

Fraud Plan

2019-20

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents:

| Ref | Subject | Page |
|----------|----------------------------|------|
| 1. | Forward | 3 |
| 2. | The Changing Face of Fraud | 4 |
| 3. | Reactive Fraud Activity | 5 |
| 4. | Proactive Fraud Approach | 5 |
| 5. | Fraud Action Plan 2019-20 | 6 |
| Annexe 1 | Six Cs Matrix | 9 |
| Annexe 2 | National Fraud Risk Survey | 10 |

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 Internal Audit’s approach to support the management of the risk of fraud and corruption within West Sussex County Council.



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

‘West Sussex County Council is determined that the culture and tone of the organisation is one of honesty, openness and absolute opposition to fraud and corruption. The Council’s expectation on propriety and accountability is that members and staff at all levels will observe the highest standards in ensuring adherence to legal requirements, rules, procedures and practices.’ (WSCC - Anti Fraud & Corruption Strategy)

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 Fraud Response Plan; 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 Risk Plan complements the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

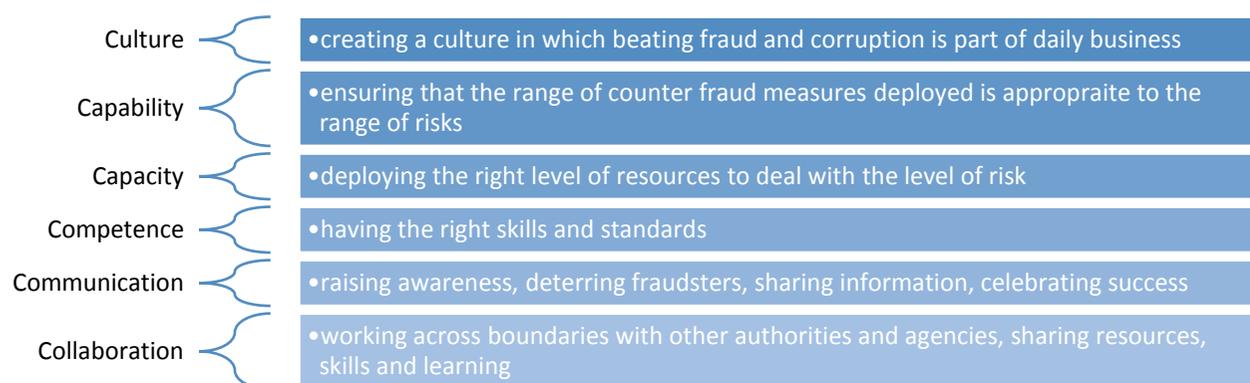
2. The Changing Face of Fraud

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

Internal Audit will work seamlessly with management in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be co-ordinated by professionally accredited (CIPFA, CCIP) staff, in accordance with the Council's Anti Fraud & Corruption Strategy and Fraud Response Plan.

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 West Sussex 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 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.

Internal Audit's understanding of West Sussex County Council's service activities coupled with research from national surveys / publications and benchmarking with other local authorities' fraud risks have highlighted a list of areas for consideration as part of our proactive fraud activities for 2019-20 (Annexe 2).

It is also recognised that 2019 is a National Fraud Initiative match release year (following data uploads to the Cabinet Office in October 2018), and as such the Southern Internal Audit Partnership will be facilitating the investigation into any positive matches on the WSCC data as well as dealing with information requests received from other local authorities during the process of their investigations into positive matches. Match reports were released at the end of January 2019.

5. Fraud Action Plan 2019-20

Many of the aspects contributing to an effective approach to fraud risk management are implicit within the Southern Internal Audit Partnership’s established processes to which West Sussex County 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 this intelligence from such collaboration and discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2019-20.

