

Fraud Plan

2020-21

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 the 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; Whistleblowing Policy and Anti Bribery 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 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 continue to increase the risk exposure to fraud.

In recognition of this, the 2020 Fighting Fraud and Corruption Locally Strategy, has built upon the three pillars of activity (acknowledge, prevent and pursue), with ‘govern’ and ‘protect’ added as tenets to underpin appropriate focus of fraud prevention resource in local authorities.



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

These principles are further underpinned by demonstrable regard to:



3. Reactive Fraud Activity

The Southern Internal Audit Partnership will 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 Strategy.

By its nature such reactive fraud and irregularity work is unpredictable with regard its level and duration. Recent history has demonstrated, in relative terms, limited levels of required activity in respect of reactive fraud work in Hampshire County 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 which are mapped within Annexe A.

With the unprecedented scale of COVID-19 coupled with the speed of its impact and the wide ranging challenges it has presented, the County Council have had to react promptly and positively to the complex issues raised to ensure that the essential services they provide and the best interest of the people they serve are protected and maintained. The exceptional demands this crisis has placed on the County Council has necessitated new and different ways of working to navigate the unique challenges posed.

Such challenges and subsequent resolutions bring with them new and emerging fraud risks that management need to consider, manage, and mitigate. In response, the Southern Internal Audit Partnership has considered and produced a list of consequential and emerging fraud risk areas that may present themselves or are known to have been exploited by criminals who unscrupulously take advantage of the crisis we currently face.

The internal audit plan 2020/21 has allowed for a pool of days to provide assurance around such emerging risks and the Counter Fraud Unit will work closely with audit colleagues to add their expertise to fraudulent risk exposures in service delivery and imposed government initiatives/ requirements. Potential areas of review include but are not limited to:

Risk Area	Potential Fraud Scope
IT / Cyber Security (including homeworking)	Cyber fraud (Phishing, Smishing, identity fraud etc.)
Procurement	Emergency procurements / use of PCards.
Contract Management (Supply Chain)	Mandate fraud / duplicate invoices / inflated claims / product substitution
Market Underwriting	Process, due diligence, and impact of payments to providers despite reduced or ceased services.
Central Government Grants (allocation)	Processing and payment of allocated grant funding
Alternative Delivery / Operating Models	Internal advantage taken of lean process / operating models to prioritise front line service delivery

It is also recognised that 2020 is a National Fraud Initiative upload year and as such the Southern Internal Audit Partnership will be facilitating this process to ensure that the December 2020 deadline (extended from October due to COVID-19) is met. It remains a requirement that all data must still be captured as at the end of September. Resulting matches from the exercise will be available from January 2021.

The Southern Internal Audit Partnerships understanding of Hampshire County Council’s service activities coupled with research from national surveys / publications, benchmarking with other local authority fraud risks and our previous proactive fraud reviews undertaken have been used to inform our proactive fraud activities for 2020-21.

5. Fraud Action Plan 2020-21

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 Hampshire County Council are a part. This is demonstrated through our dedicated and qualified Counter fraud Unit, the tools to which they have access and participation in national and local collaboration groups. Building on intelligence from such collaboration and discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2020-21.

Activity	Scope	Responsible Officer	Due Date	Expected Outcome
CIPFA Fraud Survey	Completion of the annual CIPFA fraud survey	Iona Bond Counter Fraud Manager, Andy Payne, Senior Counter Fraud Officer	Q2	Access to the results of the national survey which provides useful benchmarking information and information into fraud trends which is used to inform the proactive fraud plan.
National Fraud Initiative	To facilitate the timely delivery of the upload NFI 2020 data and review of matches.	Iona Bond Counter Fraud Manager, Andy Payne, Senior Counter Fraud Officer	Q2- Q4	Compliant upload of data and receipt of matches (Jan / Feb 2021).
Procurement	Review in response to central governments ' <i>Review of the risks of fraud & corruption in local government procurement</i> ' (June 2020)	Vanessa Anthony, Senior Counter Fraud Officer	Q2	Assurances of a well-led and risk-aware council, that manages its resources and fraud risks in this area efficiently to secure value for money outcomes.
Direct Payments	Control mapping of the key stages within the direct payment process to identify those areas particularly exposed to fraud risk.	Iona Bond Counter Fraud Manager Vanessa Anthony, Senior Counter Fraud Officer	Q3 – Q4	Identification of weaknesses within the control processes where due consideration to fraud exposure may not have been considered to enable effective mitigation.

Activity	Scope	Responsible Officer	Due Date	Expected Outcome
Mandate Fraud (creditors payments)	Control mapping of the key stages within the payment process regarding any changes to supplier bank accounts to identify those areas particularly exposed to fraud risk.	Iona Bond Counter Fraud Manager, Nick Barrett, Senior Counter Fraud Officer	Q2 – Q3	Identification of weaknesses within the control processes where due consideration to fraud exposure may not have been considered to enable effective mitigation.
Payroll Expenses	Control mapping of the key stages within the expenses claiming process to identify those areas particularly exposed to fraud risk.	Iona Bond Counter Fraud Manager, Chloe Reeve, Counter fraud Officer	Q3 – Q4	Identification of weaknesses within the control processes where due consideration to fraud exposure may not have been considered to enable effective mitigation.
Training & Awareness	Develop an effective fraud awareness training programme for Members and Officers.	Nick Barrett, Senior Counter Fraud Officer	Ongoing	Delivery of an agreed stream of training in accordance with organisational priorities.
COVID-19 Support	To support audit colleagues in the delivery of assurances (relating to fraud risks) incorporated within the HCC Audit Plan 2020/21	Iona Bond Counter Fraud Manager	On-going	Reasonable assurance over the authority's fraud risk exposure from COVID-19
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Neil Pitman Head of Southern Internal Audit Partnership	Q4	To present a report to CMT and Audit Committee outlining progress against the 'Fraud Action Plan 2020-21' relaying outcomes, assurance, investigations, sanctions, savings as appropriate.

Six C's – Matrix

Annex A

