

Report To:	AUDIT COMMITTEE
Date:	28 MARCH 2022
Heading:	CORPORATE GOVERNANCE AND ANTI-FRAUD UPDATE
Portfolio Holder:	NOT APPLICABLE
Ward/s:	NOT APPLICABLE
Key Decision:	NOT APPLICABLE
Subject to Call-In:	NOT APPLICABLE

Purpose of Report

Robust Corporate Governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements. The report includes revisions to the Local Code of Corporate Governance for Committee to consider and approve.

The report sets out the arrangements for preparing the Annual Governance Statement for 2021/22.

The Council has various policies and procedures in place which set out its approach to preventing, detecting and investigating fraud and corruption. The report recommends revising the following policies and procedures:

- Prosecution Policy
- Anti-Money Laundering Policy Statement and Procedure
- Anti-Bribery Policy

The report also provides the Committee with an update in relation to how the Whistleblowing Policy has operated in the preceding 12 months and recommends some amendments to the Whistleblowing Policy.

Recommendation(s)

Committee is asked to:

- 1. Approve the amendments to the Local Code of Corporate Governance as shown at Appendix 1;**
- 2. Notes the process for preparing the 2021/22 Annual Governance Statement;**
- 3. Approve the minor changes to the Prosecution Policy as shown at Appendix 2;**
- 4. Approve the minor changes to the Anti-Money Laundering Policy Statement and Procedure as shown at Appendix 3;**
- 5. Approve the minor changes to the Anti-Bribery Policy as shown at Appendix 4;**
- 6. Approve the minor changes to the Whistleblowing Policy in accordance with the draft attached to the report at Appendix 5; and**
- 7. Note how the Whistleblowing Policy has operated during 2021/22.**

Reasons for Recommendation(s)

It is best practice for the Local Code of Corporate Governance to be reviewed annually to inform the Governance Framework for the following year.

Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation. The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

To ensure the Prosecution Policy, the Anti-Money Laundering Policy Statement and Procedure and the Anti-Bribery Policy are reviewed regularly and kept up to date.

To ensure the Committee is adequately informed to enable it to monitor the operation of the Whistleblowing Policy in accordance with the Committee's Terms of Reference as set out in the Constitution. To ensure the Whistleblowing Policy is reviewed regularly and kept up to date.

Alternative Options Considered

The Committee may consider alternative changes to the draft policies and procedures attached which must be in accordance with the law and Council procedures.

Detailed Information

CORPORATE GOVERNANCE

Introduction

Robust Corporate Governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements. This includes various policies and procedures which set out the Council's approach to preventing, detecting and investigating fraud and corruption.

The following policies and procedures which are reviewed every 2 years were updated and approved by this Committee in February 2020:

- o Anti-Fraud and Corruption Strategy
- o Anti-Bribery Policy
- o Anti-Money Laundering Policy Statement and Procedure
- o Fraud Response Plan
- o Prosecution Policy

The following policies/documents are reviewed annually and were last updated / reviewed in February / March 2021:

- o Whistleblowing Policy
- o Local Code of Corporate Governance

Local Code of Corporate Governance

The Local Code of Corporate Governance sets out the Council's arrangements and is based on the guidance "Delivering Good Governance in Local Government" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016.

The CIPFA/SOLACE guidance identifies seven core principles and various sub principles; the recommended Local Code of Corporate Governance is based on these seven core principles. The seven principles are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the Council's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Local Code of Corporate Governance informs the Annual Governance Statement. The Local Code of Corporate Governance is subject to annual review to inform the governance framework for the following year. The Code has been reviewed and some minor changes are recommended as shown highlighted in yellow in the document attached as **Appendix 1**. The changes reflect new or revised documents or policies which evidence and underpin the Council's governance arrangements.