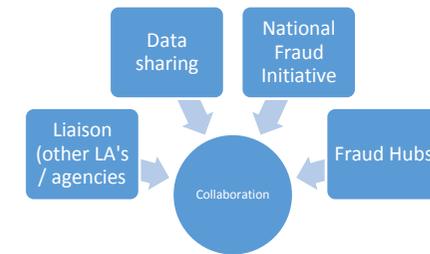
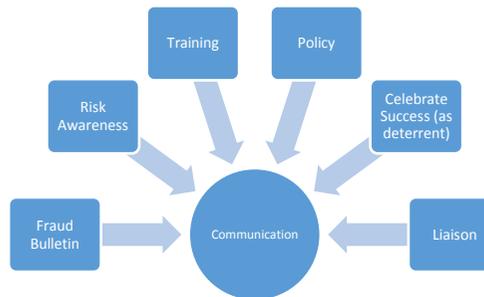
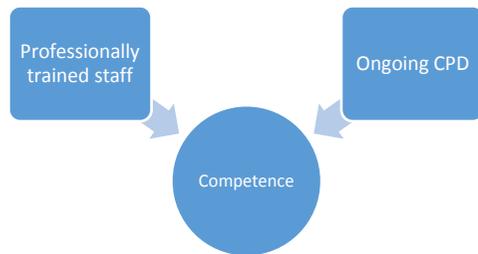
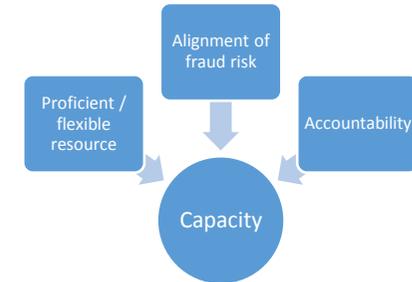
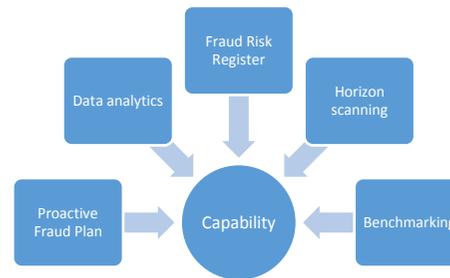
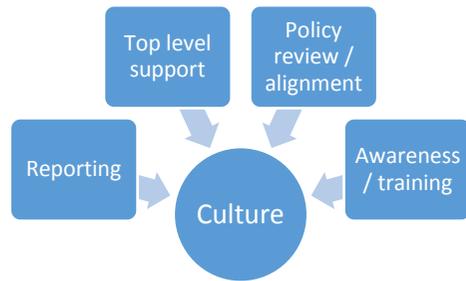
| Activity | Scope | Responsible Officer | Due Date | Expected Outcome |
|--|---|---|----------|---|
| CIPFA Fraud Survey | Completion of the annual CIPFA fraud survey | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q1 | Access to the results of the national survey which provides useful benchmarking information and information into fraud trends which is used to inform the proactive fraud plan. |
| National Fraud Initiative | To facilitate the review and investigation into positive matches received following the NFI data uploads in October 2018. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q1- Q3 | Identify and notify departments accordingly to ensure appropriate recovery action is instigated. |
| National fraud initiative – Companies House Matches | To facilitate the review and investigation into positive matches received following the NFI data uploads in October 2018. This work will also include a review of the control processes around declarations of interests. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q1 | Organisational assurance of the control environment in place to counter fraud risk. |

| Activity | Scope | Responsible Officer | Due Date | Expected Outcome |
|--|--|---|----------|--|
| National fraud initiative – Home Office Matches | To facilitate the review and investigation into positive matches received following the NFI data uploads in October 2018. This work will also include a review of the control processes around right to work checks. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q1 | Organisational assurance of the control environment in place to counter fraud risk. |
| Training & Awareness | Develop an effective fraud awareness training programme for Members and Officers. | Nick Barrett, Senior Auditor | Ongoing | To develop and roll out an E-Learning training model corporately and delivery of bespoke training for Members and officers. Additionally, assess and deliver focused areas of officer training (PCards) as may be requested. |
| Prepayment cards | Appropriate counter fraud measures are in place to identify and challenge false/inappropriate expenditure. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q3 | Organisational assurance of the control environment in place to counter fraud risk. |
| Purchasing cards | Appropriate counter fraud measures are in place to identify and challenge false/inappropriate expenditure. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q2 | Organisational assurance of the control environment in place to counter fraud risk. |
| Care payments to third parties | Appropriate counter fraud measures are in place to prevent and detect misuse of monies administered on behalf of clients by third parties. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q3-4 | Organisational assurance of the control environment in place to counter fraud risk. |

| Activity | Scope | Responsible Officer | Due Date | Expected Outcome |
|--|--|---|----------|--|
| Policy & Procedures | To review adequacy and compliance with disciplinary and investigation policies and process. | Iona Bond Fraud Manager, Nick Barrett, Senior Auditor | Q4 | Assurance that effective and compliant policies and procedures are in place and operating across the organisation. |
| 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 ELT/CLT and Regulation, Audit & Accounts Committee outlining progress against the 'Fraud Action Plan 2019-20' relaying outcomes, assurance, investigations, sanctions, savings etc. as appropriate. |

Six C's – Matrix

Annexe 1



Annexe 2

Key Fraud Risks relevant to WSCC – National Survey

(Fighting Fraud & Corruption Locally 2016-19 / CIPFA, Fraud & Corruption Tracker 2017 / Mazars, Horizon Scanning – Challenges & Opportunities – Dec 2018)

| Fraud Risk Area | Overview |
|------------------------------------|--|
| Personal Budgets | Overstatement of needs (false declaration), multiple claims, third party abuse or posthumous |
| No recourse to public funds | False declaration and ineligibility to public funds |
| Schools | Susceptible to a wide range of fraud (internal, procurement, recruitment, pay etc.) which can be perpetuated through their relative autonomy |
| Procurement Fraud | Vulnerabilities through price fixing, bid rigging, double invoicing. To include PCards |
| Blue Badge Fraud | Use of counterfeit / altered badges, use when disable 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 |
| Concessionary Travel | Including Freedom Passes |
| 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) |