

Report To:	AUDIT COMMITTEE	Date:	27 NOVEMBER 2017
Heading:	CORPORATE GOVERNANCE - ANTI-FRAUD AND CORRUPTION – UPDATED POLICIES AND PROCEDURES		
Portfolio Holder:	LEADER		
Ward/s:	N/A		
Key Decision:	N/A		
Subject to Call-In:	N/A		

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 Council should have in place various policies and procedures which set out its approach to preventing, detecting and investigating fraud and corruption. These policies and procedures have been updated and Committee is being asked to consider and approve the draft policies and procedures and recommend them for approval by Cabinet.

Recommendation(s)

Committee is asked to:

- 1. approve the following policies and procedures and to recommend the same for approval by Cabinet:**
 - **Anti-Fraud and Corruption Strategy**
 - **Anti-Bribery Policy**
 - **Anti-Money Laundering Policy Statement and Procedures**
 - **Fraud Response Plan**
 - **Prosecution Policy**
 - **Local Code of Corporate Governance**
- 2. endorse the proposed approach to embed the Council’s corporate approach to fraud and corruption across the organisation which will be overseen by the Committee and the Anti-Fraud and Corruption Strategy Group made up of relevant officers;**
- 3. note the requirement to carry out an assessment of fraud risks the Council may experience and that the consequential Fraud Risk Register will be reported to the next meeting of the Committee.**

Reasons for Recommendation(s)

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.

The suite of policies recommended to Committee set out the Council's proposed approach in relation to fraud and how the Council goes about preventing, detecting and enforcing identified fraudulent activity.

The periodic review of policies and procedures ensures the Council's approach is up to date and accords with current thinking and best practice.

Alternative Options Considered (With Reasons Why Not Adopted)

To not approve the draft policies and procedures is not recommended as the Council's current arrangements are out of date and inadequate and may leave the Council at greater risk of experiencing fraudulent activity and/or it to go undetected.

Members may make suggested amendments to the policies and procedures provided these are in line with legislation and best practice.

Detailed Information

Background

Responsibility for the management of the Council's internal audit function passed as part of the recent Corporate Leadership Team restructure to the Director of Legal and Governance (Monitoring Officer). As part of the transition, the Director of Legal and Governance has asked CMAP to carry out a baseline audit of the Council's Anti-Fraud and Corruption measures particularly in light of recent changes to the Council's internal audit provision, the housing management function returning to in-house provision, the transfer of the benefit fraud officers to DWP and the introduction of new CIPFA guidance relating to the Code of Corporate Governance.

The baseline audit is nearing completion and has already identified that a number of policies require updating particularly in light of the above mentioned changes. The policies collectively underpin the way the Council approaches the risks from fraud the Council faces, and its approach to prevention, detection and investigation of potential fraudulent acts and therefore it was considered prudent to update these policies as soon as possible and not await the final audit report. By approving refreshed policies at an early opportunity enables the Council to proceed with improving its approach to fraud and corruption and embedding revised processes and procedures corporately without delay.

Policies

The following policies and strategies are appended to the report and are recommended for approval:

- **Anti-Fraud and Corruption Strategy**

The strategy explains that as custodian of the public purse, the Council has a duty to ensure public money is protected from fraud and corruption. Fraud is the intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to conceal the misappropriation of assets or otherwise for gain. Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any other person.

The Council is therefore 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. The strategy explains what the Council does to prevent, detect and investigate fraud. The strategy sets out the reporting processes for potential fraud and corruption. The strategy also incorporates the Housing Benefit and Council Tax Support Anti-Fraud 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. This policy provides a framework to enable the Council's employees, Elected Members and other relevant persons to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

- **Anti-Money Laundering Policy Statement and Procedures**

Money laundering describes offences involving the integration of the proceeds of crime or 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.

The procedure explains what an employee or an Elected Members should do if they know or suspect that money laundering activity is taking, or has taken place. The Council must have a Money Laundering Reporting Officer (MLRO) and the procedure explains that this is now the Monitoring Officer. The procedure set out what the MLRO does if a report of money laundering is made.

- **Fraud Response Plan**

The Fraud Response Plan has been developed to provide assurance of a consistent, thorough and effectively managed response to any allegations of fraud affecting the Council.

The Monitoring Officer is responsible for overseeing investigations of suspected fraud or corruption. The plan sets out how the Monitoring Officer will manage investigations, how evidence will be collected and retained, the interviewing of witnesses and what happens at the conclusion of the investigation.

