

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title:</b>	Anti-Fraud and Corruption Strategy 2018-2021
<b>Meeting/Date:</b>	Corporate Governance Committee – 28 March 2018
<b>Executive Portfolio:</b>	Strategic Resources: Councillor J A Gray
<b>Report by:</b>	Internal Audit & Risk Manager
<b>Wards affected:</b>	All Wards

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**Executive Summary**

The Committee is responsible for approving the Council's Anti-Fraud & Corruption Strategy. The Strategy was last approved in June 2015 when it was re-written to take account of the 2014 CIPFA Code of Practice on managing the risk of fraud corruption and the associated guidance notes.

The Strategy has been updated to reflect:

- the requirements of the Local Government Counter Fraud & Corruption Strategy 2016-2019 (LGCFCS) published by the CIPFA Counter Fraud Centre; and
- the June 2017 briefing from the Internal Audit Standards Advisory Board (IASAB) on the Internal Audit role in Counter Fraud.

The main changes, which do not alter the overall purpose or direction of the 2015 strategy, are:

- Including the seven principles of public life within Section 3, Principles of Conduct.
- Referencing that the programme of counter fraud work maintained by the Corporate Fraud Manager shall be consistent with the Acknowledge, Prevent and Pursue principles contained in the LGCFCS (paragraph 4.1).
- Clarification of Internal Audits role in countering fraud and corruption in line with the IASAB guidance (paragraph 4.4).

**Recommendation**

It is recommended that the Committee:

1. Approve the anti-fraud and corruption strategy 2018-2021.

## 1. PURPOSE OF THE REPORT

- 1.1 This report is recommending that the Committee approve the countering fraud and corruption strategy 2018-2021.

## 2. BACKGROUND

- 2.1 The Council has maintained an anti-fraud and corruption strategy since 2005. The last strategy was approved in June 2015 for the three year period ending March 2018.
- 2.2 The strategy sets out the overarching principles that the Council will follow when considering its response to fraud and corruption risks and issues.

## 3. ANALYSIS

- 3.1 The Codes of Conduct for Members and Employees both encompass the seven principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The Employment Committee in November 2017 adopted a new set of values for the Council - icare (inspirational, collaborative, accountable, respectful, enterprising).
- 3.2 It is anticipated that the employees code of conduct will be reviewed during the currency of the 2018-2021 Strategy so that it reflects the icare values. To ensure that a strong link is maintained between employee responsibilities and the seven public life principles they have been expressly included in the Strategy.
- 3.3 The 2015 Strategy included reference to the programme of work that the Counter Fraud Team would deliver in response to the fraud risks facing the Council. Whilst a programme of work is still required, the detailed information explaining what the programme will cover has been removed and replaced with the principles of Acknowledge, Prevent and Pursue as contained in the Local Government Counter Fraud & Corruption Strategy 2016-2019 published by the CIPFA Counter Fraud Centre.

**Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

**Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

**Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

- 3.4 The 2015 Strategy included Internal Audit's role in contributing to the improvement of governance and risk management by reviewing and evaluating the potential for the occurrence of fraud.
- 3.5 The June 2017 briefing from the Internal Audit Standards Advisory Board (IASAB) on the Internal Audit role in Counter Fraud has split the internal audit role in countering fraud into four distinct areas:

1. Core Internal Audit role	<ul style="list-style-type: none"> <li>• providing assurance on adequacy of arrangements</li> <li>• evaluating counter fraud reporting</li> <li>• reviewing the implementation of the strategy</li> <li>• evaluating preventative and detective controls</li> <li>• reviewing the control weaknesses that led to fraud</li> </ul>
2. Counter fraud roles that do not compromise audit independence	<ul style="list-style-type: none"> <li>• reviewing a fraud risk assessment</li> <li>• supporting the ethical and anti-fraud and corruption culture</li> <li>• sharing of learning</li> </ul>
3. Counter fraud advisory roles where safeguards needed	<ul style="list-style-type: none"> <li>• championing the development of counter fraud capability</li> <li>• receiving whistleblowing referrals</li> <li>• data analytics to identify fraud</li> <li>• reviewing preliminary NFI matches</li> <li>• leading a fraud and corruption risk assessment process</li> <li>• helping to develop the counter fraud and anti-corruption strategy</li> </ul>
4. Counter fraud roles beyond internal audit where safeguards likely.	<ul style="list-style-type: none"> <li>• undertaking an investigation</li> <li>• sanctions and asset recovery</li> <li>• prioritising fraud referrals</li> <li>• proposing the counter fraud and anti-corruption strategy</li> <li>• being accountable for counter fraud and anti-corruption activities and resources.</li> </ul>

The Strategy has been updated so that it reflects points 1 and 2 above. In addition one area from area 3 has been included – receiving whistleblowing referrals. Internal audit has taken the lead on this area since whistleblowing was first introduced into the Council in 2000. Internal Audit are to be included in the Resources reorganisation planned for 2018-19 and a decision will be taken at that time as to which Service is best placed to receive whistleblowing referrals in the future.

#### 4. RISKS

- 4.1 The risk register contains two fraud related risks, one relating to the loss to the public purse (external facing) the other dealing with internal fraud.
- 4.2 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
- 4.3 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.
- 4.4 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.

## **5. LINK TO CORPORATE PLAN**

- 5.1 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.

## **6. LEGAL IMPLICATIONS**

- 6.1 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.

## **7. RESOURCE IMPLICATIONS**

- 7.1 There are no direct resource implications arising from this report.

## **8. REASONS FOR THE RECOMMENDED DECISIONS**

- 8.1 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.

## **BACKGROUND PAPERS**

1. <http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>
2. Briefing from the Internal Audit Standards Advisory Board - [The Internal Audit Role in Counter Fraud.](#)

## **CONTACT OFFICER**

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