



MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT

FRAUD RISK ASSESSMENT - ADVISORY REPORT
MARCH 2019

FRAUD RISK ASSESSMENT

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DISTRIBUTION

Name	Job Title
Emma Foy	Director of Resources

REPORT STATUS LIST

Auditors:	Kerry Lin, Internal Audit Senior, James Shortall, Counter Fraud Specialist
Dates work performed:	November 2018-January 2019
Draft report issued:	March 2019
Final report issued:	March 2019

EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	1
Medium	0
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 1

BACKGROUND:

According to the Annual Fraud Indicator 2013, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

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Maldon District Council ('the Council') has a combined Corporate Fraud and Enforcement Team of qualified Counter Fraud Investigators who investigate all types of corporate fraud, raise awareness of fraud risks with other services, and share protocols for reporting fraud concerns. The team, which currently sits under the Director of Planning and Regulatory Services (now the Director of Strategy, Performance and Governance), also provides periodic updates to the Planning and Licensing Committee and Area Planning Committees on planning enforcement activity.

We were asked to perform a Fraud Risk Assessment by the Director of Resources to help prioritise the Council's approach to address fraud, corruption and bribery risks, and to assess the suitability of the arrangements and documented policies in place to help mitigate these risks. We have considered the Council's overall organisational resilience, as well as fraud controls across the Council's main functions and services, reporting on these by exception within the detailed findings and recommendations section.

We reviewed the Council's position against both the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption' and the 'Fighting Fraud Locally Companion Checklist'. Please see Appendix III and IV for the full checklists.

We have also conducted interviews with key staff to identify fraud risks in each department and the current controls in place to mitigate these risks, so that areas of significant control weakness and fraud risk can be highlighted:

- Procurement
- Council Tax and Business Rates
- HR
- Finance
- Committee Clerks
- Corporate Counter Fraud

Our work was reviewed by accredited Counter fraud staff with up to date knowledge of fraud risks.

FINDINGS

ASSESSMENT AGAINST THE CIPFA CODE OF PRACTICE

The Council has a basic framework in place to deal with fraud and corruption and meets many of the requirements of the CIPFA Code and Fighting Fraud Locally Checklist. These include:

- An anti-Fraud and Corruption strategy and policy
- A Code of Conduct that all staff have signed up to
- An experienced fraud team that includes accredited staff, supplemented by external resource for investigations
- Participation in the National Fraud Initiative and pan Essex Compliance and Counter Fraud Scheme

However, we have also identified a large number of areas for improvement to consider, if the Council wishes to comply fully with the guidance and meet best practice. These are detailed in the Appendices. We suggest that priority areas to address are:

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- Developing an anti-fraud and corruption plan which addresses key fraud risks, including those in procurement and HR
- Implementing a fraud awareness training programme, focussing on areas of highest risk
- Updating the strategy and policies to bring them into line with best practice
- Producing regular reports to the Audit Committee on counter fraud activity and results

RECOMMENDATION	PRIORITY
The Council should commission external resource to develop the risk assessment further and carry out an annual programme of work to address risks around fraud and corruption	High
MANAGEMENT RESPONSE:	

The Director of Resources is currently commissioning external resource to develop this risk assessment further and carry out an annual programme of work. Initial indications are that this will cost approximately £9,000 per annum. The Director of Resources is looking to have this programme of work in place by May 2019.

Responsible Officer: Director of Resources

Implementation Date: 1 May 2019.

