



GOVERNANCE AND AUDIT COMMITTEE – 14TH JUNE 2022

SUBJECT: INTERNAL AUDIT SERVICES: ANTI-FRAUD STRATEGY

REPORT BY: ACTING INTERNAL AUDIT MANAGER

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1. PURPOSE OF REPORT -

- 1.1 To inform the Governance and Audit Committee of the corporate commitment to high standards in the prevention and detection of fraud and the actions that will be taken to underpin it through the adoption of an anti-fraud strategy.

2. SUMMARY

- 2.1 The Governance and Audit Committee is responsible for ensuring that strategies and policies relating to risk and control are adequately managed and monitored in order to gain assurance regarding the adequacy of risk management and internal control frameworks within the Council. The anti-fraud strategy is one such document and is attached as an appendix to this report **Appendix 1 Caerphilly CBC Anti Fraud Strategy**
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption tasks leaders of public sector organisations with the responsibility to embed effective standards for countering the risk of fraud and corruption in their organisations.
- 2.3 This report lays out the principles of the code and the associated actions that will be required to achieve the required standards within the Council.

3. RECOMMENDATIONS

- 3.1 The Governance and Audit Committee is asked to consider and endorse the Corporate Anti-Fraud Strategy, and to note that an action plan will be presented to the next meeting of the Committee.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure there is a clear commitment from the Governance and Audit Committee that those tasked with governance establish a solid foundation of anti-fraud culture within the Council to embed a culture of effective financial stewardship.
- 4.2 To ensure that the Council has an up-to-date and relevant fit-for-purpose strategy

5. THE REPORT

- 5.1 Organisations face increasing risks from fraud including financial losses and reputational damage. Furthermore, there is potentially the risk that managers may face liability in relation to corrupt or fraudulent activity of their staff.
- 5.2 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption lists key principles that underpin effective standards for countering fraud in public sector organisations, and also recommends a number of policies and procedures that organisations should put in place.
- 5.3 Members will be aware of the Audit Wales Report “Raising our Game” and the response to this report which was presented to the Governance and Audit Committee in 2020. This report made some recommendations to strengthen the Council’s Anti-Fraud culture.
- 5.4 Internal Audit has an important role to play in supporting the Leadership Team and management in ensuring that the organisation has effective systems and culture in place to detect and prevent fraud and corruption. This is part of its normal role in supporting the Governance and Audit Committee’s oversight of risk management by promoting best practice, testing and monitoring systems and advising on change where needed.
- 5.5 Although it is not the primary role of Internal Audit, it can also provide key investigatory support in relation to specific incidents where appropriate, but where this takes place, it is essential that the Team has the required mandate, expertise and resource to carry out such work.
- 5.6 Public Sector Internal Audit Standards (PSIAS) also refer to the role that Internal Audit can play in relation to the evaluation of the risk of fraud and the management of fraud risk.
- 5.7 The CIPFA Code recommends that a policy and procedure framework is put in place that includes the following suite of documents:
 - Counter Fraud Strategy – which is the subject of this report.
 - Whistleblowing Policy - in place, last reviewed in 2014.
 - Anti-Money Laundering Policy - in place, last reviewed in 2011.
 - Anti-fraud and Bribery and Corruption Policy - in place, last reviewed in

2014.

- Gifts and Hospitality Policy and Register - in place, last reviewed in 2014.
- Members Code of Conduct and Register of interests in place and reviewed in 2005 .
- Officers Code of conduct and Ethics - in place, last reviewed in 2014.
- Information Security Policy - in place, last reviewed in 2018.
- Cyber Security Strategy (the subject of another report to this Committee).

5.8 In addition to the above the Council has a Fraud, Corruption and Irregularity Investigation Protocol which forms part of the Internal Audit Manual. This has not been updated since 2019, but is currently undergoing a review/update by the Acting Internal Audit Manager.

5.9 Underpinning these various documents there should be a range of other procedures and working practices in place such as intelligence sharing, data matching, clear lines of responsibility for staff and management, a clear tone from the top regarding cultural and ethical expectations and a clearly communicated zero-tolerance corporate approach to fraud or irregularities.

5.10 From the list of documents above there are a number that may benefit from a refresh and a small number of new ones that are required. This report specifically concentrates on the Anti-Fraud Strategy which is a new document. The results of the refresh / review of the other documents will be reported as appropriate. The Cyber Security Strategy is the subject of a separate report to this Committee on today's agenda.

5.11 The Anti-Fraud Strategy has been drafted with reference to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, published guidance from the Institute of Internal Auditors, and published strategies from other Councils have also been considered for examples of good practice.

5.12 The Corporate Anti-Fraud & Corruption Strategy states the Council has a zero-tolerance for fraud and corruption, defines fraud and corruption, and outlines the culture within the Council to address this. It outlines prevention, deterrence, detection, and investigation measures in place and lists the roles and responsibilities of individuals and groups both within and external to the Council.

5.13 It is recognised that to enable effective implementation of the anti-fraud strategy an action plan will be required to identify key action points, processes required, responsible parties and success criteria. This action plan will be prepared during the coming months and presented separately to the Governance & Audit Committee.

5.14 **Conclusion**

It is recommended that the Governance and Audit Committee endorses the Anti-Fraud Strategy appended to this report.

6. ASSUMPTIONS

- 6.1 There are no assumptions in this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 The Council will be unable to deliver its Well-being Objectives in the absence of effective corporate governance arrangements.
- 7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met, in that a prosperous Wales and a resilient Wales requires an effective and robust anti-fraud strategy to protect public funds.
- 7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

8. FINANCIAL IMPLICATIONS

- 8.1 There are no direct financial implications.

9. PERSONNEL IMPLICATIONS

- 9.1 There are no direct personnel implications.

10. CONSULTATIONS

- 10.1 Any comments received from consultees have been included within the report.

11. STATUTORY POWER

- 11.1 Local Government and Elections Act (Wales) 2021

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Consultees: C Harrhy, Chief Executive
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Appendix 1 Caerphilly CBC Anti Fraud Strategy