

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE

Date 7 April 2014

HEADING **Review of the Councils Anti-Fraud & Anti-Corruption Framework**

Submitted by: **Audit Manager**

Portfolio **Finance and Resources**

Ward(s) affected **All**

Purpose of the Report

Theft, fraud, corruption and bribery are all criminal offences; the council is committed to the highest standards of integrity and will not tolerate them in any form. By having an anti fraud and anti corruption framework in place this demonstrates our zero tolerance to any form of fraudulent activity, it is important that the existing framework is constantly reviewed and updated to take into account new legislation, procedures and best practice.

Recommendation

That the Anti-Fraud and Anti-Corruption Framework, the Whistleblowing Policy and the Fraud Response Plan be approved

Reasons

These policies are reviewed on an annual basis to ensure that they remain relevant for the forthcoming financial year. There have been no new legislative changes since the last review and therefore the policies remain unchanged in this respect. However, updates have been made in respect of references to the Serious Organised Crime Agency which has been replaced by the National Crime Agency.

1. Background

1.1 Fraud has a serious impact on all parts of the economy and costs the UK around £52 billion per year.¹ The cost of fraud to the public sector equates to £20.6 billion of which £2.1 billion relates to local government. Overall the national figure has seen a reduction of £21 billion in comparison to the previous year. However figures for the Public Sector have seen a slight increase, rising to £20.6bn from the previously reported figure of £20.3bn. The local government figure has seen a very slight reduction falling from £2.2bn to £2.1 bn.

1.2 This £2.1 billion attributable to fraud loss in local government can be broken down further; the table below provides details of this together with a comparison to the 2012 figures that highlights where the variances have occurred.

¹ National Fraud Authority Report – Annual Fraud Indicator June 2013

Area of Fraud	2012 £'m	2013 £'m	Variance £'m
Housing Tenancy	845	900	+55
Procurement	876	890	+14
Payroll	154	153	-1
Council Tax	133	131	-2
Blue Badge	46	46	0
Grants	35	41	+6
Pensions	7.1	5.9	-1.2

All of which is public money that could be better spent delivering public services. This coupled with the budget constraints that also face the public sector is another reason why we need a strong anti fraud culture that is driven throughout the organisation.

- 1.3 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Whistle-blowing Policy is intended to encourage and enable people with concerns about a potential fraud or corruption, in any aspect of the Council's work, to raise these with the Council rather than overlooking a problem or raising them with external bodies first.
- 1.4 The Anti- Fraud & Anti-Corruption Framework, the Whistleblowing Policy and Fraud Response Plan are approved annually as part of the Council's Constitution.
- 1.5 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.
- 1.6 The Anti-Fraud and Anti-Corruption Framework, Whistleblowing Policy and Fraud Response Plan are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner.

2. **Issues**

- 2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation.
- 2.2 In order to demonstrate this commitment the Council has an annual subscription with Public Concern at Work an independent legal charity with over 10 years experience of running a confidential helpline for employees and members. Public Concern at Work has given practical, confidential advice on over 2500 whistleblowing concerns. Their approach is that any concerns that an employee or member has can be raised openly and that the organisation then has an opportunity to investigate and address the concern.
- 2.3 A Fraud Awareness Guide is available for all Managers; this guide outlines the Borough Council's commitment to the protection of public funds and the necessity for harnessing resources in order to minimise losses arising from fraudulent conduct. The guide gives details of;
 - The identification of the types of fraud,

- How fraud occurs,
- Examples of behaviour that might indicate fraud,
- Indicators of potential fraud in a system,
- Advice to management and staff re: fraud and corruption, and
- Reporting of conduct that may be fraudulent

Within the guide is also a Self Assessment checklist for managers to complete for their own service area which will enable them to undertake an assessment of any key areas of risk within their own area.

- 2.4 As part of the Council's on going commitment to raising Fraud Awareness a campaign was undertaken in the summer of 2013, this campaign utilised a toolkit produced by the National Fraud Authority which included a 'core brief' item, news stories on the intranet, posters and an on-line training package. Going forward during the summer of 2014 a staff survey will be issued to ascertain awareness levels amongst staff, which will then hopefully inform training needs going forward.
- 2.5 In addition for a number of years now the Council has been a member of the Midlands Fraud Forum (MFF). The forum includes both public and private sector organisations and whose aim is to combat the risk of fraud and to raise the awareness of the risks at both a personal and business level. A booklet recently produced by the MFF has been circulated to both officers and members.

3. **Options Considered**

- 3.1 To review and adopt these documents ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of the Publics money.
- 3.2 Not to adopt these policies would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Proposal**

That the Anti- Fraud & Anti-Corruption Framework shown as Appendix A the Whistleblowing Policy shown as Appendix B and the Fraud Response Plan shown as Appendix C be approved in their updated forms

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Corporate Priorities**

The strategies demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of fraud and corruption at the earliest opportunity. Therefore contributing to it's Corporate Priority of achieving excellence.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

The cost of an annual subscription to Public Concern at work is £700 per annum plus ten pence per employee, which based on 500 employees makes the total subscription, cost £750.

10. **Major Risks**

The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion.

The existence of these policies mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

Formal risk assessments in respect of Fraud Awareness and the Bribery Act have been completed.

11. **Key Decision Information**

Not applicable

12. **List of Appendices**

Appendix A Anti-Fraud and Anti-Corruption Framework
Appendix B Whistleblowing Policy
Appendix C Fraud Response Plan
Appendix D Fraud Risk Assessment
Appendix E Bribery Act Risk Assessment

13. **Background Papers**

Internal Audit Files
National Fraud Authority – Annual Fraud Indicator Report – June 2013