
REVIEW OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS

SUMMARY REPORT

Purpose of the Report

1. To review the outcomes from the Council's corporate anti-fraud and corruption arrangements. A separate report specifically on the work of the Housing Benefits Enquiry Unit for the financial year 2011/12 is to be presented to the June 2012 Audit Committee.

Summary

2. The report details a positive position with regard to the updated fraud self assessment checklist documented in the 2011 Audit Commission publication 'Protecting the Public Purse'.
3. All the potential matches in the major risk data sets from the National Fraud Initiative (NFI) 2010 have either been investigated or are under active examination.
4. Overall the number of reported frauds and whistleblowing cases in the calendar year remains low.
5. It is concluded that the Council's anti fraud and corruption arrangements remain appropriate and fit for purpose when compared to national good practice guidance. However, the Council is not complacent and the position will continue to be kept under review.

Recommendation

6. It is recommended that the content of the report be noted.

Reasons

7. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements

**Paul Wildsmith
Director of Resources**

Background Papers

- (i) Anti Fraud and Corruption Strategy
- (ii) Anti Fraud and Corruption Policy
- (iii) Fraud Response Plan

- (iv) Anti-Money Laundering Policy
- (v) Anti Bribery Policy and Procedures
- (vi) Audit Commission publication Protecting the Public Purse 2011

Brian McGuire: Extension 2142

S17 Crime and Disorder	Other than the reported frauds there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

Background

8. The Council's Anti Fraud and Corruption arrangements are subject to annual review to ensure that they remain appropriate. The last review was considered by this Committee in December 2010 (Minute A32/17Dec2010). This review included the completion of a checklist for those responsible for governance from the Audit Commission's 2010 publication 'Protecting the Public Purse'. The checklist depicted a generally positive position with work required on personal budgets and social housing allocation that has since been addressed.
9. A self assessment against the good practice checklist included in the 2011 Audit Commission publication 'Protecting the Public Purse' is attached at **Appendix A**. The checklist remains largely unchanged from that of 2010 with only one additional question that is highlighted in bold. Again a positive position is shown with further work required to complete the fraud risk register and update whistleblowing arrangements to mention the financial abuse of personal budgets.
10. In order to keep abreast of topical issues a member of staff from Audit Services has attended an informative workshop on Bribery, Whistleblowing and Procurement fraud organised by the CIPFA Better Governance Forum. All the Audit Section also attended an in house Fraud Investigation Training course together with colleagues from Stockton BC Audit Services facilitated by an external specialist.
11. The content of the PwC Fraud Academy website continues to be regularly monitored in order to share good practice and to keep informed on current issues.
12. In addition, the Audit Commission's Annual Fraud Survey, which became a statutory requirement for local authorities in 2010, was completed and submitted online to meet Commission deadlines of June 2011. The overall results from this national survey were detailed in the 'Protecting the Public Purse' publication 2011. The publication outlined that fraud continues to be a significant problem affecting the whole of the public sector and that local public bodies should remain alive to and continue to tackle, the threat of fraud to the public purse.

Enhancements to Anti Fraud and Corruption Arrangements

13. Enhancements to the Councils Anti Fraud and Corruption arrangements in 2011 are as follows:-
 - (a) Approval by Council in November 2011, following endorsement by the Joint Consultative Committee, of Anti Bribery Policy and Procedures and consequential amendments to the Code of Conduct for Employees in response to the Bribery Act 2010.

(b) An edition of the newsletter 'Fraud Matters' has been drafted that covers the requirements of the Bribery Act 2010 and is to be circulated to employees in early January 2012.

14. Previous reviews of anti-fraud and corruption arrangements have referred to progress with development and implementation of the Learning Management Software (CLMS) that was to include content on anti fraud and corruption arrangements. CLMS content on such arrangements is now scheduled to be rolled out during 2012.

Reported Suspected Frauds and Whistle Blowing Cases

15. Potential frauds that have been notified to Audit Services by Groups during 2011, in accordance with the requirements of the Council's Financial Procedure Rules, together with ongoing cases are shown in **Appendix B**. The potential frauds were identified through management controls or audit work and where necessary improvements to systems have been implemented. Overall the number reported remains low.

16. A total of seven whistle blowing cases were also received during the year and were dealt with in accordance with the Council's Confidential Reporting Policy. A number of the cases were reported anonymously. One case related to an external agency and was referred to them to investigate. Investigations in two cases identified no evidence to support the allegation of wrong doing and four cases are still under investigation. Overall compared to the previous calendar year the number of whistleblowing cases has decreased slightly.

National Fraud Initiative (NFI)

17. Work on output from NFI 2010 continues. All potential matches from the major risk data sets have been investigated or are under active examination. The NFI forms an integral part of the Council's approach to tackling fraud. Where matches have produced a positive outcome, internal processes have been reviewed to ensure improvements are made to the control environment where required.

Conclusion

18. It is concluded that the Council's anti fraud and corruption arrangements remain appropriate and fit for purpose when compared to national good practice guidance. However, the Council is not complacent and the position will be kept under review. Overall the number of reported frauds and whistleblowing cases remains low.

Outcome of Consultation

19. There was no formal consultation undertaken in production of this report.

Checklist for those responsible for governance taken from ‘Protecting the Public Purse 2011’ Audit Commission Publication

Purpose - To ensure the Council has sound governance and counter-fraud arrangements that are working as intended.

