

FRAUD RESILIENCE REVIEW

Report of the Director & Company Secretary

1. SUMMARY

- 1.1 This report summarises the current position and future plans to strengthen Derby Homes' fraud resilience position.
- 1.2 This follows recommendations from a Derby City Council's Internal Audit report in November 2011 on governance within Derby Homes and a Fraud Resilience report from the external auditors, PKF, in May 2012.

2. RECOMMENDATION

- 2.1 To note the key control issues and recommendations Internal Audit have identified on Fraud Resilience shown in 3.1.
- 2.2 To note the key recommendations within the PKF Fraud Resilience report shown in 3.4.
- 2.3 To request that the Director and Company Secretary completes a review of the fraud resilience position and develops an Anti Fraud policy for the Committee's approval.

3. MATTER FOR CONSIDERATION

- 3.1 The November 2011 Internal Audit report into Governance included three low risk control issues that were accepted. These were:
 - there was not a documented anti fraud and corruption policy and strategy in place
 - there was not an anti money laundering policy in place
 - there was not a documented fraud response plan in place.
- 3.2 Following the Internal Audit review, Derby Homes agreed to commission a Fraud Resilience report from the external auditors, PKF, in order to better understand how well protected it is against fraud and its related cost. This review was conducted between March 2012 and May 2012.
- 3.3 Overall, Derby Homes scored 29 out of 50; this is deemed by PKF to be "a respectable score" given that Derby Homes runs a major operation to manage and maintain almost 14,000 homes in a complex and rapidly changing climate.

3.4 PKF provides five key recommendations in the report. They are concerned:

- understanding the nature and cost of fraud as a business problem
- designing a counter fraud strategy which is tailored to address the problem
- ensuring that Derby Homes has access to its own specialist counter fraud resource
- undertaking fraud awareness training to build on existing efforts to develop an anti fraud culture, and
- commissioning data analytics work to identify potential fraud.

3.5 It is now planned that an action plan is formulated to take on board these recommendations with the aim of strengthening Derby Homes' fraud resilience position. It is proposed to update the Committee on progress with the action plan in November 2012.

4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

Although the current level of any fraud has not been estimated, there are no known material fraud cases at present or any known material weaknesses in current controls.

5. POLICY REVIEW

It is planned to formerly develop an Anti Fraud and Corruption policy, an Anti Money Laundering policy and a documented fraud response plan to be presented to the Committee for approval in November 2012.

The areas listed below have no implications directly arising from this report:

- Consultation
- Legal and Confidentiality
- Council
- Personnel
- Environmental
- Equalities Impact Assessment
- Health & Safety
- Risk

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

Author: Michael Kirk / Head of Finance / 01332 888317 / Michael.Kirk2@derbyhomes.org

Background Information: None

Supporting Information: None