

## **AUDIT COMMITTEE**

**20 MARCH 2014**

### **FRAUD RESILIENCE STRATEGY**

Report from: Internal Audit

Author: Alison Russell, Head of Internal Audit and Counter Fraud

#### **Summary**

It is a management responsibility to identify and mitigate the risk of fraud through robust control arrangements. It is the responsibility of Audit Services to support management in the delivery of their role, by providing consultative support, proactive and reactive investigation, and audit assurance. The 2014/16 Fraud Resilience Strategy (FRS) is being presented to the Audit Committee for consideration and endorsement.

#### **1. Budget and Policy Framework**

1.1 It is in the remit of the Audit Committee to take decisions regarding accounts and audit issues.

#### **2. Background**

2.1 In 2011 the council commissioned an external review of its fraud resilience and the report found that the council's arrangements were ranked in the lowest quartile of 268 public sector organisations. An internal risk assessment was undertaken, and this along with the findings of the external review was used to develop the council's first Fraud Resilience Strategy (FRS).

2.2 The initial strategy was for two financial years, from 2012 to 2014, and included a full review of corporate arrangements. It also addressed particular fraud risk areas across the council through proactive fraud work, consultative support, investigations and internal audits.

2.3 The proposed new two year FRS is intended to build on the improvements implemented in the past two years, and extend the number of service areas it addresses. The proposed FRS has been presented to Extended Management Team for senior management input, and is attached at **Annex A** for Audit Committee consideration and endorsement. A Diversity Impact Assessment screening was undertaken for the Fraud resilience Strategy and it is noted that it is not necessary to undertake a full impact assessment. This is attached at the end of Annex B.

2.4 The summary of fraud resilience work planned is detailed in the Audit Services Audit and Fraud programme as set out in Annex B of the Internal Audit programme report. The FRS is delivered by Audit Services, involving both the Corporate Anti-

Fraud Team and Internal Audit. The document sets out the planned audits for 2014/15 and matches this with related fraud resilience work scheduled for 2014/16. It also records those areas where there is identified need for fraud resilience work, and actions identified, but where there are no plans for an internal audit to be conducted.

2.5 The FRS also covers work related to council-wide arrangements, including:

- increasing fraud awareness across the council ( EMT have confirmed that they will ensure that fraud risk is considered as part of the service plans developed for 2014/15)
- a further review of the current protocols for handling internal investigations
- monitoring the impact and use of the fraud hotline established in 2013
- maximising the use of data matching for identifying potential fraudulent activity, through the increased use of data interrogation tools and continuing work on the National Fraud Initiative.

2.6 Where Audit Services identify weaknesses in the control environment which increase the risk of fraud, any recommendation will be discussed with management to ensure the action taken is proportionate to the risk.

2.7 Effective delivery of the FRS is dependent on the support of management across the council who are ultimately responsible for the management of fraud risk within the council.

2.8 The level of loss due to fraud within local government has been estimated by the National Fraud Authority to be £2.4billion (excluding housing benefits which is recorded as a loss against central government). These losses include both fraud perpetrated from people outside of the organisation, as well as by staff and contractors.

<b>Fraud Type</b>	<b>Fraud Loss</b>
Housing Tenancy fraud	£845 million
Procurement fraud – goods and services	£876 million
Housing Benefit (central government)	£350 million
Payroll fraud	£154 million
Council tax fraud	£133 million
Blue Badge Scheme misuse	£46 million
Grant fraud	£35 million
Pension fraud	£7.1 million

2.9 Changes in the management and delivery of services and finances are creating new and increased fraud risks for local government, in such areas as local business rates, personal budgets, commissioned services, and outsourced services. All these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase. A continuing significant risk to the council remains at satellite sites and schools which are managed at arms-length from the central council.

2.10 Any identified potential fraud must be reported to the Chief Finance Officer in accordance with the constitution, either directly or via the Head of Internal Audit and Counter Fraud. Where Audit Services has had the opportunity to liaise with

management in a business area, and effective reporting processes have been put in place, the number of fraud case referrals has increased. There remains a real concern that not all fraud is being identified and reported, underlined by the fact that in the last annual fraud and corruption survey in May 2013 no fraud at all was reported in a number of high risk business areas across the council.