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
Emma Foy	Director of Resources
Simon Quelch	Monitoring Officer
Rachel Arnull	Corporate Fraud and Enforcement Officer
Spyros Mouratidis	Principal Planning Officer
Sue Green	Group Manager, Customers
Michelle La Marre	Interventions Manager
Paula Jarvis	Senior Procurement Consultant
David Rust	Facilities and Asset Manager
Helena Beattie	HR Team Leader/Senior HR Business Partner

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Ann Nagy	Senior Accountant
Simon Walker	Senior Accountant
Alia Hamdam	PA to the Chief Executive/Business Analyst
Tara Bird	Committee Service Supervisor

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

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RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of conducting a fraud risk assessment (FRA) is to identify areas of risk in key departments and guide development of strategies to mitigate these risks. The outcome of the FRA should be used to review and inform service and corporate risk registers.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Fraud risk governance arrangements are inadequate and do not provide a robust framework for fraud risk management
- Fraud risk management in the following areas is inadequate:
 - Procurement
 - Local Council Tax Support / Other Welfare Assistance
 - Council Tax and Business Rates
 - Employee fraud
 - Insurance claims
 - Grants
 - Councillors' interests and expenses
 - Abuse of position / Management override of controls, including manipulation of performance data and financial journals.

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SCOPE OF REVIEW:

The review will provide an assessment of the Council's position against both the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption' and the 'Fighting Fraud Locally Companion Checklist'.

In addition, we will consider the following specific fraud risk areas:

- Procurement
- Local Council Tax Support / Other Welfare Assistance
- Council Tax and Business Rates
- Employee fraud (Payroll, Expenses and Recruitment)
- Insurance claims
- Grants
- Councillors' interests and expenses
- Abuse of position / Management override of controls, including manipulation of performance data and financial journals.

APPROACH:

Our work will be conducted by accredited Counter fraud staff with up to date knowledge of fraud risks. Our approach will be to conduct interviews with key staff to identify fraud risks in each department and the current controls in place to mitigate these risks, such that areas of significant control weakness and fraud risk can be highlighted.

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APPENDIX III - CIPFA CODE OF PRACTICE: SELF ASSESSED FRAUD RESILIENCE QUESTIONNAIRE

#	QUESTION	✓/✘	EVALUATION	AREAS TO CONSIDER
Principle A: The governing body should acknowledge responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation				
A1.	The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users	✓	This is a statement in the Council's Anti-Fraud and Corruption Strategy that acknowledges the threats of fraud and corruption, and the harm they can cause to the organisation.	
A2.	The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance	✓	The Council's Financial Regulations and Procedures document states the Council has an effective Anti-Fraud and Anti-Corruption Policy and maintains a culture that will not tolerate fraud or corruption and all Members and staff act with integrity and lead by example as per the relevant Code of Conduct.	
A3.	The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports	✓	The Financial Regulations makes it clear that the Directors and Heads of Service are responsible for the prevention of fraud and corruption within the services and functions under their control. The Audit Committee's terms of reference also states that it is responsible for promoting an anti-fraud culture relating to all the activities of the Council.	
A4.	The governing body sets a specific goal of	✓	This is included within the Anti-Fraud and	

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	ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention		Corruption Policy.	
Principle B: Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users				
B1.	Fraud risks are routinely considered as part of the organisation's risk management arrangements	✓	The Council's strategic risk registers and risk management framework reviewed as part of this include references to prevention of fraud, bribery or corruption	
B2.	The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework	✓	See B1.	
B3.	The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures	✗	Discussion with interviewee noted that the Council does not publish numerical figures related to fraud loss. However, the Council does publish news of successful prosecutions on the intranet.	The Council should use calculated estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposure.
B4.	The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause	✗	See B3.	
Principle C: An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action				
C1.	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged	✗	The strategy available on the staff intranet dates back to January 2009. Our review of the Audit Committee minutes found that the strategy has turned into a policy document and it was last reviewed in	The Councils Anti-Fraud and Corruption Policy should be reviewed and updated as necessary and made available to all staff. Training on the policy should be rolled out to staff to ensure all employees are aware

