

AGENDA ITEM NO.

TO: EXECUTIVE – 11th SEPTEMBER 2006

SUBJECT: ANTI FRAUD AND CORRUPTION PROGRESS REPORT

FROM: FINANCE

1 RECOMMENDATIONS

- 1.1 That members note the report and its contents, in particular the progress being made in implementing actions for 2005/06. (Appendix A)
- 1.2 That members approve the revised anti fraud and corruption strategy, including the updated action plan. (Appendix B)

2 REASON FOR RECOMMENDATIONS

- 2.1 To assist members fulfil their corporate governance role.

3. ALTERNATIVE OPTIONS CONSIDERED

- 3.1 There is no alternative to adopting a revised Strategy in order to comply with the recommendation.

4. POLICY AND BUDGET FRAMEWORK

- 4.1 It is possible for fraud and corruption to have some bearing on all of the Council's activities. However the approval of the Strategy does not have a direct impact on any policy or budget.

Richard Barr
Audit and Risk Manager

BACKGROUND PAPERS:

None

Areas in District Affected:	Not Applicable
Executive Portfolio Area and Holder:	Corporate Management / Cllr Crowther
Scrutiny Committee:	Audit and Resources
Key Decision?	No

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5. BACKGROUND

- 5.1 In the mid 1990s The Audit Commission published a series of reports entitled “Protecting the Public Purse” which drew attention to the levels of fraud and corruption in local government and made recommendations concerning measures to deal with the problem.
- 5.2 One of the recommendations was concerned with the creation of an anti fraud culture and specifically the formal adoption of a policy which stated the Council’s stance and sent a clear message to all concerned that fraud and corruption would not be tolerated, procedures would be introduced where necessary to deter and detect any acts of fraud and corruption and firm action would be taken whenever any such acts were discovered.
- 5.3 In September 1995 Warwick District Council was publicly applauded by its then external auditors as being one of the first authorities in the country to approve formally an Anti Fraud and Corruption Policy and Strategy.
- 5.4 The Strategy (the policy was submerged within the strategy) was updated last year with the intention for it to undergo annual review. The Strategy included an action plan detailing measures needing to be taken to limit even further the possibility of acts of fraud and corruption.
- 5.5 An update on progress in implementing the action plan is set out as Appendix A to this report.
- 5.6 Those tasks which have not been completed by the year end have been carried forward to a new action plan.
- 5.7 The current Strategy is set out as Appendix B and the new action plan is set out as Annexe 1 to this Appendix.

6 CONCLUSIONS

- 6.1 In having an Anti Fraud and Corruption Strategy the Council is responding to heightened governance requirements. It is important that the Authority makes good progress in implementing arrangements to reduce the possibility of fraud and corruption. This report provides evidence of that being achieved.

Appendix A

REVIEW OF PROGRESS IN ACHIEVING ACTION PLAN 2005/06

ACTIONS	RESPONSIBILITY	TIMESCALE	REVIEW OF PROGRESS
OBJECTIVE ONE: Adopt a Code of Corporate Governance			
Formulate a Code of Corporate Governance in line with the Good Governance Standard for Public Services for submission and approval.	Director of Community Resources	March 2006	Code of Corporate Governance approved by Executive 12 June 2006.
OBJECTIVE TWO: State publicly the Council's stance on fraud and corruption			
Consider incorporating a statement, briefly outlining the Council's stance on fraud and corruption, in Council leaflets, application forms, contracts and other documents.	Audit and Risk Manager	March 2006	Outstanding – to be carried forward.
Consider the production of an Anti Fraud and Corruption leaflet to be distributed to staff and made available to the public.	Audit and Risk Manager	March 2006	Outstanding – to be carried forward.
OBJECTIVE THREE: Publicise the revised Anti Fraud and Corruption Strategy			
Post a notice on the Council's Intranet.	Audit and Risk Manager	September 2005	Undertaken 21 October 2005.
Replace the existing Strategy with the new version wherever it appears.	Audit and Risk Manager	September 2005	Undertaken 4 October 2005.
Make arrangements to reach those staff without Intranet access.	Audit and Risk Manager	September 2005	Undertaken 21 October 2005.
OBJECTIVE FOUR: Develop fraud and corruption training			
Formulate a fraud and corruption module for inclusion in staff induction training.	Audit and Risk Manager	March 2006	Outstanding – to be carried forward.

