

Anti - Fraud and Corruption Strategy

Contents

	Page
Introduction	2
Definition of Fraud and Corruption	2
Council Policy on Fraud and Corruption	2
The Council's Culture	3
External Scrutiny of the Council's Affairs	3
Customers	3
Staff	3
Managers	4
Internal Audit	4
External Audit	5
Councillors	5
Control Systems	6
Fraud and Corruption Response Plan	7

Introduction

The purpose of this strategy is to make clear to Councillors, employees, customers, suppliers and others the Council's firm stance against fraud and corruption. The Council is committed to put in place measures that will prevent, deter and detect fraud.

Definition of Fraud and Corruption

Fraud is defined as "the intentional distortions of financial statements and accounting records and/or misappropriation of assets".

Corruption is defined as "the offering, giving, soliciting or acceptance of an inducement or reward, which may influence a person to act against the interests of the organisation".

Council Policy on Fraud and Corruption

1. The Council will promptly investigate all reported suspicions of fraud, work with the police if needed and ensure that offenders are dealt with properly. A Fraud and Corruption Response Plan details the steps to be followed.
2. The Council encourages people to report suspicions of fraud. These people may remain anonymous during investigations and will receive support if required. Attempts to victimise or stop these people will not be tolerated, nor will attempts to abuse the system by making false accusations. The process is supported by the Council's Whistle-blowing policy.
3. The Council will prevent fraud and corruption by setting up and maintaining stringent controls within systems and procedures such as contract procedure rules and financial procedure rules. This will inform the annual Statement of Internal Control.
4. The Council promotes both Internal and External Audit within the organisation and will act promptly on their advice.
5. The Council will take appropriate steps to recover all losses it incurs due to fraud and corruption.

The Council's Culture

The culture of the Council promotes honesty and integrity in the provision of its services and opposition to fraud and corruption. It promotes fair treatment of customers and staff through its equal opportunity policies.

All individuals that come into contact with the Council are expected to act with integrity. This applies particularly to those provided with finance by the Council. Councillors and employees are expected to lead by example.

External Scrutiny of the Council's Affairs

The Council welcomes scrutiny of its affairs including:

- The Public
- The Local Government Ombudsman
- H M Revenue and Customs
- The Department for Work and Pensions

Customers

Customers are encouraged to raise concerns through the Council's complaints procedure. All allegations of fraud and corruption will be dealt with as stage 3 complaints.

Staff

All employees

- Are encouraged to report suspicions of fraud to either their own manager, any other senior manager or Internal Audit. Managers and Internal Audit should always be receptive to any concerns raised by staff whether they are suspicious of fraud or have ideas to prevent it. As an alternative the procedures outlined in the Council's Whistle-blowing policy could be used.
- Are reminded that malicious allegations will be dealt with through the disciplinary procedure.
- Should consider the controls listed on page 6 of this strategy during the set up or change to a system.
- Should work to the Council's code of conduct, which sets out guidelines to maintain and improve standards.
- Should work to the code of conduct for any professional bodies they belong to.
- Must record all gifts and hospitality in the register held by Human Resources in accordance with the Gifts and Hospitality Policy except

- Inexpensive gifts such as calendars; and
- Conventional hospitality such as lunches and coffee during working visits;
- Should be aware of the Council's disciplinary procedure
- Should receive training in their job; and
- Should familiarise themselves with and follow:
 - Contract procedure rules; and
 - Financial procedure rules.

Managers

- As well as following the guidelines for all staff, managers should:
- Set an example for staff to follow;
- Take up references on all prospective new employees. In particular, obtain information on their honesty and integrity. This should include temporary and contract employees;
- Organise training for their staff;
- Deal promptly with an allegation of fraud or corruption as detailed in the Fraud and Corruption Response Plan;
- Deal swiftly and firmly with staff and others who defraud the Council or are corrupt; and
- Implement the Council's disciplinary procedure if the outcome of an investigation indicates improper behaviour by a member of their staff.

Internal Audit

In compliance with the Accounts and Audit Regulations 2003, the Council maintains an adequate and effective Internal Audit service. Internal Audit checks the Council's accounting records and control systems. Findings are reported to the manager concerned and recommendations from all reports are presented to the Audit Committee. Audits are planned so that the emphasis is on activities exposed to risks of fraud. A specialist team investigates benefit fraud. Specific tests and initiatives to detect fraud include:

- Participation in the National Anti-Fraud Initiative (N.A.F.I.); and
- Data matching both internally and nationally across different financial systems to detect fraud.

External Audit

External Audit provides an independent and objective check on the stewardship function, legality of transactions, financial standing, value for money and arrangements to prevent and detect fraud and corruption.

Councillors

Councillors receive information and training through the Council to help them in their role. They should also work within:

- Council constitution;
 - The national Code of Local Government Conduct;
 - Sections 94 – 96 of the Local Government Act 1972;
 - Local Authorities Members' Interest Regulations 1992 (SI.618); and
 - The Council's Code of Conduct.
- Councillors are encouraged to report suspicions of fraud to either the Corporate Management Team, Head of Finance or Internal Audit. Managers and Internal Audit should always be receptive to any concerns raised by councillors whether they are suspicious of fraud or have ideas to prevent it

Control systems to prevent, deter and detect fraud and corruption

Policies, Objectives, Plans

- Systems to define and communicate policies, objectives and plans,
- Targets and standards

Standards/Guidance/Documentation

- Financial procedure rules, factsheets
- Contract procedure rules
- Codes of practice, conduct and ethics, professional standards.

