

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Anti-fraud and Corruption Strategy
Meeting/Date: Corporate Governance Panel – 3 June 2015
Executive Portfolio: Resources: Cllr J Gray
Report by: Head of Customer Services
Ward(s) affected: All

Executive Summary:

The Council's anti-fraud and corruption strategy has been re-written to take account of:

- The new CIPFA Code of Practice on managing the risk of fraud and corruption (the Code), published in October 2014;
- The Codes accompanying guidance notes, published in December 2014; and
- The change in emphasis within the Corporate Fraud team to focus on issues other than welfare fraud.

Whilst the Code is voluntary it does contain current best practice. It is an appropriate document for the Council to base its own strategy and determine how it will approach identifying and mitigating fraud and corruption risks.

The strategy deals with each of the Code's five principles:

- Acknowledge the responsibility for countering fraud and corruption
- Identifying the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy; and
- Take action in response to fraud and corruption.

The Corporate Management Team are responsible for delivering the anti-fraud and corruption strategy. The Head of Customer Services and the Corporate Fraud team will take the lead on maintaining a programme of work that ensures that resources are focused on those service areas that are the most susceptible to the risk of fraud and corruption.

The Corporate Fraud team are currently reviewing their own workload (post the introduction of the single fraud investigation service (SFIS) and the reduction in welfare related investigations) and considering the impact of this strategy. It is expected that this piece of work will be completed by the late Autumn. The Panel considered at their March meeting whether or not the Panel fraud working group should continue (post SFIS) or not. It is recommended that the fraud working group should not meet until such time as the draft programme of work has been considered by the Corporate Management Team.

There are no financial implications arising from this report.

Recommendation(s):

It is recommended that the Panel:

1. Approve the anti-fraud and corruption strategy (appendix 1); and
2. Agree that the decision as to whether or not the fraud working group be re-established be postponed until the draft programme of work to support the strategy has been considered by the Corporate Management Team.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 This report is recommending that the Panel approve a new anti-fraud and corruption strategy.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 Following the Government's abolition of the National Fraud Authority in March 2014, responsibility for the promotion of anti-fraud and corruption arrangements within the public sector was passed to CIPFA. In response, CIPFA launched the Counter Fraud Centre in July 2014 to lead and co-ordinate the fight against fraud and corruption across the public services. It is the UK's centre of excellence for counter fraud.
- 2.2 CIPFA has built on its previous guidance, *Managing the Risk of Fraud, Actions to Counter Fraud and Corruption (Red Book)* (2008), to establish a high level set of principles that can be applied to any public service organisation. The Code together with the guidance notes replace CIPFA's previous guidance.
- 2.3 One of the first outputs from the centre was the publication, in October 2014, of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This was followed up in December 2014, when detailed guidance notes were published in support of the Code of Practice. The Council's previous strategy was based upon the guidance contained within the *Red Book*. A new strategy is required that is based upon the October 2014 Code.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 The Code has five principles and the guidance notes provide detailed information on the implementation of each:
- Acknowledge the responsibility of the governing body for countering fraud and corruption
 - Identify the fraud and corruption risks
 - Develop an appropriate counter fraud and corruption strategy
 - Provide resources to implement the strategy
 - Take action in response to fraud and corruption
- 3.2 The strategy has been developed by reviewing each principle and then considering how it will be applied within the Council. As the strategy is a new document it is not possible to provide a commentary on the changes that have been made. The following list covers the key issues within the new strategy:

Code Paragraph

An anti-fraud and corruption statement at the beginning of the strategy sets out the Council's overarching position.

- 2.1 The definition of fraud and corruption are based upon those issued by the Serious Fraud Office and the World Bank respectively.
- 3.2 Significant fraud and corruption risks are to be recorded in the risk register.

Code Paragraph

- 3.3 All policies, procedures or documents that support this Strategy shall be reviewed annually by the appropriate Head of Service (Further information on this point is included at 3.3 below).
 - 3.4 The strategy shall be reviewed at least once every 3 years by the S151 Officer and the Monitoring Officer. Changes shall be approved by the Panel.
 - 5.1 The Head of Customer Services shall maintain a programme of work to assist in the delivery of the strategy. This will include a fraud risk assessment.
 - 5.2 On an annual basis, the Corporate Management Team shall decide if sufficient resources are allocated to the delivery of the programme of work.
 - 5.3 An annual report shall be submitted to the Panel on work performed against the strategy.
 - 6.1 Everyone shall be treated equally and without favour if they have been found to have committed an act of fraud and corruption.
 - 6.4 Significant frauds or corrupt acts shall be referred to the Police or other regulated body.
 - 6.5 The Chairman of the Panel and the external auditors shall be informed of all significant fraud or corrupt acts.
 - 6.7 The Council may continue to undertake disciplinary action against any employee, regardless of the involvement of the Police.
 - 6.8 Action will be taken to recover all losses suffered.
 - 8.1 The strategy will be published both within and outside the Council.
- 3.3 The Council has a number of policies and procedures that deal with the issues of disclosure, investigation and prosecution. Following the introduction of SFIS and the loss of the majority of welfare related fraud investigations, these policies and procedures need to be updated. It is anticipated that their review and updating will run concurrently with the development of the programme of work. Paragraph 3.3 of the strategy, has been written to reflect this position. It is the intention that future versions of the strategy will list the relevant documents.
- 3.4 The Code also suggests that if the Council proposes to make a statement within its annual governance statement (AGS) that it has adopted and is adhering to the Code, then it should assess its level of conformance with the Code prior to making that statement. This will not be an issue until the 2015/16 AGS is being prepared. Corporate Management Team, when reviewing the draft programme of work, intend to take a preliminary view as to whether or not adherence to the Code is something that they wish to see included in the AGS or not.

