

NORTH WILTSHIRE DISTRICT COUNCIL ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY

1.0 PURPOSE OF THE STRATEGY

1.1 NWDC aims to deliver high quality services and provide value for money whilst remaining fully accountable, honest and open in everything it does.

1.2 Fraud and corruption undermine these aims by diverting resources from legitimate activities, damaging public confidence in the Council and adversely affecting staff morale.

1.3 To achieve its aims, the Council seeks to ensure that measures are taken to prevent, detect and investigate fraudulent or corrupt acts. Therefore the Council has adopted the following policy:-

“In administering its responsibilities the Council is opposed to fraud and corruption whether it is attempted on or from within the Council and is committed to preventing, deterring, detecting and investigating fraud and corruption.”

1.4 This Strategy has been prepared in accordance with the requirements of the Constitution of the Council (Page 224 - Paragraphs 3.44 to 3.55 of Appendix C to the Financial Procedure Rules).

2.0 DEFINITIONS OF FRAUD AND CORRUPTION

2.1 Fraud

2.1.1 Fraud is the intentional distortion of financial statements or other records by persons internal or external to the authority carried out to conceal the misappropriation of assets or otherwise for gain. It is a generic term to describe a variety of offences under either the Theft Act 1968 or the Criminal Justice Act 1987. This definition does not include other irregularities which may result in loss to the Council (e.g.theft). Therefore, for the purpose of this Strategy fraud has wider meaning to include other irregularities.

2.1.2 Areas which most commonly encounter fraud include: benefits, renovation grants; cash collection; car parking; credit income; creditor payments; cheques; stores; contracts; loans and investments; payroll; expense claims; car loans.

2.2 Corruption

2.2.1 Corruption is the offering, giving, soliciting or accepting of an inducement or reward which may influence a person to act against the interests of the organisation. Corruption in the public sector is an offence under the Prevention of Corruption Acts of 1889, 1906 and 1916.

2.2.2 Areas where corrupt practices may be found may include but are not limited to: tendering and award of contracts; settlement of contractors' final accounts and claims; pecuniary interests of members and officers; secondary employment of staff which

may influence their work for the Council; canvassing for appointments; hospitality; pressure selling; the award of permissions, planning consents and licences; the disposal of assets.

3.0 OVERALL RESPONSIBILITY FOR PREVENTION, DETECTION AND INVESTIGATION OF FRAUD AND CORRUPTION

- 3.1 The primary responsibility for maintaining sound arrangements to prevent and detect fraud and corruption rests with management.
- 3.2 The Responsible Financial Officer has a statutory duty under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 3.3 Under the Accounts and Audit Regulations 2003 the Council has responsibility for ensuring that it has sound systems of internal control and an adequate and effective system of internal audit. An in-house Internal Audit section reports to the Responsible Financial Officer and to Members on the internal control environment at the Council.
- 3.4 Where instances of fraud or corruption are found or notified to the Council, it is the responsibility of the Responsible Financial Officer to decide upon what investigation shall be carried out.
- 3.5 The Council has also established an investigations unit within Customer Services to combat benefit fraud.
- 3.6 The Audit Commission is responsible for reviewing the Council's arrangements for preventing and detecting fraud and corruption.

4.0 ARRANGEMENTS TO PREVENT, DETER, DETECT AND INVESTIGATE FRAUD AND CORRUPTION

- 4.1 The following arrangements shall be made and maintained to protect the Council against fraud and corruption.

4.2 Positive Culture

- 4.2.1 The Council expects that Members and staff will lead by example in ensuring adherence to rules, procedures and recommended practices. An organisational culture should be maintained that is conducive to ensuring probity.
- 4.2.2 Members and officers should adopt the Seven Principles of Public Life as set out by the Nolan Committee on Standards in Public Life:

◇ *Selflessness* - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

◇ *Integrity* - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

- ◇ *Objectivity* - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- ◇ *Accountability* - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- ◇ *Openness* - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- ◇ *Honesty* - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
- ◇ *Leadership* - Holders of public office promote and support these principles by leadership and example.

4.2.3 Management and staff at all levels should be alert to the possibility of fraud. Managers should instigate occasional deterrent spot checks on the operation of internal controls within their service and are encouraged to seek advice from the Council's Internal Audit section.

4.3 **Delegated Powers, Standing Orders and Financial Regulations**

4.3.1 The Council has documented Delegated Powers, Standing Orders and Financial Regulations to give Members and officers clear instructions or guidance for carrying out the Council's functions and responsibilities. Adherence to these documents is closely monitored by the Council's Internal Auditors and any departure will be reported to the Responsible Financial Officer. These documents will be reviewed regularly.

