
**Executive Member for Corporate Services
and Advisory Panel**

18 March 2008

Report of the Assistant Director of Resources (Audit and Risk Management)

Review of the Council's Counter Fraud Policies

Summary

1. This report seeks approval for the adoption of a new Counter Fraud and Corruption Policy (Annex 1), along with a re-freshed Fraud and Corruption Prosecution Policy (Annex 2) to further strengthen and improve overall governance arrangements at the Council.

Background

2. The Council's framework for countering fraud and corruption variously comprises financial regulations; the Fraud and Corruption Response Plan; the Fraud and Corruption Prosecution Policy; the Constitution; the Whistleblowing Policy; and the Anti Money Laundering Guidance. The financial regulations (Part C) set out the Council's overarching view and approach to dealing with fraud and corruption, and the particular responsibilities of named officers, staff and members in respect of such matters. The Council has also been recognised latterly as a '*site of notable practice*' for the excellence of its counter fraud and awareness work further to the 2007 Comprehensive Performance Assessment (CPA) Use of Resources Assessment. Whilst our working practices are therefore regarded as exemplary, it is thought appropriate for the Council to adopt an overarching Counter Fraud & Corruption Policy to document our approach and demonstrate its consistency with best practice requirements. In doing so, it was also necessary to review and re-fresh the Council's existing Fraud & Corruption Prosecution Policy for consideration by Members at the same time.

Counter Fraud and Corruption Policy

3. The draft policy is included at Annex 1 and has been prepared in accordance with the good practice principles set out in the CIPFA¹ Better Governance Forum publication "*Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*". The draft is intended as a high level statement of overall policy and approach, (rather than detailed guidance) that will underpin the existing policy framework and provide a focus for the further development of the

¹ The Chartered Institute of Public Finance and Accountancy

systems needed for countering fraud and corruption in accordance with best practice requirements. It sets out:

- the general principles and approach taken by this Council in respect of fraud or corruption at the authority;
- the specific responsibilities of named Members, officers, committees and officer working groups for preventing, detecting, and investigating fraud and corruption as well as the general responsibilities of all Members and staff in countering and referring potential fraud and corruption in the work place.
- the Council's overall management arrangements for countering fraud and corruption, minimising the risks, publicising the action taken as a means of deterrence and recovering monies lost or costs incurred as a result of any fraud being perpetrated against the authority.

Fraud and Corruption Prosecution Policy

4. It is vital to keep the policies of any organisation under regular review as a matter of basic good management practice. The Fraud & Corruption Prosecution Policy was last reviewed by Members in September 2006. This has now been subject to a re-refresh exercise by officers to update and amend the policy further to the preparation of the Counter Fraud & Corruption Policy, discussed above. That review has identified a number of necessary, albeit minor amendments for Members consideration as follows:
 - (i) the addition of the Deputy Audit and Fraud Manager to the list of officers who are able to make decisions about prosecutions and sanctions and amendment of the responsibilities for administering cautions and administrative penalties, to reflect the minor management re-structure in the Audit & Fraud team at CYC, (needed to support the successful implementation of phase I of the shared service initiative with North Yorkshire County Council in October 2007);
 - (ii) an amendment to the financial guidelines for making decisions about prosecutions and sanctions in relation to Housing and Council Tax Benefit fraud, to ensure the Council's response is proportionate. In cases where there is a small overpayment (less than £100) then the Council will not automatically consider prosecution or a formal sanction, unless there are exceptional circumstances that would make such action necessary or appropriate for any reason.

Consultation

5. Not relevant for the purpose of the report.

Options

6. Not relevant for the purpose of the report.

Analysis

7. Not relevant for the purpose of the report.

Corporate Priorities

8. Effective measures to counter the risk of fraud and corruption will contribute to the effective function of governance arrangements at the Council, helping to minimise losses and risks to the organisation and thereby contributing to the achievement of overall Council priorities.

Implications

9. The implications are
 - **Financial** *There are no financial implications to this report*
 - **Human Resources (HR)** *There are no HR implications to this report.*
 - **Equalities** An equalities impact assessment has been carried out as part of the development of the Counter Fraud and Corruption Policy and the review and re-fresh of the Fraud and Corruption Prosecution Policy. This has identified some minor amendments, which have been fully incorporated into the policies presented here for Members consideration.
 - **Legal** *There are no legal implications to this report.*
 - **Crime and Disorder** *There are no crime and disorder implications to this report.*
 - **Information Technology (IT)** *There are no IT implications to this report.*
 - **Property** *There are no property implications to this report.*

Risk Management

10. If the Council fails to put in place proper policies regarding fraud and corruption, it will be unable to demonstrate adherence to proper practices in relation to the prevention and detection of fraud and its actions or decisions could be challenged. The Council also faces financial and reputational risk and/or other loss and damage if it fails to make adequate counter fraud & corruption arrangements across the organisation. Equally, not to do so, would risk future CPA Use of Resources ratings in relation to those criteria specifically related to counter fraud activity and fraud investigation & prosecution work.

Recommendations

11. It is recommended that the Advisory Panel advise the Executive Member to:

- 1) approve the adoption of the Counter Fraud and Corruption Policy as set out in Annex 1 to this report.

Reason: To ensure the Council has robust arrangements in place to counter fraud and corruption.

- 2) approve the adoption of the re-freshed Fraud and Corruption Prosecution Policy as set out in at Annex 2 To this report

Reason: To enable appropriate action to be taken in response to acts of fraud and corruption committed against the Council.

Contact Details

Author:

Richard Smith
Deputy Audit & Fraud Manager
Audit and Fraud
01904 552936.

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (Audit and
Risk Management)

Report Approved

Date 4 March 2008

Specialist Implications Officer(s)

None

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

“Managing the Risk of Fraud – Actions to Counter Fraud and Corruption” – CIPFA
Better Governance Forum
Council Financial Regulations

Annexes

Annex 1 – Counter Fraud and Corruption Policy
Annex 2 – Fraud and Corruption Prosecution Policy