

COUNCIL

22 APRIL 2021

COUNTER FRAUD AND CORRUPTION STRATEGY - REVIEW

Report from / author: James Larkin, Head of Audit & Counter Fraud Shared Service (Chief Audit Executive)

Summary

This report requests that Full Council adopts the proposed new Counter Fraud and Corruption Strategy.

1. Budget and policy framework

- 1.1. Council delegates responsibility for the oversight and monitoring of internal audit and counter fraud to the Audit Committee.
- 1.2. The current Anti-Fraud and Corruption Policy forms part of the Council's Constitution, therefore, approval of any changes or approval of a new Policy is a matter for Full Council.

2. Background

- 2.1. The Council has an Anti-Fraud and Corruption Policy which sets out the Council's approach to combating fraud and corruption and is designed to ensure the risk of such activity is reduced to its lowest possible levels. This Policy forms part of the Council's Constitution.
- 2.2. In March 2020 CIFAS published the Fighting Fraud and Corruption Locally Strategy 2020, outlining the best practice for local authorities to adopt. This update in best practice indicated the need for an in-depth review of the Council's own strategy to ensure it reflected these updates and accurately reflected the Council's approach.

3. Counter Fraud and Corruption Strategy

- 3.1. The Council has had an Anti-Fraud and Corruption Strategy in place for a number of years, although it has not been updated for several years.

- 3.2. CIFAS published the Fighting Fraud and Corruption Locally Strategy 2020, which outlined that there were five key pillars of activity. These being:
- Acknowledge - Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
 - Prevent - Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
 - Pursue - Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters, and developing a more collaborative and supportive local enforcement response.
 - Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.
 - Protect - Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.
- 3.3. It was quickly identified that the existing Policy was now significantly out of date and did not reflect best practice. As a consequence, a full review was undertaken and a new Counter Fraud and Corruption Strategy has been written, and although is not structured around those specific headings, it has been designed to incorporate the five pillars of activity outlined in the new best practice as well as reflecting the council's approach to combatting fraud and corruption.
- 3.4. The new strategy provided at Appendix 1 is for Members' consideration. The Strategy forms part of the Council's Constitution.
- 3.5. The current Anti-Fraud & Corruption Policy is attached at Appendix 2 for comparative purposes. Given the new Strategy represents a fundamental redrafting of the existing Policy it was not practicable to merely make tracked changes to the current Policy.

4. Audit Committee – 18 March 2021

The Committee considered the report as follows:

4.1. Discussion:

This report sought the Committee's comments on the proposed Counter Fraud and Corruption Strategy prior to submission to Full Council for adoption. The Head of Audit and Counter Fraud Service explained the

background to the review of the current Policy following a review of ethics at Gravesham and the CIFAS publication of the Fighting Fraud and Corruption Locally Strategy 2020 and the rationale of developing a new Policy which could be adopted by both Medway and Gravesham which would help the Shared Service as it would only need to have regard for one Policy.

- 4.2. **Member training and training for staff** – it was commented that further Member training on counter fraud and corruption would be beneficial. The Head of Audit and Counter Fraud Service that he was willing to provide further Member training on this and he undertook to liaise with Democratic Services on this matter. He also explained that ICT were currently rolling out a system called “Meta compliance” which ensured the policies were read and agreed by staff.
- 4.3. Further discussion took place about how these issues could be embedded within the culture of the Council, such as staff induction and the Head of Audit and Counter Fraud Service undertook to raise this matter with the Head of HR.
- 4.4. **Third parties** – in response to a question as to whether third parties the Council entered into contracts with would be required to sign up to a code of conduct (an example from Dudley Metropolitan Borough Council was cited), the Chief Legal Officer advised that he was confident that the Council did require third parties to enter into a code of conduct and that he would check this outside of the meeting and would confirm the position with the Committee.
- 4.5. **Scope of the Policy** – in response to a question as to whether wholly owned subsidiaries should be included in the list of bodies the Strategy was particularly relevant to (page 85 of the Agenda refers), the Head of Audit and Counter Fraud Service explained that they were separate companies so this was not something that he could necessarily include in the Strategy, however, he would have a further discussion with the Chief Legal Officer.
- 4.6. **Whistleblowing** – in response to a question to a reference to whistleblowing being included in the document (page 94 of the Agenda refers), the Head of Audit and Counter Fraud Service confirmed that the Speak Up Policy had been referenced throughout the document, however, he would undertake a further review of the Strategy prior to submission to Full Council.
- 4.7. **Benchmarking** – in response to a question around benchmarking, the Head of Audit and Counter Fraud confirmed that he responded to the CIPFA benchmarking survey. It was noted that Members would like to see a copy of the latest benchmarking report.
- 4.8. **Decision:**

The Committee recommended the proposed Counter Fraud and Corruption Strategy, as set out at Appendix 1 to the report, to Full Council for adoption.

5. Chief Finance Officer Comments

- 5.1. In response to the Audit Committee's comments, it is proposed that Council delegates authority to the Chief Finance Officer to enable the following changes to be made to the draft Counter Fraud and Corruption Strategy:
- i) Update the introduction section of the strategy document to include Medway Subsidiary Companies in the list of individuals and bodies that the strategy is relevant to.
 - ii) Remaining references to the 'Whistleblowing Policy' or 'whistleblowing', within the strategy to be replaced to instead reference the 'Speak Up Policy' and 'speaking up', in order to ensure consistency'.

6. Risk management

- 6.1. The Council should publicise its arrangements for preventing, detecting and investigating fraud and corruption to inform the public, stakeholders, Members and officers of the arrangements in place and, more specifically, how they are able to report any suspicion or concerns. The strategy and policy documents within this report should also act as a deterrent for those intending to attempt to commit fraudulent actions against the council. Failure to approve the updated and newly proposed policy documents will result in the council's strategic anti-fraud and corruption arrangements not reflecting current legislation and local arrangements for investigating fraud and corruption activity.

7. Financial implications

- 7.1. An adequate and effective Audit and Counter Fraud function provides the Council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the Council.

8. Legal implications

- 8.1. The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.
- 8.2. Section 151 of the Local Government Act 1972 requires the council to "make arrangements for the proper administration of their financial affairs". This includes the management of housing stock which may be funded by government grants.

9. Recommendation

9.1. Council is asked to:

- a) Note the comments of the Audit Committee set out in section 4 of the report.
- b) Delegate authority to the Chief Finance Officer to in consultation with the Portfolio Holder for Business Management, make the following amendments to the draft Counter Fraud and Corruption Strategy, as attached at Appendix 1:
 - i) Update the introduction section of the strategy document to include Medway Subsidiary Companies in the list of individuals and bodies that the strategy is relevant to.
 - ii) Replace references to the 'Whistleblowing Policy' or 'whistleblowing', within the strategy to instead reference the 'Speak Up Policy' and 'speaking up', in order to ensure consistency.
- c) Subject to the amendments set out in recommendation b) being made to the Strategy, that Council adopts the proposed new Counter Fraud and Corruption Strategy as set out at Appendix 1 to the report.

Lead officer contact

James Larkin, Head of Audit and Counter Fraud Shared Service
james.larkin@medway.gov.uk

Appendices

Appendix 1 – New Counter Fraud & Corruption Strategy
Appendix 2 – Existing Anti-Fraud & Corruption Policy

Background papers

None.