- 3.5 In December 2014 the Council's Corporate Fraud Manager resigned from the Council. At the same time, the Council was successful in securing £330k from the Government to develop a fraud hub amongst a number of Cambridgeshire authorities and social housing providers. Work has also been undertaken to ensure that smooth transition to the SFIS on 1 May – and this has meant (after consultation with Members) a creation of a smaller Fraud team.

All of these developments has led to the Corporate Fraud team reviewing their own priorities and workload. The strategy requires that a programme of work should be developed to support its aims. It is expected that this piece of work will be completed by the late Autumn.

- 3.6 The Panel considered at their March meeting whether or not the fraud working group should continue. Whilst Panel members have gained greater knowledge and insight into the workings of the fraud team, at the present time it is considered that little would be gained from the working group continuing to meet until such time as the draft programme of work has been developed and considered by the Corporate Management Team.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 Not applicable. The Panel has responsibility for monitoring the anti-fraud and corruption strategy.

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

- 5.1 With both Members and employees involved in making decisions that can have a significant effect upon the livelihood of members of the public or service users (e.g. licencing, food safety or planning decisions) or through their actions on a business as usual basis (e.g. issue of enforcement notices, cash handling or procurement decisions) the Council needs to be aware of the risk that may occur due to fraud and corruption

- 5.2 Financial loss is the most obvious key risk but the undermining of public confidence that can result from the discovery of an internal fraud or corrupt act would likely have greater impact.

- 5.3 The basic control procedures of up to date and clear procedure notes, separation of duties, internal check and reconciliation and compliance with agreed policies and procedures all ensure that the risk of financial loss is mitigated. When systems and procedures are being redefined or reworked as part of service restructures or lean reviews, it is important that the risks associated with the loss of any of these controls is identified and agreed. Further, regular awareness training to key employees and managements monitoring of adherence to agreed codes of conduct and governance based procedures and policies should also mitigate the risks.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 6.1 Following adoption of the anti-fraud and corruption strategy, a programme of work will be undertaken to identify the fraud risks faced by the Council, the action that will be taken to mitigate those risks, and how the resources of the Corporate Fraud and from elsewhere, will be used. It is envisaged that this work will be completed by the late Autumn.

- 6.2 Whilst developing the programme of work, the Corporate Fraud team will continue to investigate and identify potential frauds as well as taking the lead in developing the Cambridgeshire Anti-Fraud Network (CAFN).

7. LINK TO THE CORPORATE PLAN

- 7.1 Implementation of the strategy will ensure that the Council maintains good standards of governance. Good governance underpins the delivery of all of the Corporate Plan objectives.

8. CONSULTATION

- 8.1 None.

9. LEGAL IMPLICATIONS

(Comments from the Head of Legal & Democratic Services)

- 9.1 The Council has a statutory duty to make arrangements for the proper administration of their financial affairs. This strategy assists the Council in achieving that requirement.

10. RESOURCE IMPLICATIONS

(Comments from the Head of Resources)

- 10.1 There are no specific resource implications arising from this report. The budget for the Corporate Fraud team has already been agreed for the current year. Customer Services will be subject to a zero based budget review during the year and any impact from that review that will affect the delivery of this strategy will be reported back to the Panel.

11. OTHER IMPLICATIONS

(Equalities, environmental, ICT etc.)

- 11 Not applicable.

12. REASONS FOR THE RECOMMENDED DECISIONS

(Summary leading to the Recommendations)

- 12.1 The Council should maintain robust arrangements to counter the threat of fraud and corruption. The strategy takes account of the latest best practice guidance and should ensure that the Council's arrangements are appropriate and proportionate to the risks that it faces.
- 12.2 The Corporate Fraud team are readjusting priorities to take account of the loss of welfare related investigations post SFIS. Until such time as a programme of work has been developed to support the implementation of the strategy, it is envisaged that little would be gained by either Members or Officers from continuing to hold fraud working group meetings.

13. LIST OF APPENDICES INCLUDED

Appendix 1 – Anti-fraud and corruption strategy

BACKGROUND PAPERS

1. The CIPFA Code of Practice on managing the risk of fraud and corruption (the Code), published in October 2014;
2. The guidance notes to the CIPFA Code of Practice on managing the risk of fraud and corruption, published in December 2014.

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