

# Audit Committee

23 July 2020



<b>Title</b>	Anti- Fraud, Bribery and Corruption Strategy		
<b>Purpose of the report</b>	To make a decision		
<b>Report Author</b>	Internal Audit Manager, Punita Talwar		
<b>Cabinet Member</b>	Councillor S. Buttar	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	<b>The Audit Committee is asked to:</b> <b>1. Endorse the updated Council’s Anti-Fraud, Bribery and Corruption Strategy</b>		
<b>Reason for Recommendation</b>	<b>The Audit Committee is required to make any recommendations for change to the Cabinet.</b>		

## 1. Key issues

- 1.1 *“All organisations face attack from those who would undertake corruption or commit fraud creating a loss to the taxpayer, reputational risk to the organisation and undermining trust in the government. In an increasingly globalised digitalised world, fraud transcends international borders”.* (A guide to Managing Fraud for Public Bodies, February 2019)
- 1.2 *“Fraud is a significant risk to the UK public sector and has far-reaching financial and reputational consequences. The government estimates that fraud costs the public sector £31 - £49 bn per year and much of this goes undetected. In addition serious and organised economic crime is a national security issue”.* (HM Government, October 2018)
- 1.3 The government has over the years increased initiatives in response to the growing level of estimated fraud. Fraud is now considered to be the most prevalent crime in the UK and the continued importance of having a defined approach for how Spelthorne will counter fraud, bribery and corruption in the form of a strategy is recognised.
- 1.4 The Audit Committee is required to review the Council’s Anti-Fraud, Bribery and Corruption Strategy annually and to make any recommendations for change to the Cabinet. The Strategy at Appendix 1 forms part of the Council’s Constitution and is in line with best practice. The Strategy continues to underpin the Council’s commitment to dealing effectively with all forms of fraud, bribery and corruption, demonstrating the important role it plays in the overall corporate governance framework.

1.5 As part of this review, some minor changes are proposed to the strategy and have been highlighted in blue at Appendix 1. These relate to the following sections/references :

- **Codes/Procedures** – self- assessment of the authority’s whistleblowing arrangements undertaken. Reference to future review of the Council’s Constitution;
- **Systems** –further development of risk management across the Council will encourage Service Managers to identify controls to minimise the risk of errors, fraud, bribery and corruption;

1.6 Various best practice principles promoted in publications such as CIPFA’s ‘Code of practice on managing the risks of fraud and corruption’, ‘Fighting Fraud and Corruption Locally’ (2016 - 2019) and HM Government functional standard on Counter Fraud (GovS 013 October 2018) have been considered as part of the strategy review, and current activity is deemed as proportionate relative to the perceived risk and size of the authority.

1.7 A number of positive Counter Fraud measures continue to take place and these are summarised below:

- ❖ Measures led by the Internal Audit Manager are set out in the strategy under ‘Detection and Investigation’. These have contributed to promoting awareness of high risk public fraud, as well as best practice measures and collaborative counter fraud initiatives.(Further details below)
- ❖ Spelthorne has procured counter fraud resource/services from Reigate and Banstead to target high risk public fraud areas which are likely to generate greater financial payback (business rates and housing) as well as wider social benefits. Collaborative working has produced positive outcomes particularly in Housing with enhanced verification for Housing register and homelessness claims.
- ❖ Increased focus on social housing fraud has been encouraged with registered providers. Pro-active fraud initiatives relating to Business Rates (targeting small business rate relief) continue to be encouraged.
- ❖ Evidence based fraud reporting system and quantifiable reporting of estimated financial savings (public fraud). Spelthorne’s overall cumulative fraud return as at 31.12.19 equates to almost £2.6m (notional savings to the public purse) of which £492k represents cashable savings for Spelthorne (this covers a 5 year period). For the current financial year, notional savings generated between April and December 2019 amount to £111k of which £11k can be quantified as cashable.
- ❖ External groups are attended with Surrey Partners including the Surrey Counter Fraud Partnership (SCFP). This enables the sharing of knowledge and best practice approaches in tackling fraud as well as opportunities to participate in joint data sharing exercises in the fight against fraud.
- ❖ A review of the Confidential Reporting Code (Whistleblowing Policy), using a benchmarking tool to assess the effectiveness of whistleblowing

arrangements has highlighted some areas for improvement (November 2019) and the policy will be further developed.

- ❖ The Internal Audit Manager gave a presentation at the staff meetings (September 2019) on the Confidential Reporting Code (Whistleblowing Policy), with a view to raising awareness and highlighting correct reporting channels for raising serious concerns (including fraud and irregularity as well as several other categories). The Whistleblowing poster was reviewed and publicised.
- ❖ Awareness Raising and Training - Reigate and Banstead Council delivered high risk public fraud awareness training to Housing, Benefits and Customer Services during January 2020 and sessions were well attended.
- ❖ Further consideration is being given to wider training to help protect the organisation against Fraud, bribery and corruption (for all staff and Members).
- ❖ Internal Audit provides independent assurance that effective controls are in place to mitigate the risk of fraud, bribery and corruption and issues advice/recommendations for consideration by Management i.e. where it is considered that fraud risks should be more effectively managed.

## **2. Options analysis and proposal**

**Either:**

i. To note the current position and accept the amendments proposed to the Anti-Fraud, Bribery and Corruption Strategy. **(Preferred option)**

**Or:**

ii. To make no changes to the strategy, thereby not reflecting current practices or requirements.

## **3. Financial implications**

- 3.1 Resources required (staff time) to implement actions to prevent and detect Fraud, bribery and corruption risks should be contained within existing budgets. There is approved funding for additional corporate counter fraud resource until March 2022 to support Housing, Business Rates and Council Tax. Costs associated with Corporate Fraud awareness training (for all staff) are being explored with a view to being funded from the corporate training budget.
- 3.2 There may be a requirement from time to time to bring in subject matter experts and investigators to undertake or assist special investigations (relating to suspected internal fraud or irregularity) as there is insufficient capacity within the Internal Audit team to undertake the whole process, particularly given that investigations are often by their nature very resource intensive. Day rates could be in the region of £400 per day. There is currently no specific budget assigned for this purpose.

## **4. Other considerations**

4.1 Associated risks and consequences of fraud, bribery and corruption include financial losses (potentially high value), reputational damage to the authority, corporate offences (a failure to prevent bribery is now regarded as a corporate offence), significant harm to staff or the local community, and reduced public services for the borough's residents (if resources are exploited by fraudsters).

**5. Timetable for implementation**

5.1 There are none.

**Background papers:** None

**Appendices:**

**Appendix 1 – Anti-Fraud, Bribery and Corruption Strategy**