ACTIONS	RESPONSIBILITY	TIMESCALE	REVIEW OF PROGRESS
Establish the need for training for managers and those staff involved with internal control systems.	Audit and Risk Manager	March 2006	Outstanding – to be carried forward.
Assess content of Members' training programme.	Audit and Risk Manager	March 2006	Outstanding – to be carried forward.
Review need for training in fraud investigation for Internal Audit staff.	Audit and Risk Manager	Annually	Need assessed as part of annual appraisal. Courses attended as appropriate.
OBJECTIVE FIVE: Develop Fraud Response Plan			
Revisit the Fraud Response Plan to ensure that it remains an appropriate response to allegations of fraud and corruption.	Audit and Risk Manager	January 2006	Completed.
Consider making the Fraud Response Plan available to all as a Corporate Document.	Audit and Risk Manager	January 2006	Considered, on reflection, to be inappropriate.
OBJECTIVE SIX: Review Strategy and Action Plan			
Review the currency of the Anti Fraud and Corruption Strategy annually and report to Members.	Audit and Risk Manager	Annually	Undertaken as part of this report.
Present an annual report recording progress against the Action Plan together with a revised Action Plan.	Audit and Risk Manager	Annually	Undertaken as part of this report.

WARWICK DISTRICT COUNCIL ANTI FRAUD AND CORRUPTION STRATEGY

1. INTRODUCTION

- 1.1 Warwick District Council is a large organisation employing more than 500 staff and spending over £20 million a year of taxpayers' money. Like most organisations it is a possible target for fraud and corruption which could be attempted by employees, external organisations or members of the public.
- 1.2 The Council is determined to do everything that it reasonably can to deter, prevent and detect fraud and corruption and it is committed to the Anti Fraud and Corruption Strategy.
- 1.3 There is a separate Anti Fraud Policy and Anti Fraud Strategy covering the payment of Housing and Council Tax Benefit.

2. POLICY STATEMENT

- 2.1 Warwick District Council aims to provide quality services that are accessible to all sections of the community and delivered fairly and efficiently. In doing so the Council is firmly opposed to fraud and corruption of any kind and will take prompt and decisive action to deal with any instances that are identified and will deal equally with perpetrators from inside and outside the Council.
- 2.2 At all times the Council will endeavour to ensure that all of its dealings are carried out with honesty and integrity with no thoughts of fraudulent or corrupt acts and in turn it will expect all partners, suppliers, contractors, organisations and individuals that it deals with to behave in the same way.
- 2.3 The Council's elected Members and staff will lead by example and ensure that they comply with all policies, codes, regulations and controls that are in place.
- 2.4 The Council will pursue all individuals or organisations suspected of having defrauded or having committed corrupt acts and will report them to the Police if appropriate.
- 2.5 This policy will be delivered by a series of measures contained in the Anti Fraud and Corruption Strategy.

3. DEFINITIONS

- 3.1 Fraud is the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain or to mislead or misrepresent.
- 3.2 Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person; or the failure to disclose an interest in order to enjoy financial or other pecuniary gain.

4. STRATEGY

- 4.1 The strategy comprises a series of measures and procedures, detailed below, that are designed to frustrate any attempted fraudulent or corrupt acts.

5. CULTURE

- 5.1 The Council wishes it to be known that the culture and tone of the authority is one of openness, honesty and equality with wholehearted opposition to fraud and corruption in any form.

- 5.2 The Council Taxpayers are entitled to expect the highest standards of accountability, stewardship and probity from the Council. To an extent these expectations will be met by the Council complying with legislation. For example:-

- The Council must appoint a Responsible Financial Officer who is responsible for the Council's financial strategy and direction and also for ensuring that there are sound systems of financial control in place;
- The Council is required to ensure the existence of adequate and effective internal audit arrangements;
- Independent external auditors are appointed by the Audit Commission to scrutinise the Council's business;
- Procedures exist for the public to inspect the Council's accounts and to question the external auditors;
- The Council is required to appoint a Monitoring Officer to monitor the lawfulness and fairness of decision making;
- Decisions are made in public meeting except in circumstances where the need for confidentiality is paramount;
- Members of the public can request the Local Government Ombudsman to investigate cases of alleged maladministration.

