

South Lakeland District Council
Audit Committee
Thursday, 19 September 2019
Annual Review of Anti-Fraud Policy and Activity

Portfolio:	Not applicable
Report from:	Helen Smith – Finance Lead Specialist (Section 151)
Report Author:	Helen Smith – Finance Lead Specialist (Section 151)
Wards:	Corporate Issue
Forward Plan:	Not applicable

1.0 Expected Outcome

1.1 This report presents the results of the Audit Committee's annual review of the Council's Anti-Bribery, Fraud and Corruption Policy and provides statistical data on cases where sources of information indicated that fraudulent activity might be occurring.

2.0 Recommendation

2.1 It is recommended that Audit Committee:-

- (1) review the proposed changes to the Anti-Bribery, Fraud and Corruption Policy and the Anti-Money Laundering Policy;**
- (2) request Council approve the amended Anti-Bribery, Fraud and Corruption Policy and the Anti-Money Laundering Policy;**
- (3) note the review against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption Counter-Fraud Assessment Tool and Fighting Fraud and Corruption Locally 2016-19 Checklist; and**
- (4) note the anti-fraud activity.**

3.0 Background and Proposals

3.1 The Audit Committee Work Programme for 2019/20 includes an annual review of the Anti-Bribery, Fraud and Corruption Policy. This policy links very closely with the Whistleblowing Policy, which is reviewed biennially and was reviewed in September 2017.

3.2 There are a large number of bodies involved in anti-fraud activity. Officers monitor surveys and recommended good practice from many sources including:

- the Cabinet Office, who run the National Fraud Initiative(NFI),
- the National Crime Agency,
- the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- the Institution of Revenues, Rating and Valuation (IRRV),
- Department of Work and Pensions (DWP)/Single Fraud Investigation Service (SFIS),

- National Anti-Fraud Network (NAFN)
- Lancashire fraud manager group.

Policies and Procedures

- 3.3 The Anti-Bribery, Fraud and Corruption Policy forms part of the Council's Policy Framework. The last review of the Anti-Bribery, Fraud and Corruption Policy was by Audit Committee in December 2017 with no amendments required. The policy has been updated to reflect new job titles and roles arising from Phase 1 of Customer Connect. This is attached at Appendix 1.
- 3.4 CIPFA produced a new Code of Practice on Managing the Risk of Fraud and Corruption in October 2014. Guidance notes on the implementation of the code were published in December 2014 and a Counter-Fraud Assessment Tool has now been produced and is included at Appendix 4.
- 3.5 The Corporate Anti-Fraud Officer has prepared fraud and corruption risk assessment with Operational Managers and action plans for all Council services. It has been used to inform the production of a draft Counter Fraud Strategy, incorporating an action plan, which was approved by Audit Committee in December 2017 and is attached at Appendix 2. The strategy has been updated for new job roles following phase 1 of the Customer Connect programme.
- 3.6 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017 and implement the EU's 4th Directive on Money Laundering. They improve upon and plug certain gaps in the Money Laundering Regulations 2007 and the Transfer of Funds (Information on the Payer) Regulations 2007 which they replace. Councils now are obliged to adopt a more risk-based approach towards anti-money laundering. The Anti-Money Laundering Policy was approved by Audit Committee in December 2017 and has been updated for new job roles and titles.

Assessment

- 3.7 The Local Government counter fraud and corruption strategy, Fighting Fraud & Corruption Locally, has been updated in 2016 and sets out a strategy up to 2019. The report builds on earlier versions of Fighting Fraud Locally and developments such as the Serious and Organised Crime Strategy and the UK Anti-Corruption Plan. The vision of the national strategy is that by 2019:
- a) There is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them;
 - b) By better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services;
 - c) Local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery;
 - d) Local authorities will be sharing information more effectively and by using advanced data technology will prevent and detect losses;
 - e) Fraudsters will be brought to account quickly and efficiently and losses will be recovered.

The report acknowledges that local authorities have made significant progress in tackling fraud by acknowledging and understanding the risks they face and by collaborating, making more use of technology and information sharing to prevent fraud.

- 3.8 The report highlights the changing ways in which fraudsters target existing areas of vulnerability. Fraud prevention rather than just fraud detection will need to become an increasingly important part of the overall strategic response of councils to fraud.