- 2.11 Investigations, particularly those relating to staff, can be disruptive to operational delivery, and Audit Services in conjunction with HR seek to minimise disruption to the service and avoid unnecessary upset.

### 3. Risk Management, Financial and Legal implications

- 3.1 Fraud is a risk to the council not only in terms of financial loss, but the damage to the council's reputation and the ensuing loss of public trust. In a time when the council is facing significant financial constraints the need to ensure public funds are appropriately protected from fraud is critical.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial Loss due to fraud Damage to the council's reputation Public lose trust in the council Non-delivery of essential services	Failure to address fraud risk effectively. The level of loss to local government is estimated to be in excess of £2b (Audit Commission's estimate as included in the 2013 Protecting the Public Purse). Every pound lost through fraud cannot be spent on funding public services	Strong fraud resilience through embedding a strong counter-fraud culture, targeting sufficient resource and improving data to measure performance	C2

- 3.2 The Council takes action against those found to be involved in fraudulent activity.

### 4. Recommendations

- 4.1 The Fraud Resilience Strategy is presented to the Audit Committee for consideration and endorsement.

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#### Background Papers

Fraud Resilience Strategy 2012/14 – last update presented to Audit Committee September 2013  
 Fighting Fraud Locally – The Local Government Fraud Strategy  
 National Fraud Authority – 2013 Annual Fraud Indicator  
 Protecting the public purse 2013



## Fraud Resilience Strategy 2014 / 16

### 1. Summary

- 1.1 Fraud costs local government more than £2b a year. In times of austerity, preventing fraud is even more important to protect the public purse. Every pound lost through fraud cannot be spent on providing public services. The Fraud Resilience Strategy (FRS) seeks to enhance fraud resilience within Medway Council and sets out the council's aims and objectives for managing the risk of fraud over a two year period. The FRS supports the council's Anti-Fraud and Corruption Policy, Whistleblowing Policy, Employee Code of Conduct and HR Disciplinary Procedure.
- 1.2 The FRS identifies key fraud risk areas and the actions which Audit Services intends to take. This strategy seeks to build on the progress made under the previous 2012/14 FRS as well as addressing new and emerging risks. Regular risk-based reviews of the FRS will ensure the council is addressing emerging fraud risks.
- 1.3 The council takes action against those found to be involved in fraudulent activity.

### 2. Background

- 2.1 The Medway approach to fraud resilience takes into account national information and strategies related to public sector fraud, including:
  - Local Government Oversight Board "Fighting Fraud Locally" (FFL).
  - The National Fraud Authority "Annual Fraud Indicator" (AFI).
  - Audit Commission "Protection of the Public Purse" (PPP).
- 2.2 Audit Services also liaise with key local groups regarding fraud resilience and risk, including:
  - Kent Investigation Officers Group (KIOG).
  - Kent Audit Group (KAG).
  - Police (including Medway Community Engagement Project).
  - Department for Work and Pensions – Fraud Investigation Service (FIS).
  - Medway Housing Society (MHS).
- 2.3 Fraud risk within the council is then considered, based on:
  - Previous fraud investigation history.
  - Internal Audit findings and audit opinions.
  - Management concerns.
  - Risk assessment taking into account issues such as materiality, potential reputational damage, recent changes to process and key staff, and frequency of transactions.
- 2.4 The implementation of the strategy, whilst led by Audit Services, relies on the input and support of management to help understand the relevant business processes, identify procedural and strategic risks, assist with any resulting investigations, and agree actions to help mitigate those risks.

### 3. Management Responsibilities

- 3.1 Management of fraud risk is a management responsibility
- 3.2 Management should ensure there are robust methods for identifying, recording and reporting fraud for the purposes of:

- Reporting allegations for investigation.
- Reporting proven frauds in the annual “Fraud and Corruption Survey”.
- Identifying emerging risks and recording them on service plans.
- Developing local fraud risk assessment and management.

