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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 for 2015/16.

**Summary**

2. The report details a generally positive position with regard to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption completed self-assessment checklist.
3. The majority of significant potential matches in the major risk data sets from the National Fraud Initiative (NFI) 2014 have been concluded.
4. Overall the number of reported frauds and whistleblowing cases in the year remain 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 remains 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) CIPFA Code of Practice on Managing the Risk Of Fraud and Corruption

Brian McGuire: Extension 5410

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 they remain appropriate. The last review was considered by this Committee in March 2015 (Minute A38/27March 2015). It included a completed checklist from the Audit Commission publication 'Protecting the Public Purse' which depicted generally an overall positive position.
9. Following the demise of the Audit Commission and the transfer of fraud activities to other organisations in April 2015, the Protecting the Public Purse document is no longer produced.
10. However, a Code of Practice on Managing the Risk of Fraud and Corruption has been published by CIPFA's Counter Fraud Centre which assumed elements of the

Audit Commission's responsibilities for counter fraud. This document includes a comprehensive compliance self- assessment checklist which has been completed. Overall a positive position was identified with certain improvement actions identified to enhance the Council's arrangements that are detailed at **Appendix A**.

11. In order to keep abreast of topical issues, members of staff from Audit Services have attended informative workshops on Professional Standards and Improving Ethics and Preventing Corruption run by the CIPFA Better Governance Forum, Insider Fraud run by PwC and Banking and Plastic Card Fraud run by Nat West Bank.
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. Fraud alerts continue to be received via the National Anti-Fraud Network and Police Authorities with threats during the year including bank mandate fraud, receipt of bogus invoices and e mail authorisation scams. Where appropriate, alerts and advice are circulated to relevant establishments including schools as a fraud prevention measure.
14. The CIPFA Counter Fraud Centre launched its own fraud survey during 2015. Completion of this survey was not mandatory and take up across local government was mixed. Darlington BC did participate in the survey and a summary report of statistics and findings was subsequently published for information purposes but without any definitive conclusions.

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

15. One fraud was notified to Audit Services during 2015/16 in accordance with the requirements of the Council's Financial Procedure Rules (**see Appendix B**). In addition one case from the previous year was concluded. Both cases resulted in the resignation of an employee with one resulting in police action and recovery of losses incurred.
16. A total of fifteen whistleblowing cases were received during the year and dealt with in accordance with the Council's Confidential Reporting Policy. A number of the cases were reported anonymously. Two cases related to potential fraudulent activity but investigation identified no evidence to support the allegations of wrong doing. Four cases related to allegations of external benefit fraud and were forwarded to the DWP or other Local Authority for action/investigation. Four cases were dealt with via other HR procedures with five cases remaining ongoing. The number of whistleblowing cases received is an increase from the previous year's figure of ten.

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

17. The 2014 NFI data matching exercise matching is expected to be completed by the end of March 2016 with all outcomes of matches due to be reported to the Cabinet

Office by the 14<sup>th</sup> April 2016 deadline. A schedule of the data sets matched, recommended matches and progress to date is attached at **Appendix C**.

### **Ethics and Code of Conduct**

18. A data matching exercise was undertaken between the Council's payroll system and register of company directorships held by Companies House to determine current employees including those in maintained schools, holding private directorships. A positive position was found in that there were no serious conflicts of interest identified or significant non declarations of interest. The exercise also resulted in a number of recommendations made to the Assistant Director - Law and Governance in respect of clarification and strengthening of the Code of Conduct in respect of employees external interests, work on which remains ongoing.

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

19. Scheduled enhancements to the Council's Anti-Fraud and Corruption arrangements to be reported to the Audit Committee later in 2016 are as follows:-
  - (a) A revision of the Councils' Anti-Fraud and Corruption Strategy and Policy to ensure it remains current and fit for purpose. This will include a review of ancillary policies including Bribery, Money Laundering and the Fraud Response Plan.
  - (b) Implementation of the improvement actions arising from the completion of the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption self-assessment checklist.
  - (c) Subscribing to the CIPFA Counter Fraud Centre which provides access to a range of tools, alerts and resources needed to combat fraud in public services

### **Conclusion**

20. 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**

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

**CIPFA Code of Practice –Managing the Risk of Fraud and Corruption**

**Improvement Action Plan**

<b>Action</b>	<b>Improvement Action</b>	<b>Implementation Timescale</b>
1	Improve the visibility of the Corporate Management Team on the threat of Anti-Fraud and Corruption via an internal communications campaign.	<b>End of June 16</b>
2	Examine and evaluate options on the use of appropriate fraud loss estimates with a view to more effectively assessing risk and targeting resources.	<b>End of June 16</b>
3	In updating the Anti-Fraud and Corruption Strategy provide clarity on how it supports the overall objectives of the organisation as outlined in the Darlington Sustainable Community Strategy.	<b>End of June 16</b>

**Reported Potential Frauds notified to Audit Services during 2015/16 and concluded cases from 2014/15**

**2014/15**

<b>Group</b>	<b>Number of Potential Frauds Investigated</b>	<b>Comment</b>
<b>Commissioning</b>	<b>1</b>	Mileage record discrepancy  Employee resigned, no further action taken

**2015/16**

<b>Group</b>	<b>Number of Potential Frauds Investigated</b>	<b>Comment</b>
<b>Children's</b>	<b>1</b>	Payroll discrepancy  Employee resigned, case passed to the police, resulting in a conditional caution with all monies recovered.

**NFI 2014 Principal Data Sets - Summary of progress as at end of February 2016**

<b>Data</b>	<b>Total Number of Matched Data- Sets per Data Type with Examples</b>	<b>Number of Recommended Matches</b>	<b>Number of Matches Processed to date</b>	<b>Matches requiring further investigation</b>
Concessionary Travel Passes	1 – DWP deceased	349	349	0
Creditors	10 – amount/creditor reference, address and invoice number/amount but different creditor reference and name, creditor name	141	93	4  2 no issues identified, 2 duplicate invoice payments identified totalling £1,528.88.
Housing Benefits	40 – pensions, student loans, housing tenants	302	387	4  1 no issue found, 3 overpayments identified totalling £6,887.01.
Housing Tenants	12 – state benefits, HB claimants, housing tenants	22	69	2 – currently being investigated.
Insurance Claimants	3 – insurance claimants	4	9	0
Payroll	4 – creditors, payroll, pensions	12	34	0
Personal Budgets	6 – HB claimants, pensions	124	128	2 – currently being investigated.
Private Residential Care Homes	1 – DWP deceased	5	30	0
Right To Buy	2 – HB claimants, housing tenants	8	10	0
<b>Totals</b>	<b>79</b>	<b>967</b>	<b>1,109</b>	<b>12</b>

**Note:**

Matches received are deemed recommended or non-recommended as determined by the NFI based on the quality of the data match (i.e. how closely the two sets of data match up).

The Council has a statutory requirement as a minimum to check each recommended match received.

However, non-recommended matches are checked by officers whenever possible depending upon time constraints and resource available.