



## AUDIT AND GOVERNANCE COMMITTEE:

30 July 2019

**Report of: Borough Treasurer**

**Contact for further information: Marc Taylor (Extn. 5092)**

(E-mail: [marc.taylor@westlancs.gov.uk](mailto:marc.taylor@westlancs.gov.uk))

**Jacqui Pendleton (Extn. 2603)**

(E-mail: [Jacqueline.pendleton@westlancs.gov.uk](mailto:Jacqueline.pendleton@westlancs.gov.uk))

**SUBJECT: ANTI FRAUD AND CORRUPTION REVIEW**

Wards affected: Borough wide

### **1.0 PURPOSE OF THE REPORT**

- 1.1 To provide a summary of the outcome of the review undertaken in respect of the Council's compliance with the CIPFA Code of Conduct on Managing the Risk of Fraud and Corruption.

### **2.0 RECOMMENDATIONS**

- 2.1 That the combined self-assessment and action plan set out in Appendix 1 be noted.

---

### **3.0 BACKGROUND**

- 3.1 The Council takes a steadfast approach to tackling fraud and corruption issues. The importance and profile of this issue has increased throughout local government in recent times as a result of the difficult financial climate and reductions in Council funding. This has a further impact because economic distress can increase the incentive to commit fraud, and at the same time controls to prevent and detect fraud have come under pressure as Council's reduce their costs as a result of funding reductions.
- 3.2 As set out in the Council's current Anti-fraud, Bribery and Corruption Policy, West Lancashire Borough Council (WLBC) is committed to combatting fraud, bribery and corruption or abuse of position for personal gain, whether the perpetrators are internal or external to the Authority.

- 3.3 The types of fraud experienced by local authorities – which include housing tenancy, payroll, procurement, council tax discounts etc. - demonstrates the breadth of services potentially affected and the need for all service areas to remain vigilant and respond proactively to new emerging fraud and corruption issues. Fraud can be internal to the Council (for example, Members or staff making fraudulent expenses claims, or staff claiming to have qualifications that they do not possess) or external (for example, the illegal sub-letting of Council housing or claims for payment that are not valid).
- 3.4 In order for the Council to remain vigilant, its counter fraud, bribery and corruption arrangements are periodically reviewed to ensure that they remain adequate and comply with best practice.

#### 4.0 CORPORATE APPROACH

- 4.1 In response to the risks and challenges that fraud presents, local authorities are expected to follow three key principles:-
- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
  - **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
  - **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.
- 4.2 It is important to note that no local authority is immune from fraud and that acknowledging this fact is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur and the scale of potential losses. This can then enable a robust and proportionate fraud response to be developed.
- 4.3 Additionally, the Public Sector Internal Audit Standards (PSIAS) LAN 2019 – 2120.A2 state that "*the internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk. CIPFA has issued a Code of Practice on Managing the Risk of Fraud and Corruption. While compliance with the code is voluntary, CIPFA strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk*".
- 4.4 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption sets out 5 key principles:
- A. Acknowledge responsibility
  - B. Identify risks
  - C. Develop a strategy
  - D. Provide resources
  - E. Take action

## **5.0 REVIEW OF CURRENT ARRANGEMENTS**

- 5.1 In order to comply with PSIAS's and ensure that the council fulfils its responsibility to acknowledge, prevent and pursue fraudulent activity, a self-assessment review of the council's compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption has been undertaken by the Internal Audit Manager. Appendix 1 details the results from the self-assessment as at July 2019 against the 5 key principles of the Code and contains an action plan which once completed will enhance the foundations of the council's response to fraud and corruption. It is anticipated that actions will be completed by May 2020.
- 5.2 From the self-assessment undertaken it can be concluded that the Council's anti-fraud and corruption arrangements are appropriate and fit for purpose, however, there are areas where improvement is required. The Council is not complacent and the position will be kept under review to ensure that any issues are tackled as effectively as possible within the resources available, and consideration will continue to be given to what further initiatives can be undertaken to ensure that a proactive approach is in place.
- 5.3 It is also intended that the Council's Anti-Fraud, Corruption and Bribery policy will be reviewed and where required updated. The updated policy will be presented to this committee for review at their next meeting in October 2019 before being disseminated to all staff and members of the council.

## **6.0 SUSTAINABILITY IMPLICATIONS**

- 6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

## **7.0 RISK ASSESSMENT**

- 7.1 It is important that the Council monitors and reviews its internal control arrangements for preventing fraud and corruption. The measures set out in this report will help to ensure that the Council continues to have an effective anti-fraud, bribery and corruption framework in place.

---

---

### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

## **Appendices**

Appendix 1 – Self Assessment – Managing the Risk of Fraud and Corruption