#### **4. Audit Services Responsibilities**

##### **4.1 Audit Services has two teams:**

- Internal Audit, responsible for providing assurance and consultative support to Senior Management and Audit Committee on internal controls, governance arrangements, the management of risk, and pursuit of value for money. Auditors are required to be alive to the risk of fraud when conducting audits, and undertake some internal fraud investigations.
- The Corporate Anti-Fraud Team (CAFT) responsible for conducting criminal investigations to substantiate or disprove allegations of fraud and corruption. Increased allegations of fraud against the council and introduction of the Council Tax Reduction scheme require an increasing refocus of priorities. The Single Fraud Investigation Service (S-FIS) is due for national roll-out from October 2014, at present there is little detail known regarding the transfer of local authority staff to the new service it is therefore difficult to assess the full impact on future delivery of corporate fraud investigations.

##### **4.2 Audit Services therefore support management in the delivery of their role, by providing:**

- Consultative support.
- Proactive and reactive investigation.
- Audit assurance.

#### **5. Monitoring and Reporting on delivery of the FRS**

##### **5.1 Audit Services will consider the emerging fraud risks and update the strategy accordingly.**

##### **5.2 Updates on progress and delivery will be supplied to the Chief Finance Officer and Audit Committee every 6 months.**

#### **6. Lead officer contact**

##### **6.1 Alison Russell, Head of Internal Audit and Counter Fraud x 2355**

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## Fraud Resilience Strategy 2014 to 2016

<b>Action Plan</b>		
	<b>Key Risk Areas</b> (key at foot of table)	<b>Audit Services proposed actions</b>
1.	<p><b>Council Tax (C/T)</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>• Nationally C/T revenue exceeds £22b.</li> <li>• Estimated 4 – 6% of SPD claims are fraudulent (PPP)</li> <li>• CTR same inherent risks as CTB it replaced.</li> <li>• CTR fraud has a direct impact on the council's finances.</li> <li>• Medway currently administers 22,149 CTR claims (MBRS).</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance provided by annual internal audit.</li> <li>• Forthcoming NFI 2013/14 exercise (SPD to Electoral Registration) - MBRS will undertake a 100% sample of matches with investigations being undertaken by CAFT.</li> <li>• CAFT will continue to investigate allegations of CTR, Council Tax discount and exemption fraud.</li> <li>• CAFT will consider student discount fraud – assessing fraud risk in relation to the size of the local student population / potential financial loss.</li> <li>• CAFT will review the penalties and sanctions policy.</li> <li>• CAFT will review documentation shared with applicants.</li> <li>• CAFT will consider the impact of S-FIS on CTR fraud investigation, as responsibility to investigate will remain with the council. Progress will be reported to the Chief Finance Officer and Audit Committee.</li> </ul>
2.	<p><b>Housing Benefits (HB)</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>• HB fraud represents a loss to the national exchequer with action to tackle benefit fraud mainly funded by central government.</li> <li>• As at 31/12/13 Medway had 20,291 active HB claims, worth over £15.5m (MBRS).</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance provided by annual internal audit.</li> <li>• CAFT to undertake reactive investigations until S-FIS is implemented (possibly October 2014).</li> <li>• NFI (2012/13) – CAFT reviewed Medway staff matches and will now undertake a review of outstanding non-Medway staff matches.</li> <li>• NFI (2014/15) –Methodology / resources for dealing with output (due early 2015) to be agreed between Audit Services &amp; Management.</li> <li>• CAFT will review and consider how the implementation of S-FIS and proposed transfer of investigation staff might impact on service delivery e.g prompt identification of overpayments and speed of processing.</li> </ul>