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	responsibilities and goals		2015.	<p>of their responsibilities. The policy review should ensure that it is strengthened to include:</p> <ul style="list-style-type: none"> • how to report suspected fraudulent activity including the actions to be taken if fraud is discovered or suspected, including the Council’s reporting process, contact details of responsible officer(s) and external reporting as a matter of course, but especially so should staff wish to remain anonymous. • the current configuration of the Council’s counter fraud team, • the responsibilities of employees including stating that staff who are involved in or manage internal control systems should receive adequate training and support to carry out their duties. It should be explained that if an employee suspects fraud has taken place they should ensure they report their concerns in accordance with the methods described. • A clear introductory statement of intent that articulates a zero-tolerance approach to criminal wrongdoing, including fraud, bribery and corruption. • the Council’s anti-fraud and corruption stance and the actions it takes against fraudsters to act as a deterrent
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C2.	The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate	*	None identified.	<ul style="list-style-type: none"> Consider partnerships and joint working as part of the development of the strategy
C3.	<p>The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risks management are set out below:</p> <p>Proactive:</p> <ul style="list-style-type: none"> - Developing a counter fraud culture to increase resilience to fraud - Preventing fraud through the implementation of appropriate and robust internal controls and security measures - Using techniques such as data matching to validate data - Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters 	✓/*	The strategy does not include "Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters" as its proactive approaches.	See C1. In addition, management should improve staff awareness in relation to anti-fraud training, the new structure and its implications for the responsibilities for counter fraud.

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	<p>Responsive:</p> <ul style="list-style-type: none"> - Detecting fraud through data and intelligence analysis - Implementing effective whistleblowing arrangements - Investigating fraud referrals - Applying sanctions, including internal disciplinary, regulatory and criminal <p>Seeking redress, including the recovery of assets and money where possible</p>			
C4.	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight	✓	The Audit Committee Terms of Reference include the following: 'To consider the effectiveness of the Authority's Counter Fraud and Corruption arrangements and promote an Anti-Fraud culture relating to all the activities of the Council'.	
Principle D: The organisation should make arrangements for appropriate resources to support the counter fraud strategy				
D1.	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk	✗	<p>None identified.</p> <p>Discussion with the Corporate Counter Fraud Team noted that on average they have 550 planning enforcement cases and</p>	The Council should undertake an annual assessment of whether the level of resource invested in counter fraud and corruption activity is appropriate for the

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			50 prosecution cases from Community. It is also noted that Housing Revenue rarely referred cases to Counter Fraud and there were only 3 referrals in 2018/19 at the time of the audit.	level of risk.
D2.	The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation	✓	<p>In the Corporate Counter Fraud Team, there are three members. There are:</p> <ul style="list-style-type: none"> • An accredited Counter Fraud Specialist (ACFO) who is also attending a Proceed of Crime Act Training for financial intelligence officer course provided by the National Crime Agency. • An officer who is currently attends the same course for POCA. • An officer whose prior employment was a Senior Fraud Investigator for Barclays Bank Plc. for four years. <p>In Housing Revenue, it is noted that two staff members were trained in Professionalism in Security and Police (PINS) and Criminal Evidence. It is noted that for PINS, regular training and refreshers are required for maintenance of the accreditation. Discussion noted that they are not maintained as role has changed from counter fraud officer to in-house officers for council tax and NNDR.</p> <p>The Council utilises OneSource for all HR</p>	

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			related investigation. The Council has also previously asked RSM, an external accounting firm, to conduct investigations.	
D3.	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes	✓	Discussion with the above-mentioned staff noted that they have been granted unhindered access to its employees, information and other resources as required for investigation purposes.	
D4.	The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity	✓	<p>Discussion with Housing Revenue staff noted that the Council participates in Pan Essex Compliance and Counter Fraud Scheme. This scheme is helped to run by a Company name Vigilant and it allows information from individual systems to be imported, compared and analysed with a view to identifying mismatches in data sets which may indicate fraud or non-compliance. The protocol of this particular scheme is part of the contract. However, they also acknowledge there is no general protocol in place.</p> <p>The Council is a partner in the Whole of Essex Information Sharing Framework and participates in the National Fraud Initiative.</p>	
Principle E: The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud				
E1.	The organisation has put in place a policy framework which supports the implementation of the counter fraud	✓/✘	There is an Information Security Policy but no separate Cyber Security Policy.	Guidance should be circulated to staff to raise awareness of the requirement to disclose conflicts of interest and gifts and

