



Committee and Date

Audit Committee

10 November 2011

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Public

ANNUAL REVIEW OF COUNTER FRAUD, BRIBERY AND ANTI-CORRUPTION STRATEGY AND AN UPDATE ON THE GOVERNMENT'S STRATEGIC PLAN ENTITLED 'FIGHTING FRAUD TOGETHER'

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1. Summary

The Counter Fraud, Bribery and Anti-Corruption Strategy has been reviewed and refreshed in line with best practice and continues to clearly outline the Council's commitment to stand against all forms of fraud, bribery and corruption whether it is attempted on or from within the Council. Specifically the Strategy has been revised to reflect the requirements of the Bribery Act 2010.

The opportunity has also been taken to ensure that the Council's Counter Fraud, Bribery and Anti-Corruption Strategy is aligned to the Government's recently published "Fighting Fraud Together" Strategy.

2. Recommendations

Members are asked to consider and endorse with appropriate comment the:

A Counter Fraud, Bribery and Anti-Corruption Strategy and propose its adoption to Cabinet as a key part of the Council's stance against Fraud, Bribery and Corruption.

B Alignment of the Council's Strategy to that of the Government's "Fighting Fraud Together" Strategy and that further reports will be brought to Members when the Local Government Fraud Strategy is released later this year.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 By having and promoting an effective Counter Fraud, Bribery and Anti-Corruption Strategy, the Council proactively encourages the detection of fraud and irregularities and the appropriate management of them.
- 3.2 In adapting the original Counter Fraud and Anti-Corruption Strategy to incorporate the requirements of the Bribery Act 2010 the Council is ensuring that the strategy complies with the latest legislation and provides a clear stance in respect of its zero tolerance to bribery in addition to that of fraud and corruption. This incorporates compliance with the Bribery Act efficiently into processes and procedures already in place to manage similar events.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

By incorporating the requirements of the Bribery Act into processes and procedures already in place, its needs can be met from within existing budgets.

5. Background

- 5.1 The Council has always set itself high standards for both Members and officers in the operation and administration of the Council's affairs and has always dealt promptly with any allegations or suspicions of fraud and corruption. It has in place policies and procedures to prevent fraud, bribery and corruption, including a Speaking up about Wrongdoing policy and an overarching Counter Fraud and Anti-Corruption Strategy.
- 5.2 The Counter Fraud and Anti-Corruption Strategy is contained in Part 5 of the Constitution. It was last reviewed and updated on 25 November 2010 when it was discussed by Audit Committee.
- 5.3 This latest review explicitly incorporates the changes required by the Bribery Act 2010. Bribery is a criminal offence; this Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor will it accept bribes or improper inducements. It recognises that to use a third party as a conduit to channel bribes to others is a criminal offence and does not, and will not, engage indirectly in or otherwise to encourage bribery. The Council is committed to the prevention, deterrence and detection of bribery. It has zero-tolerance towards bribery and aims to maintain anti-bribery compliance "business as usual", rather than as a one-off exercise. To enable and support this, the Counter Fraud and Anti-Corruption Strategy has been expanded to cover explicitly the Bribery Act and references to the new Act are shown in **bold and underlined** in the attached Strategy (Appendix A).

5.4 The strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This strategy is designed to:

- Encourage prevention;
- Promote detection; and
- Identify a clear path for investigations.

5.5 This strategy reflects best practice, including CIPFA's Red Book, produced by the CIPFA Better Governance Forum Counter Fraud Advisory Panel following wide ranging consultation and contributions from practitioners. The National Fraud Strategic Authority (NFSA) and is recommended by organisations such as ALARM (National Forum for Public Sector Risk Management) and the IIA (Institute of Internal Auditors).

5.6 It is recognised that to reduce losses to fraud, bribery and corruption to an absolute minimum, a strategic approach is required with a clear remit covering all areas of fraud, bribery and corruption that may affect the organisation. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud, bribery and anti-corruption culture, create a strong deterrent effect and prevent fraud, bribery and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud, bribery and corruption and seek to apply sanctions and recover losses where they are found).

5.7 The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the organisation's focus clearly on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc).

5.8 The strategy has been reviewed to ensure that it continues to:

- (Link to the Council's values
- (Emphasise the Council's remit to reduce losses to fraud, bribery and corruption to an absolute minimum
- (Demonstrate links between 'policy' work and 'operational' work
- (Show agreement by both the political and executive authority for the Council
- (Accurately identify the risk
- (Create and maintain a strong structure to pursue its remit including:
 - having the necessary authority and support;
 - providing for specialist training and accreditation;
 - completing appropriate propriety checks;
 - developing effective relationships with other organisations.