3.	<p><b>Tenancy Fraud / Housing / Right to Buy (RTB)</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>• Housing tenancy fraud is estimated to be the 2<sup>nd</sup> largest financial loss in local government costing £845m in 2013 (NFA).</li> <li>• Estimated 2% of social housing stock outside London is subject to tenancy fraud.</li> <li>• Medway currently has 3,025 housing stock.</li> <li>• Identified RTB fraud increased nationally by 168% in years 2012/13 compared to 2011/12 (PPP). Possible factors were increased investigation activity combined with higher number of attempted frauds arising as a result of the increased discounts (currently a maximum of £75K per dwelling outside London).</li> <li>• Increased cost of dealing with homelessness as a consequence of a lack of social housing.</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance provided by annual internal audit.</li> <li>• CAFT will conduct reactive investigations and seek to maximise the recovery of unlawfully occupied properties.</li> <li>• CAFT to provide assistance in the verification of RTB and succession applications.</li> <li>• CAFT to work with local Social Housing Providers to reduce Social Housing Tenancy fraud, freeing up unlawfully occupied properties for re-let to those in genuine need.</li> </ul>
4.	<p><b>Local Business Rates (LBR)</b> (new)</p> <ul style="list-style-type: none"> <li>• Nationally 149 cases of LBR fraud in 2012/13 totalling £7.2m, with one case over £5m (PPP).</li> <li>• Councils continue to report an increase in relief and incentive schemes, in particular charitable relief. These schemes may be vulnerable to exploitation by fraudsters (PPP).</li> <li>• LBR income has direct impact on the council's finances.</li> <li>• The value of Small Business Rates Exemptions awarded by Medway to date totals £3,854,281 (MBRS).</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance is provided by annual internal audit.</li> <li>• CAFT to provide consultative support.</li> <li>• CAFT to undertake any subsequent investigations</li> </ul>
5.	<p><b>Free School Meals</b> (new)</p> <ul style="list-style-type: none"> <li>• Recipients must be in receipt of a qualifying benefit. Risk of false applications and failing to report changes mirrors risks associated with HB and CTR.</li> <li>• Medway currently provides free school meals to 4,500 families / 6400 children.</li> <li>• Entitlement passports many families to free school transport for an entire academic year.</li> </ul>	<ul style="list-style-type: none"> <li>• CAFT to explore data sharing opportunities between Medway departments to reduce the risk of fraud &amp; overpayments.</li> <li>• CAFT to undertake subsequent investigations.</li> </ul>



	<ul style="list-style-type: none"> <li>There is currently no exchange of information between MBRS&amp; School Meals, resulting in increased risk of overpayments and fraud.</li> </ul>	
6.	<p><b>Concessionary travel passes</b> (new)</p> <ul style="list-style-type: none"> <li>This is a high volume public service.</li> <li>Approx. 40,000 Medway concessionary bus passes in issue, a 3,000 increase on 2012/13. This presents a significant cost and administrative burden for Medway Council.</li> </ul>	<ul style="list-style-type: none"> <li>CAFT to provide consultative support, including sharing some relevant lessons learned from the work undertaken to date on Blue Badges.</li> <li>CAFT to undertake subsequent investigations.</li> </ul>
7.	<p><b>Staff Mileage</b> (carry forward from 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>The estimated annual loss to payroll fraud in local government is £153m (NFA).</li> </ul>	<ul style="list-style-type: none"> <li>CAFT to undertake a targeted review of mileage claims.</li> <li>CAFT to review arrangements for personal mileage using council vehicles.</li> <li>CAFT to undertake any subsequent investigations.</li> </ul>
8.	<p><b>Review of safes in council offices</b> (new)</p> <ul style="list-style-type: none"> <li>Risk to security of council and client assets.</li> </ul>	<ul style="list-style-type: none"> <li>CAFT to undertake a proactive review of safes.</li> <li>Assurance provided by planned series of internal audits of payments made locally.</li> </ul>
9.	<p><b>Discretionary Housing Payments (DHP)</b> (new)</p> <ul style="list-style-type: none"> <li>The risk of persons making false applications and failing to report changes mirrors the risk associated with fraudulent claims for HB and CTR.</li> <li>Medway's 2013/14 DHP allowance is £563,046. The DHP spend (as at 31/12/13) including committed spend was £235,311.93 (MBRS).</li> </ul>	<ul style="list-style-type: none"> <li>CAFT to undertake a targeted review of current DHP claims.</li> <li>CAFT to undertake any subsequent investigations.</li> </ul>
10.	<p><b>Staff Vetting</b> (carry forward from 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>One of the strongest defences against employee fraud is ensuring that proper and adequate vetting takes place.</li> <li>Between 01/04/13 – 10/12/13 there were 595 Medway “new starters” (Human Resources).</li> </ul>	<ul style="list-style-type: none"> <li>CAFT to undertake a sample of new starters and recruitment into key positions from across the organisation and complete a consultative review of vetting arrangements.</li> <li>The internal audit of DBS (Part 2) will contribute to the overall level of assurance.</li> </ul>
11.	<p><b>Personal Budgets</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>Nationally direct payments have increased from 8% of all community service expenditure in 2007/08 to 21% in 2012/13.</li> </ul>	<ul style="list-style-type: none"> <li>CAFT will continue to provide consultative support to management, within both Adult Social Care and Customer Contact.</li> <li>CAFT will continue to undertake investigations as necessary.</li> </ul>

