


<p><i>Non-Executive Report of the:</i> Audit Committee 28th June 2016</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Zena Cooke - Corporate Director - Resources</p>	<p>Classification: Unrestricted</p>
<p>Anti Fraud and Corruption Strategy 2016/17</p>	

Originating Officer(s)	Tony Qayum
Wards affected	All wards

Special Circumstances and Reasons for Urgency

- The report was unavailable for public inspection within the standard timescales set out in the Authority’s Constitution, because of continuing work to finalise and review the Anti Fraud and Corruption Strategy.
- To comply with best practice, the Corporate Director of Resources recommends that the Audit Committee note the Anti Fraud and Corruption Strategy.

1. SUMMARY

- 1.1 This report provides the Audit Committee with the Council’s Anti-Fraud and Corruption Strategy for 2016-17.
- 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 theme of:

Acknowledge

Prevent

Pursue

1.5 These themes exist within the overall context of an Anti-Fraud Culture and support the roles of 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 Council's 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. REASONS FOR DECISIONS

3.1 The Audit Committee can gain assurance around the work of the Council's anti fraud activity and in particular, and this report sets out the Council's strategy for dealing with fraud and corruption and the broader Whistleblowing policy.

4. ALTERNATIVE OPTIONS

4.1 The Committee may wish to suggest additions to the current policy and the associated arrangements, including Whistleblowing.

5. ANTI FRAUD AND CORRUPTION STRATEGY

5.1 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 revised strategy that picks up key changes resultant from new legislation specifically the transfer of Housing Benefit Fraud Investigation to the DWP – Single Fraud Investigation Service and best practice as identified by CIPFA. The Council's Monitoring Officer has reviewed the Council's arrangements for raising concerns via 'Blowing The Whistle' for all types of concerns whether they be around Fraud or other matters for which the Council has a duty to respond, Appendix 2.

- 5.2 The resultant processes have been introduced across the Council and are accessible both via the Intranet and the Internet.
- 5.3 Contained within Appendix 1 is the resultant Strategy with the appropriate assurances and timescales around dealing with allegations of Fraud and Corruption.
- 5.4 In addition there is guidance to both Managers and Investigators in respect of Whistleblowing. These are shown as Appendix 3 and 4.
- 5.5 In principal the strategy harnesses that previous in place, enhanced to broaden the scope to pick up a range of referrals.
- 5.6 Attached at Appendix 5 and 6 are the 'Blowing the Whistle' template and form that requires completion should someone wish to raise a concern as well as the Whistleblowing Process chart .
- 5.7 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 designed to criminalise the Subletting of Social Housing property which became law in October 2013.
- 5.8 The recent 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 undertake their responsibilities.
- 5.9 The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.
- 5.10 There will be an Independent board working with Local Authorities and the CIPFA Counter Fraud Centre to review progress against these new standards.
- 5.11 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.

- 5.12 It is intended to develop the Anti-Fraud and Corruption Strategy and proactive 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 the 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.

- 5.13 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

- 5.14 The Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements, including;

- The Council's Constitution
- Officer and Member Codes of Conduct
- Whistle-blowing Policy

- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Financial Regulations
- Procurement procedures and competition regulations

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

5.15 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.

5.17 Attached as Appendix 7 is the Enforcement Policy by which all allegations of Fraud that can be proven will be evaluated.

6 Comments of the Chief Financial Officer

6.1 This report provides the Audit Committee with an updated Anti-Fraud and Corruption Strategy and outlines a summary of the proposed Proactive Anti - Fraud activity.

6.2 There are no specific financial implications emanating from this report. The Internal Audit team work programme meets the Council's legal requirements under section 151 of the Local Government Act 1972, to maintain an adequate and effective internal audit service and reports directly to the Director of Resources in order to minimise to the Council the risk of fraud, error and omission to the Council's finances and assets.

7 Legal Comments

7.1 The legislative framework in respect of the Council's anti-fraud policy is detailed in the body of the Anti-Fraud and Corruption Strategy and appendices.

7.2 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.

- 7.3 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.
- 7.4 Recommendation 1 of the Overview and Scrutiny Committee's Transparency provided: "The Mayor considers additions to his Transparency Protocol to include actions to create an organisational culture, led by senior management, which values and presumes openness. This should include explicit support for whistleblowing where it is appropriate."
- 7.5 In response to this, a new stand-alone Whistleblowing Policy was prepared including a new Blow the Whistle process and a "Blow the Whistle Form" to register concerns with the Monitoring Officer (MO). The process and investigations are to be overseen by the MO.
- 7.6 The documents in appendices 2 through to 6 are the Whistleblowing Policy and the suite of documents accompanying that policy. These will be kept under review by Legal Services and the MO.
- 7.7 The Enforcement Policy at Appendix 7 is also a document that is kept under review by Legal Services to ensure that it remains fit for purpose.
- 7.8 The Council is required when exercising its functions to comply with the duty set out in section 149 of the Equality Act 2010, namely to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity between those who share a protected characteristic and those who do not, and foster good relations between those who share a protected characteristic and those who do not.

8 One Tower Hamlets

- 8.1 There are no specific one Tower Hamlets considerations.
- 8.2 There are no specific Anti-Poverty issues arising from this report.

9 Best Value Implications

- 9.1 This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

10 Risk Management Implications

10.1 This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

11 Sustainable Action for a Greener Environment (SAGE)

11.1 There are no specific SAGE implications.

12 Crime and Disorder Reduction Implications

12.1 By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.

