

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE**

Date 15 April 2013

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

Submitted by: **Audit Manager**

Portfolio **Finance and Budget Management**

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 approach to tolerance, 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.

1. Background

- 1.1 Fraud has a serious impact on all parts of the economy and costs the UK around £73 billion per year.¹ The cost of fraud to the public sector equates to £20.3 billion of which £2.2 billion relates to local government.
- 1.2 This £2.2 billion attributable to fraud loss in local government can be broken down further and includes;
- £900m in housing tenancy fraud,
 - £890m in procurement fraud,
 - £153m in payroll fraud,
 - £131m in council tax discounts and exemptions,
 - £46m in 'blue badge' fraud,
 - £41m in grant fraud and
 - £5.9m in pension fraud,

¹ National Fraud Authority Report 2012

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 is in the process of being planned for summer 2013. This campaign will utilise a toolkit produced by the National Fraud Authority and will involve briefings to staff, posters and the use of an on-line training package.
- 2.5 In November 2012, the Audit Manager attended a 2 day accredited counter fraud loss measurement training course in Manchester. This training was aimed at providing a tool to identify the amount of fraud and error within an organisation. Since completing the training this has been applied to an area within the procurement process, and whilst there was no apparent fraudulent activity identified within the sample selected a number of errors/inconsistencies were identified where efficiencies and improvements can be made. It is intended to complete similar exercises on an annual basis as part of the audit plan.

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 there revised 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 £250 per annum plus ten pence per employee, which based on 600 employees makes the total subscription, cost £310.

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. **Earlier Cabinet/Committee Resolutions**

Approval of current Council Constitution – Minute 13, Council, 16 May 2012 and minute 10, Council, 11 July 2012.

14. **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

15. **Background Papers**

Internal Audit Files