	<ul style="list-style-type: none"> <li>Over same period the total value of spending on direct payments (adjusted to 2012/13 prices) rose from £523m to £1.3bn.</li> <li>Nationally the volume and value of detected fraud has increased with 200 cases being reported in 2012/13 with a value of £4m (average case value of £19,859). (PPP)</li> </ul>	<ul style="list-style-type: none"> <li>NFI have offered a free data match of Personal Budget to DWP Death records. CAFT are currently liaising with management and if agreed will work with nominated officers to undertake the initial sift of the data &amp; undertake any subsequent investigations.</li> </ul>
12.	<p><b>Blue badge</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>The NFA estimates that 20% of all blue badges in circulation are abused. Other than lost parking revenue, Blue badge fraud does not represent a major financial loss to council; however there is a potential risk in public confidence where individuals in genuine need are deprived of disabled parking facilities.</li> <li>There is a high level of referrals from the public.</li> </ul>	<ul style="list-style-type: none"> <li>CAFT will continue to work with Parking Services on the enforcement of Blue Badges in the Medway area.</li> <li>CAFT will continue to investigate allegations of Blue Badge abuse / misuse.</li> <li>CAFT will consider undertaking a proactive exercise to check a number of new and renewal applications against other Medway records (including Housing benefit and Council Tax records)</li> <li>CAFT will work with Parking Services and the Police on proactive exercises.</li> </ul>
13.	<p><b>Category Management</b> (new)</p> <ul style="list-style-type: none"> <li>In 2012/13 the NFA <u>estimated</u> Procurement fraud cost local authorities £876m, making it the largest area of financial loss to fraud in local government. In the same year the total value of <u>detected</u> procurement fraud by local authorities was £1.9m. (PPP).</li> <li>The aim of Category management is to help spend public money better. The process should seek to mitigate the risk of internal and external fraud by implementing appropriate safeguards.</li> </ul>	<ul style="list-style-type: none"> <li>Audit Services will work with management to develop a procurement governance review which can be undertaken by management and Audit Services jointly on an annual basis.</li> <li>Audit Services will offer to be involved in key procurement projects</li> <li>Audit Services will review the current due diligence regime within the council.</li> </ul>
14.	<p><b>Corporate Credit Cards</b> (new)</p> <ul style="list-style-type: none"> <li>Inappropriate expenditure / fraud / non-compliance with contractual and insurance requirements</li> </ul>	<ul style="list-style-type: none"> <li>Assurance is provided through the planned internal audit.</li> <li>Audit Services will undertake any subsequent investigations</li> </ul>
15.	<p><b>Taxation – Creditor Payments</b> (new)</p> <ul style="list-style-type: none"> <li>There is a risk around potentially fraudulent claims by consultants and traders – paying them gross when it might be perceived that they are actually “employees” e.g as a</li> </ul>	<ul style="list-style-type: none"> <li>The planned internal audit will provide assurance on arrangements, concentrating on: - <ul style="list-style-type: none"> <li>CIS</li> <li>Consultants</li> </ul> </li> </ul>

