

Draft Anti-Fraud & Corruption Policy and Draft Anti-Money Laundering Policy

To: Audit & Accounts Committee

Meeting Date: 29th September 2022

From: Acting Head of Internal Audit & Risk Management

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Outcome: The Internal Audit team have reviewed and updated the Council's Anti-Fraud & Corruption Policy and Anti-Money Laundering Policy. The draft policies have previously been reviewed and approved by the Corporate Leadership Team on the 5th September. They were then presented to the Council's unions on the 12th September, where they were endorsed with no changes.

Following review by Audit & Accounts Committee, as the designated Committee for monitoring anti-fraud and corruption policies, the draft policies will be taken to Strategy & Resources Committee on the 20th October for final approval.

Recommendation: As the Committee with responsibility for monitoring the Council's anti-fraud and corruption policies, Audit & Accounts Committee are asked to review and comment on the draft Anti-Fraud & Corruption Policy and draft Anti-Money Laundering Policy.

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1. Background

- 1.1 The Council's Anti-Fraud & Corruption Policy and Anti-Money Laundering Policy were last reviewed and approved by Audit & Accounts Committee on 30th May 2017.
- 1.2 Following the Internal Audit team's disaggregation from LGSS, responsibility for counter fraud and corruption work has returned to the in-house audit team. This has prompted a review of internal counter fraud processes, including the Anti-Fraud and Corruption Policy and the Anti-Money Laundering Policy. Both policies have been completely redrafted and refreshed, with the aim of improving accessibility as well as reflecting changing legislative requirements and best practice recommendations. Updates have also been made to the relevant officer contact information.
- 1.3 As both policies have been fully rewritten, it is not possible to show individual changes from the old to the new policies. Key elements of the changes are summarised below, and copies of the old policies are provided for comparison.

2. Anti-Fraud & Corruption Policy

- 2.1 The redraft of the Anti-Fraud & Corruption Policy has aimed to reduce the length of the policy and move some information into appendices, where it isn't likely to be relevant to all staff. The main body of the policy document has reduced from 16 to 11 pages. A flowchart has been introduced to show the process followed when a concern about fraud, theft or corruption is raised (see Section 4.3). This aims to clarify the various possible outcomes for staff.
- 2.2 Other changes include giving a wider set of examples of 'warning signs' staff can look out for that may indicate internal or external fraud or corruption, and specific provisions around preventing the risk of contractors or partners committing bribery offences when on behalf of the Council. There is also a new appendix (3) setting out how the Council meets the requirements of the Bribery Act 2010 guidance on bribery prevention.
- 2.3 In order to ensure that the updated policy is simpler and more intelligible to all members of staff and the public, the text in the body of the policy has been checked against an online Flesch-Kincaid readability checker to ensure it is accessible. The body of the new draft policy scores a Grade 9 for readability, meaning should be accessible to readers with a US Grade 9 education (c. 14 – 15 years old). For comparison, the old policy was scored as US Grade 12 (c. 17 – 18 years old).
- 2.4 The draft new Anti-Fraud & Corruption Policy is provided at Annex A to this report. For comparison, the current Anti-Fraud & Corruption Policy is provided at Annex B.

3. Anti-Money Laundering Policy

- 3.1 The Anti-Money Laundering Policy has been redrafted with the aim of making the policy simpler and more accessible to all members of staff and the public. There have been updates in some areas to reflect changing legislative requirements; in particular the

maximum limit for cash payments has been reduced to £7,500. The new policy also gives greater detail on how the Council complies with CIPFA recommendations on reducing the risk of money laundering.

- 3.2 The redraft has included a greater focus on risks of money laundering which are specific to CCC as a local authority, including the types of warning signs staff should look out for and areas of CCC services which represent a higher risk for money laundering. The redraft identifies the risk of service users being targeted by money launderers and the risk of Direct Payments and reloadable cash cards issued by the Council being used by for money laundering purposes.
- 3.3 The Customer Due Diligence procedure set out in the old policy has been revised with the aim of making it easier for staff to understand and complete, and clarifying that full customer due diligence is only required in certain circumstances when the Council is undertaking specific types of activity. The requirement for staff to fill in a lengthy form to report money laundering has been removed, and instead the new policy encourages more informal reporting; this is in line with the latest guidance from CIPFA on Combating Financial Crime for local authorities.
- 3.4 The policy update has included checking the text in the body of the policy against an online Flesch-Kincaid readability checker to ensure it is accessible. The body of the new draft policy scores a Grade 9 for readability, meaning should be accessible to readers with a US Grade 9 education (c. 14 – 15 years old). For comparison, the old policy was scored as requiring a post-graduate level of education to understand.
- 3.5 In addition to updating and revising the policy, Internal Audit is in the process of documenting a risk assessment of the Council's current money laundering controls, in line with CIPFA recommended practice.
- 3.6 The draft new Anti-Money Laundering Policy is provided at Annex C to this report. For comparison, the current Anti-Money Laundering Policy is provided at Annex D.

4. Approval and Publicity

- 4.1 Once the final versions of the draft policies are approved by Strategy & Resources Committee, then pending any final changes agreed in the meeting they will be published on the Council's external website and staff intranet. The Internal Audit service will also arrange a publicity campaign to increase officer awareness of the re-launched policies, as well as the Fraud Prevention eLearning module which is available to all staff.

5. Alignment with corporate priorities

5.1 Environment and Sustainability

There are no significant implications for this priority.

5.2 Health and Care

There are no significant implications for this priority.

5.3 Places and Communities

There are no significant implications for this priority.

5.4 Children and Young People

There are no significant implications for this priority.

5.5 Transport

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications

There are no significant implications within this category.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

Although money laundering legislation does not specifically cover local authorities, it is best practice for local authorities to comply with the spirit of the legislation. CIPFA recommended practice is for all public authorities to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation.

The Council and its employees do have responsibilities under the Proceeds of Crime Act 2002 and the Terrorism Act 2006. The Anti-Fraud and Corruption Policy and the Anti-Money Laundering Policy seek to ensure these responsibilities are clear to all employees and implemented in practice.

These policy documents have been developed with reference to the relevant legislation and the CIPFA best practice guidance on *Combating Financial Crime* (2020).

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

4.8 Environment and Climate Change Implications on Priority Areas:

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Neutral status

4.8.2 Implication 2: Low carbon transport.

Neutral status

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Neutral status

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Neutral status

4.8.5 Implication 5: Water use, availability and management:

Neutral status

4.8.6 Implication 6: Air Pollution.

Neutral status

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Neutral status

Have the resource implications been cleared by Finance? No

Name of Financial Officer:

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? No

Name of Officer:

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your EqIA Super User?

No

Name of Officer:

Have any engagement and communication implications been cleared by Communications? No

Name of Officer:

Have any localism and Local Member involvement issues been cleared by your Service Contact? No

Name of Officer:

Have any Public Health implications been cleared by Public Health?

No

Name of Officer:

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

No

Name of Officer:

5. Source documents

5.1 Source documents

5.1.1 All source documents are provided as annexes to this report, as follows:

- Annex A – Draft new Anti-Fraud & Corruption policy
- Annex B – Current Anti-Fraud & Corruption Policy
- Annex C – Draft new Anti-Money Laundering Policy
- Annex D – Current Anti-Money Laundering Policy