Yes: indicating that the area, factor, or consideration is in place together with supporting sample evidence

No: indicating that the area, factor or consideration is not in place together with a note associated with it that describes the action plan for bringing it to Yes

Partial: indicating a degree of partial compliance together with a note associated with it that describes the action plan for bringing it to Yes

	GENERAL	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
1	Do we have a zero tolerance policy towards fraud?	✓			Defined in Anti-Fraud and Corruption Strategy Anti-Fraud and Corruption Policy Fraud Response Plan Money Laundering Policy Anti Bribery Policy and Procedures		
2	Do we have the right approach and effective counter -fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	✓			See 1 above		
3	Do we have dedicated counter - fraud staff?	✓			See 4 below		
4	Do counter-fraud staff review all the work of our organisation?	✓			Housing Benefit fraud investigation team. Counter fraud included in the work of Audit Services		
5	Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	✓			Audit Committee receives regular reports including annual report on review of anti-fraud & corruption arrangements		

6	Have we assessed our management of counter fraud work against good practice?	✓			Various professional publications e.g. Red Book II, 'Managing the risk of Business Fraud: A Practical guide', 'Protecting the Public Purse', National Fraud Strategy		
7	Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • new staff (including agency) • existing staff • elected members • our contractors 	✓			Induction process Fraud newsletter Team briefings Intranet Standard terms & conditions in contract documentation covering fraud & corruption, collusion, whistle blowing		
8	Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓			North East Fraud Forum/National Anti-Fraud Network/Better Governance Forum/CIPFA regional networks		
9	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓			See 8 above PwC Fraud Academy website		
10	Do we identify areas where our internal controls may not be performing as well as intended/ How quickly do we take action?	✓			Reports of Internal Audit/External Audit/ Inspectorates and associated Improvement Action Plans.		
11	Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?	✓			Reports to Audit Committee External Audit assessment of NFI performance		
12	Do we have arrangements in place	✓			Induction process		

	that encourage our staff to raise their concerns about money laundering?				Reporting form & guidance on the intranet, team briefings, newsletter		
13	Do we have effective whistleblowing arrangements?	✓			Dedicated hotline services available, advertised and used Number of cases reported		
14	Do we have effective fidelity insurance arrangements?	✓			Policy document Arrangements and cover reviewed at renewal		
	Fighting fraud with reduced resources						
15	Have we reassessed our fraud risks since the change in the financial climate?			✓	Increased risk of fraud reflected in the Risk Register of Resources Group.	Complete detailed Fraud Risk Register	Head of Corporate Assurance March 2012
16	Have we amended our counter-fraud action plan as a result?			✓	All key Corporate Audits including Housing Benefits, Local Taxation, Payroll, Housing, Creditors and Income will be covered during 2011/12.	Amend counter-fraud action plan as appropriate	Head of Corporate Assurance March 2012
17	Have we reallocated staff as a result?	✓			Housing Benefit Fraud team resources reviewed and considered adequate. Audit Services resources kept under review in the light of the number of cases to investigate.		
	Current risk and issues						
18	Do we take proper action to ensure that we only allocate social housing to those who are eligible?	✓			Choice Based Letting procedure in place i.e. standard application & allocation criteria and priority banding, ID, address and right to work checks etc., double check on information at point of offer, monitoring by homeless team,		

19	Do we ensure that social housing is occupied by those to whom it is allocated?	✓			Addressed via NFI, no issues identified. Reactive measures in place. Visit during first month of tenancy. Council publicity on how to report tenancy fraud and subletting.		
20	Are we satisfied our procurement controls are working as intended?	✓			Via internal audit work carried out by Darlington & Stockton External Audit Managers Assurance Statements		
21	Have we reviewed our contract-letting procedures since the investigations by the Office of Fair trading into cartels and compared them with best practice?	✓			Good practice guidance used to inform review of contract procedure rules and updates of associated documents		
	Recruitment						
22	Are we satisfied our recruitment procedures achieve the following: <ul style="list-style-type: none"> • Prevent us employing people working under false identities? • Confirm employment references effectively? • Ensure applicants are eligible to work in the UK? • Require agencies supplying us with staff to undertake the checks that we require? 	✓			Via internal audit work carried out by Stockton & Darlington Safe recruitment procedures Contract monitoring arrangements		
	Personal Budgets						

23	Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	✓			Validation Panel Awareness workshops with staff 12 weekly monitoring returns checked by Finance to ensure that direct payments are being used to meet assessed care needs. Adult Social Care Policy Review - report to Cabinet November 11		
24	Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?		✓		Confidential Reporting Policy	Update whistle blowing arrangements	Audit Manager March 2012
25	Are we effectively controlling the discounts and allowances we give to taxpayers?	✓			Discounts and exemptions are subject to a programme of rolling reviews to ensure entitlements are not exceeded Single persons reviews have also been subject to an external targeted review across the authority and also form part of the NFI		
	Housing and Council Tax Benefits						
26	When we tackle housing and council tax benefit fraud do we make full use of the following: <ul style="list-style-type: none"> National Fraud Initiative Department for Work and Pensions Housing Benefit matching service 	✓			Participation in data matching e.g. NFI HBMS Dedicated Housing Benefit Fraud team in place Follow up of referrals made by the public Visiting regime in place		

	<ul style="list-style-type: none">• Internal data matching• Private sector data matching						
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REPORTED POTENTIAL FRAUDS

Department	Number of potential frauds investigated	Comment
Place Group	3	<p>Investigation undertaken into the engagement of sub-contractors. The investigation has been passed to the Police and remains on-going.</p> <p>Investigation undertaken in respect of a banking shortfall which formed part of a wider investigation. The investigation has been concluded and resulted in the dismissal of a member of staff.</p> <p>Conclusion of the investigation involving the Council's Asbestos Manager and the submission of bogus invoices. The case was heard at Crown Court in October 2011 with all defendants found guilty and receiving custodial sentences.</p>