

ANTI-FRAUD & CORRUPTION FRAMEWORK

(Report by the Audit & Risk Manager)

1. INTRODUCTION

- 1.1 This report details the outcome of the first review of the Anti-Fraud and Corruption Framework, which was adopted by the Panel in December 2008.

2. THE FRAMEWORK

- 2.1 The Council has good internal control measures in place which accounts for the very low extent of fraud perpetrated against it. It is not complacent however and recognises that it needs to effectively manage the risks associated with the task of countering fraud and corruption. The framework sets out the actions needed, if this is to be done effectively.
- 2.2 Following approval of the framework, the internal audit service undertook two intranet based surveys to gauge the views of managers and staff on the current approach taken towards countering fraud and corruption. The results of those surveys have been reported to COMT and where appropriate, detailed in the framework response.
- 2.3 The results of the review of the framework are detailed in Annex A. Actions to further improve the Council's approach in this area are listed in the Action Plan, Annex B.

3. RECOMMENDATION

- 3.1 It is recommended that the Panel:
- Note the responses to the framework; and
 - Endorse the action plan.

BACKGROUND INFORMATION

Responses to Fraud/Corruption Survey

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Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
	Policy and Procedures			
1	Corporate Governance Panel undertakes an annual review of the Anti Fraud & Corruption Strategy and Whistleblowing Policy to ensure they remain relevant, up to date and cover key requirements, and amend when necessary.	Audit and Risk Manager	Reviews have been conducted annually since the strategy was introduced. Last review was in December 2008 - http://moderngov.huntsdc.gov.uk:8070/ieListDocuments.aspx?Cid=10012&Mid=3002&Ver=4	Dec 2009
2	The documents are publicised and made available, and can be easily accessed by staff, members, partners, those contracting with the Council and the public.	Audit and Risk Manager	The documents are included on the Council's website however they are not easily found. Responses to the fraud survey indicates that staff are not clear as to the Council's commitment to fight fraud and corruption.	Annex B
3	The Anti Fraud & Corruption Framework is updated at least annually.	Audit and Risk Manager	Framework adopted in December 2008. First review completed June 2009 with the intention to review annually.	June 2010
4	The Head of Customer Services undertakes an annual review of the: <ul style="list-style-type: none"> Housing & Council Tax Benefit Anti-Fraud Strategy and the Prosecution Policy. 	Fraud Manager	The Strategy was last reviewed in 2003. http://teams.huntsdc.gov.uk/Revenues/Benefits/Fraud/Benefits%20Prosecution%20Policy/HDC%20-Fraud%20strategy.doc The Policy was reviewed in 2008, to take account of changes to delegated functions. http://teams.huntsdc.gov.uk/Revenues/Benefits/Fraud/Benefits%20Prosecution%20Policy/HDC%20Benefits%20Prosecution%20Policy%202008.doc	Annex B

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
5	On an annual basis, a review of activities that may be susceptible to money laundering shall be carried out and the Money Laundering Policy amended when necessary.	Audit and Risk Manager	The Money Laundering policy was approved by Corporate Governance Panel in July 2005. The Audit & Risk Manager conducts an annual review of activities, legislation and changes to best practice and considers if the policy needs to be changed. No changes have been made to the original policy.	Dec 2009
	Maintaining Awareness			
6	New employees are made aware of the Fraud & Corruption Strategy and Whistleblowing procedures.	Audit and Risk Manager HR Manager	The induction programme for new employees doesn't include information in respect of fraud awareness or whistleblowing. Ad-hoc training and guidance is provided locally.	Annex B
7	Fraud and corruption awareness training is provided for employees and members.	----	There is no formal training provided to the majority of employees or members. This is borne out by the responses to the fraud survey.	Annex B
8	Reminders are issued periodically to employees about fraud/corruption/whistleblowing/money laundering.	Audit and Risk Manager	Reminders are issued to those staff who need to be aware of money laundering issues by internal audit. The last reminder was sent in June 2008. Annual poster campaigns are used to remind staff about fraud and whistleblowing issues. Information is also posted to the intranet. Responses to the fraud survey indicates that awareness about the current arrangements was not high.	Annex B

