



# **ANTI FRAUD AND CORRUPTION STRATEGY**

Version: April 2011

## **ANTI FRAUD & CORRUPTION POLICY STATEMENT**

This Council requires Members, employees and contractors working on its behalf to act with honesty and integrity at all times, when dealing with resources owned by the Council or those for which it is responsible. This includes the responsibility for ensuring that assets are safeguarded and that procedures exist within areas of their responsibility to prevent and detect fraud.

Fraud is an ever-present threat to resources and hence must be of concern to everyone. The Council will rigorously enforce sanctions laid down in its "Disciplinary Procedures" and will seek prosecutions where necessary in order to deter fraudulent activity. The Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption within the public sector. We have already established arrangements for co-operation and joint working with outside bodies. In addition we actively foster relationships with external organisations for the purpose of introducing new initiatives to help combat fraud.

We recognise the important part our employees play in countering the damage that fraud can do if unchecked. We actively encourage the reporting of concerns about fraud and corruption and a "Confidential Reporting (Whistle Blowing) Policy" is available to address this.

**Cheryl Coppell**  
**Chief Executive**

## 1. INTRODUCTION

- 1.1 In carrying out its functions and responsibilities, the Council has always sought to adopt a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability.
- 1.2 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.
- 1.3 This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture Section 2
  - Prevention Section 3
  - Deterrence Section 4
  - Detection and investigation Section 5
  - Awareness and Training Section 6
- 1.4 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, the Local Government Ombudsman, HM Revenue and Customs and other inspection bodies. These bodies are important in highlighting any areas where improvements can be made.
- 1.5 Fraud and corruption are defined by the Audit Commission as:
- Fraud – *“the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain”.*
- Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*
- Fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to mislead or misrepresent”.*
- This strategy also covers *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*
- 1.6 Fraud is an ever present threat to the resources available to the Council. It is unfair to honest residents, its perpetrators are criminals and their actions will not be tolerated.

## **2. CULTURE**

- 2.1 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.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone's responsibility.
- 2.3 The Council's elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.
- 2.4 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred;, is in the process of occurring; or is likely to occur:
- a criminal offence;
  - a failure to comply with a statutory or legal obligation;
  - improper unauthorised use of public or other funds;
  - a miscarriage of justice;
  - maladministration, misconduct or malpractice;
  - endangering of an individual's health and safety;
  - damage to the environment; and/or
  - deliberate concealment of any of the above.
- 2.5 Processes are also in place to ensure the public, contractors and partners of the Council are aware of the arrangements and feel confident highlighting concerns.
- 2.6 All allegations received, including anonymous allegations, will be taken seriously and will be risk assessed in line with the appropriate procedure before a decision is taken regarding the commencement of an investigation. All investigations will be conducted in line with relevant legislation and council policy.
- 2.7 The Council will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not abused and, therefore, any such incidents (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.8 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.

### **3. PREVENTION**

#### **3.1 The Role of Elected Members**

- 3.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.
- 3.1.2 This is achieved by supporting the anti-fraud and corruption strategy, promoting a culture of openness and compliance with the national code of conduct for members, the Council's procedure rules and the relevant legislation.
- 3.1.3 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 Assistant Chief Executive, Legal and Democratic Services advises members of new legislative or procedural requirements.

#### **3.2 The Role of Managers**

- 3.2.1 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 national code of conduct for local government employees through the induction process.
- 3.2.2 Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.
- 3.2.3 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.
- 3.2.4 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, Criminal Records Bureau or appropriate checks are undertaken on employees. Further checks may be introduced in areas where an increased risk of potential fraud and corruption has been identified.

### **3.3 Responsibilities of Employees**

3.3.1 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 (e.g. Health and Safety, Business Systems Policy). They are also governed by the code of conduct for local government employees. 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. All documents are also available to employees on the Council's intranet.

3.3.2 The Financial Procedure Rules clearly state:

“Every employee of the Council is responsible for reporting any matter that they believe to involve financial irregularity or misadministration in the Council's business, to their Group Directors, Assistant Chief Executive, Assistant Directors and Heads of Service, or directly to the Internal Audit & Corporate Risk Manager”.

3.3.3 In addition employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.

### **3.4 Responsibilities of Contractors and Partners**

3.4.1 The Council expects all of its contractors, suppliers and partner organisations and individuals to act with honesty and integrity and for appropriate governance arrangements to be in place.

3.4.2 In accordance with the Contract and Financial Rules, arrangements are in place, to have designated employees monitoring and controlling contracts. These employees will ensure contractors are aware of the arrangements in place for preventing fraud and corruption and the process by which concern can be raised. They will also ensure that terms of reference require contractors to co-operate with any investigation undertaken by Council officers. The Council will take relevant action where the anti-fraud approach is not deemed to be sufficiently rigorous.

3.4.3 Any person employed either through an agency on a temporary appointment, is expected to comply with the same rules as permanent employees within the organisation.

3.4.4 Partnership working is a key focus for the Council and key to the achievement of corporate objectives and goals. Responsibilities will regards reporting fraud and corruption as well as the means to do so will continue to be communicated during liaison meetings to ensure robust arrangements are in

place. The Council will reconsider its membership of a partnership where the anti-fraud approach is not deemed to be sufficiently rigorous.

### **3.5 Conflicts of Interest**

3.5.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, tendering of contracts, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

### **3.6 Role of Internal Audit**

3.6.1 Internal Audit is within the Finance and Commerce Directorate and it plays a vital preventative role in trying to ensure that systems and procedures are in place.

