



AUDIT COMMITTEE

24 June 2015

Subject Heading:

Anti-fraud and Corruption Strategy 2015

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Policy context:

To advise the Committee current Anti-fraud
and Corruption Strategy of the Council's
Corporate Fraud team

Financial summary:

This report details information on the
Council's Anti-fraud and Corruption
Strategy, designed to minimise loss through
fraud

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

SUMMARY

This report advises the Committee of the current Anti-fraud and Corruption
Strategy of the Internal Audit Corporate Fraud Team for 2015/16.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of the officers where required with regards to the Anti-fraud and Corruption Strategy.

Anti-Fraud and Corruption Strategy

February 2015

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Anti-Fraud & Corruption Strategy

Introduction

The Anti-Fraud and Corruption Strategy outlines the London Borough of Havering's firm commitment to minimising the risk of loss to the organisation resulting from fraud and corruption both internally and externally.

Scope

The Strategy is designed to:

- encourage prevention
- promote detection
- ensure effective investigation
- prosecute offenders where appropriate

There is an expectation and requirement that all Members, employees, consultants, contractors, partners and service users be fair and honest and, if able to do so, provide help, information and support to assist any investigation of fraud and corruption.

This strategy explains how the Corporate Fraud Team will deliver this commitment and provides advice on how concerns relating to fraud and corruption can be raised.

In adopting this strategy the Council seeks to demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside and outside the Council.

This strategy document sets out the Council's arrangements to fight Fraud and Corruption and is aligned to the Local Government Strategy – Fighting Fraud Locally.

The Strategy is set out under three headings:

- **Acknowledge**
- **Prevent**
- **Pursue**

Acknowledge

To implement robust arrangements in this area it is important to first acknowledge and then understand the risks faced by the organisation.

The Council has recognised these risks and has dedicated resources in place to support Management and the organisation in achieving their shared objectives.

The dedicated resources within the organisation review relevant publications and attend seminars to ensure they are aware of emerging and changing risks and participate in London wide groups that seek to increase collaboration and share best practice

Prevent

Having acknowledged the risks the organisation faces action is continuously being taken to prevent and detect fraudulent or corrupt activity.

Roles and Responsibilities / Accountability

The Council expects all individuals and organisations associated with it to be honest and fair in their dealing with Council and its service users. Members and managers are expected to lead by example in this respect, observing the Principles of Public Life as expressed by the Nolan Committee:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Employee Responsibilities

Employees have an essential role in the prevention of fraud and corruption within their daily duties and general conduct. All employees should be aware of and understand the Council's rules and regulations set out in the Employees Code of Conduct and Financial Framework.

Employees who suspect a fraud or irregularity have a duty to report their concerns. Where such concerns exist, individuals are asked to make a note of all relevant details, such as what was said, time and place and the names of individuals involved. Suspicion of fraud or irregularity should be reported immediately to either your:

- Line Manager
- Head of Service
- Group Director

Employees can also in accordance with the Council's Whistleblowing Policy report concerns direct to the Fraud Manager or the Corporate Fraud Team. Anyone wishing to report a concern should be aware that every effort will be made to preserve confidentiality.

It is essential that employees do not do any of the following:

- Contact the suspected perpetrator to determine facts
- Discuss the case, suspicions or allegations with anyone outside the Council (including the Press).
- Discuss the case/evidence/details with anyone within the Council other than those listed above.

Management Responsibilities

Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council's policies, procedure rules, and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the code of conduct through the induction process.

Managers are expected to strive to create an environment in which their staff feels able to approach them with any concerns they may have about suspected irregularities.

Management must ensure that levels of internal check and control are in place to safeguard against the risk of fraud and corruption. Internal Audit and Corporate Fraud support management in considering risks within their areas, including the risk of fraud, and ensuring that appropriate controls are applied to prevent and detect fraud.