Organisational Structures

- Organisation of work to ensure communication and efficiency, whilst maintaining a separation of duties
- Staff development framework encouraging commitment to the Council.

Budgetary Systems

- One budget holder per service with controls on spending
- Regular monitoring and reporting of budgets

Human Resources

- Procedures and policies to employ appropriate staff and treat them fairly,
- Discipline and appraisal procedures
- Awareness training

Supervision

- Procedures to ensure that errors are prevented and detected through checks

Management Review and Monitoring

- To check that people understand procedures, reconciliations and systems,
- To prevent, detect and investigate fraud, errors and abuse.

Physical Safeguards

- Limited access to assets, systems and records, e.g. password protection
- Backup systems

Authorisation and Approval

- Certification, checks, documentation and clear management (audit) trails.
- Separation of duties - at least 2 individuals involved, for example the person signing a payment slip, should not process the payment.

Accounting

- Procedures, standards, balancing and reconciliation.

Information Systems

- Information providing early warning of problems,
- Secure operating systems and procedures.
- Back up systems to allow business continuity

Fraud and Corruption Response Plan

A Fraud is Suspected by a Member of Staff

A member of staff who suspects a fraud can report it to either his/her manager, any senior manager, Head of Finance or Internal Audit. They may prefer to remain anonymous and if so their identity will be protected and not released at any time during the investigation.

A Manager/Councillor is Informed of or Suspects a Fraud

A manager who is informed of or suspects a fraud should check the details without alerting the possible suspects. If the suspicions appear to have a sound basis they should inform a member of the Corporate Management Team and either the Head of Finance or Internal Audit.

A councillor who is informed of or suspects a fraud should inform either a member of the Corporate Management Team, the Head of Finance or Internal Audit who will check the details

Reporting

All allegations made even if not proven should be reported to the Head of Finance. The Head of Finance will maintain a register of allegations and report 6 monthly to Corporate Management Team.

Contact with the Police

If a criminal event is believed to have happened then the police should now be involved, if they have not been already. It is vital that they are involved as soon as possible, to make sure that the internal investigation follows correct procedure and does not compromise any police action. If they decide to formally investigate, police enquiries should be co-ordinated with the internal investigation. All staff should co-operate fully with police enquiries and recommendations.

External Audit

The Council is required to inform External Audit of all suspected frauds and the Head of Finance will ensure that this happens promptly.

Publicity

Staff should not speak to the newspapers, radio, television or other third party unless authorised by a member of Corporate Management Team.

Insurance

Confirmed fraud should be reported to the Financial Accountant.

Internal Audit

Internal Audit and the Head of Finance, who is also the Section 151 Officer, will start an investigation and liaise regularly throughout its progress. Internal Audit constantly reviews systems and their controls and as a result they are experienced at investigations, recording facts and preparing accurate reports. They also receive and study information on fraud prevention, detection and investigation.

Access

To help the investigation of fraud and carry out their normal audit work, Internal Audit has rights under the Accounts and Audit Regulations 2003 and the Council's financial procedure rules. Internal Audit:

- Has access to all records relating to financial transactions and to any Council premises or land;
- May require any member or employee to produce financial records or other documents that the auditor believes are necessary for an audit; and
- May require any member or employee to give explanations and provide information that the auditor believes are necessary for an audit.

Investigation

Internal Audit will open a file and carry out an initial investigation. The interests of the Council must be protected, as should those of the suspect(s), as a suspicion should not be viewed with guilt until proven. Work will be indexed and filed in date order with all details recorded even if they appear to be trivial. Evidence should be collected and kept in a suitable place. The file and evidence should include:

- Details of telephone conversations and face to face discussions;
- Written statements;
- Circumstantial evidence and gossip;
- Prime documents and certified copies;
- Physical items; and
- Tests carried out and results.

Interviews must be carried out correctly. In particular, the requirements of the Police and Criminal Evidence Act must be complied with when interviewing suspects.

Reporting

Internal Audit will prepare interim reports at appropriate intervals for the Corporate Management Team. These will set out the findings to date, interim conclusions based on them, any actions taken and, if necessary, a request for approval to continue the investigation.

The final report will replace all other reports and may be used by management as a basis for disciplinary action. The report should also identify any system weaknesses that have allowed a fraud to occur and recommend improvements to overcome these weaknesses. The information provided in the final report will include:

- How the investigation started;
- The staff involved, their position and responsibilities;
- How the investigation was undertaken;
- The facts and evidence identified;
- The financial implications including losses and recovery; and
- A summary of the findings and recommendations on both the fraud and the system involved.

The report must be backed by solid evidence and avoid defamation in case it is made public. Defamation is defined as "...the publication (i.e. communication) of a statement which tends to lower a person in the estimation of right-thinking members of society generally or which tends to make them shun or avoid that person".

Internal Audit will follow up recovery of any losses such as a compensation order in any criminal prosecution, fidelity guarantee insurance or a civil claim.

Councillors' Involvement

A summary confidential report will be presented to the Audit Committee identifying the key points of the investigation, the findings, action taken and recommendations.

Fraud Response Flowchart