	<p>consequence of regular engagement or the provision of office facilities. In which case we should be ensuring, as employers, that tax and NI is deducted from payments appropriately.</p> <ul style="list-style-type: none"> <li>• Risk of enforcement action resulting from non-compliance with HMRC rules and regulations</li> </ul>	<p>- VAT</p> <ul style="list-style-type: none"> <li>• Audit Services will undertake any subsequent investigations.</li> </ul>
16.	<p><b>Grant Fraud</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>• Economic and third sector fraud involved the false payment of grants, loans or financial support by local government bodies to private individuals, companies, charities and non-governmental organisations. The estimated annual loss to fraud in local government is £35m. (PPP)</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance provided through the proposed internal audit of Economic Development.</li> <li>• CAFT to provide consultative support.</li> <li>• CAFT to undertake any subsequent investigations.</li> </ul>
17.	<p><b>Schools</b>(building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>• Schools represent a specific fraud risk as they work at arm's length from the council.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit will continue with their probity review programme, escalated by the appointment of a consultant for 2014/15.</li> <li>• Internal Audit will provide presentations to school governing bodies on the results of the reviews and emerging fraud risks.</li> <li>• Internal Audit are working with Governors Services and Education Finance to develop further training and guidance for school governors on fraud risk and governance issues.</li> <li>• Audit Services will undertake any subsequent investigations.</li> </ul>
18.	<p><b>Promote the use of the new Fraud Hotline / Consider data collection</b> (building on the 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>• Launched in December 2013, the purpose was to encourage reports of fraud against Medway Council.</li> <li>• There is a risk that fraud may go unreported.</li> </ul>	<ul style="list-style-type: none"> <li>• CAFT will liaise with management across the council to ensure the telephone number is promoted by all services.</li> <li>• Currently the Hotline offers 5 options, however these may be increased in time. Audit Services will monitor the effectiveness of the hotline using information collected by the various services &amp; consider if more options are required. Current options are: - <ul style="list-style-type: none"> <li>- Council Tax, Benefits, LBR (received by CAFT)</li> <li>- Housing</li> <li>- Blue Badge Fraud</li> <li>- Financial Abuse (received by C&amp;A)</li> </ul> </li> </ul>

		- Other (received by Audit Services Manager)
19.	<p><b>Data matching</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>Data matching is a recognised and effective means of identifying fraud and offering live time assurance of systems. It allows for effective measurement and targeting of resources.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit currently use a data analysis tool to interrogate large data sets.</li> <li>Audit Services are currently liaising with Kent Audit Group and the software provider to develop increased use of the tool to identify potential fraudulent activity.</li> <li>Audit Services to explore different options for utilising the product in reactive and proactive fraud work.</li> </ul>
20.	<p><b>NFI</b> (building on 2012/14 FRS)</p> <ul style="list-style-type: none"> <li>The NFI identifies data anomalies and potential frauds. The results, collated by the Audit Commission, have, over the last ten years, identified outcomes of £939 million. (NFI)</li> <li>Medway may fail to maximise the effectiveness of the NFI if there is inadequate planning e.g. in provision of fair processing notices, or if we fail to commit adequate resources to dealing with the output.</li> </ul>	<ul style="list-style-type: none"> <li>SPD / Electoral Registration NFI matches were received 26 February 2014.</li> <li>The output from the next full NFI exercise (2014/15) will be issued in February 2015.</li> <li>Audit Services will work with management (including schools) on issues such as data quality, adequate fair processing notices, dealing with the data output.</li> <li>Audit Services will investigate allegations of fraud arising from the NFI.</li> </ul>
21.	<p><b>Data Quality – Fraud Reporting</b> (new)</p> <ul style="list-style-type: none"> <li>The under reporting of fraud against the council may lead to financial loss, reputational damage, missed funding opportunities and a failure to identify potential frauds.</li> <li>All councils must complete an annual Fraud &amp; Corruption Survey. The next submission is due in May 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit will undertake a compliance audit of the 2014 return, reviewing management data which supports the council's annual submission for the Audit Commissions Fraud &amp; Corruption Survey.</li> <li>Audit Services will consider the need for further review of risk logs, service plans, service delivery, policies and procedures to ensure the three main strands of an anti-fraud culture are embedded: <ul style="list-style-type: none"> <li>Acknowledge</li> <li>Detect &amp; Prevent</li> <li>Pursue</li> </ul> </li> </ul>
22.	<p><b>Internal Investigations – Protocols</b> (building on 2012/14 FRS actions)</p> <ul style="list-style-type: none"> <li>Members of staff may be subject to both disciplinary and criminal investigation by Audit Services. Generally</li> </ul>	<ul style="list-style-type: none"> <li>Audit Services to work with Human Resources and Legal Services in reviewing the HR protocol to ensure data sharing issues, roles and responsibilities are clear. This may include the introduction of an "investigation plan", signed off by all</li> </ul>