Managers who suspect a fraud or irregularity in their work area or have received a concern from an employee or member of the public should:

- Not attempt to undertake a formal investigation as this may damage any Internal Audit or criminal enquiry.
- When receiving the concern obtain as much information as possible, including any evidence.
- Report the matter immediately to the Fraud Manager or Corporate Fraud Team.

Members responsibilities

As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.

Elected members sign to confirm that they have read and understood the national code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Chief Executive reminds Members annually of important points in relation to their role as a Councillor in relation to prevention and detection of fraud and corruption.

Audit Committee

Ownership of this Strategy and corporate oversight for fraud and irregularity is maintained by the Audit Committee. The Committee receives quarterly fraud update reports regarding investigation caseload. The Group Director of Finance is responsible for ensuring an annual review is undertaken of the Anti-Fraud & Corruption Policy and Strategy.

Regulations and Legislation

Each employee is governed in their work by the Council's procedure rules, Financial Framework, Procurement and Contract Rules and other codes of conduct and policies. They are also governed by the code of conduct. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Council.

The monitoring of the Council's arrangements with regards fraud and corruption is delegated to the Audit Committee and the Fraud Manager has direct access to the Chief Executive, the s151 Officer and Members.

The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. As well as governing operations, the regulations form a key component of the internal control environment, following and applying these creates a strong platform from which to combat the risk of fraud and corruption.

Current legislation of direct relevance includes, but not restricted to:

- Fraud Act 2006
- Theft Act 1968 and 1978
- Bribery Act 2010
- Computer Misuse Act 1990

The Council has in place various other relevant policies regarding fraud and corruption:

- Employee Code of Conduct
- Financial Framework/Regulations
- Contract Standing Orders
- Whistleblowing Policy
- Declarations of Interest Policy
- Business Systems Policy
- Disciplinary Policy
- Anti-Bribery Policy

Culture of Zero Tolerance

The culture of the Council has always been one of openness and the core values of accountability and probity support this. The Council's culture therefore supports its opposition to fraud and corruption and actively seeks to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts.

The organisations culture is critical in the fight against fraud. This strategy communicates a strategic approach of zero tolerance to Fraud and Corruption by;

- Publishing that fraud and corruption will not be tolerated
- Encouraging a strong anti-fraud culture
- Taking robust action when fraud and corruption are identified
- Taking action to maximise financial recovery for the Council
- Delivery of Anti-Fraud Awareness Campaign fraud awareness training sessions

Publicity

The Council actively seeks to publicise both internally and externally successes of its Anti-Fraud and Corruption Strategy in order to deter potential future fraudsters.

Training and Awareness

Annually there is an Anti-Fraud campaign to publicise and support the Council's on-going awareness programme both internally and externally. Fraud awareness training is presented by the Corporate Fraud Team to any team meeting and managers are encouraged to request this training. There is also currently an E learning package which all employees are expected to complete.

Detection

The Internal Audit Team undertake a programme of systems and proactive fraud audits as part of the Annual Audit Plan, incidences of fraud and recommendations to improve the system of internal control are highlighted to management.

The Council participates in the National Fraud Initiative (NFI) which matches data from across public sector organisations to detect fraud. Although service areas are responsible for dealing with the results of the data match the process is overseen by the Fraud Manager. The results of the NFI are reported to Corporate Management Team. Other data matching exercises to look at specific areas of risk are also conducted most recently for Single Person Discounts and Housing Tenancy Fraud.

The use of technology is an essential tool for Internal Audit in detecting and identifying misuse and abuse of IT systems. Blue Coat is a web-based reporting tool that enables Internal Audit and Business Systems to run reports to investigate and identify Internet use of staff. A protocol is in place to ensure forensic examinations, either planned or random, are performed to a high level of confidentiality and securely.

The Corporate Fraud Team works in partnership with other Local Authorities and organisations such as Dept. of Works and Pensions, UK Border Agency and the Metropolitan Police.

The Council will continue to subscribe to the work with the National Anti Fraud Network (NAFN) to ensure access to all intelligence sources.

