



Report to

Audit and Procurement Committee
Cabinet Member for Policy and Leadership

18th June 2018
26th July 2018

Name of Cabinet Member:

Cabinet Member for Policy and Leadership - Councillor G Duggins

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Fraud and Corruption Strategy

Is this a key decision?

No

Executive summary:

The Fraud and Corruption Strategy explains the Council's strategic response to tackling fraud and corruption and sets out the Counter Fraud Framework, which comprises the various elements the Council uses to fight fraud and implement the Fraud and Corruption Strategy.

The purpose of the report is for the Audit and Procurement Committee to consider the Fraud and Corruption Strategy, as set out in Appendix One and to recommend to the Cabinet Member (Policy and Leadership) that the Strategy be approved.

Recommendations:

Audit and Procurement Committee is recommended to consider the revised Fraud and Corruption Strategy (attached at Appendix One) and to recommend to the Cabinet Member (Policy and Leadership) that the Strategy be approved.

The Cabinet Member (Policy and Leadership) is recommended to:

1. Consider the comments of the Audit Committee.
2. Approve the Fraud and Corruption Strategy (attached at Appendix One).

List of Appendices included:

Appendix One – Fraud and Corruption Strategy 2018

Background papers:

None

Other useful documents:

Fraud and Corruption Strategy 2012

<http://internaldemocraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=208&MID=9515>

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

Yes – Cabinet Member for Policy and Leadership 26th July 2018

Will this report go to Council?

No

Report title:

Fraud and Corruption Strategy

1. Context (or background)

- 1.1 Local authorities face a significant fraud challenge with annual losses to local government estimated at £2.1 billion a year. Fraud and corruption is a drain on the public purse and takes resources away from the delivery of front line services. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions and government policy changes, which means that local authorities need to keep their arrangements for responding to the risk of fraud under review and up to date to ensure they are continuing to act effectively.
- 1.2 The risk of fraud is acknowledged by central government through publication of “Fighting Fraud Locally” which is a counter fraud and corruption strategy for local government. This emphasises the need for local authorities to “ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation”.
- 1.3 In light of this new national counter fraud landscape, the Council’s Fraud and Corruption Strategy has been reviewed and updated to ensure our arrangements provide a rigorous framework to respond to these challenges. Given the Audit and Procurement Committee’s responsibility, as reflected in its terms of reference “to monitor Council policies on whistleblowing and the anti-fraud and corruption strategy”, this report allows the Audit and Procurement Committee to comment on the content and scope of the revised Strategy, prior to it being considered for approval by the Cabinet Member (Policy and Leadership).

2. Options considered and recommended proposal

- 2.1 The proposed Fraud and Corruption Strategy is attached at Appendix One. The Strategy was last updated in 2012. The process of reviewing the Strategy has included the following actions / considerations:
 - Since 2012, updated guidance on this area has been published, including central government’s “Fighting Fraud Locally” strategy and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, both of which have been considered in developing the new Strategy.
 - A review of a sample of other local authorities fraud and corruption strategies.
 - Consideration of work undertaken by the Cabinet Office to develop their own counter fraud framework.
 - Views and opinions of senior officers, including the Council’s Monitoring Officer and S151 Officer.
- 2.2 The proposed Fraud and Corruption Strategy is attached at Appendix One. The Strategy is aligned to the national guidance through the following key principles:
 - Acknowledging and understanding fraud risks
 - Preventing and detecting more fraud
 - Being stronger in punishing fraud / recovering losses

2.3 In practice, these principles translate into various organisational components, including roles and responsibilities, investigation processes and procedures and specific work-streams to prevent and detect fraud. In order for the Council to have a clear structure for these arrangements, a Counter Fraud Framework has been developed and forms part of the updated Fraud and Corruption Strategy. The purpose of the Framework is to:

- Provide a meaningful and transparent structure which shows how activities across the Council fit together to provide resilient counter fraud arrangements.
- Support the process of identifying priorities to ensure the Fraud and Corruption Strategy is delivered and the Council's arrangements are fit for purpose.

2.4 It is intended that the Framework will be used to develop an annual action plan of work to support the continuous improvement of the Council's counter fraud arrangements to ensure their ongoing effectiveness, including building on the Council's capacity and capability to respond to the risk of fraud. The annual action plan will be presented to the Audit and Procurement Committee as part of its role to monitor the Fraud and Corruption Strategy.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 Subject to approval, the implementation of this revised Strategy will commence immediately.

5. Comments from the Director of Finance and Corporate Resources

5.1 Financial Implications

Fraud has a detrimental financial impact on the Council. The Council's practice in respect of fraud (and error) is, wherever possible, to recover all monies.

5.2 Legal implications

The Fraud and Corruption Strategy forms part of the Council's overall governance framework. All fraud work is conducted in accordance with relevant legislation, including the Data Protection Act / General Data Protection Regulations. For matters involving Council employees, the Council's disciplinary procedure is also followed. The most serious matters may be referred to the police or the Council's Legal Services Team for prosecution.

