

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 19 November 2019</b>
<b>Title of report:</b>	<b>Anti-fraud and corruption strategy</b>
<b>Report by:</b>	<b>Chief finance officer</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose and summary**

To present to the audit and governance committee the updated anti-fraud, bribery and corruption policy for approval.

The council is determined that the culture and tone of the organisation is one of honesty, openness and opposition to fraud, bribery and corruption. The council will not tolerate fraud, bribery or corruption of any form or degree in the administration of its responsibilities whether from inside or outside the council.

The anti-fraud, bribery and corruption policy sets out clearly to members, employees, contractors, sub-contractors, the council's partners and the public:

- The council's commitment to tackling fraud, bribery and corruption
- Its actions to promote the prevention of fraud, bribery and corruption
- The responsibility of members and employees in minimising the risk of fraud and reporting any suspicions they may have.

The anti-fraud, bribery and corruption policy was last approved by the committee on 4 July 2017, this update ensures the council policies reflect current best practice and comply with legislative requirements.

## Recommendation(s)

That:

- (a) the audit and governance committee approve the updated anti-fraud, bribery and corruption policy (appendix 1)

## Alternative options

1. To retain the current anti-fraud, bribery and corruption policy. This is not recommended as the policy needs to reflect current constitutional policy and procedure in order to be effective.

## Key considerations

2. The council's constitution delegates to the audit and governance committee responsibility for maintaining an overview of and agreeing changes to the council's anti-fraud, bribery and corruption policy. The policy has been updated to reflect the current constitution, other related policies, current legislation and best practice guidelines set out in the "Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019". This includes participating in the relevant sharing of datasets to detect potential fraudulent activities and the follow up of transactions deemed to be considered at risk of being fraudulent.
3. The policy identifies known key fraudulent indicators and types of fraud. Council officers must follow policies and procedures to reduce the risk of fraudulent activities and internal audit supports this through internal audit work and sharing immediately any alerts they become aware of.
4. The council is determined that the culture and tone of the organisation is one of honesty, openness and opposition to fraud, bribery and corruption. The council will not tolerate fraud, bribery or corruption of any form or degree in the administration of its responsibilities whether from inside or outside the council.
5. The anti-fraud, bribery and corruption policy sets out clearly to members, employees, contractors, the council's partners, and the public:
  - The council's commitment to tackling fraud, bribery and corruption
  - Its actions to promote the prevention of fraud, bribery and corruption
  - The responsibility of members and employees in minimising the risk of fraud and reporting any suspicions they may have.
6. The policy has been updated, shown as tracked changes in appendix 2, specifically to:-
  - Aid readability
  - Expanded to include the key elements and potential fraud indicators
  - Types of fraud
  - To include a fraud response plan showing the response to an identified concern.
7. All employees remain responsible for their own conduct, with managers being additionally responsible for maintaining internal checks and control procedures within their service area. As shared at induction it is the responsibility of managers to ensure that fraud risk is adequately considered when preparing risk assessments in support of achieving strategic priorities, business plans, projects and programmes objectives and

outcomes. In making this assessment it is important to consider the risk of fraud occurring rather than the actual incidence of fraud having occurred in the past. Once the fraud has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis.

8. Any changes in operations or the business environment must also be assessed to ensure any impacts, which might increase the risk or otherwise change the risk of fraud, bribery, theft and corruption, are properly taken into account.
9. Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.
10. The council has developed and is committed to continuing, with systems and procedures that incorporate efficient and effective internal controls, which include adequate separation of duties wherever possible. It is required that the directors, assistant directors and heads of service and other key managers will ensure that such controls are properly maintained. Their existence and appropriateness will be independently reviewed by the council's internal audit service.
11. The updated policy will be included on the councils policy register and published on the council's website. The update will be highlighted to all staff via news core, a summary of key points are included in the financial awareness training programme and regular drop in lunchtime time events are to be scheduled and advertised for staff to attend. It will also be shared with schools via the regular LMS newsletter.
12. Good corporate governance procedures are a strong safeguard against fraud and corruption. The Annual Governance Statement reports publicly on the extent to which the council complies with its own code of corporate governance, how the council has monitored and evaluated the effectiveness of its governance arrangements in the year, how the council has responded to any issue(s) identified in last year's governance statement; and reports on any key governance matters identified from this review and provides a commitment to addressing them. Recent Annual Governance Statements have recognised that training and awareness raising of the anti-fraud, bribery and corruption policy had been provided to finance and customer services staff, but noted that wider promotion to all staff would be beneficial to reduce risks arising from low levels of awareness of fraud risk and potential mitigation actions in areas outside of financial transaction service areas.
13. There are established procedures in place successfully identifying fraudulent activity however wider training and awareness of the new policy to all staff through the role out of the employee code of conduct training e-learning is being considered.
14. The Audit and Governance Committee is a key member forum for ensuring sufficient weight is given to counter fraud, theft, bribery and anti-corruption activity and is positioned to review assurances from managers, members, risk and other business data.
15. The solicitor to the council (monitoring officer) is responsible for ensuring that all decisions made by the council are within the law. The monitoring officer's key role is to promote and maintain high standards of conduct throughout the council by developing, enforcing and reporting appropriate governance arrangements including codes of conduct and other standard policies.

16. The council provides an online training tool and assessment for the customer services team to ensure they have the knowledge required to identify suspicious activities. The council is also a member of the National Fraud Initiative where collaborated data is cross checked and activity for further investigation is shared and followed up.
17. Going forward the policy will be kept under review and updated at least bi-annually in accordance with the constitution. The effectiveness will be considered in line with the detection, prevention and incident of fraudulent activity alongside targeted internal audit work to ensure reviews, policies and procedures are correctly in place and being appropriately followed.

## **Community impact**

18. The council's adopted code of corporate governance includes commitments to: behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; and managing risks and performance through robust internal control and strong public financial management. The anti-fraud, bribery and corruption policy is part of the council's governance arrangements by which it ensures that the principles of good corporate governance can be upheld and maintained.

## **Equality duty**

19.

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
20. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. The policies do not impact directly on this duty but requires that any activity carried out under the policies complies with the relevant equality policies.

## **Resource implications**

21. There are no direct financial implications from adopting the revised policy. However the policy does set out the council's response to fraud and corruption and how the council will action any recovery of losses.

## **Legal implications**

22. The policy satisfies the legislative requirements to have effective arrangements for tackling fraud, bribery and corruption. Data sharing is conducted in line with GDPR and privacy notice requirements.

## **Risk management**

23. The committee is responsible for reviewing and approving the council's anti-fraud, bribery, corruption policy; if this is not done there is the risk that the policy will not be sufficient and robust in addressing these risks.

## **Consultees**

24. None

## **Appendices**

- Appendix 1 – anti-fraud, bribery and corruption policy
- Appendix 2 –tracked changes to anti-fraud, bribery and corruption policy

## **Background papers**

- None identified