Annual Governance Statement

The Annual Governance Statement (AGS) is prepared in order to publicly report on the extent to which the Council has complied with its Local Code of Corporate Governance. The AGS looks at how the effectiveness of the Council's governance arrangements have been monitored and evaluated during the year and looks at any planned changes. The AGS will be prepared in order to be presented as part of the draft Statement of Accounts which must be reported by 31 July 2022. The preparation of the AGS will follow the process set out below:

- The initial review of the effectiveness of the Council's governance framework has been conducted by the Council's Director of Legal and Governance (Monitoring Officer) supported by the Assistant Director - Corporate Services and Transformation.
- To inform the process, the Corporate Leadership Team has carried out a Corporate Assurance Assessment and each Director has provided a Statement of Assurance.
- The Constitution review, performance reporting and risk management arrangements will be taken into account.
- The results of all this review work will be set out in a draft Annual Governance Statement prepared by the Director of Legal and Governance (Monitoring Officer).
- The Corporate Leadership Team will review the draft Statement and consider whether the improvements proposed represent an appropriate and proportionate response to any significant governance issues identified.
- The draft Governance Statement, modified to reflect the views of the Corporate Leadership Team, will be considered by a Member Working Group made up of the Council's Audit Committee.
- The Director of Legal and Governance (Monitoring Officer) will finalise the Annual Governance Statement in readiness for the finalisation of the 2021/22 Statement of Accounts.
- The Audit Committee at its meeting in September 2022 will be asked to formally approve the Annual Governance Statement as part of the Statement of Accounts.

ANTI-FRAUD

Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation. The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

In order to ensure the Council takes a corporate approach to dealing with fraud and corruption, the Anti-Fraud and Corruption Strategy Group was established a few years ago and meets on a quarterly basis. The Group consists of the Director of Legal and Governance (Monitoring Officer) and representatives from Finance, Legal, Estates, Revenues and Benefits, Housing, Central Midlands Audit Partnership (CMAP), Procurement/Corporate Risk Management and Human Resources with other officers brought on to the group as necessary. The Group develops and

delivers an annual work plan. This year's work plan was centred around implementing the audit recommendations from the work undertaken during 2021 assessing the Council against the Government Functional Standards (GovS 013: Counter Fraud) and in particular:

- A review of the suite of anti-fraud and corruption related policies and procedures
- A full review of the Fraud Risk Register
- Clearly identified roles and responsibilities attached to named officers

The Data-Matching Sub-Group sits beneath the main officer group and has its own terms of reference and work plan. Unfortunately, due to Covid related capacity issues, the lead officer (Service Manager, Revenues and Benefits) has been unable to convene this meeting during the past 12 months.

A review of the Council's arrangements regarding Anti-Fraud, including Data Matching, to ensure appropriate operational resilience and resources is underway and is to be considered as part of the Decision Making Accountability work being undertaken by the Local Government Association; the purpose of the LGA involvement is to consider the required roles and responsibilities and where they fit within the organisation. As this work is ongoing, the review of the Anti-Fraud and Corruption Strategy and Fraud Response Plan has not been finalised and will be presented to a future Audit Committee for consideration and approval.

The following policies have been reviewed by the Anti-Fraud and Corruption Strategy Group and are presented for consideration below:

- Legal Services Prosecution Policy
- Anti-Money Laundering Policy Statement and Procedures
- Anti-Bribery Policy
- Whistleblowing Policy

Once all policies have been revised and approved, the Anti-Fraud and Corruption Strategy Group will develop and put in place a training programme for officers and Members.

Legal Services Prosecution Policy

The Prosecution Policy sets out broad principles which will guide criminal enforcement and prosecutions. The Policy seeks to provide consistent guidelines for making decisions to prosecute.

The Council is committed to the highest possible standards of probity and accountability. It is committed to defending the public purse and the public at large subject to consideration of the factors set out in the Prosecution Policy. The Council has a presumption in favour of prosecution against perpetrators of criminal conduct if there is sufficient evidence to initiate a prosecution and taking such action is in the public interest. The Council will treat each case on its own merits.

The Prosecution Policy which appears at **Appendix 2** has been reviewed and some minor amendments shown highlighted in yellow are recommended, these are not substantive changes to the principles in the Policy.

Anti-Money Laundering Policy Statement and Procedures

Money laundering describes offences involving the integration of the proceeds of crime and terrorist funds into the mainstream economy. Money laundering is the channelling of "bad" money into "good" money in order to hide the fact the money originated from criminal or terrorist activity.

This policy sets out the offences created under the Proceeds of Crime Act 2002 and how to report suspicious activity. The Council has nominated the Monitoring Officer as the Money Laundering Reporting Officer.

The policy has been reviewed and minor changes made for clarity and to update contact information are shown highlighted in yellow in **Appendix 3** to this report. A reporting form has also been created and attached to the Policy.

Anti-Bribery Policy

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial or contractual advantage which is done either directly or via a third party. Bribery is a criminal offence.

The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council does not, and will not, accept bribes or improper inducements.

