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**REVIEW OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS**

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**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 2014/15 is to be presented to the June 2015 Audit Committee.

**Summary**

2. The report details a positive position with regard to the updated fraud self assessment checklist documented in the 2014 Audit Commission publication 'Protecting the Public Purse'.
3. All the potential matches in the major risk data sets from the National Fraud Initiative (NFI) 2012 have been concluded with matches for the National Fraud Initiative 2014 having now been received and in the process of being scrutinised.
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.

**Reason**

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

**Paul Wildsmith  
Director of Neighbourhood Services and 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 2014
- (vii) Audit Commission publication, National Fraud Initiative-National Report June 2014

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 2013 (Minute A29/09Dec2013). This review included the completion of a checklist for those responsible for governance from the Audit Commission's 2013 publication 'Protecting the Public Purse' with the completed checklist depicting a generally positive position overall.
9. A self assessment against the good practice checklist included in the 2014 Audit Commission publication 'Protecting the Public Purse' is attached at **Appendix A**.

The checklist remains largely unchanged from that of 2013 with only three additional questions highlighted in bold. Overall a positive position continues to be shown with one outstanding action in respect of further work required to update whistleblowing arrangements.

10. In order to keep abreast of topical issues, members of staff from Audit Services have attended informative workshops on Using Data Analytics to Counter Fraud and Counter Fraud Developments, both run by CIPFA Better Governance Forum, Insider Fraud run by PwC and Banking and Plastic Card Fraud run by Nat West Bank.
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. Fraud alerts continue to be received via the National Anti Fraud Network and, where appropriate, are circulated to relevant establishments including schools as a fraud prevention measure.
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 2014. The overall results from this national survey were detailed in the 'Protecting the Public Purse' publication 2014. The publication outlined that 'Each pound lost to fraud represents a loss to the public purse and reduces the ability of local government bodies to provide services to people who need them. Fraud is never a victimless crime'. It is therefore vital that local government bodies continue to maintain strong counter-fraud cultures and effective counter fraud arrangements.
14. In line with good practice the Protecting the Public Purse Fraud Briefing 2013 produced by the Audit Commission detailing their national report and comparative information for Darlington Borough Council was presented to the Audit Committee in June 2014.

### **Enhancements to Anti Fraud and Corruption Arrangements**

15. Scheduled enhancements to the Council's Anti-Fraud and Corruption arrangements which will be reported to the Audit Committee later in 2015 are as follows:-
  - (a) An evaluation of CIPFA's new (Oct 14) Code of Practice on Managing the Risk of Fraud and Corruption to ensure the Council is complying with best practice.
  - (b) A revision of the Councils' Anti-Fraud and Corruption Strategy to ensure it remains current and fit for purpose to include a review of ancillary policies including Bribery, Money Laundering and the Fraud Response Plan.

### **Reported Suspected Frauds and Whistle Blowing Cases**

16. Five potential frauds were identified by or notified to Audit Services during 2014 in accordance with the requirements of the Councils' Financial Procedure Rules (see

**Appendix B).** In addition two cases from the previous year were concluded. In respect of the previous years concluded cases, both were dealt with under HR procedures. In respect of cases commenced during 2014, four were dealt with under HR procedures and one remains ongoing.

17. A total of ten whistleblowing 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 five cases identified no evidence to support the allegation of wrong doing, one case was proven and resulted in a criminal conviction, two cases were dealt with via other HR procedures and two cases remain ongoing. The number of whistleblowing cases received was the same as the previous year (ten).

### **National Fraud Initiative (NFI)**

18. The 2012 NFI exercise has been concluded. The Audit Commission reported that the value of detected fraud, overpayments and error as a consequence of the national exercise was approximately £229 million. In respect of Darlington, the value identified was £51,420 in respect of Housing Benefits overpayment and fraud (£18,320) and creditors duplicate payments (£33,100). The amounts have been recovered or are in the process of being recovered. The 2014 NFI has commenced with various data downloads supplied to the Audit Commission in October 2014 for data matching to other authorities and government bodies. Data matches that require further investigation were notified by the Audit Commission in late January 2015. A schedule of the data sets matched and recommended matches for further investigation is attached at **Appendix C**. This exercise is expected to be concluded around December 2015.