	disciplinary investigations are conducted by a manager in the service area where the member of staff is employed, with support from an appointed HR advisor. There are different arrangements for some schools where they have employed external HR consultancy. A protocol was developed with Human Resources which facilitates the exchange of information for each purpose. There is a risk to the organisation where disciplinary investigations are protracted or the exchange of information is restricted.	parties at the commencement of each investigation – setting out the roles, key stage dates etc.
23.	<b>Fraud Web pages &amp; reporting fraud on line</b> (new) <ul style="list-style-type: none"> <li>• A failure to provide an effective means of reporting fraud via the internet may significantly reduce the number and quality of fraud referrals.</li> </ul>	<ul style="list-style-type: none"> <li>• CAFT to review the current web pages and work with communications to develop an effective fraud reporting tool and informative fraud web pages.</li> </ul>
24.	<b>Change Management</b> (new) <ul style="list-style-type: none"> <li>• Fraud risk may not be considered or managed appropriately during the implementation of a change</li> <li>• Missed opportunity as fraud resilience may not be built into the new arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance is provided through the planned internal audit.</li> <li>• Audit Services will offer consultative support to management to help ensure fraud risk is fully assessed and resilience embedded as part of service delivery change.</li> </ul>

- **Key: -**

- CAFT (Corporate Anti-Fraud Team)
- C/T (Council Tax)
- CTR (Council Tax Reduction)
- DBS (Disability & Barring Service)
- FRS (Fraud Resilience Strategy)
- HB (Housing Benefit)
- LBR (Local Business Rates)
- MBRS (Medway Benefits & Revenues Service)

- NFA (National Fraud Authority)
- NFI (National Fraud Initiative)
- PPP (Protecting the Public Purse – 2013)
- RTB (Right to Buy)
- S-FIS (Single Fraud Investigation Service)
- SPD (Single Person Discount)
- **The number attached to each Key Risk Area has no relevance; it does not denote the order in which each item will be progressed or infer any significance in terms of risk or value.**

## Diversity Impact Assessment: Screening Form

<b>Directorate</b>  <b>Business Support Department</b>	<b>Name of Function or Policy or Major Service Change</b>  <b>Fraud Resilience Strategy</b>		
Officer responsible for assessment  Alison Russell, Head of Internal Audit and Counter Fraud Mick Hayward, Chief Finance Officer	Date of assessment  11 March 2014	New or existing?  Existing	
<b>Defining what is being assessed</b>			
<b>1. Briefly describe the purpose and objectives</b>	The Fraud Resilience Strategy sets out the Council's approach to increasing fraud resilience, and mitigating fraud vulnerability for the Council. It identifies key risk areas – based on national data – and provides a documented approach for Audit Services to work with management to develop robust procedures and fraud response arrangements. It has been developed alongside the 2014/15 Internal Audit work programme. This strategy follows on from delivery of the 2012/14 Fraud Resilience Strategy.		
<b>2. Who is intended to benefit, and in what way?</b>	The policy has been developed to benefit the Council, employees and service users.		
<b>3. What outcomes are wanted?</b>	Desired outcomes: <ul style="list-style-type: none"> <li>- Increased fraud resilience</li> <li>- Reduced fraud vulnerability</li> <li>- Raised awareness of fraud risk across the Council</li> <li>- Effective and efficient use of corporate anti-fraud and internal audit resources</li> </ul>		
<b>4. What factors/forces could contribute/detract from the outcomes?</b>	<b>Contribute</b> <ul style="list-style-type: none"> <li>- Raising awareness to all staff of the policy and what it means;</li> <li>- fraud and corruption cases being dealt with promptly and appropriately;</li> <li>- encouraging fraud reporting</li> <li>- an effective whistleblowing policy</li> </ul>	<b>Detract</b> <ul style="list-style-type: none"> <li>- employees not understanding their responsibilities in relation to fraud and corruption;</li> <li>- employees not seeing evidence of the Council taking fraud and corruption seriously</li> </ul>	
<b>5. Who are the main stakeholders?</b>	The council, employees and service users.		
<b>6. Who implements this and who is responsible?</b>	The lead for this strategy is Alison Russell, Head of Internal Audit and Corporate Fraud, reporting on delivery to Mick Hayward, Chief Finance Officer and the Audit Committee.		

