

ANTI-FRAUD AND CORRUPTION STRATEGY

INTRODUCTION

- 1 The authority aims to provide community leadership and quality services.
- 2 In carrying out its functions and responsibilities, the authority has always adopted 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. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards have also been expected from organisations that have dealings with the authority (e.g. suppliers/contractors).
- 3 We are currently in a strong position due to the controls that have already been put in place, e.g. standing orders, financial regulations and the members' code of conduct, but we must not be complacent.
- 4 The authority wishes to demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (members and employees) and outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 5 This strategy will be consistent with the authority's equal opportunities policy and any obligations as an employer under the code of conduct for local government employees.
- 6 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
 - Prevention
 - Deterrence
 - Detection and investigation
 - Awareness and Training
- 7 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, inspection bodies, the Local Government Ombudsman, HM Customs & Excise and the Inland Revenue. These bodies are important in highlighting any areas where improvements can be made.
- 8 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 authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.

In addition, fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”.*

Corruption – “*the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person*”.

- 9 In addition, this strategy covers “*the failure to disclose an interest in order to gain financial or other pecuniary gain.*”

CULTURE

- 10 The culture of the authority has always been one of openness and the core values of fairness and trust support this. The authority’s culture therefore supports the opposition to fraud and corruption.
- 11 The prevention/detection of fraud/corruption and the protection of the public purse are everyone’s responsibility.
- 12 The authority’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, regardless of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.
- 13 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
 - deliberate concealment of any of the above.
- 14 The authority will ensure that any allegations received in any way, including use of the Confidential Reporting (Whistleblowing) Policy, anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998.
- 15 The authority will deal firmly with those who defraud the authority, 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 misused. An allegation made maliciously or for personal gain by an employee or statutory office holder may be treated as a disciplinary matter. Similarly an allegation made maliciously or for personal gain by a contractor or by an employee of another organisation working on behalf of the County Council may result in removal from the approved list of contractors and/or discontinuance of the use of the organisation’s services.
- 16 When fraud or corruption have occurred because of a breakdown in the authority’s systems or procedures, Chief Officers will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

PREVENTION

ELECTED MEMBERS

The Role of Elected Members

- 17 As elected representatives, all members of the authority have a responsibility to citizens to use resources in fulfilment of the authority's roles and functions and to protect the authority from all forms of abuse.
- 18 This is done through compliance with the code of conduct for members, the authority's financial regulations, standing orders, the anti-fraud and corruption strategy and any other relevant legislation and codes of practice.
- 19 When they take office, elected members sign to the effect that they will duly and faithfully fulfil the requirements of the role of elected members to the best of their judgement and ability and they will observe the code as to the conduct which is expected of them. The Standard and Ethics Committee's role is to promote and maintain a high standard of conduct by elected members and to assist them to observe the code of conduct. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Director of Corporate Services advises members of new legislative or procedural requirements.

EMPLOYEES

The Role of Managers

- 20 In accordance with Financial Regulations, Chief Officers are responsible for the operation of the financial procedures within their Directorates. They shall ensure that adequate operational controls are in place. They shall ensure that staff in their Directorate are aware of and comply with Financial Regulations.
- 21 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 authority's staff handbook, financial regulations and standing orders, 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.
- 22 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.
- 23 The authority 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. The authority's equal opportunities policy will be adhered to during this process.
- 24 The authority has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, police checks are undertaken on employees working with children.

Responsibilities of Employees

- 25 Each employee is governed in their work by the authority's standing orders and financial regulations and other codes of conduct and policies (health and safety, IT strategy, IT security). 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 authority or will be provided by their manager.
- 26 Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named below.
- 27 Concerns must be raised, in the first instance, directly with the supervisor/business unit manager, or, if necessary, anonymously (by letter or phone), and via other routes, in accordance with the authority's confidential reporting policy with:
- Heads of Service or Directors
 - The Chief Executive
 - The Monitoring Officer (who is the Director of Corporate Services)
 - The Chairman of the Standards and Ethics Committee
 - The Chief Internal Auditor
 - The External Auditor

In accordance with Financial Regulations the Chief Internal Auditor shall be immediately informed of any loss or financial irregularity or suspected irregularity, or any circumstances which may suggest the possibility of such irregularity.

