CHESHIRE EAST COUNCIL

AUDIT AND GOVERNANCE COMMITTEE
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Date of Meeting: 25 January 2011
Report of: Head of Internal Audit & Compliance
Subject/Title: Anti-Fraud and Corruption Strategy
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1.0 Report Summary

1.1 This report advises the Committee on the content of the Council's Anti-Fraud and Corruption Strategy and notes the need for subsequent amendment in order to take account of developments in best practice since it was approved in May 2009.

2.0 Decision Requested

2.1 That the Committee be advised of the content of the Council's Anti-Fraud and Corruption Strategy and endorse, in principle, the proposed changes to it.

2.2 That the Committee note that (i) in view of its implications for staff, that there will need to be consultation with the unions before the proposed amendments can be finalised and (ii) following the consultation process the amended policy will need to be brought back to the Committee for formal approval and adoption.

3.0 Reasons for Recommendations

3.1 The Council recognises that, as a large organisation, it is at risk of loss due to fraud and corruption both from within the organisation and external to it. In order to mitigate this risk the Council introduced an Anti Fraud and Corruption Strategy that is intended to be explicit about the way fraud will be regarded and dealt with. Members are referred to the Strategy contained in Appendix A to this report.

3.2 The action needed to be effective in countering fraud and corruption is described in the publication "*Managing the risks of fraud – Actions to Counter Fraud and Corruption*" produced by the CIPFA Better Governance Forum Counter Fraud Advisory Panel. The Council's Anti Fraud and Corruption Strategy, which was first drafted in May 2009, has been reviewed against this document and other relevant best practice guidance in order to ensure that it remains current, relevant, and reflects best practice. This report highlights a number of proposed changes to the Strategy which are presented to the Committee for comment.

3.3   The findings of the review are contained within Appendix B and the Committee is asked to endorse the proposed amendments to the Strategy and to note that, in view of its implications for staff, there will need to be consultation with the unions before the contents of the draft can be finalised.

3.4   The Audit and Governance Committee's role in overseeing the implementation of the Anti Fraud and Corruption Strategy is crucial for the Council to achieve its anti fraud and corruption objectives.

4.0   Wards Affected

4.1   All wards.

5.0   Local Ward Members

5.1   Not applicable.

6.0   Policy Implications including - Climate change
**   - Health**

6.1   Not applicable.

7.0   Financial Implications (Authorised by the Borough Treasurer)

7.1   An overriding responsibility of the Council is the provision of effective and efficient services in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements. Hence the Council must have appropriate policies and mechanisms to safeguard the Council's resources and reduce losses to fraud and corruption in all areas to an absolute minimum.

8.0   Legal Implications (Authorised by the Borough Solicitor)

8.1   The responsibilities of public sector entities in relation to the prevention and detection of fraud and error are set out in statute, standards and other guidance. Local Government entities have a statutory duty to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for the administration of these arrangements.

9.0   Risk Management

9.1   The Council as a large organisation is at risk of loss due to fraud and corruption both from within the Council and outside it. The impact of fraud on the Council can have consequences that are serious and often far reaching. Financial loss is the obvious key risk but the undermining of public confidence that can result from the discovery of a fraudulent or corrupt act can inflict a much greater damage than the act

itself. In order to mitigate this risk the Council needs to be explicit about the way fraud will be regarded and dealt with.

10.0 Background and Options

10.1 The current Anti Fraud and Corruption Strategy was approved by Governance and Constitution Committee on 21 May 2009 but has not been subject to a review since its implementation.

10.2 In order to ensure that the council has in place robust arrangements to counter the threat of loss through fraud and corruption it is essential that the Anti Fraud and Corruption Strategy is subject to regular review against best practice and takes into account the latest developments in the area of counter fraud.