6. Other implications

6.1 How will this contribute to achievement of the council's Plan?

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud can have a detrimental financial impact on the Council.

6.2 How is risk being managed?

The key risk is that the Council does not have adequate arrangements in place to respond to the threat of fraud, including processes and procedures to prevent, detect and

investigate fraud. This risk is managed through implementation of the Fraud and Corruption Strategy which includes a Counter Fraud Framework to provide a clear structure of the various elements which together, comprise the Council's overall response to the risk of fraud. The Internal Audit Service leads on this work and oversight of this is provided by the Audit and Procurement Committee who receive reports linked to this twice a year.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Place

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Councillor G Duggins	Cabinet Member for Policy and Leadership		11/7/18	11/7/18

This report is published on the council's website: www.coventry.gov.uk/meetings



Fraud and Corruption Strategy 2018

Introduction

1. Coventry City Council is committed to the prevention, detection and investigation of fraud and corruption. The cost to local government from fraud is significant and means that resources are taken away from delivering services to local people.
2. The risk of fraud is recognised by central government through publication of the local government counter fraud and corruption strategy “Fighting Fraud and Corruption Locally” which emphasises that “councils must ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.”
3. Coventry City Council’s fraud and corruption strategy reflects the core principles of Fighting Fraud Locally but also reflects the context of those specific fraud risks which are relevant to our Council. The strategy forms part of the Council’s overall governance framework.

Definitions

4. There are numerous offences under which acts of fraud and corruption may be prosecuted, including the Fraud Act 2006, the Prevention of Corruption Act 1906 and the Bribery Act 2010. However, in simple terms fraud and corruption can be described as:

“Any intentional false representation , including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”

The Council’s strategic response to fighting fraud - Core principles

5. The Council’s strategic response to fighting fraud is based on the following core principles, which are expanded on below:

ACKNOWLEDGE	PREVENT	PURSUE
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud / recovering losses

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6. Acknowledge – In order to respond appropriately, the Council needs to understand the fraud risks that it faces and in a fast changing local authority landscape this should include considering emerging risks.
 7. Prevent – The Council will always seek to prevent fraud from occurring through its internal control framework and anti-fraud culture. Mechanisms are also in place to help detect fraud, such as the National Fraud Initiative and undertaking investigations in response to allegations of fraud.
 8. Pursue – All cases of fraud involving employees are considered through the Council’s disciplinary procedure. Where fraud is committed by members of the public, the recovery of losses is prioritised as the most cost effective response although in all cases of fraud the most serious matters may also be referred to the police or the Council’s Legal Services Team for prosecution.
 9. The Council’s Internal Audit Service are responsible for leading on the implementation of the strategy, but will work with colleagues across the Council in delivering this.

Monitoring

10. Monitoring of the Fraud and Corruption Strategy will be undertaken by the Council’s Audit and Procurement Committee. Monitoring reports are received by the Committee twice a year, along with other ad-hoc reports as required.

Counter fraud framework

11. The counter fraud framework sets out the structure of the various elements the Council uses to fight fraud and implement the fraud and corruption strategy. It also reflects the six themes highlighted in Fighting Fraud Locally, which are:
 - Culture – Creating a culture in which beating fraud and corruption is part of 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.

12. The purpose of the framework is to:

- Ensure that the Council has a clear structure in place to respond to the risk of fraud, which can be easily understood by stakeholders and shows how activities across the organisation fit together to provide resilient counter fraud arrangements.
- Support the process of identifying priorities which will be used to develop an annual action plan of work to ensure that the strategy is fully delivered and the Council's arrangements are fit for purpose.

13. The framework is represented below and is comprised of the following elements:

- Organisational Arrangements – consisting of fraud awareness / culture and the basic organisation wide components that the Council should have in place. This incorporates the range of policies, procedures and guidance that underpin counter fraud activity and the roles and responsibilities of employees and members.
- Management Arrangements – this reflects the responsibility of Internal Audit management to implement the strategy. This includes the production of a fraud response plan which documents the specific procedures and processes used in the deployment of the specialisms.
- Specialisms – specialist areas which reflect the core principles and which are used by Internal Audit to help the Council to fight fraud. These include the assessment of fraud risks, investigation procedures and the effective use of data in counter fraud activity.
- Work-streams – these are themes which reflect specific legal requirements, national guidance and the Council's own priorities. Areas across the Council contribute to the delivery of these work-streams.

14. The Counter fraud framework will be published on the Council's Intranet. This will contain links to relevant policies and procedures, including the fraud response plan, which will outline how employees can raise concerns around fraud and how the Council will respond. Appropriate information will also be published on the Council's website to enable members of the public to report concerns.

15. Further information on the local government counter fraud and corruption strategy "Fighting Fraud and Corruption Locally" can be found at www.gov.uk.

COVENTRY CITY COUNCIL COUNTER FRAUD FRAMEWORK