- 5.3 Additionally the Council will have:

- A Code of Corporate Governance
- A system of Overview and Scrutiny whereby Members of the Council review past decisions and examine specific issues within service areas.

6. PREVENTION

6.1 Staff

- 6.1.1 The Council acknowledges that the recruitment and retention of high calibre staff is vital to the delivery of quality services and that staff have a key role to play in the prevention and detection of fraud and corruption.

- 6.1.2 Written references will always be taken up and referees will be asked to give their views on candidates' honesty and integrity.

- 6.1.3 Confirmation of any academic qualifications will be obtained before any offers of employment are made.
- 6.1.4 Depending on the duties of the post, the selection process will include reference to the Criminal Records Bureau.
- 6.1.5 Council staff who are members of professional bodies will be expected to observe the standards advocated by those bodies which may be laid down in codes of conduct.
- 6.1.6 All staff of the Council will be bound by any National, Local or Departmental codes of conduct.
- 6.1.7 All staff must operate and adhere to all of the relevant procedures and codes that form the Council's overall control framework.

6.2 Members

- 6.2.1 Elected members are expected to observe the highest standards of conduct which are enshrined in legislation and the Council's constitution.
- 6.2.2 Members are required to declare specific information concerning their financial and other interests and for ensuring that this information is kept up to date.
- 6.2.3 Members are required to declare their interests at all meetings, both internal and external, whether decision making or not.
- 6.2.4 Members are required to declare the offer or receipt of all gifts and hospitality in a register maintained by the Chief Executive.
- 6.2.5 The Council has a Standards Committee which includes an independent member from outside the Council. Its role is to promote and maintain high standards amongst members and to investigate any alleged breaches of the Code of Conduct.

6.3 Systems

- 6.3.1 The Council is committed to operating financial and management systems and procedures which incorporate efficient and effective internal controls.
- 6.3.2 Senior managers with responsibility for systems are responsible for ensuring that such controls are achieved and maintained.
- 6.3.3 The Council's Internal Audit Service will carry out periodic reviews of all systems to ensure that controls exist and are being adhered to and that senior managers are meeting their responsibility.

6.4 Working with others

- 6.4.1 Arrangements are in place for the regular exchange of information between the Council and other Local Authorities and Government agencies for the purpose of preventing and detecting fraud.
- 6.4.2 The Council will participate in data matching exercises with appropriate organisations in order to detect fraud.
- 6.4.3 Whenever any information is to be exchanged the person or organisation supplying the information will be advised accordingly.

- 6.4.4 Staff will be encouraged to participate in local and national professional groups and forums in order to exchange information, ideas and experiences.

6.5 Internal Audit

- 6.5.1 The Council is required to maintain an adequate and effective system of internal audit as part of the Responsible Financial Officer's duty to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 6.5.2 The adequacy and effectiveness of internal controls is monitored by the Council's Audit Section as part of their annual programme of work. Any weaknesses in internal control are reported to management whose duty it is to ensure that corrective action is taken.
- 6.5.3 The work of the Audit Section and their progress against the Audit Plan is overseen by a committee of the Council who receive summaries of all audit reports and management responses.
- 6.5.4 The Audit Plan is prepared following a risk assessment of audit areas which determines the frequency of audits and particular areas to focus attention on. The risk assessment process is subject to an ongoing review.
- 6.5.5 The Head of Internal Audit will ensure that all Internal Audit staff have the appropriate skills and expertise to carry out their duties.

6.6 External Audit

- 6.6.1 Independent external audit is an essential safeguard to the stewardship of public money. The Council's external auditors will carry out their duties in accordance with the Code of Audit Practice.
- 6.6.2 The Code emphasises management's role in preventing and detecting fraud and corruption. It is the external auditor's role to review the Council's arrangements for meeting this responsibility.
- 6.6.3 The Audit Commission will be notified of all fraud's involving sums over £1,000 and of any corrupt acts.