11.0 Access to Information

11.1 The background papers relating to this report can be inspected by contacting the report writer:

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Anti Fraud and Corruption Strategy

1.0 INTRODUCTION

1.1 Cheshire East Council is a large employer within the Borough, employing more than 14,000 people and managing a gross budget in excess of £700 million. The Council fully recognises its responsibilities for spending public money and is committed to the fullest support for members and employees in upholding the reputation of Cheshire East and maintaining the public's confidence in the integrity of the Council.

1.2 In carrying out its functions and responsibilities, the authority has adopted a culture of openness and fairness and expects that members and employees at all levels will adopt the highest standards of propriety and accountability. This is achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have a relationship with the authority (e.g. partners/suppliers/contractors).

1.3 Cheshire East Council is committed to the prevention, detection and investigation of all forms of fraud and corruption and will deal equally with perpetrators from inside (members and employees) and outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.

1.4 This strategy does not override any obligations as an employer under the Officer or Member Codes of Conduct. In addition, it runs alongside any equality and diversity strategies adopted.

1.5 This strategy document embodies a series of measures designed to prevent any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding it is separated into the following seven areas:

- Definition   Section 2
- Culture   Section 3
- Prevention   Section 4
- Deterrence   Section 5
- Detection and Investigation   Section 6
- Awareness and Training   Section 7
- Measuring Success and Learning   Section 8

1.6 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, several inspection bodies, the Local Government Ombudsman, the Information Commissioner and HM Revenues and Customs. These bodies are important in highlighting any areas where improvements can be made.

2.0 DEFINITIONS

2.1 The fraud Act 2006 established new criminal laws to assist in the fight against fraud by creating a new general offence of fraud. It is defined as:

- Fraud by false representation
- Fraud by failing to disclose information, and
- Fraud by abuse of position

2.2 Fraud and corruption are defined by the Audit Commission as:-

Fraud – "the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain".

Corruption – "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person".

2.3 In addition, this strategy also covers "the failure to disclose an interest in order to gain financial or other pecuniary gain." Such a failure will also be included for the purposes of this strategy.

3.0 CULTURE

3.1 The culture of Cheshire East Council is one of openness and integrity. This culture therefore supports the opposition to fraud and corruption.

3.2 The prevention/detection of fraud/corruption and the protection of the public purse are responsibilities of everyone. With this in mind, the Council's expectation is that individuals and organisations associated with the Council will act with integrity and that members and employees will lead by example in these matters.

3.3 Cheshire East Council's members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption,

immaterial of seniority, rank or status, in the knowledge that such concerns will be taken seriously and wherever possible, treated in confidence and properly investigated.

3.4   Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:

- a criminal offence
- a failure to comply with a statutory or legal obligation
- improper and/or unauthorised use of public or other funds
- a miscarriage of justice
- maladministration, misconduct or malpractice
- endangering of an individual's health and safety
- damage to the environment
- deliberate concealment of any of the above.

3.5   Concerns must be raised firstly with the supervisor/line manager or, where a person feels unable to do this, via other routes, for example:-

- Heads of Service, Directors, or the Chief Executive, who will report such concerns to the Internal Audit Manager or their authorised representative.
- Directly to the Internal Audit Manager or a senior member of the internal audit team
- The External Auditor, who depending upon the nature of the concern will liaise with the Internal Audit Manager or Borough Treasurer (as Section 151 officer).
- The Monitoring Officer as outlined in the Confidential Reporting (or Whistleblowing) Protocol)
- The Customer, compliments, Comments & Complaints procedure for use by the general public.

3.6   Partners, contractors, consultants, suppliers, service users, employees and committee members of organisations which the Borough Council funds and the general public are also encouraged to report concerns through any of the above routes.

3.7   The Council will ensure that any allegations received in any way, including by anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner.

3.8   The Council will deal firmly with those who defraud the authority or who are corrupt, or where there has been financial malpractice. There is, of

course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees or members raising malicious allegations) or misuse by external organisations or persons may be dealt with as a disciplinary matter or referred to the Chief Executive for further consideration.

3.9   When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, Directors will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

4.0   PREVENTION

4.1   It is the responsibility of management to ensure that appropriate, robust controls are in place and working correctly. In addition to this managerial responsibility there are a number of specific preventative measures which are critical to deter fraud.

