
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 2012/13 is to be presented to the June 2013 Audit Committee.

Summary

2. The report details a positive position with regard to the updated fraud self assessment checklist documented in the 2012 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 been investigated.
4. All data sets for the NFI 2012 have been submitted to the Audit Commission with the matches due late January 2013.
5. Overall the number of reported frauds and whistleblowing cases in the calendar year remains low.
6. 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

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

Reasons

8. 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 2012

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

9. 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 2011 (Minute A28/16Dec2011). This review included the completion of a checklist for those responsible for governance from the Audit Commission's 2011 publication 'Protecting the Public Purse'. The checklist depicted a generally positive position with work required on the reassessment of fraud risks that has since been addressed.
10. A self assessment against the good practice checklist included in the 2012 Audit Commission publication 'Protecting the Public Purse' is attached at **Appendix A**. The checklist remains largely unchanged from that of 2011 with only one additional question that is highlighted in bold. Again a positive position is shown with further work required to update whistleblowing arrangements and to examine emerging fraud risks in respect of for example Business Rates, Local Council Tax Support and the Social Fund.
11. In order to keep abreast of topical issues members of staff from Audit Services have attended informative workshops on Build the Business Case for Corporate Counter Fraud, Social Engineering Fraud Levers and Triggers and Recovery of the Proceeds of Crime, all organised by the CIPFA Better Governance Forum.
12. 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.
13. 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 2012. The overall results from this national survey were detailed in the 'Protecting the Public Purse' publication 2012. The publication outlined that fraud continues to be a significant problem affecting everyone in the UK and that local government bodies were targeting their investigative resources more efficiently and effectively.

Enhancements to Anti Fraud and Corruption Arrangements

14. Enhancements to the Councils Anti Fraud and Corruption arrangements in 2012 are as follows:-
 - (a) Content has been finalised for the Council's learning management software in respect of the following policies; Anti-Fraud and Corruption, Anti-Money Laundering and Anti-Bribery. The timing of the roll out of these modules is to be agreed with HR.

- (b) An edition of the newsletter 'Fraud Matters' was circulated to staff in Spring 2012. The document included information on the Council's Anti Bribery Policy and arrangements as well as details of progress on the NFI 2010 and recent benefits and other fraud investigations. The next edition of the newsletter is scheduled to be published in Spring 2013.
- (c) The government published in 2012 the Local Government Fraud Strategy, 'Fighting Fraud Locally'. The document is part of a wider collaboration on counter fraud and is the local authority contribution to the national fraud strategy – 'Fighting Fraud Together – which encompasses both the public and private sectors response to fraud in the UK. The approach addresses the need for greater prevention and smarter enforcement and provides good practice guidance across a range of types of fraud. The intention is to map this publication against the Council's current practices to determine any appropriate improvement actions required. The results of this exercise will be reported to a future meeting of the Audit Committee.

Reported Suspected Frauds and Whistle Blowing Cases

- 15. A potential fraud notified to Audit Services by a Group during 2012, in accordance with the requirements of the Council's Financial Procedure Rules, is shown in **Appendix B**. The results from the investigation carried out proved inconclusive and no further action was taken.
- 16. A total of eight 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. Investigations in three cases identified no evidence to support the allegation of wrong doing and four cases are still under investigation. One case was proven and this is subject to internal disciplinary proceedings. The number of whistle blowing cases received was similar to the previous calendar year.

National Fraud Initiative (NFI)

- 17. The 2010 NFI was concluded. The Audit Commission reported that the value of detected fraud and overpayments as a consequence of the exercise was approximately £229 million. In respect of Darlington, the value identified was £37,429, most of which has now been recovered. The figure relates primarily to the withdrawal of ineligible Council Tax Single Person Discounts and Housing Benefit Overpayment.
- 18. The 2012 NFI has commenced with various data downloads supplied to the Audit Commission in October 2012 for data matching to other authorities and government bodies. Data matches that require further investigation are to be supplied by the Audit Commission in late January 2013. A schedule of the data sets matched as part of the exercise is attached at **Appendix C**.

Conclusion

19. 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

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

Checklist for those responsible for governance taken from 'Protecting the Public Purse 2012' 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

	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
GENERAL							
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		

	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
GENERAL							
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		

	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
GENERAL							
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 then take action?	✓			Reports of Internal Audit/External Audit/ Inspectorates and associated Improvement Action Plans		

	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
GENERAL							
11	Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	✓			Reports to Audit Committee External Audit assessment of NFI performance		
12	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓			Induction process Reporting form & guidance on the intranet, team briefings, newsletter		
13	Do we have effective arrangements for: <ul style="list-style-type: none"> • reporting fraud • recording fraud; and • whistle-blowing? 	✓			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		

	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
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.		
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 2012/13.		
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						
Housing Tenancy						
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.	
Procurement						
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	

CURRENT RISK AND ISSUES						
Procurement						
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	

CURRENT RISK AND ISSUES							
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 provides the facility to report this issue as well as any other area of concern. However the policy is to be revamped to be more specific.	Update whistle blowing arrangements	Audit Manager March 2013

CURRENT RISK AND ISSUES						
Council Tax Discount						
25	Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓			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 • Internal data matching • Private sector data matching 	✓			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	

CURRENT RISK AND ISSUES							
Emerging Fraud Risks							
27	<p>Do we have appropriate and proportionate defences against emerging fraud risks:</p> <ul style="list-style-type: none"> • Business Rates • Right to Buy • Social Fund and Local Welfare Assistance • Local Council Tax Support • Schools • Grants 			✓		Currently in the process of re-evaluating risks, with a view to implementing appropriate controls at source in conjunction with operational management.	Audit Manager March 2013 onwards

Appendix B

Reported Potential Frauds Notified to Audit Services During 2012

Department	Number of potential frauds investigated	Comment
People	1	Investigation into a case of submitted car mileage claims The results were inconclusive and no further action was taken

National Fraud Initiative 2012

Data Sets required by the Audit Commission

- Payroll
- Housing Rents
- Creditors (including payment history and standing data for each supplier)
- Transport Permits and Passes (blue badge permits, residents parking, concessionary travel).
- Private Care Home Residents
- Electoral Register
- Council Tax
- Licences (Market traders, taxi driver, personal licences to supply alcohol)
- Housing Benefit and Student Loan Data - supplied directly by the Department of Works and Pensions and the Student Loan Company
- Insurance Claimant Data – supplied directly by the Council's insurers Zurich Municipal