The Council has a Confidential Reporting or 'Whistleblowing Policy' to enable all individuals internal to the organisation or those working within organisations working in partnership or on our behalf the opportunity to report concerns. Annual campaigns are carried out to continuously focus staff awareness of the whistleblowing policy.

Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems, and arrangements for preventing and detecting fraud and corruption.

The Council will only use, or share data with other organisations where the law allows it to do so, in line with the principles of the Data Protection Act 1998.

Pursue

Investigation

The Corporate Fraud Team is responsible for the investigation of all allegations of fraud and corruption against the Council.

Investigations undertaken by the Corporate Fraud Team, must comply with codes of practice and other regulated powers. All interviews and gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984 and the Regulation of Investigatory Powers Act 2000.

This process will apply to all the following areas:

- Fraud/corruption by elected members acting in their official capacity
- Internal fraud/corruption by Council employees, Agency Workers, Temporary employees on fixed term contracts
- Fraud by contractors or consultants and their employees
- External fraud (the public)

All allegations of fraud will be investigated by the Corporate Fraud Team to ensure total independence and use of relevant expertise.

As part of any investigation, the Council will ensure that:

- Any allegation is dealt with promptly and confidentially.
- All evidence collected is recorded, stored securely and safely.
- Interviews undertaken by Corporate Fraud are conducted fairly and in line with the appropriate legislation.
- Human Resources and Legal Services are consulted where appropriate.
- Relevant Directors and managers are informed of the progress of the investigation as appropriate.
- All investigations are conducted in a timely manner.

The investigation will consider whether:

- Disciplinary action against any employee involved.
- Civil or criminal prosecution action.
- The matter should be referred to the Police.
- Changes are required to the Council's procedures.
- Any other action should be recommended.

At the conclusion of our investigation, the investigating officer will report their findings to the relevant managers, Director, Head of Human Resources and where appropriate Section 151 Officer. Any decision to prosecute or to refer a matter to the police will be taken, in accordance with the relevant policy, by the Fraud Manager and where appropriate following consultation with the Group Director of Finance, Legal Services and the Council's Monitoring Officer. Where necessary, the individual who is subject to the investigation will be informed by the Head of Human Resources of the outcome in writing and advised of what action, if any is to be taken. Detailed guidance for auditors relating to the conduct of investigations are included in the Corporate Fraud manual.

When fraud or corruption has occurred because of a breakdown or weakness in the Council's systems or procedures, Managers will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

Prosecution

The Council has adopted a Prosecution & Sanctions Policy and the Council's this ensures consistency, whilst recognising that it may not always be in the public interest to refer cases for criminal proceedings. Any matters considered for prosecution will be subject to the Code for Crown Prosecutors, the evidential test

and the Public Interest test.

Disciplinary Action

Fraud and corruption are serious offences against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

Members will face appropriate action under this strategy if they are found to have been involved in fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Such cases, if not referred to the police, will be referred to the Councils Monitoring Officer; Governance Committee or Group Leader, as appropriate.

Conclusion

The Council sets and maintains high ethical standards and a culture of openness, with core values of accountability and transparency. This strategy fully supports the Council's desire to maintain an honest Council, free from fraud and corruption.

The Council has in place a network of rules, policies, systems and procedures to assist it in the fight against fraud and corruption. These arrangements will be subject to continuous review to ensure they continue to be fit for purpose and adapt as required as risks change.

In addition the Council will seek assurance from External and Internal Audit to ensure best practice is followed and sufficient resources are available to manage the Council's risk.

Further Support, Tools and Guidance

The latest version of the Anti Fraud and Corruption Strategy and all of our documents can be obtained from by contacting the Corporate Fraud Manager – Emma Vick on 02033739793 email emma.vick@newham.gov.uk or by visiting our intranet pages: <https://intranet.havering.gov.uk/index.aspx?articleid=11676>

