

| | |
|------------------------|----------------------|
| AUDIT COMMITTEE | AGENDA ITEM No. 11 |
| 26 MARCH 2018 | PUBLIC REPORT |

| | | |
|--------------------------------|---|-------------|
| Report of: | Marion Kelly - Interim Corporate Director Resources | |
| Cabinet Member(s) responsible: | Councillor Seaton Cabinet Member for Resources | |
| Contact Officer(s): | Steve Crabtree, Chief Internal Auditor | Tel: 384557 |

| |
|-------------------------------|
| COUNTER FRAUD POLICIES |
|-------------------------------|

| | |
|---|---------------------------|
| RECOMMENDATIONS | |
| FROM: Steve Crabtree, Chief Internal Auditor | Deadline date: N/A |
| It is recommended that Audit Committee: | |
| <ol style="list-style-type: none"> 1. Consider and approve the updated counter fraud policies (Appendices A - E); and 2. Note national studies produced in relation to fraud and corruption in local government (Appendices F - G). | |

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and service delivery of investigations.

2. PURPOSE AND REASON FOR REPORT

2.1 The Council provides a raft of services to the public from its scarce resources. Every effort is made to ensure that the resources are used for their intended purpose. However, there are occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report sets out the Councils approach to tackling fraud and corruption.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.13

“To monitor Council policies on “raising concerns at work” and the anti-fraud and anti-corruption strategy and the Councils complaints process”.

Members of the Audit Committee have a responsibility to oversee how fraud and corruption is managed, mitigated and investigated. The following background report and assorted attachments set how the Council is being proactive to tackle this agenda and also to empower Members to challenge and support this approach.

3. TIMESCALES

| | | | |
|---|-----------|----------------------------------|-----|
| Is this a Major Policy Item/Statutory Plan? | NO | If yes, date for Cabinet meeting | N/A |
|---|-----------|----------------------------------|-----|

4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

4.1.1 The Council’s approach to tackling fraud and corruption is underpinned by a range of policies and procedures which set out ways in which concerns can be raised, investigated and reported and appropriate action taken. This report provides members with the following updated policies for approval:

- Anti Fraud and Corruption Strategy and Policy;
- Money Laundering Policy;
- Sanction and Prosecution Policy (Blue Badge and Car Park Permits); and
- Sanction and Prosecution Policy (Council Tax and Business Rates).

4.2 CORPORATE POLICIES

4.2.1 It is important that the Council has policies and procedures in place which are fit for purpose and are effective in preventing, detecting and investigating fraud where it occurs. Staff, agency workers and Members need to be made aware of, be able to understand and comply with the policies and procedures which comprise the Council’s counter fraud framework. Staff agency workers, Members and citizens must have confidence in the reporting arrangements and subsequent investigation of concerns which can be reported via the various channels available.

4.2.2 The review of the policies and procedures was identified as being a key aspect of the governance requirements for audit committees as set out by CIPFA in their publication on the Role of the Head of Internal Audit. A review of the existing policies has been undertaken and being presented to Audit Committee for approval. All of the policies are presented in the appendices to this report for approval and are summarised as:

4.2.3 Anti-Fraud and Corruption Strategy (Appendix A)

We will look to develop a comprehensive understanding of fraud losses and the causes of such losses across the whole of the Council and to understand the fraud risks faced by the Council in order to enhance the effectiveness of our work. This will involve building on the risk management process already in place and those identified fraud risks, determining the effectiveness of internal controls that impact upon fraud risks, classifying the risks and developing mitigation plans for those risks considered a significant threat. This is an ongoing process with input from fraud incidents and industry trends and fraud risk assessment would therefore be performed on a regular basis.

In summary, the strategic approach to countering fraud will include:

- Promoting a counter-fraud fraud culture and engaging employees, members and contractors in combating fraud and error;
- Investigating and reporting on identified fraud, error and debt, seeking appropriate sanctions and redress where fraud is proven;
- Assessing fraud risk, identifying the areas most vulnerable to fraud and assisting management to develop effective counter fraud controls; and
- Sharing good practice and developing effective internal and external relationships

to combat fraud.