3.6.2 Internal Audit promotes an anti-fraud culture and zero tolerance to fraud via workshops, training and presentations.

3.6.3 It would be impossible to eradicate fraud completely and Internal Audit support management in considering risks within their areas, including the risk of fraud, and ensuring that appropriate controls are applied to prevent, deter and detect.

3.6.4 Internal Audit investigate cases of suspected irregularity, except welfare benefit, council tax and social tenancy fraud matters (see below), and liaise with management to recommend changes in procedures to prevent or mitigate further losses to the Council.

3.6.5 Internal Audit assists the Chief Financial Officer whose statutory role as S151 Officer requires him to ensure that the proper arrangements are in place to administer the Councils finances.

### **3.7 The Role of the Benefits Investigation Section**

3.7.1 The Benefits Investigation Section is responsible for the investigation of welfare benefit fraud, council tax irregularities and social tenancy fraud, in accordance with the requirements of relevant legislation. In cases where employees are involved, they will work with Internal Audit and senior management to ensure that correct procedures are followed and that this strategy is adhered to.

### **3.8 The Role of External Audit**

3.8.1 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. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity including arrangements designed to limit the opportunity for corrupt practices.

### **3.9 Co-operation with Others**

3.9.1 The Council will keep under review arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity and as such links will be maintained with external agencies including:

- Metropolitan Police;
- London Audit Group;
- External Audit;
- Audit Commission;
- National Anti-Fraud Network;
- HM Revenue and Customs;
- Department of Works and Pensions;
- London Boroughs Fraud Investigation Group
- .

3.9.2 The Council will continue to participate in the National Fraud Initiative data matching exercise, which takes place every two years.

## **4. DETERRENCE**

### **4.1 Prosecution**

4.1.1 The Council has adopted a Benefits Sanction and Prosecution Policy and the Council's general prosecution policy is included within the Fraud Manual. This ensures consistency, whilst recognising that it may not always be in the public interest to refer cases for criminal proceedings.

### **4.2 Disciplinary Action**

4.2.1 Theft, 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.

4.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, 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 standards committee or group leader, as appropriate.

### **4.3 Publicity**

- 4.3.1 The Council's Head of Communications will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. S/he will also ensure that the results of any action taken, including prosecutions, are appropriately reported via our internal and external publications.
- 4.3.2 In cases where financial loss to the Council has occurred, the Council will seek to recover the loss and where appropriate advertise this fact.
- 4.3.3 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.
- 4.3.4 Regular reports will be made to the elected members and in particular the Audit Committee about countering fraud and corruption activities and their success.

## **5. DETECTION AND INVESTIGATION**

- 5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their Strategic plan are reviews of system financial controls and specific pro-active fraud and corruption tests, spot checks and unannounced visits.
- 5.2 In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.
- 5.4 All suspected irregularities are required to be reported (verbally or in writing) to the Internal Audit and Corporate Risk Manager either by the person with whom the initial concern was raised or by the originator. This is essential to the strategy, and:
  - ensures the consistent treatment of information regarding fraud and corruption;
  - facilitates a proper and thorough investigation by an experienced audit team.
- 5.5 Investigations undertaken by Internal Audit, or other appropriate Officers, 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.

- 5.6 This process will apply to all the following areas:
- a) fraud/corruption by elected members
  - b) internal fraud/corruption
  - c) other fraud/corruption by Council employees
  - d) fraud by contractors and their employees
  - e) external fraud (the public).
- 5.7 Any decision to refer a matter to the police will be taken by the Internal Audit and Corporate Risk Manager and where appropriate following consultation with the Finance and Commerce Group Director and the Council's Monitoring Officer.
- 5.8 Depending on the nature of an allegation under b) to e), the Internal Audit and Corporate Risk Manager or the Principal Audit Manager, Fraud will normally work closely with the Director concerned and Human Resources to ensure that all allegations are thoroughly investigated and reported upon.
- 5.9 The Council's disciplinary procedures will be used where necessary to facilitate a thorough investigation of any allegations of improper behaviour by employees.
- 5.10 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.
- 5.11 All investigations are recorded on a case management system This allows management to, monitor investigations and receive regular performance reports

## **6. AWARENESS AND TRAINING**

- 6.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the Council.
- 6.2 To facilitate this, positive and appropriate provision has been made via induction for new employees. The Internal Audit and Corporate Risk Manager also manages the annual fraud awareness campaign and this includes specialist training for certain elected members and employees.
- 6.3 The Chief Executive also communicates with employees on a regular basis reminding them of the importance of being vigilant and alert to the effects of fraud and encouraging employees to report any matter of concern.

- 6.4 The Internal Audit & Corporate Risk Manager reports general fraud and corruption issues to Corporate Management Team and Risk Management Group to ensure management consider the implications of issues arising and ensure appropriate steps have been taken to prevent similar issues in other parts of the Council. Internal publications are also used to communicate issues and good news stories with regards the prevention or detection of fraudulent activity.

## **7. CONCLUSION**

- 7.1 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.
- 7.2 The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.

## **8. STRATEGY REVIEW**

- 8.1 This strategy will be reviewed annually and presented for approval by the Audit Committee.
- 8.2 The next review will be completed in April 2012.

## **9. KEY CONTACTS**

Principal Audit Manager (Fraud) – Chris Nower ext 2617

Internal Audit & Corporate Risk Manager – Vanessa Bateman ext 3733

Benefits Manager – Chris Henry, ext 2413