4.2   Employees

4.2.1   The Council recognises that a key preventative measure in dealing with fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.

4.2.2   The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. Criminal records will only be taken into account for recruitment purposes where the conviction is relevant.

4.2.3   To ensure compliance with the Asylum and Immigration Legislation, the recruitment process contains safeguards to ensure that appropriate documentation is provided as evidence of entitlement to work in the United Kingdom.

4.2.4   All employees are governed by the Council's Finance and Contract Procedure Rules. They are required to follow the standards set out in the Code of Conduct, which is issued to all staff along with their Contract of Employment. Employees are further governed by the Council's Disciplinary Procedure, which is issued to all staff containing, reference to disciplinary rules giving, examples of misconducts/gross misconduct and how such situations will be managed.

4.2.5   The role that employees are expected to play in the Council's

framework of internal control will be included in staff induction procedures. Immediately by their line manager and then subsequently through corporate induction training, as appropriate.

4.2.6 Cheshire East Council expects its employees to comply with codes of practice or other relevant professional obligations issued by professional bodies of which they may be members.

4.2.7 Employees are reminded that they must comply with Section 117 of the Local Government Act 1972 which requires any interests in contracts that have been proposed to be entered into by the Council to be declared. The Legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration.

4.2.8 Employees must register any interests they may have in the departmental register recording Declarations of Interests.

4.2.9 All offers of gifts and hospitality, regardless of whether the offer was accepted or declined, must be recorded in the departmental register. Such registers will be reviewed by the appropriate departmental management team on a regular basis and a record kept of such review.

4.3 Members

4.3.1 Members are required to operate within:

- Members Code of Conduct
- Cheshire East's Finance and Contract Procedure Rules
- Sections 94-97 of the Local Government Act 1972
- Local Authorities (Members' Interest) Regulations 1992
- Section 81 of the Local Government Act 2000

4.3.2 These matters are specifically brought to the attention of members in the introduction pack and include the declaration and registration of potential areas of conflict. The Borough Solicitor advises members of new legislative or procedural requirements.

4.4 Systems

4.4.1 Cheshire East Council's Finance and Contract Procedure Rules require employees to act in accordance with best practice. In addition to Finance and Contract Procedure Rules, Directorates/Sections may have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the

authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

4.4.2 The Borough Treasurer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure regulations and accounting instructions are in place governing the procedures and responsibilities of employees in relation to the key financial systems.

4.4.3 The Council has developed and is committed to systems and procedures, which incorporate efficient and effective internal controls of duties. Managers are responsible for ensuring that such controls (including those relating to electronic transmission and recording) are properly maintained and documented. Their existence and appropriateness is independently monitored by Internal Audit through the annual internal audit plan.

4.5 Information Technology and the use of IT systems

4.5.1 The Council has an overarching Information Governance Policy, supported by detailed policies, standards and procedures as necessary, compliance with which is mandatory for anyone with access to any Cheshire East Council information or facilities. Full compliance with the policy will help the Cheshire East Council to manage the risk from information security threats, be these internal or external, deliberate or accidental.

4.5.2 The Council acknowledges that access to the internet is an integral part of many jobs and staff are provided with internet access at work to enable them to do their job. Although the internet is recognised as a world-wide electronic library of information and services, the council has a policy that generally staff should only use and get information from the internet for their official duties and responsibilities. Internet services on Cheshire East IT equipment are covered by the council's policy on abuse, misuse, or unofficial use of resources by staff.

4.6 Confidential Reporting Procedure (known as Whistleblowing)

4.6.1 If employees do not feel that they can raise concerns directly with their line manger or other officer, there is an alternative route which the Cheshire East Council has established; the Confidential Reporting Procedure or Whistleblowing protocol. The protocol explains how concerns raised by employees will be dealt with. If these concerns involve issues relating to fraud and corruption, they will be considered by the Monitoring Officer and may be passed directly to the Internal

Audit Manager for investigation and possible referral to the Police.