(Take action to tackle the problem by:

- integrating different actions;
- building a strong counter fraud and anti-corruption culture;
- having clear actions to deter any problem;
- taking action to prevent fraud and corruption;
- early detection of any issues;
- investigating appropriately in accordance with clear guidance;
- having clear and consistent sanctions where fraud or corruption is proven;
- having clear policies on redressing losses.

(Focus on outcomes and not merely activity

Encompass Housing and Council Tax Benefit fraud

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5.9 Given the significant changes made to the Counter Fraud, Bribery and Anti-Corruption Strategy Members are asked to comment on the strategy attached as Appendix A and propose its adoption to Cabinet.

6.0 Fighting Fraud Together

6.1 The Government's strategic plan to reduce fraud, "Fighting Fraud Together", was released mid-October, Appendix B provides members with a copy of the document. The strategy is cross sector and a specific local government strategy is due out in December of this year.

6.2 The strategy reflects on improvements made to date in respect of managing the threat from frauds whilst recognising that there are still weaknesses in the approach. These lead to losses not only of a financial nature, but also reputational and emotional; affecting businesses of various sizes and individuals. The approach proposed is to re-energise the fight against fraud; doing more of what works well, sharing more data, finding new approaches to new threats, in particular the use of and dependence on technology and doing this together.

6.3 The ambition outlined in the Strategy is for the country to be demonstrably more resilient to and less damaged by fraud through:

- detecting and preventing more fraud and
- increasing the risk of disruption and punishment to fraudsters, thus deterring potential criminal offenders

6.4 The aim is to deliver this through three strategic objectives:

- **awareness:** improving individuals and businesses ability to protect and safeguard themselves;
- **prevention:** stronger systems and controls in our businesses and
- **enforcement:** tougher sanctions on criminals, disrupting and punishing them more efficiently and effectively.

6.5 The approach is about a genuine partnership between the public, government, law enforcement, the wider public sector, private sector organisations and the voluntary sector. The approach will be to:

- understand the fraud challenge, the threat, strengths and weaknesses of current approaches;
- have a clear strategic approach with a defined mission over four years, based on the fraud challenge and
- a strategic framework establishing how we will work together to deliver the mission. Collectively overseeing the strategy, monitoring delivery and measuring success.

6.6 Specifically in relation to the public sector (page 21), the strategy states that the fight against public sector fraud will be further intensified around four priorities agreed by the Government's Fraud, Error and Debt Taskforce in June 2011. These are:

- **collaboration**: the removal of silos, sharing of intelligence, development of cross cutting capabilities, initiation of joint projects and joint procurement of data analytics capabilities to drive down costs.

The Council's strategy allows for this type of activity and recognises that aspects of this are already in place and working effectively.

- **Assessment of risk and measurement of losses** – assessed before projects and programmes are instigated and losses recorded and reported.

The current strategy allows for this, within Audit risk assessments inform proactive work and losses are reported to external auditors for national statistics and to Members to facilitate learning and control improvements.

- **Prevention** – investment and resource in prevention, not just detection and punishment, vulnerabilities should be designed out.
- **Zero tolerance** – accepting that there is no acceptable level of public sector fraud.

A key aspect of the Council's strategy and reflected in the awareness training, publication of the strategy and supporting policies, proactive audit and management work in establishing robust controls and the Council's known zero tolerance to fraud.

6.7 Further updates will be brought to Members' attention in respect of the future application of this strategy and the Local Government Fraud Strategy due out in December and their impact on the Council.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA Better Governance Forum: Managing the Risk of Fraud, Actions to Counter Fraud and Corruption.

The Bribery Act 2010

Bribery Act final guidance

<http://www.cipfanetworks.net/fileupload/upload/briberyact2010guidance142011261754.pdf>

Bribery Act quick start guide

http://www.cipfanetworks.net/governance/documentation/download_open.aspx?sref=TV4PXC437&filename=http://www.cipfanetworks.net/fileupload/upload/briberyact2010quickstartguide142011271739.pdf

NFA Fighting Fraud Together, The strategic plan to reduce fraud

Cabinet Member (Portfolio Holder)

Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

Local Member n/a

Appendices

Appendix A Shropshire Council Counter Fraud and Anti-Corruption Strategy

Appendix B Fighting Fraud Together