

# CHESHIRE EAST COUNCIL

## Cabinet

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**Date of meeting:** 16<sup>th</sup> June 2009  
**Report of:** Internal Audit Manager  
**Title:** Anti-fraud and Corruption Strategy

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### **1.0 Purpose of Report**

- 1.1 The purpose of this report is to present an Anti-fraud and Corruption Strategy (Appendix A) for approval.

### **2.0 Decision Required**

That the Cabinet:

- 2.1 Approves the Anti-fraud and Corruption Strategy;
- 2.2 Nominates the Internal Audit Team as the main body dealing with and coordinating any enquiries in response to allegations of fraud and corruption.

### **3.0 Financial Implications for Transition Costs**

- 3.1 None.

### **4.0 Financial Implications 2009/10 and beyond**

- 4.1 There will be a package of training on safeguarding resources that will cover a number of inter related topics including Anti-fraud and Corruption related matters.
- 4.2 The potential actions of those perpetrating frauds, the investigation and disciplinary processes will result in the loss of (financial, human and logistic) resources to the Council.

### **5.0 Legal Implications**

- 5.1 Fraud related offences are sanctioned with a) summary conviction through imprisonment not exceeding 12 months or to a fine not exceeding the statutory maximum (or to both) or b) conviction on indictment to prison not exceeding 10 years or to a fine (or both).

## **6.0 Risk Assessment**

- 6.1 This is an important subject given the potential detrimental effect on the Council's reputation if inadequate controls permitted major fraud to occur.
- 6.2 Effective systems to deter, prevent, detect and investigate fraud are considered in the Use of Resources element of Comprehensive Area Assessment.
- 6.3 The risk of the Council being involved in attempted frauds and corruption is low at present but could escalate as a result of:
- The effects of significant structural and management changes as a result of the transition to the new authority
  - Greater delegation or changes in delegation for chief officers and managers
  - Difficult budget positions and cash limits for service managers;
  - Potential dilution of traditional supervision and control measures during the period of transition
  - Increasing levels of organised fraud particularly in the grants and benefits area
  - Expansion of electronic ways of working and "E-Governance";
  - Increased activity by organised criminals who see public sector organisations as an easy target
  - The economic situation and financial pressures on individuals (including employees).
- 6.4 Risk assessments will be conducted on a service by service basis. This Policy will be regularly amended in order to correspond with the Council's needs to reduce the risk of fraud, corruption and other irregularities. The audit plan will incorporate a fraud risk assessment to target the highest risk areas.

## **7.0 Background and Options**

- 7.1 The attached strategy describes the comprehensive framework of policies and procedures that are intended to deal with acts of fraud or corruption. The strategy is of relevance to all Members and employees of the Council and all organisations with which it is associated.
- 7.2 The Council is committed to ensuring that it puts in place proper and effective systems and procedures across services to limit the risk of fraud being perpetrated. It takes this responsibility very seriously and recognises that the system of internal controls is designed to protect staff from allegations of fraud and corruption and limit the opportunity to commit fraud and corruption.
- 7.3 The Council will deal firmly with those who defraud the authority or who are corrupt, or where there has been financial malpractice.
- 7.4 Consultation on the draft strategy included Governance and Constitution Committee, Management Team, HR, Section 151 Officer and Borough Solicitor.

## **8.0 Reason for Recommendation**

- 8.1 It is good practice to adopt a Corporate Anti-Fraud and Corruption Strategy. This links to the overall governance of the authority and its response to national and local concerns about the potential for fraud, particularly public sector fraud. The adoption of a clear philosophy in relation to fraud and corruption and guidelines for the detection, prevention and reporting of fraud are essential to achieve the right culture and to show a commitment to ethical behaviours.
- 8.2 The strategy is designed to ensure that the Council establishes sound and responsible anti-fraud and corruption controls and reporting arrangements designed to detect and prevent irregularities as described in the domestic legislation governing this area of offences.

## **9.0 Training**

- 9.1 Officers investigating allegations of fraud and corruption must possess good knowledge of relevant legislation such as the Fraud Act 2006, Theft Act 1968, Theft Act 1978, PACE 1984, Employment Law, DPA 1998, RIPA 2000 and the Council's investigation procedure.

### ***For further information:***

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### ***Background Documents:***