4.4 **Code of Conduct for Employees**

4.4.1 The Council has a Code of Conduct for Employees, which sets out minimum standards. The Code gives advice for all Officers regarding:-

- ◇ *standards*
- ◇ *disclosure of information*
- ◇ *political neutrality*
- ◇ *relationships*
- ◇ *appointment and employment*
- ◇ *outside commitments*
- ◇ *personal interests*
- ◇ *equality*
- ◇ *separation of roles during tendering*
- ◇ *corruption*
- ◇ *use of financial resources*
- ◇ *gifts and hospitality*

◇ *sponsorship of practice*

- 4.4.2 Human Resources and Payroll is responsible for the maintenance of the Code and will provide guidance on issues raised by the Code where necessary. A copy of the Code is included in the Employee Handbook, which is also available electronically on the Council's Intranet.
- 4.4.3 Officers of the Council will be bound by the Council's Code of Conduct, any respective departmental codes of conduct, codes issued by professional bodies of which they are members, the National Schemes and Conditions of Service and the Employee Handbook.
- 4.4.4 Corporate Management Board must ensure that all employees in the areas they are responsible for are familiar with the Code and any other relevant rules and regulations which apply to their department.
- 4.4.5 A copy of the Code will be given to all new employees, and will also form part of the induction courses for new staff.

4.5 **Whistleblowing**

- 4.5.1 This policy informs staff how to report suspected malpractices affecting the Council.

4.6 **Code of Conduct for Members**

- 4.6.1 Members are required to abide by:-

- ◇ *Government Legislation*
- ◇ *National Code of Local Government Conduct (contained in the Councillors' Handbook)*
- ◇ *Council's Standing Orders*
- ◇ *Financial Regulations*

This requirement must be brought to the attention of all Members by the Chief Executive.

- 4.6.2 Members are required by the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Authorities (Members' Interests) Regulations 1992 to disclose both direct and indirect pecuniary interests and keep that information up to date. The **Monitoring Officer** is responsible for maintaining a register of such interests and it is held by the Policy & Democratic Services Team.

4.7 **Effective Internal Control Environment**

- 4.7.1 Internal control is the whole system of controls, financial and otherwise, established to provide reasonable assurance of:-
- ◇ *proper aims and objectives*
 - ◇ *effective and efficient operations*
 - ◇ *reliable management information and reporting*

◇ *compliance with laws and regulations*

◇ *safeguarding of assets*

4.7.2 Weaknesses in the design and operation of administrative and financial systems may increase the risk of fraud. Systems should contain efficient, effective and well-documented internal controls.

4.7.3 In particular, systems should contain:-

◇ *adequate separation of duties;*

◇ *proper authorisation and approval procedures;*

◇ *adequate physical security of assets;*

◇ *reliable monitoring and reporting arrangements*

4.7.4 It is management's responsibility to install adequate internal controls and rectify weaknesses if they occur. To help managers discharge this responsibility systems are subject to continuous review by Internal Audit and by the Audit Commission. The Internal Auditors are available to offer advice on controls in place and to recommend areas of Best Practice which could be adopted to improve the overall control environment.

4.8 **Recruitment Procedures**

4.8.1 The Council has clearly defined procedures that must be followed when employees are recruited.

4.8.2 The procedures provide for the procurement and verification of significant information (e.g. N.I. number, references, qualifications) supplied by applicants.

4.9 **Disciplinary Procedures**

4.9.1 The Council has in place disciplinary procedures that must be followed whenever a member of staff is suspected of committing a fraudulent or corrupt act.

4.9.2 The disciplinary procedures are set out in the Employee Handbook. Human Resources and Payroll must ensure that all officers involved in disciplinary cases have a good understanding of the procedures to be adopted.

4.10 **Training**

4.10.1 A lack of procedural guidance and training for managers, auditors and investigators in prevention, detection and investigation of fraud can lead to inefficient handling of fraud issues, and in a worst case scenario can compromise subsequent criminal investigations.

4.10.2 Investigation of fraud and corruption centres around the Council's Internal Audit Section and the Customer Services Benefit Fraud Investigation Unit. Auditors and Investigation staff must therefore be properly trained in fraud investigation.

4.10.3 Advice and training in fraud awareness is available from the Councils' Internal Auditors to managers and staff involved in internal control systems.

4.11 **Audit**

4.11.1 It is management's responsibility to maintain the internal control system and to ensure that the Council's resources are properly applied in the manner and on the activities intended. Effective managerial arrangements for the prevention and detection of fraud and corruption are essential if risk is to be minimised.

4.11.2 Auditors, both internal and external, play an important role in ensuring that satisfactory arrangements exist and are working as management intended. The auditors will draw the attention of management to weaknesses or threats identified in the course of their duties.

4.11.3 Auditors must be alert to the possibility of fraud and corruption. This responsibility is prescribed for internal auditors in the CIPFA publication "Application of the Auditing Practices Board (APB) Guideline 'Guidance for Internal Auditors' in Local Government".

4.11.4 The existence of an effective internal audit is a prime deterrent for fraud and corruption. This will be achieved through the analysis of potential fraud areas and the risks associated with them, efficient and effective audits of principal risk areas and the preparation of an Internal Audit Fraud and Corruption Response Plan.

4.11.5 The Council's Internal Auditors will ensure a risk assessment process is applied to all the Council's financial systems and non-financial systems where assets are at risk. This will be subject to an ongoing review. The risk assessment will assist in determining the frequency and duration of individual audits as well as highlighting those areas which require particular audit attention.

