

FRAUD RESILIENCE REVIEW

Report of the Director & Company Secretary

1. SUMMARY

- 1.1 This report proposes two new policies - anti fraud & corruption policy and an anti money laundering policy and documents the Company's fraud response plan.
- 1.2 This follows recommendations from a Derby City Council Internal Audit report in November 2011 on governance within Derby Homes and a Fraud Resilience Report from the external auditors PKF in May 2012.
- 1.3 The contents of this report were discussed and approved at the Resources, Remuneration and Regeneration Committee meeting on 15 November 2012 and were recommended to the Board for approval.

2. RECOMMENDATION

- 2.1 To adopt the Anti Fraud & Corruption policy along with the Anti Money Laundering policy from January 2013.

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 These documents have now been drafted – see Item B6 - Appendix 1, 2 and 3 of the Resources, Remuneration & Regeneration Committee meeting 15 November 2012. <http://cmis.derbyhomes.org/CMISWebPublic/Meeting.aspx?meetingID=5390>
- 3.3 These are new policies for Derby Homes and have been developed from existing policies in Derby City Council and adapted for Derby Homes, using reference to “The resilience to fraud of the UK social housing sector” from the external auditors PKF and also the “Guidance on anti money laundering” from the National Housing Federation (NHF).
- 3.4 The NHF will be publishing a “Guide to Social Housing Fraud” in early 2013, which will need to be reviewed to incorporate any current best practices into these, proposed policies and plan.

- 3.5 Results from a 2012 PKF, Fraud Resilience Report on Derby Homes indicated that the company scored 29 out of 50 in its current risk rating. 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. This is just below the average score for social housing providers.
- 3.6 PKF provides five key recommendations in the report. They are :
1. understanding the nature and cost of fraud as a business problem;
 2. designing a counter fraud strategy which is tailored to address the problem;
 3. ensuring that DHL has access to its own specialist counter fraud resource;
 4. undertaking fraud awareness training to build on existing efforts to develop an antifraud culture; and
 5. commissioning data analytics work to identify potential fraud.
- 3.7 An update on each of these recommendations is below:
1. This will be developed by adding fraud to the company’s Risk Register to more accurately appreciate the financial and reputational risk that fraud and corruption represents, to record this systematically and consider how to mitigate such risks. This will include measures to estimate the total economic cost of fraud on the company which can then assist in identifying the level of resources required to counter fraud and corruption.
 2. The adoption of and implementation of an anti fraud & corruption and an anti money laundering policy will provide a framework where this can be embedded into day to day practices and procedures across the organisation.
 3. This is available through Internal Audit who has access to specialists in the Derbyshire Economic Crime Unit to assist with any large scale fraud investigation. A number of private sector options and Derby University are available if a specialist counter fraud resource is required.
 4. By introducing a structured training programme for managers on awareness of and practical implications of the new policies and the action plan this will help to develop an anti fraud culture. Importantly these needs to be cascaded across the organisation into day to day procedures.
 5. Derby Homes in conjunction with Derby City Council participates in the National Fraud Initiative (NFI), which the Audit Commissions runs every two years. This is a computerised data matching exercise, designed to detect fraud in public bodies.

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

This is a key policy for Derby Homes and will be included in the Key Policy Review Schedule. It is planned to review this policy again in November 2015.

6. LEGAL AND CONFIDENTIALITY IMPLICATIONS

The Board is responsible for overseeing and making decisions, as defined in Standing Order 2.1(b) of Part VI of the Derby Homes Governance Arrangements on “approving and adopting strategies, policies, business plans and forward plans and the budget and any changes to these”.

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

- Consultation
- 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 David Enticott, Director & Company Secretary, david.enticott@derbyhomes.org – Phone: 01332 888529

Author: Michael Kirk / Head of Finance / 01332 888703 / Michael.Kirk2@derbyhomes.org

Background Information: None

Supporting Information: None