4.6.2   The whistle blowing hotline provides a confidential route to report concerns to the Monitoring Officer.

4.7   External Organisations

4.7.1   The Council is committed to delivering outcomes in collaboration with partner organisations from the private, public, voluntary and community sector as well as procuring goods and services from these sectors.

4.7.2   Cheshire East Council recognises that a key preventative measure in dealing with fraud and corruption is to take effective steps to establish the integrity of the external organisations with whom it engages.

4.7.3   Services are commissioned with the advice of the Corporate Procurement Team who ensure that external organisations are aware of the Authority's anti fraud culture. In addition, the governance arrangements or external organisations are also considered through partnership governance boards and voluntary sector compacts.

4.8   Internal Audit Department

4.8.1   Internal Audit plays a vital preventative role in reviewing and assessing to ensure that systems and procedures that management put in place to prevent and detect fraud and corruption are adhered to. Internal Audit investigate all cases of suspected irregularity, in accordance within the requirements of the Human Rights Act 1998. They liaise with management to recommend changes in procedures to prevent further losses to the authority.

4.8.2   Internal Audit regularly assess the levels of risk within the Council with a view to preventing fraud and corruption, and these assessments are incorporated into work plans. The outcome of this work is used to inform their opinion on the internal control environment, future internal audit and fraud plans and ultimately the annual governance statement.

4.8.3   In addition to the above, Internal Audit maintain a fraud risk register, which is updated on an annual basis. The register identifies the fraud risks to which the authority is most susceptible. This is used to determine specific fraud detection work which is included in the annual work plan.

4.9 Benefit Investigation Team

4.9.1 The Benefit Investigation Team is responsible for all benefit fraud investigations, in accordance with the requirements of the Human Rights Act 1998, Police and Criminal Evidence Act 1994, Criminal Procedures Investigation Act 1996 and other relevant legislation. In cases where employees are involved, they will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and this strategy is adhered to. In addition, there is a protocol for the disclosure of information about employees found guilty of benefit fraud, so that this information is held on their employee file.

4.9.2 The Benefits Counter Fraud Strategy deals specifically with housing benefits issues and is complimentary to this main Anti Fraud strategy. The benefits services strategy is supplemented by the benefits service prosecution policy. This policy outlines the criteria used to determine any sanctions that may be applicable if a case is proven by the Investigation Team.

4.9.3 In addition to the confidential reporting procedure outlined above (4.5) the benefit investigation team also operate a separate hotline, for use by members of the public. These are publicised in relevant literature.

4.10 Co-operation with Others

4.10.1 Arrangements are in place and continue to be developed to encourage the exchange of information on national and local fraud and corruption activity and its impact on Local Authorities, with external agencies such as:-

- The Police
- Inter Authority Audit Groups
- The Audit Commission
- Her Majesty's Revenues and Customs
- The Department for Work and Pensions
- Borders & Immigration

4.11 Data Matching

4.11.1 The Council participates in several data matching exercises for the purpose of reducing fraud and corruption. It may use any of the data it holds in the course of these initiatives. In every instance where data is provided, the Council will comply with the Data Protection Act

appropriately notifying all data subjects. The two major initiatives the Council currently participates in are:

- The Audit Commission's National Fraud Initiative
- The Department for Work and Pensions' Housing Benefit Matching Service

4.12   National Fraud Initiative (NFI)

4.12.1 The NFI is the Audit Commission's national data matching exercise and is designed to help participating bodies detect fraudulent and erroneous payments from the public purse. The Council takes an active role in pursuing data provided through this means and continues to seek improvements in all systems in order to minimise losses.