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	<p>strategy. As a minimum the framework includes:</p> <ul style="list-style-type: none"> - Counter fraud policy - Whistleblowing policy - Anti-money laundering policy - Anti-bribery policy - Anti-corruption policy - Gifts and hospitality policy and register - Pecuniary interest and conflicts of interest policies and register - Codes of conduct and ethics - Information security policy - Cyber security policy 		<p>Policies have all been reviewed within the last 3 years.</p> <p>There are no specific policies on conflict of interest and gift and hospitality as they are included in the Code of Conduct.</p> <p>However, it is noted that the Counter Fraud Policy on the Intranet date back in 2009. It should be updated with the 2015 version.</p>	<p>hospitality, as set out in the Council's Code of Conduct.</p>
E2.	<p>Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption</p>	✘	<p>None identified.</p>	<p>See previous comments re strategy</p>
E3.	<p>Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing</p>	✓	<p>The Council participates in the data matching exercises of the National Fraud Initiatives and in the Pan Essex Compliance and Counter Fraud Scheme.</p>	
E4.	<p>Providing for independent assurance over fraud risk management, strategy and</p>	✓	<p>Days within the internal audit plan provide independent assurance over fraud risk</p>	

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	activities		management.	
E5.	<p>There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.</p> <p>The Code states one of the following statements should be approved by the governing body and signed by the person responsible for signing the annual governance report:</p> <p>Statement 1: Having considered all the principles, I am satisfied that the organisation has adopted a response that it appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud</p> <p>OR</p> <p>Statement 2: Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that it appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud</p>	✓	Within the 2017/18 annual governance statement.	

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APPENDIX IV - FIGHTING FRAUD LOCALLY: SELF ASSESSED FRAUD RESILIENCE QUESTIONNAIRE

#	QUESTION	✓/✗	EVALUATION	AREAS TO CONSIDER
1.	The Council has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members	✓	This assessment is undertaken.	See Recommendation 1.
2.	The Council has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks	✓	This assessment is undertaken.	
3.	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist	✓	This assessment is undertaken.	
4.	There is a Counter fraud and corruption strategy applying to all aspects of the Council's business, this has been communicated throughout the Local Authority and acknowledged by those charged with governance	✓/✗	<p>There is a version from 2009 on the intranet. However, while reviewing the Audit Committee minutes, we noted that the document is renamed as a policy and was last reviewed in 2015.</p> <p>The Council have a Making a Referral procedure which is also available on the staff intranet. The policy has information on how to report suspected fraudulent activity.</p>	<p>The policy should be updated to reflect the current configuration of the Council's counter fraud team, which has changed since the last restructure.</p> <p>There should be a section on the responsibilities of employees. It should be stated that staff who are involved in or manage internal control systems should receive adequate training and support to carry out their duties. It should be</p>

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			We found the existence, content and location of the policy was generally not well understood by staff interviewed for this assessment.	<p>explained that if an employee suspects fraud has taken place they should ensure they report their concerns in accordance with the methods described.</p> <p>The policy should be actively cascaded and advertised to all staff groups.</p> <p>The policy needs a clearer introductory statement of intent that articulates a zero-tolerance approach to wrongdoing.</p>
5.	There are arrangements in place designed to promote and ensure probity and propriety in the conduct of business	✓/✗	Code of conduct details the expected behaviours of employee. However, during our interview, we noted that fraud awareness training is only limited to induction (with the exception of Human Resources).	See C3 Appx III
6.	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process	✗	None identified. Those involved in conducting or reviewing procurement processes has also raised concerns that they are unsure how to report any concerns that may arise.	Fraud and corruption risks should be assessed. Those involved in conducting or reviewing procurement processes should be given training on how to report any concerns that may arise.
7.	Counter Fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to Committee	✗	Discussion with Corporate Counter Fraud Team noted that this is not the case.	Counter Fraud staff should be consulted in order to fraud-proof new policies, strategies and initiatives across departments.
8.	Successful cases of proven fraud / corruption are routinely publicised to raise awareness	✓/✗	Only successful prosecutions are publicised.	The Council should publicise all fraud and corruption cases internally and externally.

