

Audit and Governance Committee

13 May 2008

Report of the Assistant Director (Audit and Risk Management)

Review of the Council's Counter Fraud and Corruption Policies

Summary

- 1 The purpose of the report is to advise Members of recent changes to the Council's counter fraud and corruption policy framework. The changes are designed to further strengthen and improve the Council's overall governance arrangements, and involve the adoption of a new Counter Fraud and Corruption Policy, together with some minor amendments to the existing Fraud and Corruption Prosecution Policy. The report also advises Members of the role of this Committee in monitoring the counter fraud and corruption policy framework.

Background

- 2 Under the Council's Constitution responsibility for the approval of Counter Fraud and Corruption Policies rests with the Executive Member for Corporate Services. The Audit and Governance Committee has in turn delegated responsibility for monitoring the implementation and effectiveness of the Council's counter fraud and corruption policy framework.
- 3 The Council's framework for countering fraud and corruption variously comprises the 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 was considered appropriate for the Council to adopt an overarching Counter Fraud and Corruption Policy to document our approach and demonstrate its consistency with best practice requirements. In doing so, it was also considered necessary to review and re-fresh the Council's existing Fraud and Corruption Prosecution Policy for consideration by Members at the same time.

- 4 The new Counter Fraud and Corruption Policy, and the revisions to the Prosecution Policy were approved by the Executive Member for Corporate Services on 18 March 2008.

Counter Fraud and Corruption Policy

- 5 The new policy is attached at Annex 1 for information. The policy 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 policy is intended as a high level statement of overall principles and approach, (rather than detailed guidance) that underpin the existing policy framework and provide a focus for the further development of the systems needed for countering fraud and corruption in accordance with best practice requirements. It sets out:
- a) the general principles and approach taken by this Council in respect of fraud or corruption at the authority;
 - b) 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.
 - c) 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

- 6 It is vital to keep the policies of any organisation under regular review as a matter of good management practice. As reported to this Committee in October 2007, the Fraud and Corruption Prosecution Policy was last reviewed by Members in September 2006. The policy has now been subject to a re-fresh exercise by officers, which identified a number of necessary, albeit minor amendments as follows:
- a) 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, (necessary to support the successful implementation of phase I of the shared service initiative with North Yorkshire County Council in October 2007);
 - b) 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

¹ The Chartered Institute of Public Finance and Accountancy

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.

- 7 A copy of the revised policy is attached at Annex 2, for information.

Monitoring Arrangements

- 8 The monitoring role that the Committee can fulfil is important in ensuring that the policies;
- a) continue to comply with relevant legislation and best practice;
 - b) remain effective particularly in acting as a deterrent against future acts of fraud or corruption.
- 9 It is proposed that an annual report on the application of these policies will be made to this Committee each January. The report will identify new and emerging fraud and corruption risks, including those identified through ongoing audit work. The report will also provide summary details of instances of fraud and corruption which have been detected and investigated within the Council in the preceding year, together with details of any remedial action taken. The results will inform future development of the policy framework as well as assisting in the preparation of the annual audit plan.

Consultation

- 10 Not relevant for the purpose of the report

Options

- 11 Not relevant for the purpose of the report.

Analysis

- 12 Not relevant for the purpose of the report

Corporate Priorities

- 13 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

- 14 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 was 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.
- **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

- 15 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

- 16 Members are asked to;
- note the new Counter Fraud and Corruption Policy, and the changes to the Prosecution Policy;
- Reason
- To ensure that the Council has robust arrangements in place to counter fraud and corruption.*
- approve the proposed monitoring arrangements for the counter fraud and corruption policy framework;
- Reason
- To ensure that the Council's Counter Fraud and Corruption Policies remain effective.*

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Report Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

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