Conflicts of Interest

- 28 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, internal tendering, 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.

Official Guidance

- 29 In addition to financial regulations and standing orders, Chief Officers and business units will have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

Role of Internal Audit

- 30 Internal Audit plays an important role in helping to prevent and detect fraud and corruption by independently reviewing, appraising and reporting on the adequacy of internal control systems. Internal Audit investigate all cases of suspected irregularity in accordance with the requirements of the Human Rights Act 1998 and the Regulation of Investigatory Powers Act 2000. They liaise with management to recommend changes in procedures to prevent further losses to the authority.

The Role of External Audit

31 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 authority'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 authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

Co-operation with Others

32 Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- police
- county, unitary and district groups
- external audit service
- Audit Commission
- National Anti-Fraud Network
- Benefits Agency
- government departments.

DETERRENCE

Prosecution

33 The authority will deal equally with perpetrators from inside (members and employees) and outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. Where there is evidence of fraud or corruption, the matter will be referred to the police for investigation and, on police advice to the Crown Prosecution Service for advice on prosecution. The authority recognises that it may not always be in the public interest to refer cases for criminal proceedings.

Disciplinary Action

34 Theft, fraud and corruption are serious offences against the authority 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.

35 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the authority. 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 action may include

disqualification. In accordance with the Local Government Act 2000, complaints against Councillors' alleged failure to comply with the code of conduct are referred to the Standards Board for England.

Publicity

- 36 The authority's public relations unit will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. PR will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.

DETECTION AND INVESTIGATION

- 37 There are numerous systems and controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 38 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, in accordance with the requirements of the Human Rights Act 1998.
- 39 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator, in accordance with the authority's confidential reporting policy. This is essential to the strategy, and ensures the investigation is undertaken by an experienced audit team that:
- ensures the consistent treatment of information regarding fraud and corruption;
 - facilitates a proper and thorough investigation, including appropriate liaison, at the correct stage, with the police; and
 - ensures the investigation is undertaken in accordance with the requirements of the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and any other relevant legislation.
- 40 Victimisation or harassment of anyone reporting a suspected irregularity will be deemed to be a disciplinary matter as will attempts to discourage others from coming forward.
- 41 The Council undertakes to protect the identity of those who report a suspected irregularity and will not disclose the individual's identity without their consent. If it is not possible to pursue a concern without revealing the identity (e.g. the need to give evidence in court or at a disciplinary hearing), the Responsible Officer handling the investigation will discuss the matter with the individual.
- 42 This process will apply to all the following areas:
- a fraud/corruption by elected members
 - b internal fraud/corruption
 - c other fraud/corruption by authority employees
 - d fraud by contractors' employees
 - e external fraud (the public).
- 43 Cases under a), d) and e) would normally be referred directly to the External Auditor or the police.

- 44 Depending on the nature of an allegation under b) to e), the Chief Internal Auditor will normally work closely with the Director concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 45 The authority's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The Standards Board for England hears complaints about and adjudicates on Member conduct.

AWARENESS AND TRAINING

- 46 The authority 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 authority.
- 47 To facilitate this, positive and appropriate provision has been made via induction and for employees via their development plans. This includes specialist training for certain elected members and employees.
- 48 A leaflet on the confidential reporting policy was distributed to all employees and members, and full copies of this strategy and the anti-fraud and corruption policy are contained within the staff handbook.

CONCLUSION

- 49 The authority has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This strategy fully supports the authority's desire to maintain an honest authority, free from fraud and corruption.
- 50 The authority 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.
- 51 The authority will maintain a continuous review of all these systems and procedures through its internal audit arrangements.
- 52 This strategy will be reviewed annually by the Chief Officers Management Board