

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

Code of Practice Principles

Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management.

The five key elements of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption;
- Identify the fraud and corruption risks;
- Develop an appropriate counter fraud and corruption strategy;
- Provide resources to implement the strategy;
- Take action in response to fraud and corruption.

Acknowledge Responsibility

The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

Specific steps should include:

- The organisation's leaders acknowledge the threats of fraud and corruption, the harm they can cause and the potential for savings from managing the risk;
- The organisation's leaders acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the standards of good governance;
- The governing body acknowledges its responsibility for managing its fraud and corruption risks and will be accountable for the actions it takes through its governance reports;
- The governing body sets a specific goal of improving its resilience to fraud and corruption.

Identify Risks

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps should include:

- Fraud risks are routinely considered as part of the organisation's strategic risk management arrangements;
- The organisation identifies the risks of corruption in its governance framework;
- The organisation uses estimates of fraud loss, and where appropriate measurement exercises, to quantify the harm that different fraud risks cause.

Develop a Strategy

An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps should include:

- The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals;
- The strategy includes consideration of all the pro-active and reactive components of a good practice response to fraud risk management:
 - Pro-active
 - Developing a counter-fraud culture to increase resilience to fraud;
 - Deterring fraud attempts by publicising the actions the organisation takes against fraudsters;

- Preventing fraud through the implementation of appropriate and robust internal controls and cyber security measures.
 - Reactive
 - Detecting fraud through data and intelligence analysis;
 - Implementing effective whistleblowing arrangements;
 - Investigating fraud referrals;
 - Applying sanctions, both civil and criminal;
 - Seeking redress, including the recovery of assets and money.
- The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

Provide Resources

The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

Specific steps should include:

- An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk;
- The organisation utilises counter fraud staff with appropriate skills and professional accreditation;
- The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required;
- The organisation has protocols in place to facilitate data and intelligence sharing to support counter fraud activity.

Take Action

The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps should include:

- The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:
 - Counter fraud policy,
 - Whistleblowing policy,
 - Anti-money laundering policy,
 - Anti-bribery policy,
 - Anti-corruption policy
 - Gifts and hospitality policy and register,
 - Pecuniary interest policy and register,
 - Codes of conduct and ethics,
 - Cyber security policy.
- Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of improving resilience to fraud and corruption;

- There is a report to the governing body at least annually on performance against the counter fraud strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report;
- The governing body receives a report at least annually on the impact and cost effectiveness of its counter fraud activities.

Applying the Code in Practice

Where organisations are making a statement in an annual governance report about their adherence to this code, one of the following statements should be approved by the governing body and signed by the person responsible for signing the annual governance report.¹

Statement 1

Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Statement 2

Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Actions to be taken to manage the risk of fraud:

Action:	Responsibility:	Target Date:
---------	-----------------	--------------

¹ Further guidance on the implementation of the code and an assessment tool to support evaluation will be made available by CIPFA.

Glossary

As the code can apply to a wide range of organisations generic terms are used to describe governance and leadership responsibilities.

Governing Body:

The person(s) or group with primary responsibility for overseeing the strategic direction, operations and accountability of the organisation. Examples include, the Board, Council.

The organisation's leaders:

The organisation's leaders will be members of the governing body or the organisation's executive management team. Examples include, Cabinet Members, Chair of Board, Accounting Officer, Chief Executive, Executive Directors, Vice-Chancellor, Principal, Head Teacher.

Copyright

The copyright of this document is owned by CIPFA. This document may be reproduced for the purpose of assisting the consultation process only. No part of this document can be reproduced in other ways without the express consent of CIPFA.