Report to:	**Audit, Best Value and Community Services Scrutiny Committee**
Date:	**17 March 2015**
By:	**Chief Operating Officer**
Title of report:	**Anti-Fraud and Corruption Policy Framework**
Purpose of report:	**To provide details of the main changes and rationale for updating and amending the Council's Anti-Fraud and Corruption Policy Framework**

RECOMMENDATION – to agree the four policies which make up the Council's Anti-Fraud and Corruption Policy Framework prior to subsequent reporting to Governance Committee for approval.

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1.   Background

1.1   In March 2013, Corporate Management Team (CMT) agreed to the creation of a new Counter Fraud Specialist post, to enable the Council's anti-fraud and corruption arrangements to be reviewed and strengthened. The rationale for this decision was based on recognition that the Council had insufficient resources in this area and wanted to take a more proactive approach to the prevention and detection of fraud. The first stage of this work has been to review and update the Council's anti-fraud and corruption policy framework, to ensure that the various policies are fit for purpose and consistent with best practice and national guidance.

2.   Supporting information

2.1   This work has now been completed, with the updated policies recently agreed by CMT. The terms of terms of reference for the Audit, Best Value & Community Services Scrutiny Committee includes responsibility for reviewing and scrutinising the Council's arrangements in relation to anti-fraud and corruption and the updated policy framework is therefore attached to this report for the committee's agreement, prior to being reported to Governance Committee for final approval. Set out below is a high level summary of the main changes along with a brief rationale for making them.

2.2   <u>Anti-Fraud and Corruption Strategy (Appendix A)</u>

The headline changes are:

• clearer definition of how we will continue to identify and understand the fraud and misconduct risks that can undermine the Council's overall business priorities;

• the strategy now reflects the very latest national guidelines, including 'Protecting the Public Purse' and 'Fighting Fraud Locally', specifically the principles of Acknowledge, Prevent, Detect and Respond;

• reflects a holistic approach to countering fraud, that factors in fraud and misconduct risk management fundamentals; and

• provides a framework for the Council that can be used to manage the risks of fraud and misconduct, with practices that have been found to be effective by other organisations.

The rationale for these changes is:

• no authority is immune from the risk of fraud or misconduct and the need to review and strengthen the Council's anti-fraud and corruption arrangements was identified, having not been fundamentally updated for many years;

- fraud and misconduct remains a constant threat and a moveable feast. To be at its most effective, strategies and policies must keep pace with known current risks, new laws and regulations.

2.3   Code of Conduct and Conflict of Interest (Appendix B)

The headline changes are:

- more detail provided in some of the areas of the policy, adding clarity and closing some potential loopholes;

- draws out the risks around 'external perceptions', specifically in relation to hospitality;

- strengthened the 'you should not accept Gifts' message and clarified the language;

- emphasises the requirement to communicate to outside parties that the offering of gifts and inappropriate hospitality is unacceptable and should not be repeated;

- enhances the section on use of council equipment, materials and property, specifically with the 'agile' programme in mind.

The rationale for these changes is:

- lessons learned from specific occurrences within ESCC and other similar organisations;

- applying current best practice, having reviewed other county councils' standards.

2.4   In order to help reduce the administrative burden associated with managing high volumes of staff declarations, we are currently investigating the potential to fully automate this process using web based technology. Unfortunately, it is unlikely that any such system will be implemented before April 2015 and therefore, the guidance within the attached Code of Conduct continues to reflect the current paper based process. This will be amended and updated as soon as a suitable automated solution has been found and implemented.

2.5   Whistleblowing Policy – Raising Concerns (Appendix C)

The main changes are:

- the policy has been softened, making the language more approachable in order to encourage staff to raise any concerns they might have;

- removal of references to the specific legislative framework which governs Whistleblowing. Staff raising genuine concerns are unlikely to require an understanding of the legal context before raising them, and indeed may be daunted by such information;

- clarification over the channels through which an employee can raise a concern, both inside ESCC and externally. This presents a greater range of options than previously, in the event that the employee is not comfortable raising their concern with their direct line manager.

The rationale for these changes is:

- implementation of the recommended changes from Public Concern at Work, following their review of the Council's Whistleblowing Policy;

- the need to acknowledge and address the likelihood that the previously policy was as likely to deter as to encourage staff to raise concerns; and

- provision of a whistleblowing policy that incorporates current best practice and encourages, enables and reassures all employees to raise concerns about risk, malpractice and wrongdoing.

2.6   Anti-Money Laundering Policy (Appendix D)

The main changes are:

- updated reporting process of Suspicious Activity Reports (SAR's), in line with current requirements and recent legal training;

- fleshing out of some examples of the 'warning signs' which are intended to help and encourage employees to identify possible instances, relevant to Council business, of money laundering; and

- utilising current legislation, thinking and good practice to ensure the Council fulfils its obligations to report any concerns.

The rationale for these changes is:

- the need to ensure that the policy is fit for purpose and complies with current legislation and best practice.

3.   Conclusion and reasons for recommendation

3.1   The Council continues to demonstrate a commitment to anti-fraud and corruption and the changes made to these policies seeks to strengthen its arrangements further, not through any fundamental shift in approach, but rather through building on and enhancing what we already have in place.

3.2   It is intended that these policies will clearly highlight to staff the organisation's on-going anti-fraud and misconduct stance and its expectations and commitment to the highest standards of probity. Once approved, these policies will provide the basis for launching a corporate anti-fraud and corruption awareness programme, along with more detailed, targeted training for specific higher risk staff groups. This is currently being developed by Internal Audit in conjunction with colleagues from Personnel and Training and the Communications Team.

KEVIN FOSTER, BUSINESS SERVICES DEPARTMENT

Contact Officers: Russell Banks, Head of Assurance   Tel No. 01273 481447