### **Single Person Discount**

19. In an exercise separate to that above, the Council is now required on an annual basis to supply to the NFI details of all persons receiving a Council Tax single person discount which is then matched against the Council's electoral roll to determine possible exceptions (i.e. where a Single Person Discount may not be appropriate). The files were supplied to the NFI in February 2014 and detailed matches for further investigation were subsequently received by the Council. A sample of these have been investigated in conjunction with another data matching exercise undertaken by the service through an external matching body which utilises other data matching criteria. The initial outcomes of the exercise have identified some 339 ineligible single person discounts which have been removed from the system valued at £81,673. This figure is likely to decline by about 15 - 20% based upon previous years results as a number of discounts are reinstated upon the provision of supporting documentation from the taxpayer. For 2015, the files were supplied to the NFI in December 2014 with matches received back the same month as part of the services new Flexible Matching Service. These matches are currently being worked through and again will be integrated into a further external matching exercise to be undertaken later in 2015.

## **Transfer of the Audit Commission's Counter Fraud Activities**

20. As part of the winding up of the Audit Commission, from April 2015, the Commission's counter fraud activities will transfer to new organisations:
- (a) The National Fraud Initiative (NFI) data matching service will transfer to the Cabinet Office.
  - (b) The remainder of the counter fraud functions including the Protecting the Public Purse series and Fraud Briefings will transfer to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## **Conclusion**

21. 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**

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

**Checklist for those responsible for governance taken from 'Protecting the Public Purse 2014' 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
<b>GENERAL</b>							
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 Completed checklist of best practice /recommendations within the Fighting Fraud Locally publication aligned to current Council practice		
3	Do we have dedicated counter - fraud staff?	✓			See 4 below		

## Appendix A

	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
<b>GENERAL</b>							
4	Do counter-fraud staff review all the work of our organisation?	✓			Revenue and Benefits Inspectors. Counter fraud included in the work of Audit Services		
5	Does a Councillor have portfolio responsibility for fighting fraud across the Council	✓			Member portfolio holder for Efficiency and Resources ostensibly has responsibility for fighting fraud across the Council supported by the Audit Committee which has collective responsibility to approve and oversee the Anti-Fraud and Corruption Strategy and to oversee the implementation of the Confidential Reporting Strategy.		
6	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		
7	Have we received the latest Audit Commission fraud briefing presentation from our external auditor?	✓			Protecting the Public Purse Fraud Briefing 2013 presented to the Audit Committee June 2014		
8	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, Fighting Fraud Locally publications.		
	Category	Yes	No	Partial	Sample Evidence	Action	Officer responsible and timescale
<b>GENERAL</b>							
9	Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> <li>new staff (including agency)</li> <li>existing staff</li> <li>elected members</li> <li>our contractors</li> </ul>	✓			Induction process Team briefings Intranet Standard terms & conditions in contract documentation covering fraud & corruption, collusion, whistle blowing, Fraud Alerts.		
10	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		
11	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓			See 10 above PwC Fraud Academy website, NAFN, internal alerts to schools, other establishments, etc.		
12	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
<b>GENERAL</b>							
13	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		
14	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.		
15	Do we have effective arrangements for: <ul style="list-style-type: none"> <li>• reporting fraud</li> <li>• recording fraud</li> </ul>	✓			Dedicated hotline services available, advertised and used Number of cases reported to Audit Committee		
16	Do we have effective whistleblowing arrangements? In particular are staff: <ul style="list-style-type: none"> <li>• Aware of our whistleblowing arrangements?</li> <li>• Have confidence in the confidentiality of those arrangements?</li> <li>• Confident that any concerns</li> </ul>	✓			Arrangements are publicised on the Council's intranet and via posters on notice boards through the Council. The arrangements make it very clear that disclosures will be dealt with in the strictest confidence. All cases of whistleblowing are		

	raised will be addressed?				investigated as a matter of procedure.		
17	Do we have effective fidelity insurance arrangements?	✓			Policy document, arrangements and cover reviewed at renewal		
<b>FIGHTING FRAUD WITH REDUCED RESOURCES</b>							
18	<b>Are we confident that we have sufficient counter fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?</b>	✓			Revenue and Benefits Inspection Team will remain in place covering Council Tax Reduction Scheme, Council Tax and NDR. Adequacy of resource provision to be kept under review to determine ongoing fitness for purpose. Audit Services Team		
19	<b>Did we apply for a share of the £16 million challenge funding from DCLG to support Councils in tackling non-benefit frauds after the SFIS is in place/</b>		✓		Preliminary discussions did take place with both DCC as part of an area shared bid and with Stockton BC as part of a two Authority bid. Neither bid was considered to be feasible at this stage. However the situation will be kept under review as and when funds become available.		
20	<b>If successful, are we using the money effectively?</b>	n/a					
<b>CURRENT RISK AND ISSUES</b>							
<b>Housing Tenancy</b>							
21	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,		
	<b>Category</b>	<b>Yes</b>	<b>No</b>	<b>Partial</b>	<b>Sample Evidence</b>	<b>Action</b>	<b>Officer responsible and timescale</b>
22	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.		
<b>Procurement</b>							
23	Are we satisfied our procurement controls are working as intended?	✓			Via internal audit work carried out by Darlington & Stockton External Audit. Managers Assurance Statements		
<b>CURRENT RISK AND ISSUES</b>							
<b>Procurement</b>							
24	Have we reviewed our contract-letting procedures in line with best practice?	✓			Good practice guidance used to inform review of contract procedure rules and updates of associated documents		
<b>Recruitment</b>							
25	Are we satisfied our recruitment procedures achieve the following: <ul style="list-style-type: none"> <li>Prevent us employing people working under false identities?</li> </ul>	✓			Safe recruitment procedures. Contract monitoring arrangements. Internal audit work carried out by Stockton & Darlington. New contract for employment of Agency staff due to be deployed in		