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9.	<p>The Council has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee</p>	✓/✗	<p>Our interview with staff noted that overall there is a relatively strong control in place.</p> <p>Internal Audit reviewed selected areas as part of its annual audit plan. The audits will provide assurance over the control design and operating effectiveness of specific areas. They are reported to the Audit Committee.</p> <p>The Council has recently carried out a one-off spending analysis in to identify whether there have been any breaches against procurement rules. This should become a regular exercise.</p>	<p>The Council should regularly carry out spending analysis exercise to identify whether there have been any breaches against procurement rules.</p>
10.	<p>The Council has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> - Codes of conduct including behaviour for counter fraud, anti-bribery and corruption - Register of Interests - Register of Gifts and Hospitality 	✓/✗	<p>All staff were required to sign that they had read and agreed to the Code of Conduct in 2018. This Code of Conduct includes a number of areas such as gifts and hospitality, personal use, use of financial resources and fraud.</p> <p>However, our discussion with staff noted that the need to report interests and gifts and hospitality are not publicised sufficiently which could lead to under reporting.</p> <p>It is best practice for the chief officer or equivalent to make a statement in support</p>	<p>The Council make a statement in support of anti-bribery initiatives which should be published on the organisation's website</p>

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			of anti-bribery initiatives which should be published on the organisation's website; at present this does not happen.	
11.	The local authority undertakes recruitment vetting of staff prior to employment by risks assessing posts and undertaking checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed	✓/✘	<p>A number of HR and expenses risks were identified</p> <p><u>Human Resources/Payroll</u></p> <ul style="list-style-type: none"> • Disclosure and Barring Service (DBS) checks should be reviewed every three years. There is no consistent approach to ensure that this happens, although HR is leading a project into how regular checking could be implemented. • Timecards do not include a Counter fraud declaration to be signed by the staff member and authoriser. • Expense forms do not include a Counter fraud declaration to be signed by the staff member and the authoriser. • There is no regular audit of expenses claims. • It is best practice that the Council should seek the necessary references to validate a minimum 	<p>Disclosure and Barring Service (DBS) checks should be reviewed every three years.</p> <p>Timecards and expense forms should include a Counter fraud declaration to be signed by the staff member and authoriser.</p> <p>Expense claims should be subject to regular audit to ensure these are valid and appropriate in line with policy.</p> <p>Recruitment procedures should be revised to ensure references are required to validate a minimum period of three consecutive years of continuous employment or training immediately prior to job application</p>

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		<p>period of three consecutive years of continuous employment or training immediately prior to job application. The Council seeks only two references from the applicant's previous two employers, which might not necessarily cover a three-year period.</p> <ul style="list-style-type: none"> • If an applicant has declared they have spent a continuous or cumulative period of six months or more living or working overseas in the last five years prior to them making their job application, it is best practice that the Council require them to obtain an overseas police certificate from the relevant country/or countries. This currently does not take place. <p><u>Councillors' Expenses</u></p> <p>There is no specific limit on Councillor expenses (with the exception of mileage which is set at the statutory rate) however it was recommended to the Finance and Corporate Services Committee on 29 January 2019 by the Independent Members Remuneration Panel (IMRP) (the Panel), that a Members' Mileage and Expenses Policy be introduced. The purpose of such a policy will be to give transparency to the</p>	<p>Where an applicant has declared they have spent a continuous or cumulative period of six months or more living or working overseas in the last five years prior to them making their job application, the Council should require them to obtain an overseas police certificate from the relevant country/or countries.</p>
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			type and level of expense payments funded from the public purse and could also provide an opportunity to bring clarity to the range of activities which Members are expected to undertake in pursuance of their role.	
12.	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	✓/✗	See 10.	
13.	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	✗	None identified.	A programme of work should be established to ensure a strong and consistent counter fraud culture is established across all Council departments.
14.	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure	✓	Yes	
15.	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	✓/✗	<p>Discussion noted that contractors and third parties do not physically sign up to the whistleblowing policy. Review of the start checklist noted that only GDPR e-learning and the following policies are sent:</p> <ul style="list-style-type: none"> • Health and Safety • Safeguarding • Constitution • Lone Working Policies <p>It is noted the terms and conditions</p>	

