

# Gloucester City Council

<b>Meeting:</b>	<b>Audit and Governance Committee</b>	<b>Date:</b> 23 <sup>rd</sup> January 2017 8 <sup>th</sup> February 2017
<b>Subject:</b>	<b>Anti Fraud and Corruption Policy Statement and Strategy (including the Anti Bribery Policy and Anti Money Laundering Policy) 2017-2019 and the Confidential Reporting Procedure (Whistleblowing Policy).</b>	
<b>Report Of:</b>	<b>Head of Audit Risk Assurance (Chief Internal Auditor)</b>	
<b>Wards Affected:</b>	<b>Not applicable</b>	
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework: No</b>
<b>Contact Officer:</b>	<b>Theresa Mortimer, Head of Audit Risk Assurance</b>	
	<b>Email:</b> <a href="mailto:Theresa.Mortimer@gloucester.gov.uk">Theresa.Mortimer@gloucester.gov.uk</a>	<b>Tel: 01452 326338</b>
<b>Appendices:</b>	<b>A: Anti Fraud and Corruption Policy Statement and Strategy 2017 - 2019</b> <b>1: Key Fraud Indicators</b> <b>2 Types of Fraud</b> <b>3 GCC's Fraud Response Plan</b> <b>4 Anti Bribery Policy 2017 - 2019</b> <b>5 Anti Money Laundering Policy 2017 - 2019</b> <b>6 Confidential Reporting Procedure (Whistleblowing)</b>	

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The purpose of this report is for the Audit and Governance Committee to consider and comment on the refreshed Council's Anti Fraud and Corruption Policy Statement and Strategy, including the Anti Bribery Policy, Anti Money Laundering Policy 2017-2019 and the Confidential Reporting Procedure (Whistleblowing). The strategy is based upon three key themes: Acknowledge, Prevent and Pursue and adheres to the Local Government Counter Fraud and Corruption Strategy 2016 - 2019: Fighting Fraud and Corruption Locally, which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre.
- 1.2 The Audit and Governance Committee's role is to provide independent assurance on the adequacy of the Council's Anti Fraud and Corruption response and framework. The strategy and associated policies attached at Appendix A, provides appropriate information to enable the Committee to reach a judgement in this area.

## 2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RESOLVE** that :

- (1) the Anti Fraud and Corruption Policy Statement and Strategy, the Anti Bribery Policy, Anti Money Laundering Policy 2017-2019 and the Confidential Reporting Procedure (Whistleblowing) be adopted and recommend its endorsement to Cabinet; and
- (2) The strategy and policies, once endorsed by Cabinet, be disseminated to managers in accordance with a Communications Plan, to reaffirm the Council's anti fraud culture and objectives.

2.2 Cabinet is asked to **RESOLVE** that :

- (1) The Anti Fraud and Corruption Policy Statement and Strategy, the Anti Bribery Policy, Anti Money Laundering Policy 2017-2019 and the Confidential Reporting Procedure (Whistleblowing) be endorsed; and
- (2) The strategy and policies be disseminated to managers in accordance with a Communications Plan, to reaffirm the Council's anti fraud culture and objectives.

## 3.0 Background and Key Issues

- 3.1 It has always been important for organisations to identify and manage their risks. This view has been reinforced by public sector legislation i.e. the Accounts and Audit Regulations 2015 where it states *'A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.'*
- 3.2 In addition, the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016) notes seven key principles to enable the development of good governance within public services, one of which states that good governance is 'managing risks and performance through robust internal control and strong public financial management.' Fraud risk being one of the key categories of risk.
- 3.3 The strategy is based upon three key themes: Acknowledge, Prevent and Pursue and adheres to the Local Government Counter Fraud and Corruption Strategy 2016 - 2019: Fighting Fraud and Corruption Locally, which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre.

### **Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016 – 2019**

#### **Context**

- 3.4 Fraud has a serious impact on all parts of the economy and costs the UK in the region of £193 billion per year. The cost of fraud to the public sector is estimated at £37.5 billion a year. This is money that could be used for local services.

- 3.5 Radical changes continue as to how local services are to be delivered. The change of emphasis from the Council being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed. More arms length delivery of services by third parties in the voluntary and not-for-profit sector and personal control of social care budgets, for example, will mean that more public money is entrusted to more stakeholders, whilst the controls the Council previously exercised are removed or reduced. Without new safeguards, preventing, detecting and investigating fraud will become more difficult.
- 3.6 All of these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase. Harder times tend to lead to an increased motivation to defraud by some clients, suppliers and employees who are feeling the squeeze.
- 3.7 These factors suggest that this is the time to review the approach to tackle fraud against the Council and reaffirm the arrangements to ensure that Gloucester City Council (GCC) has a resilient response to the changed conditions.

#### **4.0 Asset Based Community Development (ABCD) Considerations**

- 4.1 There are no ABCD implications as a result of the recommendation made in this report.

#### **5.0 Alternative Options Considered**

- 5.1 In order to further enhance our current arrangements, Internal Audit is proposing the attached revised Anti Fraud and Corruption Policy Statement and Strategy, Anti Bribery Policy, Anti Money Laundering Policy 2017 - 2019 and Confidential Reporting Procedure (Whistleblowing), which has been developed in line with revised national public sector codes of practice. Once approved, the strategy and policies will be promoted via a communications plan, to raise awareness and help us to further reduce the risk of fraud within GCC. No other options were considered.

#### **6.0 Reasons for Recommendations**

##### **Fraud Risk Governance**

- 6.1 In addition to the statutory requirements and codes of good practice as noted within paragraphs 3.1, 3.2 and 3.3, the Council has responded to the above by incorporating these requirements into the Council's Constitution, specifically within Financial Regulations - Audit and the Control of Resources, with the Head of Finance being responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- 6.2 In addition, the Statutory Officers namely, The Chief Executive, The Head of Finance and the Monitoring Officer, review all irregularities and cases on a regular basis and External Audit annually assesses the effectiveness of the Council's anti fraud and corruption arrangements.

## **Audit and Governance Committee**

- 6.3 The Audit and Governance Committee has a specific role in relation to fraud and irregularity, which is to monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption.

## **7.0 Future Work and Conclusions**

- 7.1 Attachment A to this report sets out the anti fraud strategy and policies, which set out the Council's required anti fraud culture and associated responses. The aims of these policies are to protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Gloucester's residents and visitors.
- 7.2 The implementation of the fraud policies will be monitored by the Senior Management Team and the relevant assurances provided to the Audit and Governance Committee.

## **8.0 Financial Implications**

- 8.1 There are no financial implications arising directly from this report. Implementation and delivery actions will be met from existing resources.

(Financial Services have been consulted in the preparation this report).

## **9.0 Legal Implications**

- 9.1 Nothing specific arising from the report recommendations. In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

(One Legal have been consulted in the preparation this report).

## **10.0 Risk and Opportunity Management Implications**

- 10.1 Non compliance with legislation/mandatory professional standards / Codes of Practice.
- 10.2 Failure to fight fraud and implement an effective Anti Fraud and Corruption culture means that for every pound lost through fraud cannot be spent on providing public services.

## **11.0 People Impact Assessment (PIA):**

- 11.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to *'ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.'*

The implementation of the fraud policies will ensure compliance with the Council's equality policies.

- 11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **12.0 Other Corporate Implications**

### Community Safety

- 12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

### Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

### Staffing & Trade Union

- 12.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

## **Background Documents:**

- Accounts and Audit Regulations 2015;
- Delivering Good Governance in Local Government: Framework 2016 (CIPFA/SOLACE);
- Gloucester City Council's Constitution; and
- Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016 – 2019.