<b>Assessing impact</b>		
7. Are there concerns that there <u>could</u> be a differential impact due to <i>racial groups</i> ?	NO	Investigations of employees are handled under the Council's HR policies. Where there is potential criminal investigations required of employees then the Internal Auditors may undertake the work – working under professional standards – or the Corporate Anti-Fraud Team will investigate working to professional standards and in accordance with PACE
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
8. Are there concerns that there <u>could</u> be a differential impact due to <i>disability</i> ?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
9. Are there concerns that there <u>could</u> be a differential impact due to <i>gender</i> ?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
10. Are there concerns there <u>could</u> be a differential impact due to <i>sexual orientation</i> ?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
11. Are there concerns there <u>could</u> be a have a differential impact due to <i>religion or belief</i> ?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	



12. Are there concerns there <u>could</u> be a differential impact due to people's age?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
13. Are there concerns that there <u>could</u> be a differential impact due to <i>being transgendered or transsexual</i> ?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
14. Are there any <i>other</i> groups that would find it difficult to access/make use of the function (e.g. young parents, commuters, people with caring responsibilities or dependants, young carers, or people living in rural areas)?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	
15. Are there concerns there <u>could</u> have a differential impact due to <i>multiple discriminations</i> (e.g. disability <u>and</u> age)?	NO	See above
What evidence exists for this?	Additional to above - Audit Services documented processes and formal review processes. Decisions regarding criminal sanction are subject to formal review, input of Legal Services, and formally signed off	

### Conclusions & recommendation

16. Could the differential impacts identified in questions 7-15 amount to there being the potential for adverse impact?	YES	N/A
	NO	
17. Can the adverse impact be justified on the grounds of promoting equality of opportunity for one group? Or another reason?	YES	N/A
	NO	

Recommendation to proceed to a full impact assessment?		
NO	This strategy complies with the requirements of the legislation and there is evidence to show this is the case.	
	What is required to ensure this complies with the requirements of the legislation? (see DIA Guidance Notes)?	Employees must be mindful of their responsibilities under the Dignity at Work (Bullying and Harassment) Policy and the implications of discriminating against colleagues, service users or others. This policy and other employment policies are promoted periodically and are available at all times on the councils intranet.
	Give details of key person responsible and target date for carrying out full impact assessment (see DIA Guidance Notes)	N/A

<b>Action plan to make Minor modifications</b>		
<b>Outcome</b>	<b>Actions (with date of completion)</b>	<b>Officer responsible</b>

<b>Planning ahead: Reminders for the next review</b>		
<b>Date of next review</b>	On-going	
<b>Areas to check at next review (e.g. new census information, new legislation due)</b>	Check changes in legislation	
<b>Is there <i>another</i> group (e.g. new communities) that is relevant and ought to be considered next time?</b>		
<b>Signed (completing officer/service manager)</b>	<b>Date</b>	
A Russell		
<b>Signed (service manager/Assistant Director)</b>	<b>Date</b>	