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| <p><i>Non-Executive Report of the:</i> Audit Committee</p> <p>29TH March 2018</p> |  <p>TOWER HAMLETS</p> |
| <p>Report of: <i>Zena Cooke - Corporate Director - Resources</i></p> | <p>Classification: <i>Unrestricted</i></p> |
| <p>Anti-Fraud and Corruption Strategy 2018-19</p> | |

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| Originating Officer(s) | <i>Tony Qayum</i> |
| Wards affected | <i>All wards</i> |

1. INTRODUCTION

- 1.1 This report provides the Audit Committee with an updated Anti-Fraud and Corruption Strategy for 2018-19.
- 1.2 Local Authorities in the United Kingdom are required to maintain high standards of probity and have sound arrangements for protecting the public purse. Sound systems of public accountability are also vital for effective management and in maintaining public confidence. Thus minimisation of losses from fraud and corruption is essential for ensuring that resources are used for their intended purpose.
- 1.3 The need for effective anti fraud work within local authorities has been reflected consistently over many years by regulatory bodies including the former Audit Commission, by CIPFA and by the National Fraud Authority in their 'Fighting Fraud Locally' publications. We have a dedicated Corporate Anti-Fraud Team that seeks to reduce the risk of Fraud and Corruption to the Council by undertaking pro -active and re-active work across all areas of the Councils activities.
- 1.4 Central to our approach is the themes of:
- **Acknowledge**
 - **Prevent**
 - **Pursue**
- 1.5 These themes exist within the overall context of an Anti-Fraud Culture and support the roles of The Mayor, Statutory Officers, Elected Members and the public by ensuring where abuse is found it is tackled and resolved with improvements to processes made to minimise future

exposure and wherever possible recovery of assets and funds are made.

- 1.6 To achieve this it is imperative that the Councils Fraud investigation function has adequate processes, skills and resources to support anti fraud and corruption activities.

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to note the contents of the report.

3. ANTI FRAUD AND CORRUPTION STRATEGY OBJECTIVES

- 3.1 As part of our ongoing efforts to ensure the strategy and systems in place within the Council remain relevant and meet best practice the Anti Fraud and Corruption Strategy has been reviewed and attached at Appendix 1 is the updated strategy. The Council's Monitoring Officer has reviewed the Council's arrangements for raising concerns via the Whistleblowing Policy and the revisions are encompassed in the 'Speak Up' mechanism for all types of concerns whether they be around Fraud or other matters for which the council has a duty to respond.
- 3.2 Contained within Appendix 1 is the revised Anti-Fraud and Corruption Strategy with the appropriate assurances on how we will deal with allegations of fraud and corruption.
- 3.3 Attached at Appendix 2 is the Council's Whistleblowing Procedure.
- 3.4 The Anti-Fraud strategy is based upon the following key areas of coverage as outlined by the following key tests that were set by the CIPFA guidance and recent legislation including the Prevention of Social Housing Fraud Act 2013 designed to criminalise the Subletting of Social Housing property.
- 3.5 The publication Fighting Fraud and Corruption Locally (produced in March 2016) sets out a 3 year strategy (2016-19) to assist council leaders, chief executives, finance directors and all those with governance responsibilities in undertaking their responsibilities.
- 3.6 The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.
- 3.8 There will be an Independent Board working with Local Authorities and the CIPFA Counter Fraud Centre to review progress against these new standards.

3.9 The vision of the strategy is that by 2019:

- There is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them
- By better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services
- Local Authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery
- Local Authorities will be sharing information more effectively and by using advances data technology will prevent and detect losses
- Fraudsters will be brought to account quickly and efficiently and losses will be recovered.

3.10 It is intended to develop the Anti-Fraud and Corruption Strategy and pro-active plan in conjunction with these principles. The key tests that we have applied in our Anti-Fraud and Corruption Strategy are:-

Adopting the right strategy

Does the organisation have a counter fraud and corruption strategy that can be clearly linked to effective policies and procedures in relation to identifying, reporting and investigating suspected fraudulent/corrupt activity are in place?

Measuring fraud and corruption Losses

Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements?

Creating and maintaining a strong structure

Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy?

Taking action to tackle the problem

Is the organisation undertaking the full range of necessary action?

Defining Success

Relevant officers and Committees are made aware of investigations which may affect their Services?

3.12 Further the National Fraud Authority has suggested that the cornerstone of good practice should embrace three themes on which each local authority should reflect. These are:

Acknowledge – Acknowledging and understanding the fraud risks

Prevent- Preventing and detecting more fraud

Pursue- Being stronger in punishing fraud and recovering losses

3.13 The Anti-Fraud and Corruption Strategy summarises the Councils position, building on the content of a number of corporate policy statements, including;

- The Councils Constitution
- Officer and Member Codes of Conduct/ Protocols
- Whistle-blowing Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Financial Regulations
- Procurement procedures and competition regulations

3.14 It is considered that by updating the Anti-Fraud and Corruption Strategy in this way it will remain in compliance with best practice.

3.15 It should therefore be noted that the Corporate Anti-Fraud Team will have an ongoing duty to review and report upon the following areas of the Council's activities. These are the investigation of Social Housing Sub Lettings and property abandonment, Blue Badge and Parking Fraud and Corporate Investigations that will examine Council systems and procedures where allegations of fraud or corruption are made, or where Pro-active enquiries are undertaken across the breath of the Councils functions.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 There are no direct financial implications arising from this report. The anti-fraud and corruption strategy will be delivered through existing budgets, notably the risk management and audit service budgets

5. LEGAL COMMENTS

5.1 The legislative framework in respect of the Council's anti-fraud policy is detailed in the body of the Reviewed Anti-Fraud and Corruption Strategy as set out in Appendix 1.

5.2 Under the Local Government Act 1972 the Chief Financial Officer has a duty to ensure that there is an adequate process of Internal Audit to ensure the independent appraisal of the Council's systems of internal control, practices and systems. This requirement is further reinforced by

the Local Audit and Accountability Act 2014 which established new arrangements for the auditing of local public bodies. The Anti-Fraud and Corruption Strategy is one of those processes.

- 5.3 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.
- 5.4 The Whistleblowing Procedure at Appendix 3 is part of a suite of documents relating to Whistleblowing and are kept under review by the Monitoring Officer. Whistleblowing is also the subject of separate reports to the Committee.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 This report highlights risks arising from instances of Fraud and Corruption and the arrangements for minimising the impact on service delivery and council objectives. The ongoing management of these risks through enhanced governance will assist so that effective management can be put in place to robustly respond to breaches and enforce positively to reduce the authority's exposure to risk.

7. ANTI-POVERTY CONSIDERATIONS

- 7.1 There are no specific Anti-Poverty issues arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 This report highlights arrangements for the management of instances of Fraud and or Corruption and it demonstrates how the Council is responding to potential risks to the control framework that may be exploited by fraudsters.

9. SAGE

- 9.1 There are no specific SAGE implications.

10. CRIME AND DISORDER IMPLICATIONS

- 10.1 By having sound systems of control, the Council can safeguard against fraud and abuse of financial resources and assets.
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Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- NONE

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- 1 – Reviewed Anti Fraud and Corruption Strategy
- 2 – Whistleblowing Procedure

Officer contact details for documents:

N/A