4.12.2 Cheshire East Council's approach to NFI is based upon the guidelines issued by the Audit Commission, which recognises a number of key elements that participating organisations must have in place to ensure that the resources invested into the NFI are used as efficiently and effectively as possible. These are:

- Key contact role
- Co-ordination of data submissions
- Overseeing data subject notification
- Follow up approach
- Initial review
- Equipping staff with the NFI application and appropriate knowledge
- Allocating work appropriately
- Tracking progress

4.12.3 The resultant data matches received from the NFI are prioritized. This prioritization is utilized in allocating resources in accordance with the potential risk that matches are indicative of potential fraud.

4.13   Housing Benefit Matching Service (HBMS)

4.13.1 The HBMS, which is part of the Department for Work and Pensions (DWP), undertakes monthly matching for all councils, comparing Housing Benefit data against Pension, HMRC and DWP records. The Benefits Interventions Team receives the monthly matches and look at all of these within 2 to 5 days. Any matches that are highlighted as potential fraud are raised as fraud referrals and passed to the Benefit Investigation Team straight away. This fast turnaround increases the

potential to act on frauds quickly, reduce the levels of overpayments and take any further sanction action within prescribed timescales.

5.0 DETERRENCE

5.1 Prosecution

5.1.1 The authority has adopted a Benefits Prosecution Policy and will review the need for a Corporate Policy. It is designed to clarify the authority's action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

5.2 Disciplinary Action

5.2.1 Theft, fraud and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Consultation will take place with the Chief Executive and/or Head of Human Resources, Borough Treasurer and Borough Solicitor. (The police will pass valid cases to the Crown Prosecution Service for advice or review of the charge).

5.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the authority. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Such action may include the making of a reference to the Standards Board for England, and/or the appropriate political group leader, as appropriate.

5.3 Publicity

5.3.1 The authority's corporate communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. They will also aim to ensure the results of any action taken, including prosecutions, are reported to the media.

5.3.2 In all cases where financial loss to the authority has occurred the authority will seek to recover the loss.

5.3.3   All anti fraud and corruption activities, including the update of this strategy, will be publicised in order to make employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs.

6.0   DETECTION AND INVESTIGATION

6.1   Internal Audit plays an important role in the detection of fraud and corruption. Included in their plans are reviews of systems, financial controls, specific fraud and corruption tests, spot checks and unannounced visits. The Council's preventative systems, particularly internal control systems, are designed to deter any fraudulent activity.

6.2   It is often the vigilance of members, employees and members of the public that enables detection to occur and appropriate action to take place.

6.3   Despite the best efforts of financial managers and auditors, frauds are often discovered by chance and the Council has in place arrangements to enable such information to be properly and promptly dealt with.

6.4   Directors and Heads of Service are required to report all suspected instances of fraud and corruption to the Internal Audit Manager, or his authorised representative. Reporting is essential to the success of this strategy and ensures consistent treatment of information regarding fraud and corruption and facilitates the proper investigation by the appropriate officers.

6.5   Depending on the nature of an allegation, the Internal Audit Manager will normally work closely with the Director or Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon.

6.6   The Council's Disciplinary procedures will be used to facilitate a thorough investigation of any allegation of improper conduct as well as the holding of disciplinary hearings and dealing with any recommendations and proceedings thereafter.

6.7   Following discussion between the statutory officers, the Borough Solicitor (as monitoring officer) and the Chief Executive will decide, based upon advice from the Internal Audit Manager, whether there are sufficient grounds for the matter to be reported to the police.

6.8   The Council's External Auditor will examine the Council's arrangements for the prevention, detection and investigation of fraud and corruption and will report accordingly.

7.0   AWARENESS AND TRAINING

7.1   The Council recognises that the continuing success of this strategy and its general credibility will depend largely on the effectiveness of training and responsiveness of employees throughout the organisation.

7.2   To facilitate this, appropriate provision will be made through induction and refresher training and for employees via the Council's employee training and development scheme.

7.3   The possibility of disciplinary action against employees who ignore such training and guidance is, therefore, quite clear.

7.4   The investigation of fraud and corruption is managed through the work of the Internal Audit Manager. Staff in internal audit will be appropriately and regularly trained.

