residential Care Homes	106	106	0	0	0
Insurance Claimants	0	4	0	0	0
Personal Budgets	57	57	0	0	0
Creditors	3,716	297***	0	0	0
VAT	106	120	4	2,300	2,300
Total	12,640	9,733	6,313	484,300	2,300

*600 blue badges were cancelled from the database. Although no fraud was identified, Cabinet Office assigns a notional value of £575 per badge saved to the public purse based on parking income forgone.

**5,708 concessionary travel passes were cancelled from the database. Although no fraud was identified, Cabinet Office assigns a notional value of £24 per pass saved to the public purse based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme.

*** in agreement with the NFI testing restricted to 297 matches as investigation provided no evidence of duplicate payments instead was a results of the manner Internal Account Transfers are administered and the original data was captured.

A further NFI data upload will be carried out in October 2018 and new match reports available for review in January / February 2019. Service areas will continue to work on existing matches received from the 2017 match reports that have yet to be reviewed.

Training – A number of training and awareness sessions were held throughout the year to update, appraise and inform staff on key aspects of fraud and irregularity both generally and pertinent to their role. Training during the year covered:

- Money Laundering;
- Mandate Fraud;
- Whistleblowing; and
- Cyber Security

4. Ongoing initiatives

We have maintained a number of initiatives throughout the year to ensure internal audit remains responsive to the fraud needs of the County Council and maintain consistently high standards:

- Fraud Awareness Bulletin's, providing oversight of emerging fraud risk threats and advice;
- Completion and receipt of outcomes from the CIPFA Fraud Survey;
- Compliance with the Public Sector Internal Audit Standards;
- Assessment against compliance with the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption;
- Discharge responsibilities within the Council Whistle blowing policy

5. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Hampshire County Council with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership
June 2018

Appendix 1

Self-Assessment – CIPFA Code of Practice on Managing the Risk of Fraud & Corruption – ACTION PLAN

Requirement	Status	Action	Responsible Officer	Target Date
There is a current statement from the Leadership team that identifies the specific threats of fraud and corruption faced by the organisation.	Partially	<p>The existing Fraud & Corruption Strategy is signed and endorsed by the Chief Executive and the Leader of the Council. The Fraud & Corruption Strategy and Policy are reviewed annually and updated as appropriate. However, the Strategy and Policy were last formally approved by the Audit Committee in 2013.</p> <p>Action: to review and represent the Fraud & Corruption Strategy for approval to Senior Management and the Audit Committee</p>	Neil Pitman, Head of Southern Internal Audit Partnership	November 2018
The organisations risk management policy includes reference to risks arising from fraud and corruption and guidance on how the risks should be assessed.	No	<p>The County Council’s Strategy for Managing Risk & Uncertainty 2016-2020 is a deliberately high level document that does not currently make specific reference to fraud and corruption.</p> <p>Action: to liaise with the Corporate Risk Manager to assess how best to incorporate reference the risk of fraud and corruption and the assessment thereof into existing risk management guidance and support.</p>	Neil Pitman, Head of Southern Internal Audit Partnership	September 2018

Counter Fraud Plan 2018-19

Review	Scope
Proactive Reviews	
Training & Awareness	To facilitate training in key areas fraud risk, policy and process. Focus during 18/19 to review and update corporate E-Learning and targeted Bribery Act Training.
Procurement Cards & Petty Cash	Use of data analytics to identify irregular / excessive use and potential duplicate claims.
Blue Badges	To review arrangements for the administration and on-going due diligence of Blue Badges to ensure legitimacy of recipient and effective maintenance/ cancellation.
National Fraud Initiative	To facilitate engagement in the 2018 National Fraud Initiative. Uploads scheduled for October 2018 with results available for dissemination and review in February 2019.
Anti Fraud & Corruption Policy / Strategy Review	To review and update the existing policy and strategy for endorsement by Senior Management and the Audit Committee.
Benchmarking (CIPFA survey)	Asses to performance and outcomes of counter fraud activity for the County Council against national trends and averages.
Networking Groups (South East Hub / Hampshire Fraud Group)	Maintain awareness of new initiatives and emerging fraud risks. Additionally to seek opportunities for joint any working initiatives.
Reactive Reviews	
Investigation(s)	As notified to the fraud team either through Whistleblowing Policy, Manager referral or through internal audit testing / reviews.