4.11.6 External auditors have specific responsibility for examining the Council's arrangements for the prevention, detection and investigation of fraud and corruption. They will review the activities of the Council's Internal Auditors.

4.12 **Housing Benefit Investigations**

4.12.1 The Housing Benefit/Council Tax Benefit Anti-Benefit Fraud Strategy and Policy was approved by Executive Committee on 23rd January 2003, and is currently being reviewed prior to. It sets out the Council's commitment to reducing fraud and error within Benefits Administration.

4.12.2 Benefit fraud represents one of the biggest threats facing the Council, with the vast majority of frauds against the Council being committed by benefit claimants. To this end the Council has a dedicated, specially trained team within Customer Services which is charged with:

- ◇ *Investigating suspected frauds, overpayments and errors*
- ◇ *Carrying out visits in accordance with verification framework.*
- ◇ *Security Against Fraud and Error Scheme (SAFE)*

4.12.3 Careful consideration is given to the circumstances of each case of suspected fraud before any prosecution is initiated.

4.12.4 Successful prosecutions should be publicised to deter fraud.

4.13 **Money Laundering**

4.13.1 In accordance with best practice advice issued by CIPFA and the CCAB, the Council has introduced procedures for reporting incidents of Money Laundering. The Council has appointed the Monitoring Officer as its Money Laundering Reporting Officer, and the Internal Audit Manager as the Deputy Money Laundering Reporting Officer. Notes for staff on what to do if they suspect money laundering have been produced and circulated to all staff.

4.14 **Combining with Others**

4.14.1 Arrangements are in place to continue to develop and encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. These bodies include:-

◇ *Police*

◇ *Audit Commission*

◇ *National and Regional Local Authority Investigation Officers' Groups*

◇ *Department of Work and Pensions*

◇ *The Benefits Fraud Inspectorate*

4.15 **Arrangements for Receiving Complaints and Information**

4.15.1 The Council must create the right environment so that anyone can raise concerns about suspected irregularities with the knowledge that they will be treated seriously and properly investigated in a confidential manner.

4.15.2 Financial Regulations require staff to report suspected irregularities to their Strategic Manager. If staff feel unable to raise concerns with the Strategic Manager they can speak to any of the following in confidence:

◇ *Their Line Manager*

◇ *The Chief Executive*

◇ *Section 151 Officer*

◇ *Internal Audit*

◇ *The Audit Commission*

4.15.3 Members of the public, organisations, contractors and suppliers should be encouraged to raise any concerns regarding possible fraudulent, corrupt or other illegal acts, through whichever channel they consider appropriate. The Responsible Finance Officer responds to complaints from members of the public.

4.15.4 A direct telephone line is available to the Housing Benefits Investigations Team to enable the public and members of staff to pass on information on suspected benefit

fraud in confidence. The telephone number is periodically advertised via the local press and other mediums.

- 4.15.5 All allegations of fraudulent or corrupt acts must be dealt with in a thorough, professional, impartial and prompt manner with no detriment to the person or organisation raising the allegation.

4.16 **Use of Information Systems**

- 4.16.1 Fraudulent or corrupt acts can be committed more easily if the Council's management information systems fail to generate the appropriate information to enable management to monitor the activities in an effective manner.

- 4.16.2 Control information must be regular and frequent and must be detailed and relevant to the area being controlled.

- 4.16.3 Managers must have effective budgetary control procedures in place to make sure that actual expenditure and income is in line with expectations and that the objectives and levels of activity envisaged in the budget are achieved.

4.17 **Use of New Technology**

- 4.17.1 There is an increasing risk of fraud perpetrated by the use of new technology.

- 4.17.2 Managers should take steps to protect and control computerised systems and be alert to their vulnerability. In particular they should be aware of any requirements of the:

◇ Computer Misuse Act 1990 which makes the following criminal offences:-

- unauthorised access through a computer to computer facilities;
- unauthorised access with criminal intent;
- unauthorised amendment or damage to data

◇ Data Protection Act 1984 which:

- gives rights to individuals about whom information is recorded on computer;
- places obligations on those who record and use personal data.

- 4.17.3 To prevent misuse of computers Strategic Managers and Team Leaders should ensure there are:

- ◇ adequate physical access controls
- ◇ adequate logical access controls
- ◇ adequate clerical controls
- ◇ adequate audit trails

They should also ensure that computerised systems containing personal information comply with the Data Protection Act.

- 4.17.4 Full advantage should be taken of new technology in order to provide effective management and financial information systems which highlight potential irregularities.

4.17.5 The Council's Internal Auditor will use new technology to monitor and review controls.

4.18 **Contractual Arrangements**

4.18.1 Contractual requirements and responsibilities should be set out clearly and precisely when dealing with suppliers.

4.18.2 Contracts should be let in accordance with Standing Orders Relating to Contracts and Financial Regulations.

4.19 **Purposeful Reporting**

4.19.1 The details of any proven act of fraud or corruption, including action taken by the Council, should be reported to employees, Members and the public to deter any further attempts by demonstrating the seriousness with which the Council views such cases.

5.0 CONCLUSIONS

5.1 The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

5.2 This Policy Strategy will be subject to annual review by the Final Accounts and Audit Committee.