8.0.   MEASURING SUCCESS AND LEARNING

8.1   To monitor the success of the Anti Fraud & Corruption Strategy, the following indicators will be used and reported to the Head of Policy and Performance on a quarterly basis:-

- Number of cases referred or identified to Internal Audit & Housing Benefit
  Investigation Teams
- Number of cases in which fraud/corruption was proved
- Value (£) of misappropriation
- Number and type of benefit fraud sanctions
- Number of employees disciplined for offences of fraud and corruption

8.2   The results of the proactive work undertaken will be reported to the Governance and Constitution Committee on an annual basis within the Internal Audit Manager's report.

8.3   Reporting will include a summary of changes made to systems as a result of any fraudulent or corruption activity perpetrated.

8.4   The Internal Audit Section will keep abreast of fraudulent activity reported in other local authorities and similar organisations in order to learn from the experience of others. Equally the Council will share summary details of cases of fraud with other authorities.

9.0.   CONCLUSION

9.1   Cheshire East Council has in place a clear network of systems and procedures to assist it in dealing with fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

9.2   The Council prides itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This strategy fully supports Cheshire East's desire to maintain an honest authority, free from fraud and corruption.

9.3   The Internal Audit Manager and Borough Treasurer will maintain a continuous review of such arrangements.

Review of Cheshire East Council Anti Fraud and Corruption Strategy against best practice guidance

1   Introduction

1.1   Cheshire East Council is committed to the protection and proper use of public funds. Minimising losses resulting from fraud and corruption in all areas of our business is key to ensuring that the council's resources are used for the purpose for which they were intended.

1.2   In order to achieve this, an Anti Fraud and Corruption Strategy was adopted by Governance and Constitution Committee on 21st May 2009. This strategy defines fraud and corruption and sets down Cheshire East Council's approach to the prevention, detection, deterrence and investigation of potentially fraudulent or corrupt activities.

1.3   It should be noted that in addition to the Anti Fraud and Corruption Strategy, Cheshire East Council has a number of other ways in which it minimises the risk of loss through these means. These include;

- Benefits Anti Fraud and Corruption Strategy
- Benefits Fraud Sanction Policy
- Participation in the Audit Commission National Fraud Initiative data matching exercise
- Membership of the National Anti Fraud Network

1.4   Losses through fraud and corruption are a major issue for public sector bodies and it is important that councils are aware of the latest developments and have policies and procedures in place to allow them to react to the ever changing threats. To be able to do this effectively it is vital that the overarching Anti Fraud and Corruption Strategy is up to date and effective in driving forward a culture of zero tolerance within the organisation.

1.5   The CIPFA Managing the Risk of Fraud – RED BOOK 2 provides a checklist of the elements considered to be essential for an organisation to be effective in countering fraud and corruption. This covers the following areas;

- Adopting the right strategy
- Accurately identifying the risks
- Creating and maintaining a strong structure
- Taking action to tackle the problem
- Defining success

1.6   The Fraud Advisory Panel has also produced guidance on the expected elements of an effective anti fraud strategy and fraud response plan.

1.7   The existing Anti Fraud and Corruption Strategy has therefore been reviewed against the above documents with a view to ensuring that it contains the following elements:

- Policy Statement highlighting the council's commitment to an anti fraud culture
- Definition of Fraud including examples
- A Fraud Response Plan detailing what actions should be taken if a report is made
- Key Responsibilities highlighting the roles of Directors, Managers and Staff
- How to report suspicions

2   Findings of Review

Policy Statement

2.1   The existing strategy clearly sets out the council's commitment to the prevention, detection and investigation of fraud and corruption. However, although it is implied, there is no explicit statement that there is a 'zero tolerance' attitude to fraud and corruption which is now seen as an essential element of the policy statement.

2.2   In addition, although the strategy states that all suspected frauds will be investigated and that recovery of losses will be sought in all proven cases, this is not part of the policy statement.