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
9	Demonstrate that Council staff, members, significant partners and contractors have confidence in the whistleblowing arrangements and are aware how to make a disclosure.	Audit and Risk Manager	<p>The responses to the fraud survey are mixed. Those staff replying positively had a high degree of confidence in the whistleblowing arrangements. Arrangements need to be reviewed and the confidential nature of the arrangements re-emphasised.</p> <p>Corporate Governance Panel receives an annual report (December) that summarises the whistleblowing concerns raised and gives them the opportunity to question matters investigated.</p> <p>Further work is required to publicise the arrangements to partners and contractors.</p>	Annex B
10	Publicity is issued to inform residents that the Council is pro-active in identifying fraud.	Audit and Risk Manager Head of Customer Services	Press releases are frequently issued and reported, detailing successful benefit fraud prosecutions. This information is also posted to the intranet. Press releases include details of the benefit fraud telephone line. District Wide has also been used to publicise successful prosecutions.	Following successful prosecutions
11	Managers who have key responsibilities for anti-fraud and corruption arrangements receive appropriate training and keep up to date with the latest developments, risks and initiatives.		No training is provided to managers.	Annex B
12	General guidance to staff shall be published via the intranet outlining their responsibilities with regard to money laundering, reporting arrangements and compliance with the Council's money laundering policy.	Audit and Risk Manager	<p>The Council's Money Laundering Avoidance Policy and Procedure is available via the Internal Audit Intranet page. Money laundering guidance document has also been produced and is posted on the site for reference by staff as required.</p> <ul style="list-style-type: none"> http://teams.huntsdc.gov.uk/finserv/audit/Shared%20Documents/Money%20Laundering%20Policy.pdf 	The guidance will be updated if the legislation is changed.

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
			<ul style="list-style-type: none"> • http://teams.huntsdc.gov.uk/finserv/audit/Shared%20Documents/Money%20Laundering%20Guidance.doc • http://teams.huntsdc.gov.uk/finserv/audit/Shared%20Documents/Money%20laundering%20-%20Customer%20Identity%20.doc 	
13	Officers employed in services that are considered to be especially vulnerable to money laundering shall also receive training.	Audit and Risk Manager	Training was provided in 2006 by Internal Audit to appropriate staff (cashiers, income, legal, estates, housing benefits, council tax & NNDR). Money laundering is now considered to be a low risk area due to the non receipt of cash payments for council tax or NNDR debts. An email reminder was sent in June 2008 to appropriate staff to remind them of the possibility of money laundering.	June 2009
	Proactive Anti Fraud & Corruption Work			
14	There is a pro-active programme of counter fraud and corruption work which is adequately resourced, risk based and proportionate to the risk identified.	Audit and Risk Manager Head of Customer Services	<p>Pro-active fraud work is included in the audit plan for 2009/10. Audit staff are familiar with data extraction software which is used to identify areas for further investigation.</p> <p>Data mining software has recently been purchased and will be used by benefits staff to identify potential cases of fraud.</p> <p>The Benefit Fraud Team has clearly laid out procedures, a Prosecution Policy and Terms of Reference to ensure that all investigations are carried out in a timely manner and that all cases reported for investigation are sifted to ensure that those posing the greatest risk received the highest priority and other</p>	On-going

Anti Fraud & Corruption Framework

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			cases are still considered and dealt with using the appropriate resources.	
15	Review of risk register entries highlighting fraud and corruption risks is undertaken on a regular basis. Mitigation to reduce fraud is proportionate to the risk.	Audit and Risk Manager	Reviews of the risk register are undertaken on a regular basis and liaison is maintained between the relevant manager and the Insurance and Risk Officer. Risk Management reports are provided to Corporate Governance Panel and issues relating to fraud and corruption would be highlighted as appropriate. http://moderngov.huntsdc.gov.uk:8070/Published/C00010012/M00003003/AI00026904/\$RiskRegister.docA.ps.pdf	On-going
16	Significant partnerships have anti-fraud and corruption arrangements in place.		The current partnership framework and guidance does not specifically refer to this requirement.	Annex B
17	Documented procedures are in place for the notification of non-compliance with Council policies and procedures.	Director of Central Services	The Employees Code of Conduct outlines the behaviours expected of staff and explains how notifications have to be reported to Senior Officers. Responses to the fraud survey show that staff are not regularly reminded of the need to register gifts and hospitality although awareness of the need to register these items was high.	Annex B