- **Prosecution Policy**

This policy sets out broad principles that will guide prosecutions. It also seeks to provide consistent guidelines for making decisions to prosecute. It is not intended to be prescriptive or exhaustive. The Council will exercise its discretion when appropriate, about the extent of involvement or action (as applicable) required, looking at each case individually.

A two-stage test will be undertaken prior to a decision to prosecute being made. First, an assessment of the available evidence (**“the evidential test”**) to determine whether or not there is enough evidence to secure a realistic prospect of conviction, will be undertaken. The second part of the test is an assessment of the interests of justice (**“the public interest test”**) i.e. understanding the extent the public interest needs to see that justice is seen to be done. Only where **both** the evidential and public interest tests are satisfied will a prosecution ever follow.

- **Local Code of Corporate Governance**

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 including the policies presented for approval with this report. This 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 Council also has in place the 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. The Whistleblowing Policy is reviewed and monitored annually by the Standards and Personnel Appeals Committee. It will be reviewed in March 2018 and the Committee will be updated on any complaint made pursuant to this policy during the preceding year.

The Contract Procedure Rules set out of the Council procures its good and services to ensure transparency and avoid potential fraud, corruption or bribery. These Rules are regularly reviewed and approved by Council. The Rules will be reviewed separately during 2018.

Publication

Once the strategies, policies and procedures have been approved by the Audit Committee and Cabinet, they will be published.

Training

Appropriate training will be rolled out to both Elected Members and Officers in respect of the new policies and procedures.

Fraud Risk Register

The Council needs to identify more clearly its current fraud risk areas and control measures. The Anti-Fraud and Corruption Strategy Group (see below) will lead on the exercise of completing an assessment of the Council's current fraud and corruption risks; once completed this will identify the highest risk areas and the group will put in place an action plan to deal with mitigations to those risks. The Fraud Risk Register will be reported to the next Committee.

Going forward, it is expected that the Annual Assessment of Fraud Risk will be reported annually to the Corporate Leadership Group and the Audit Committee. This will form part of the assurance process carried out in order to inform the Annual Governance Statement.

Anti-Fraud and Corruption Strategy Group

In order to ensure the Council takes a corporate approach to dealing with fraud and corruption, the Anti-Fraud and Corruption Strategy Group made up of officers will be reformed in terms of its membership and terms of reference. The Group will consist of Director of Legal and Governance (Monitoring Officer) and representatives from Finance, Legal, Estates, Revenues and Benefits, Housing, CMAP, Communications, Procurement and Human Resources with other officers brought on to the group as necessary. The Group will be responsible for implementing an improvement action plan.

Implications

Corporate Plan:

Transparent and Accountable

We will be open and transparent in our decision making. We will be trustworthy and honest in how we deal with our residents and be accountable to them for our actions. We will promote positive and respectful behaviour, treating people fairly and respectfully.

The Council has committed to ensuring effective community leadership, through good governance, transparency, accountability and appropriate behaviours.

Legal:

Each of the policies deals with the relevant legislative frameworks.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	<p>Whilst there are no direct financial implications, if such policies are not in place and adhered to, there is potential for fraud and financial loss to the Council.</p> <p>There is a budget of £10k which is specifically for the purposes of costs associated with fraud which falls to the Monitoring Officer to release and monitor; the budget has no spending against it so far during 17/18.</p>
General Fund – Capital Programme	As above
Housing Revenue Account – Revenue Budget	As above
Housing Revenue Account – Capital Programme	As above

Risk:

Risk	Mitigation
The Council has out of date policies and procedures in place which potentially increase the risk of fraudulent activity taking place which affects the Council, or that the Council is not able to effectively deter or detect fraudulent activity taking place.	<p>New policies</p> <p>Baseline Audit to identify systems weakness</p> <p>Action plan to improve systems and processes</p> <p>Anti-Fraud and Corruption Strategy Group to oversee implementation of the action plan</p> <p>Fraud Risk Assessment exercise</p> <p>Roll out of training</p> <p>Publication of policies</p>

Human Resources:

Training will be rolled out to relevant employees. All employees will be made aware of the policies and will be accessible to all for future reference.

Equalities *(to be completed by the author):*

The policies themselves do not highlight any equality issues. Any equalities issues will be identified as part of the implementation and addressed by the officer group.

Other Implications:

None.

Background Papers

None.

Report Author and Contact Officer

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