7. DETECTION

- 7.1 Managers are responsible for the prevention and detection of fraud, corruption and other irregularities. Managers should pay special attention to particular circumstances which may indicate an irregularity.
- 7.2 Managers are required to notify the Head of Audit immediately if a fraud or other irregularity is discovered or suspected. They should also ensure that:
- any supporting documentation or other evidence is secured; and
 - confidentiality is maintained so as not to prejudice any subsequent investigation.
- 7.3 Staff should report any suspected irregularities to their line manager or they may use the Council's Whistleblowing Policy and Procedure.
- 7.4 Internal Audit will assist managers to discharge their responsibilities when they are conducting audits by establishing and testing expected controls. Any control

weaknesses will be reported to managers and also to committee together with managers' responses.

8. INVESTIGATION

- 8.1 If an act of fraud or corruption is discovered or suspected, the initial investigation will be conducted by Internal Audit.
- 8.2 If the initial investigation reveals that a full investigation is warranted Internal Audit will invoke the Council's Fraud Response Plan and Disciplinary Procedure.
- 8.3 The decision to involve the Police will be taken by the Head of Audit in consultation with the relevant managers and the Chief Executive. The Council will co-operate fully with the Police and Internal Audit will work closely with them to gather evidence and provide information.
- 8.4 Whenever possible the Council will seek restitution for any losses suffered. This may include recovery from a Pension Fund, an insurance claim or civil action.
- 8.5 At the conclusion of the investigation a report will be prepared for management and for committee. A review of the investigation will be carried out and any control weaknesses identified will be considered with a view to taking appropriate remedial action.

9. DETERRENCE

- 9.1 The Council will state publicly at every appropriate opportunity that it is strongly opposed to all forms of fraud and corruption.
- 9.2 The Council will act firmly and decisively when fraud and corruption is suspected and proven e.g. the termination of contracts, the dismissal of staff, the prosecution of staff or other offenders.
- 9.3 The Council will take action to effect the maximum recoveries e.g. through agreement, court action, penalties, insurance, Pension Funds.
- 9.4 The Council's systems will contain sound internal controls that are kept under review to minimise the opportunity for fraud and corruption.
- 9.5 The Council's Anti Fraud and Corruption Strategy will be publicised to all staff and posted on the Council's website.

10. TRAINING

- 10.1 The Council recognises that the success of its Anti Fraud and Corruption Strategy will very much depend on the effectiveness of staff throughout the authority.
- 10.2 The Council supports the concept of induction training and follow up training, particularly for those staff involved with internal control systems.
- 10.3 It is the responsibility of managers to ensure that their staff are adequately trained to carry out their duties.
- 10.4 Investigation of fraud and corruption will be undertaken primarily by Internal Audit. Staff of the section should receive appropriate training in this area.

- 10.5 Members of the Council will receive training on a wide range of topics including declarations of interest, the Code of Conduct and their role in promoting the Anti Fraud and Corruption stance.

11. CONCLUSION

- 11.1 The Council has in place a framework of systems and procedures, to assist in the fight against fraud and corruption. It is determined to ensure that these systems:
- are complied with;
 - keep pace with future developments;
 - are fully supported by staff and members.
- 11.2 This document will be subject to annual review to ensure its currency. The responsibility for this rests with the Head of Audit and the Responsible Financial Officer.
- 11.3 The Council is committed to ensuring the wide circulation of this Strategy within and outside the Council in order that all relevant parties appreciate the high standards which the Council is determined to observe in all its business.

Annexe 1 to Appendix B: Anti Fraud and Corruption Action Plan

An action plan to improve further the Authority's arrangements for countering fraud and corruption is set out below.

ACTIONS	RESPONSIBILITY	TIMESCALE
OBJECTIVE: State publicly the Council's stance on fraud and corruption		
Consider incorporating a statement, briefly outlining the Council's stance on fraud and corruption, in Council leaflets, application forms, contracts and other documents.	Audit and Risk Manager	March 2007
Consider the production of an Anti Fraud and Corruption leaflet to be distributed to staff and made available to the public.	Audit and Risk Manager	March 2007
OBJECTIVE: Develop fraud and corruption training		
Formulate a fraud and corruption module for inclusion in staff induction training.	Audit and Risk Manager	September 2007
Establish the need for training for managers and those staff involved with internal control systems.	Audit and Risk Manager	March 2008
Assess content of Members' training programme.	Audit and Risk Manager	March 2008