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			referred to the Code of Conduct, which refers to the Whistleblowing Policy	
16.	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced	✘	None identified.	See Recommendation 1.
17.	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. The plan covers all areas of the Council's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	✘	None identified.	The Council should develop an Annual Fraud Plan.
18.	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes	✓/✘	Discussion with the Corporate Fraud Team reports the total number of planning enforcement to the relevant area committee.	Statistics should be reported by the fraud team which cover all areas of activity and outcomes.
19.	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	✓	Discussion with staff noted that they have been granted unhindered access to its employees, information and other resources as required for investigation purposes.	
20.	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the Council's communication team	✘	None identified.	The communications team should be informed when fraud and corruption cases have come to an agreed outcome to facilitate publication of all fraud and corruption cases internally and externally.

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21.	All allegations of fraud and corruption are risk assessed	✘	None identified.	As per Recommendation 1.
22.	The fraud and corruption response plan covers all areas of counter fraud work: <ul style="list-style-type: none"> - Prevention - Detection - Investigation - Sanctions - redress 	✘	None identified.	As per Recommendation 1.
23.	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	✘	See 22.	
24.	Asset recovery and civil recovery is considered in all cases	✓	This is stated in the strategy and discussion with staff in the Corporate Counter Fraud Team and Housing Revenue confirmed that is the approach taken.	
25.	There is a zero tolerance approach to fraud and corruption which is always reported to committee	✓	Planning enforcement cases are reported to the area committees.	
26.	There is a programme of proactive counter fraud work which covers risks identified in assessment.	✘	None identified. There is no specific training for the Procurement Team over the associated fraud, bribery and corruption risks and of the deterrence, prevention and detection action required. Awareness training, for example values and culture, avoiding conflicts of interest situations and helping to prevent bribery, is also not	Training should be provided to the Procurement Team over the associated fraud, bribery and corruption risks and of the deterrence, prevention and detection action required. Awareness training, for example values and culture, avoiding conflicts of interest situations and helping to prevent bribery, should also be

FRAUD RISK ASSESSMENT

			available.	provided.
27.	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity	✓	Housing Revenue works with DWP and other local Essex councils. Involvement in WEISF and NFI.	
28.	The Council shares data across its own departments and between other enforcement agencies.	✓	The Council participates in Pan Essex Compliance and Counter Fraud Scheme and the WEISF and NFI.	
29.	Prevention measures and projects are undertaken using data analytics where possible	✗	Prevention measures were not identified at the time of audit.	
30.	The Council actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it	✓	Yes	
31.	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work, they too must be trained in this area	✓	Yes	
32.	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas	✓	Yes	
33.	The counter fraud team has access (through partnership / other local authorities / or funds to buy in) specialist staff for: <ul style="list-style-type: none"> - Surveillance 	✓	Discussion with staff noted that the Council utilises OneSource for HR investigation and has access to RSM for other investigation.	

FRAUD RISK ASSESSMENT

	<ul style="list-style-type: none"> - Computer forensics - Asset recovery - Financial investigations 			
34.	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems	✓	Discussion with staff noted that this is the expected practice but there is no follow up to confirm whether this is the case.	



FOR MORE INFORMATION:

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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