

# CHESHIRE EAST COUNCIL

## REPORT TO: Audit and Governance Committee

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**Date of meeting:** 17 March 2016  
**Report of:** Corporate Manager Governance and Audit  
**Title:** Anti-Fraud and Corruption Policy  
**Portfolio Holder:** Councillor Peter Groves

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### **1.0 Report Summary**

- 1.1 Audit & Governance Committee has responsibility for overseeing the Council's arrangements to counter the threat of fraud and corruption. As such, it is important that the Committee is kept up to date with the latest developments, both locally and nationally, in this area.
- 1.2 They are also required, in accordance with the Committee's Terms of Reference, to approve and monitor Council policies relating to "whistleblowing" and anti- fraud and corruption.
- 1.3 This report provides members with:
  - an update on anti-fraud and corruption activity at Cheshire East; and
  - a new Anti-Fraud and Corruption Policy (Appendix A) that has been produced in line with the requirements of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

### **2.0 Recommendation**

- 2.1 Audit and Governance Committee is asked to note the content of this report and approve the proposed Anti-Fraud and Corruption Policy.

### **3.0 Reasons for Recommendation**

- 3.1 In order to ensure that the Council has robust arrangements to counter the threat of loss through fraud and corruption it is essential that the relevant systems and procedures are subject to regular review against best practice and that identified weaknesses are managed.
- 3.2 Audit and Governance Committee's role in overseeing the Council's counter fraud arrangements is crucial for the Council to achieve its anti fraud and corruption objectives.

#### **4.0 Wards Affected**

4.1 All wards.

#### **5.0 Local Wards Affected**

5.1 Not applicable.

#### **6.0 Policy Implications**

6.1 The existence of anti-fraud arrangements, in line with the Code of Practice on Managing the Risk of Fraud and Corruption will contribute towards good governance.

#### **7.0 Financial Implications (Authorised by the Chief Operating Officer)**

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 Head of Legal Services)**

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 Assessment**

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

- 10.1 Fraud remains a major issue facing the United Kingdom, and Local Government is not exempt from this. The Annual Fraud Indicator 2013, which was prepared by the National Fraud Authority prior to it being dissolved in March 2014, estimated the total annual fraud loss against public bodies as £20.6bn with £2.1bn of this relating to Local Government.
- 10.2 In October 2014, CIPFA published a *Code of Practice on Managing the Risk of Fraud and Corruption*. This was followed up in December 2014, with detailed guidance notes in support of the Code of Practice. These built on, and replaced, CIPFA's previous guidance, *Red Book (Managing the Risk of Fraud, Actions to Counter Fraud and Corruption)* against which the Council's arrangements had been developed.
- 10.3 The Code is based upon the following five principles and the guidance notes provide detailed information on the implementation of each:
- Acknowledge the responsibility of the governing body for countering fraud and corruption
  - Identify the fraud and corruption risks
  - Develop an appropriate counter fraud and corruption strategy
  - Provide resources to implement the strategy
  - Take action in response to fraud and corruption
- 10.4 In response, Internal Audit has undertaken the following work during 2015/16 to develop the Council's response to the threat of fraud and corruption:
- The fraud risk assessment was subject to review and expanded to incorporate the bribery risk assessment into a single Fraud and Bribery Risk Register. The register covers nine areas of operation and includes over 100 risks identified by Internal Audit and service managers.
  - Work is ongoing to document the controls that are in place to mitigate these risks and Internal Audit have undertaken several proactive reviews of high risk areas to obtain assurance that the documented controls are in place and operating effectively.
  - The Counter Fraud Strategy that has been in place since 2009 has been rewritten to bring it in line with the Code of Practice and other best practice. The new Anti-Fraud and Corruption Policy, which replaces the aforementioned strategy, is attached as Appendix A to

this report and Members are asked to consider the content and approve the policy for adoption.

- Members will note that the policy includes a Policy Statement that sets out the Council's commitment to tackling the risk of fraud and corruption. This will be signed by the Chief Executive, Leader of the Council and Chair of Audit and Governance Committee thus providing high level support and endorsement to the policy.
- Work is ongoing to develop a Counter Fraud Strategy and detailed Fraud Response Plan to support the new Anti-Fraud and Corruption Policy.

10.5 In addition to the above, Internal Audit has also been involved in the following counter fraud activities:

National Fraud Initiative

10.6 Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a biennial exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

10.7 The 2014/15 exercise was the last to be carried out by the Audit Commission prior to closing at the end of March 2015, at which point responsibility passed to Cabinet Office.

10.8 As was the case in previous years, Internal Audit has coordinated the exercise and liaised with services to ensure that matches have been investigated and the outcomes recorded in the NFI website.

10.9 Investigations into the matches from the 2014/15 exercise are nearing completion and work is now underway in preparation for the 2016/17 exercise. This has included liaison with services, ASDV's and Cabinet Office to ensure that responsibilities have been allocated and an implementation plan has been developed to assist in the coordination role that Internal Audit fulfils.

10.10 Findings from the NFI exercise will also inform future proactive anti-fraud work and the fraud and corruption risk assessment.

Counter Fraud Fund

10.11 As previously reported, Cheshire East were involved in a successful bid for monies from the government's Counter Fraud Fund during 2014/15.

10.12 The bid was a joint submission from the four Cheshire authorities to allow the appointment of a Counter Fraud Analyst. Warrington Borough

Council was the lead authority for the bid and the post was filled during early 2015/16.

- 10.13 Since being appointed, the Counter Fraud Analyst has begun work in the following areas across the four authorities:
- Development of electronic training materials to increase knowledge and awareness of fraud issues amongst staff and members.
  - Production of other awareness raising tools, for example newsletters and information for a Counter Fraud smart phone app.
  - Proactive analysis of areas of operation identified as being at high risk of fraud. Initially this is focussing on procurement fraud and insurance fraud which have been highlighted as significant risks by the Audit Commission in their last publication of Protecting the Public Purse 2014.
  - Consideration and potential investigation of any anomalies identified in the above analysis.
- 10.14 In addition to the wider pieces of work detailed above, an exercise has been carried out for Cheshire East in relation to Purchase Cards.
- 10.15 This involved a detailed analysis of transaction data between April 2014 and December 2015 to identify non-compliance with procedures and transactions that should be subject to further review. A report detailing the outcomes of this work is expected during March 2016 the findings of which will inform proactive work to be carried out in 2016/17.

## **11.0 Access to information**

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

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