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
18	Maintain, publicise and monitor confidential telephone reporting lines and other channels for whistleblowing and fraud reporting.	Audit and Risk Manager	<p>District Wide has been used to publicise the phone numbers for reporting benefit fraud and whistleblowing. As more services have transferred to the call centre, these individual phone numbers are no longer published in District Wide, having been replaced with the call centre number.</p> <p>Secure telephone numbers are in place for benefit fraud and general whistleblowing/fraud reporting, Calls to these numbers can only be accessed by a small number of staff. Poster campaigns are developed periodically to publicise fraud/whistleblowing and the reporting lines available.</p> <p>http://teams.huntsdc.gov.uk/finserv/audit/Lists/Announcements/DispForm.aspx?ID=3&Source=http%3A%2F%2Fteams%2Ehuntsdc%2Egov%2Euk%2Ffinserv%2Faudit%2Fdefault%2Easpx</p>	Annex B
19	The internet, application forms, license or contractual agreements contain an appropriate fair processing notification permitting data sharing for the prevention and detection of fraud and corruption.	Data Protection Officer and Various Managers	<p>Information about fair processing is available on the Council's website. Key application forms etc include the required notification. As part of routine audit work, checks are completed to ensure data protection statements and reference to data matching / sharing are included on forms etc.</p> <ul style="list-style-type: none"> • http://www.huntsdc.gov.uk/data%20matching • http://www.huntsdc.gov.uk/Privacy+Disclaimer • https://applications.huntsdc.gov.uk/forms/Admin/Address%20Change%20Menu.htm 	On-going

Anti Fraud & Corruption Framework

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20	Appropriate arrangements for identifying and dealing with potential money laundering, are included in applicable contracts or similar agreements with external organisations.	Appropriate Manager	Reference is included in the contractual agreement with the Bailiffs.	Considered when felt appropriate
21	Internal audit prepare and maintain risk assessments that identify key systems that are susceptible to the likelihood of fraud and corruption (e.g. recruitment of staff). Reviews are undertaken on the controls operating in those systems.	Audit and Risk Manager	A Fraud and Corruption Plan Risk Assessment has been prepared which sets out risks and controls in key areas where there is potential for fraudulent activity. The risk assessment is referred to for each audit to ensure that any risk areas are identified and included in the testing for the review.	On-going
	National Fraud Initiative (NFI)			
22	Data is provided to the NFI in accordance with published timetables.	Audit and Risk Manager	All the data required for the 2008 NFI review has been provided.	As required
23	NFI data matches are reviewed and follow-up work, proportionate to the risk identified, is undertaken. Investigations are carried out promptly.	Audit and Risk Manager	The Audit & Risk Manager oversees the work undertaken. The Audit Commission guidance on the datasets to review is followed. This ensures that resources are targeted at the most appropriate areas. Investigations are carried out in accordance with the NFI timetable	On-going

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
	Investigative Fraud Work			
24	Staff involved in investigative work are appropriately trained and maintain their skills by regular training and keep up to date with developments and legislation.	Head of Customer Services	The majority of investigative fraud work is undertaken by the Benefits Fraud Team. All officers are accredited counter fraud specialists and receive regular refresher training as required.	On-going
25	Investigations are conducted in accordance with statutory requirements (PACE, RIPA etc).	Head of Customer Services	All fraud work conducted by the Benefits Fraud team complies with the relevant legislation, including PACE, RIPA and the Fraud Act 2006.	On-going
26	Investigate promptly potential cases of fraud and corruption, or pass to an appropriate external organisation (Police or DWP etc)	Head of Customer Services	The Benefits Fraud team routinely work through fraud cases assigned to them and close liaison is maintained with the DWP, Police and other relevant bodies.	On-going
27	Effective working arrangements are in place with other organisations (e.g. Police, DWP and HBMS). Intelligence is shared when appropriate.	Head of Customer Services	See comments above.	-----
28	There is a policy which is applied in a consistent way, on the application of sanctions and recovering losses where fraud and corruption has been proven.	Head of Customer Services	Sanctions for offences identified including fines, cautions and prosecution and are applied in accordance with the benefits prosecution policy which takes into account the severity of the matter.	On-going

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
	Outcomes			
29	Appropriate action is taken against those who successfully have committed, or attempted to commit, acts of fraud or corruption, including the recovery of losses sustained (incl. use of criminal and civil law).	Head of Customer Services	In 2007/2008 the Council identified £552,000 in overpaid benefits and prosecuted 50 people with another 75 receiving cautions and financial penalties.	On-going
30	Lessons learnt from fraud and corruption investigations are evaluated and result in the strengthening of the systems involved to reduce future opportunities.	As appropriate	Where weaknesses have been identified, system changes are discussed with the appropriate Manager.	On-going
31	Successful cases of proven fraud and corruption are publicised.	As appropriate	Press releases are issued in respect of all successful benefit prosecutions. This information is also posted to the intranet.	On-going
32	The Corporate Governance Panel receives (at least annually) reports on <ul style="list-style-type: none"> Housing Benefit Fraud investigations (including information in respect of prosecutions, administrative penalties and cautions and the active recovery of fraudulent overpayments) Whistleblowing allegations received and outcomes Other fraud and corruption investigations and outcomes 	Head of Customer Services & Audit and Risk Manager	<p>Housing Benefit fraud investigations were reported to the Panel in September 2008. Whistleblowing allegations were reported in December 2008.</p> <ul style="list-style-type: none"> http://moderngov.huntsdc.gov.uk:8070/ieListDocuments.aspx?CId=10012&MID=3001#A125290 http://moderngov.huntsdc.gov.uk:8070/ieListDocuments.aspx?CId=10012&MID=3002#A125953 <p>At the December 2008 meeting of Corporate Governance Panel it was agreed that all fraud reporting (Housing Benefits and other areas of work) would be reported at the same time each year.</p>	December 2009