The Council is committed to the prevention, deterrence and detection of bribery. It has a zero-tolerance approach towards bribery.

The policy has been reviewed and minor changes made for clarity and to update contact information are shown highlighted in yellow in **Appendix 4** to this report. The policy has also been updated to note that declarations of gifts and hospitality by Members are published on the Council's website and reported quarterly to the Standards and Personnel Appeals Committee.

Whistleblowing Policy

The Council has in place a Whistleblowing Policy which sets out a process for people to confidently report concerns, such as fraud.

This policy makes it clear that people can report their concerns without fear of reprisals. Paragraph 8.1 of the Whistleblowing Policy states that:

“The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. This Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report these to the Standards and Personnel Appeals Committee and the Audit Committee once a year. The Whistleblowing Policy will also be reviewed on a bi-annual basis.”

A review of the policy has been undertaken and some minor changes to the policy are recommended. The revised draft policy is attached at **Appendix 5**; the changes are highlighted in yellow. The recommended changes are largely to ensure clarity, in particular regarding:

- what type of complaints the policy covers;
- who can make complaints under the policy;
- how to make a complaint and to whom.

In relation to the final bullet point, the revised version updates some of the contact and link details and also removes the option of reporting complaints to the Monitoring Officer at Mansfield District Council in advance of the exit from the Shared Legal Service which will take place at the end of June 2022.

The Standards and Personnel Appeals Committee received a Whistleblowing Update report at its meeting on 23 March 2022 and approved the changes.

Application of the Whistleblowing Policy during the Preceding 12 Months

During the period starting April 2021 to the present, there have been **no** reported incidents of whistleblowing drawn to the Monitoring Officer's attention.

Previous Application of Policy

The following table sets out the application of the Whistleblowing Policy for the past 7 years to the present date:

YEAR	TOTAL NUMBER OF COMPLAINTS	NO FURTHER ACTION	MANAGEMENT RECOMMENDATIONS	DISCIPLINARY/GRIEVANCE INVESTIGATION
2015	2	1	1	0
2016	2	0	1	1
2017	3	1	1	1
2018	3	1	0	2
2019	4	3	1	0
2020	1	0	1	0
2021	0	0	0	0
2022 to date	0	0	0	0

Implications

Corporate Plan:

To ensure we deliver high-quality public services we have adopted a set of corporate values which underpin the successful delivery of our priorities. How we work is as important as what we do. The Council's values are:

- People Focussed
- Honest
- Proud
- Ambitious

It is important that the Council has the most effective infrastructure and support to enable:

- The delivery of the Corporate Plan
- Financial sustainability to continue to deliver key services
- A productive workforce that delivers services well

Legal:

Each policy attached to this report for approval details the relevant legislation. [RLD 17/03/2022]

Finance: [PH 18/03/22].

Budget Area	Implication
General Fund – Revenue Budget	There is an annual budget of £10k which is specifically for the purpose of funding costs associated with fraud

	which falls to the Monitoring Officer to release and monitor.
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
<p><u>Anti-Fraud</u> Failure to have in place adequate anti-fraud policies and processes could lead to serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members.</p> <p>Failure to maintain integrity and confidence in the Whistleblowing Policy and its applications.</p> <p>Failure to review the Local Code of Corporate Governance would mean the governance framework is not complied with and would impact on the Annual Governance Statement process.</p>	<p>The implementation of the recommendations of the recent audit as set out above will ensure the Council's policies and procedures are improved in line with the recent Government Functional Standard.</p> <p>The approval of the revised policies attached to this report will ensure these are reviewed and updated regularly to ensure continued compliance.</p> <p>Annual reporting to the Audit Committee and Standards and Personnel Appeals Committee. Annual update on the application of the policy. Update reporting in accordance with the policy to the Whistleblower (if identified). Identification of trends in disclosure to inform Management.</p> <p>The review ensures compliance with the governance framework and assists with the annual governance review.</p>

Human Resources:

Regular review, maintenance and consistent application of the Whistleblowing Policy infers good employment practices. As such it is important to maintain the integrity of the policy.

There are no other Human Resource issues identified in the report.

Environmental/Sustainability

There are no Environmental/Sustainability issues identified in the report or the policies reviewed.

Equalities:

There are no equalities issues identified as a direct result of the report. Equalities issues would be considered as part of any whistleblowing investigation

Other Implications:

None.

Report Author and Contact Officer

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