Activity

- 3.9 The Council employs a Corporate Anti-Fraud Officer who works closely with both the Revenues and Benefits Team and the Finance Team in tackling fraud. The Corporate Anti-Fraud Officer has also been involved in raising the profile of anti-fraud and corruption in the authority. This has included attending team meetings, briefing Operational managers and reviewing policies and practices related to Interviews under Caution across the Council to ensure consistency of practice.
- 3.10 During 2016 the Corporate Anti-Fraud Officer carried out fraud risk assessments with Operational Managers. This helps to direct her activity to key risk areas and has helped change procedures to reduce opportunity for fraud. Compulsory fraud awareness training has been introduced for all new staff as part of the corporate induction process. The Fighting Fraud and Corruption Locally 2016-19 Checklist is attached at Appendix 5.
- 3.11 The policy requires a central log to be kept of all reported cases of fraud and whistleblowing by the Finance Lead Specialist, which will be reported periodically to the Audit Committee. The attached analysis in Appendix 6 summarises the work undertaken and the outcome of investigations excluding National Fraud Initiative "NFI" investigations. Investigations have included the submission of false invoices for flood grant claims, homeless applications and a review of council tax exemptions. The Council is also working with South Lakes Housing to review all applications for Right-to-Buy as this has been identified nationally as an area of high risk and high value.
- 3.12 The National Fraud Initiative matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. There are now two separate NFI matching exercises: one is a biannual process including benefits, housing, licensing, employee and insurance data which required the submission of data in October 2018. The second exercise concerns Council Tax single person discounts and the electoral register which is conducted biannually when there is no full NFI exercise at the same time that the electoral register is finalised in December. The Council's Corporate Anti-Fraud Officer now leads on both the submission of data and the processing of matches for the NFI.

4.0 Consultation

- 4.1 Officers have reviewed best practice relating to anti-bribery, fraud and corruption.

5.0 Alternative Options

- 5.1 It is good practice to have an Anti-Bribery, Fraud and Corruption Policy. No amendments are recommended.

6.0 Links to Council Priorities

- 6.1 To embed a culture where bribery, fraud and corruption are not tolerated.

7.0 Implications

Financial, Resources and Procurement

- 7.1 This report has no direct financial implications. Effective anti-fraud procedures minimise the likelihood of financial losses through fraud.

Human Resources

- 7.2 There are no direct human resources implications of this report.

Legal

- 7.3 There is a criminal offence of failing to prevent bribery under the Bribery Act 2010 and if convicted an organisation can be liable to an unlimited fine. Therefore the review of this policy and compliance has an important role in minimising the risks to the Council arising from this legislation.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: The review of the anti-fraud policy has no direct HSEE implications.***

Equality and Diversity

- 7.7 Have you completed an Equality Impact Analysis? No
- 7.8 If you have not completed an Impact Assessment, please explain your reasons: The review of the anti-fraud policy has no direct Equality and Diversity implications.

Risk

Risk	Consequence	Controls required
Failure to have an Anti-Fraud and Corruption Policy in place.	There will be no high level direction to the way in which fraudulent or corrupt acts are reported, investigated or dealt with. Fraud and corruption will not be detected resulting in significant losses in council finances and bad publicity. Lack of procedures to prevent bribery may lead to prosecution	A policy that clearly reflects the Council's stance on fraud and corruption which acts as a deterrent to potential fraudsters. A policy that clearly defines responsibilities and the introduction of monitoring arrangements to highlight high risk areas. A policy that clearly defines bribery and defines responsibilities for ensuring 'adequate procedures' to prevent bribery.
Failure to have effective Anti-fraud monitoring in place	Fraud and corruption will not be detected resulting in significant losses in Council finances and bad publicity	A Policy that clearly identifies responsibilities and monitoring arrangements to highlight high risk areas.

Contact Officers

Helen Smith, Finance Lead Specialist, 01539 793147, h.smith@southlakeland.gov.uk

Appendices Attached to this Report

(delete if no appendices attached)

Appendix No.	Name of Appendix
1	Anti-Bribery, Fraud and Corruption Policy
2	Counter Fraud Strategy 2017-2020
3	Anti-Money Laundering Policy
4	CIPFA Code of Practice on Managing the Risk of Fraud and Corruption Counter-Fraud Assessment Tool
5	Fighting Fraud and Corruption Locally 2016-19 Checklist
6	Fraud activity

Background Documents Available

Name of Background document	Where it is available
Fighting Fraud Locally: the local government fraud strategy	http://tinyurl.com/mo55pnz

Tracking Information

Signed off by	Date sent
Legal Services	30/8/19
Section 151 Officer	30/8/19
Monitoring Officer	30/8/19
SMT	30/8/19

Circulated to	Date sent
Assistant Director	N/A
Human Resources Manager	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	N/A
Council	N/A