Anti Fraud & Corruption Framework

	Specific Requirements	Lead Officer	Evidence / Source Documents	Update/ Further Action
33	All frauds that exceed £10,000 are reported promptly to the external auditors on the appropriate form.	Head of Customer Services	Annual returns are made. Information in respect of 2008/09 was reported to the external auditors in April 2009.	April 2010

Anti Fraud & Corruption Framework

Action Plan

	Specific Requirement	Agreed Action	Lead Officer	Implementation Date
	Policy and Procedures			
2	The Anti Fraud & Corruption Strategy and Whistleblowing Policy are publicised and made available, and can be easily accessed by staff, members, partners, those contracting with the Council and the public.	<p>Consideration will be given to using a quick link on the internet and intranet homepage to the documents.</p> <p>The index on the internet will be amended so that fraud 'papers' can be accessed through a number of shortcuts.</p> <p>The Strategy and Policy will be re-launched to increase awareness.</p>	Audit and Risk Manager	31 October 2009
4	The Head of Customer Services undertakes an annual review of the Housing & Council Tax Benefit Anti-Fraud Strategy and Prosecution Policy.	A review of the Housing & Council Tax Benefit Anti-Fraud Strategy will be undertaken.	Fraud Manager	31 January 2010
	Maintaining Awareness			
6	New employees are made aware of the Fraud & Corruption Strategy and Whistleblowing procedures.	Rather than add further topics to the current induction programme it is proposed that a short guide, detailing the Council's approach/stance to countering fraud, including whistleblowing, is produced and issued to all new employees.	Audit & Risk Manager & Fraud Manager	30 November 2009
7	Fraud and corruption awareness training is provided for employees and members.	Training to be developed and delivered via the e-learning software.	Audit & Risk Manager & Fraud Manager	30 November 2009

Anti Fraud & Corruption Framework

Action Plan

	Specific Requirement	Agreed Action	Lead Officer	Implementation Date
8	Reminders are issued periodically to employees about fraud/corruption/whistleblowing/money laundering.	Reminders will be issued on a regular basis to staff via Team News and the intranet.	Audit and Risk Manager	30 September 2009
9	Demonstrate that Council staff, members, significant partners and contractors have confidence in the whistleblowing arrangements and are aware how to make a disclosure.	Whistleblowing arrangements need to be reviewed and the confidential nature of the arrangements re-emphasised. Further work is required to publicise the arrangements to partners and contractors.	Audit and Risk Manager	30 September 2009
11	Managers who have key responsibilities for anti-fraud and corruption arrangements receive appropriate training and keep up to date with the latest developments, risks and initiatives.	Training to be developed and delivered via the e-learning software. Briefings will be issued as and when appropriate.	Audit and Risk Manager	30 November 2009
	Proactive Anti Fraud & Corruption Work			
16	Significant partnerships have anti-fraud and corruption arrangements in place.	The partnership framework and guidance will be amended to include the requirement for anti-fraud and corruption arrangements to be in place. As significant partnerships are reviewed the arrangements will be reviewed and, if appropriate, amended/improved.	Head of People, Performance and Partnerships.	31 December 2009 31 July 2011

Anti Fraud & Corruption Framework

Action Plan

	Specific Requirement	Agreed Action	Lead Officer	Implementation Date
17	Documented procedures are in place for the notification of non-compliance with Council policies and procedures.	Staff will be reminded about the need to record gifts and hospitality via an annual intranet notice. An email will also be sent to Heads of Service in the intervening six months to remind them to raise the issue at divisional/team meetings.	Head of Democratic and Central Services	30 September 2009
18	Maintain, publicise and monitor confidential telephone reporting lines and other channels for whistleblowing and fraud reporting.	The benefits fraud hot line and whistleblowing phone number be reintroduced into District Wide.	Audit and Risk Manager	30 June 2009