	<ul style="list-style-type: none"> <li>Confirm employment references effectively?</li> <li>Ensure applicants are eligible to work in the UK?</li> <li>Require agencies supplying us with staff to undertake the checks that we require</li> </ul>				2015, best practice guidelines to be included in the contract evaluation.		
<b>CURRENT RISK AND ISSUES</b>							
<b>Personal Budgets</b>							
26	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. Liaison with Direct Payments Support Service and other external agencies as appropriate.		
27	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 /Legal Services Manager June 15
<b>CURRENT RISK AND ISSUES</b>							
<b>Council Tax Discount</b>							
28	Do we take proper action to ensure	✓			Discounts and exemptions are		

	that we only award discounts and allowances to those who are eligible?				subject to a programme of reviews to ensure entitlements are not exceeded. Single person reviews have also been subject to an external targeted review across the authority and also form part of the NFI.		
<b>Housing and Council Tax Benefits</b>							
29	When we tackle housing and council tax benefit fraud do we make full use of the following: <ul style="list-style-type: none"> <li>National Fraud Initiative</li> <li>Department for Work and Pensions Housing Benefit matching service</li> <li>Internal data matching</li> <li>Private sector data matching</li> </ul>	✓			<ul style="list-style-type: none"> <li>Participation in data matching e.g. NFI</li> <li>HBMS</li> </ul> Dedicated Housing Benefit Fraud team in place Follow up of referrals made by the public Collaboration with DWP investigative service		
<b>CURRENT RISK AND ISSUES</b>							
<b>Other Fraud Risks</b>							
30	Do we have appropriate and proportionate defences against the following:	✓			Internal Controls in place and operating satisfactorily		
	<ul style="list-style-type: none"> <li>Business rates</li> </ul>	✓			As Above		
	<ul style="list-style-type: none"> <li>Right to Buy</li> </ul>	✓			As Above		
	<ul style="list-style-type: none"> <li>Social Fund and Local</li> </ul>	✓			As Above		

## Appendix A

	Welfare Assistance						
	• Local Council Tax Support	✓			As Above		
	• Schools	✓			As Above		
	• Grants	✓			As Above		

**Reported Potential Frauds notified to Audit Services during 2014 and concluded cases from 2013**

**2013**

<b>Group</b>	<b>Number of Potential Frauds Investigated</b>	<b>Comment</b>
<b>Place</b>	<b>2</b>	Income discrepancy identified, case dealt with under HR procedures.  Income, materials, and timekeeping discrepancies identified, case dealt with under HR procedures.

**2014**

<b>Place</b>	<b>3</b>	2 cases in respect of mileage recording discrepancies, both cases were dealt with under HR procedures.  Alleged abuse of position when dealing with a supplier. The case was dealt with under HR procedures.
<b>People</b>	<b>1</b>	Significant income discrepancy at a Primary School. Fraud was not proven and the case was dealt with under HR procedures.
<b>Commissioning</b>	<b>1</b>	Mileage record discrepancies. The case remains ongoing.

## National Fraud Initiative 2014

## Principal Data Sets required by the Audit Commission

Data Set	Recommended matches received
Payroll	12
Housing Rents	22
Right to Buy	8
Creditors standing data	236
Creditors History	141
Concessionary Travel	349
Private Care Home Residents	5
Licences (Inc. Market traders, taxi drivers, personal licences to supply alcohol)	Not yet received
Housing Benefit and Student Loan Data – supplied directly by the Department of Works and Pensions and the Student Loan Company	253
Insurance Claimant Data – supplied directly by the Council's insurers Zurich Municipal	Not yet received
TOTAL	1026