We will continue the work on detection, investigation and prosecution of fraud. Proactive exercises will be considered on the following areas which have been identified as the key fraud risks facing local authorities (but not reported in order of risk), including:

- No recourse to public funds;
- Local Council Tax Support;
- Single person discount;
- Business rates;
- Procurement;
- Blue badge misuse; and
- Payroll and recruitment

Further analysis is set out in national studies reported in Appendices F and G.

4.2.4 Anti-Fraud and Corruption Policy (Appendix B)

This confirms that the Council is an ethical organisation in which a corporate culture exists with a zero tolerance attitude to fraud. There is an expectation that all incidents of fraud will be reported and investigated in accordance with established investigation procedures. Where fraud is proven, the Council is committed to pursuing all available sanctions and recovering assets obtained through fraud.

4.2.5 Anti-Money Laundering Policy (Appendix C)

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force in June 2017 and, for offences committed after 26 June 2017, replace the Money Laundering Regulations 2007.

The MLR 2017 and the Proceeds of Crime Act 2002 ('POCA') impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering. This policy sets out the actions officers who deal with transactions where the potential for money laundering exists.

4.2.6 Sanction and Prosecution Policies (Appendix D, Appendix E)

Two policies reaffirm the Councils' approach to dealing with possible blue badge and parking permit abuse as well as fraudulent claims in relation to Council Tax and Business Rates.

4.2.7 National Studies and Future Actions

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. The key principles developed in fighting fraud are set out in our strategy (**Appendix A**) with reference to **acknowledge**, **prevent** and **pursue**. Building on this there are six key themes:

- **Culture** - creating a culture in which beating fraud and corruption is part of the daily business
- **Capability** - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** - deploying the right level of resources to deal with the level of fraud risk
- **Competence** - having the right skills and standards
- **Communication** - raising awareness, deterring fraudsters, sharing information, celebrating successes

- **Collaboration** -working together across internal and external boundaries; with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

Appendix F provides details of Fighting Fraud checklist. Further information in relation to this can be found at:

<http://www.cipfa.org/services/counter-fraud-centre>

For information, **Appendix G** provides Members with an overview of national studies which have been undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) in to the extent of fraud within local government. A number of areas are covered within our current exercises but we will look at expanded in to other areas – although a number already are picked up through the bi-annual National Fraud Initiative.

Following the approval of the policies by the Committee, the revised documents will be communicated to all staff, agency workers and Members. In addition, we will look to work with colleagues in Human Resources to develop e-learning material and officers will be reminded to refresh their awareness when the updated policies are communicated.

Member and employee awareness of the policies and procedures will also be raised via articles on the Council's intranet. All will be encouraged through a number of channels to complete the awareness training. Publicity will also include the channels available for reporting concerns relating to fraud or malpractice. Contractors and agents will be made aware of the Council's policies through the relevant procurement and contractual documentation.

A detailed Action Plan will be provided to the next Audit Committee in July 2018.

5. CONSULTATION

- 5.1 Consultation during the drafting of the documents has been through the Interim Director Law and Governance, Interim Corporate Director Resources and the Service Director Financial Services.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 Updated corporate policies will be conveyed to all Members and employees to raise awareness and provide best practice.

7. REASON FOR THE RECOMMENDATION

- 7.1 Peterborough is subject to providing services with finite resources. The revised policies provide a clear steer on how the authority will look to reduce the abuse of, and fraudulent access to those resources.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The authority could do nothing but this would not be the best use of scarce resources. The policies provide a platform for better monitoring and detection of fraud and corruption.

9. IMPLICATIONS

Financial Implications

- 9.1 This report does not give rise to any additional capital or revenue financial implications. Actions to communicate the policies and to ensure compliance will be undertaken within the

existing budgets.

Legal Implications

9.2 There are no legal implications.

Equalities Implications

9.3 Not applicable

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 None.

11. APPENDICES

A: Anti- Fraud and Corruption Strategy

B: Anti-Fraud and Corruption Policy

C: Anti-Money Laundering Policy

D: Sanction and Prosecution Policy: Blue Badges and Parking Permits

E: Sanction and Prosecution Policy: Council Tax and Business Rates

F: CIPFA Counter Fraud Centre: Fighting Fraud and Corruption Locally

G: CIPFA Counter Fraud Centre: Fraud and Corruption Tracker (Summary Report 2017)

This page is intentionally left blank