Recommendation 1

The Anti Fraud and Corruption strategy should be updated to include a policy statement that clearly sets out the council's commitment to maintaining a zero tolerance approach to fraud and corruption by ensuring that all suspected incidents are subject to investigation, all losses will be pursued to the full extent of powers available and that all proven cases of fraud and corruption will be publicised to raise awareness both within the council and also amongst members of the public.

Definition of Fraud and Corruption

2.3 The current strategy uses the Audit Commission definitions of both fraud and corruption whilst also mentioning The Fraud Act 2006. However, it does not provide examples of these offences. This is now recommended in order to provide an additional assurance that employees are aware of what constitutes fraud and corruption.

Recommendation 2

The section of the strategy concerned with the definition of fraud and corruption should be rewritten to provide examples of the offences.

Fraud Response Plan

2.4 Current best practice now recommends that anti fraud and corruption strategies are supported by a separate Fraud Response Plan which at present Cheshire East Council does not have. There is therefore a risk that instances of fraud and corruption may be dealt with in an inconsistent manner and that evidence may not be secured, or may be inadmissible due to the way in which it has been handled.

2.5 A good Fraud Response Plan supports the overarching strategy and ensures that:

- Roles and responsibilities are clearly identified and allocated for the entire fraud process from receipt of the initial suspicion through to the production of the final report.
- Processes are documented and implemented to identify the reasons that fraud and corruption was able to occur and that any lessons learned are documented and addressed.
- Where appropriate control weaknesses are addressed to ensure that the risk of future fraud and corruption is minimised.

Recommendation 3

A Fraud Response Plan should be developed in line with best practice examples as detailed in the appendices to the CIPFA Managing the Risk of Fraud – RED BOOK 2 and guidance produced by both the Fraud Advisory Network and the National Anti Fraud Network. This will provide a robust framework for managers and staff to ensure the consistent handling and investigation of identified fraudulent and corrupt activities.

Key Responsibilities

2.6   The current strategy outlines the responsibilities of employees and members in relation to the prevention and detection of fraud and corruption. However, it does not specify the detailed roles that each plays in the event that a suspected fraud is identified. Recent best practice guidance advises that this level of detail is included in a Fraud Response Plan.

Recommendations 4 & 5

As part of the development of a Fraud Response Plan detailed roles and responsibilities in managing the risk of fraud and responding to cases of suspected fraud and corruption should be clearly defined.

In addition to the allocation of roles in relation to the process of dealing with instances of fraud, it is also necessary to designate ownership of the strategy and responsibility for the regular review and where appropriate updates to ensure that it remains current and fit for purpose.

Reporting Suspicions

2.7   Cheshire East Council's Whistleblowing Protocol has been updated since the Anti Fraud and Corruption Strategy was adopted and as such the processes and procedures in place for reporting suspicions have changed.

Recommendation 6

The Anti Fraud and Corruption Strategy should be updated to ensure that it accurately reflects, and provides a link to, the recently updated Whistleblowing Policy. In addition, the strategy should be explicit in its requirement for all instances of fraud and corruption to be reported to the Head of Internal Audit.

3   Conclusions and Recommended Actions

3.1   The review has identified that the Anti Fraud and Corruption Strategy requires updating in order to bring it in line with latest best practice. This will ensure that it clearly sets out the vision of the council which is to promote an anti fraud culture across Cheshire East and will clearly allocate appropriate roles and responsibilities for the prevention, identification, investigation and response to fraud and corruption.

3.2   It is therefore recommended that the Strategy is subject to a rewrite in line with best practice guidance to ensure that the recommendations identified in the body of this report are addressed.

3.3   Once the new Strategy and response plan have been formally adopted it will be necessary to determine an appropriate strategy for the dissemination of their requirements across the authority.

3.4   In addition to the update of the Anti Fraud and Corruption Strategy, it is recommended that a full review of the anti fraud arrangements within Cheshire East Council is carried out to gain assurance that the key areas identified by the CIPFA Managing the Risk of Fraud – RED BOOK 2 are appropriately addressed and that the risks of fraud and corruption are effectively mitigated.