

# **ANTI FRAUD, BRIBERY AND CORRUPTION**

## **STATEMENT AND POLICY**

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## ANTI FRAUD, BRIBERY AND CORRUPTION STATEMENT

The Council recognises that fraud, bribery and corruption cause financial loss and are damaging to the provision of services and harmful to the reputation of and confidence in the Council and public bodies in general.

The Council is committed to making sure that the opportunity for fraud, bribery and corruption is minimised and adopts a **'Zero Tolerance'** approach to fraud, bribery and corruption.

The Council expects all Members, employees, consultants, contractors and service users to be fair and honest in their dealings with and for the Council.

The Council expects all Members, employees, consultants, contractors and service users to provide any help, information and support necessary to deal with fraud, bribery and corruption.

The Council operates a series of procedures designed to prevent, detect and deter fraud and to take effective action against an attempted or actual fraudulent act affecting the Council. Where fraud, bribery and corruption are found to exist the Council will deal with it in a firm and controlled manner.

The Council complies with the legislative requirements of having effective arrangements for tackling fraud, bribery and corruption and conforms to the professional guidance laid down in the Public Sector Internal Audit Standards.

# ANTI FRAUD, BRIBERY & CORRUPTION POLICY

## 1. Background

- 1.1 The Council recognises that in addition to causing financial loss, cases of fraud, bribery or corruption are also damaging to the provision of services and harmful to the reputation of, and confidence in, the Council and public bodies in general. The Council is committed to making sure that opportunities for fraud, bribery and corruption are minimised. Where fraud, bribery or corruption are found to exist, the Council will deal with it in a firm and controlled manner.
- 1.2 An important part of this approach is introducing an Anti Fraud, Bribery and Corruption Statement, which will be used to advise and guide members, officers, the general public and contractors on the Council's approach to the serious issues of fraud, bribery and corruption. This Policy document provides an overview of the Statement and outlines how the Council will deal with allegations of fraud, bribery and corruption.
- 1.3 The Council adopts a '**Zero Tolerance**' approach to fraud, bribery and corruption. The Council expects all Members, employees, consultants, contractors and service users, to be fair and honest in their dealings with and for the Council. In addition these persons will be expected to provide any help, information and support necessary to deal with fraud, bribery and corruption.
- 1.4 Elected Members, and officers, should play a key role in counter-fraud initiatives. This includes providing a corporate framework within which counter fraud arrangements will flourish, and the promotion of an anti-fraud culture across the whole of the Council. This should provide a sound defence against internal and external abuse of public funds.
- 1.5 The Council operates a series of procedures designed to prevent, detect and deter fraud bribery and corruption and to take effective action against attempted or actual fraudulent acts affecting the Council. The Council also complies with the legislative requirements of having effective arrangements for tackling fraud, bribery and corruption and conforms to the professional guidance laid down in the Public Sector Internal Audit Standards.

## 2. Corporate Framework and Culture

- 2.1 The Audit and Corporate Governance Committee has delegated responsibility to ensure there are appropriate policies and processes in place to safeguard the Council's resources and their use, including appropriate mechanisms for anti-fraud and corruption.
- 2.2 The Director of Finance and Information Services has a statutory responsibility under Section 151 of the Local Government Act 1972 to make sure that proper arrangements are made for the Council's financial affairs. In addition, under the Accounts & Audit Regulations 2011 as the "responsible financial officer", he/she is required to determine the accounting control systems which include:
  - measures to enable the prevention and detection of inaccuracies and fraud;

- identification of the duties of officers dealing with financial transactions; and division of responsibilities of those officers in relation to significant transactions (this is a key control in the prevention of impropriety).

2.3 The Executive Board lead for Corporate Resources and Assignments has been nominated as the lead member for anti-fraud, bribery and corruption issues. This ensures that there is awareness and consideration of such matters at the highest level of decision-making in the Council.

2.4 The Chief Internal Auditor has a responsibility, in accordance with the Public Sector Internal Audit Standards, to review how the Council manages fraud risk and to ensure that the potential for the occurrence of fraud is evaluated. The Chief Internal Auditor has an independent right of access to the Chair of the Audit and Corporate Governance Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit work, the Chief Internal Auditor may report directly to the Chair of the Audit and Corporate Governance Committee.

2.5 The Council's External Auditors have a responsibility, as part of their statutory duties, to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.

2.6 The Council has a range of systems, policies and procedures that provide a corporate framework to counter the risk of fraud and error. Members and officers are required to comply with these when dealing with the Council's affairs. These include:

**Systems:**

- Accounting procedures and records
- Systems of corporate governance, risk management and internal control
- An effective Internal Audit function
- Effective recruitment and selection procedures
- Training and awareness raising

**Policies and Procedures:**

- Members Code of Conduct and the Code of Conduct for Council Employees
- Code of Corporate Governance
- Financial and Contract Procedure Rules and Corporate Procurement Guide
- Declarations of Interest
- Registers of Gifts and Hospitality
- Disciplinary, Grievance and Complaints Procedures
- A Corporate Fraud Response Plan
- Confidential Reporting (Whistleblowing) procedure
- The Regulation of Investigatory Powers Act (RIPA) procedures

Copies of all of these policies and procedures can be found on the Council's Intranet site.

2.7 The relationship between the Council's benefits fraud investigators; financial investigators; the corporate fraud lead; the Chief Internal Auditor; the Section 151 Officer; Legal Services; and HR has been set out in a fraud response plan that has been agreed by all parties.

### **3. Prevention**

3.1 The Council recognises that fraud, bribery and corruption are costly, both in terms of reputational risk and financial losses. The prevention of fraud, bribery and corruption is therefore a key objective of the Council and respective roles and responsibilities are outlined below.

#### **Members of the Council**

3.2 Members are required to operate within:

- The Council's adopted 'Members' Code of Conduct' (revised September 2012)
- The Council's adopted 'Protocol on Member / Officer Relations'
- Part III, Local Government Act 2000 (Conduct of local government Members and employees)
- Section 27, Localism Act 2011 (Duty to promote and maintain high standards of conduct)
- The Council's Financial and Contract Procedure Rules

3.3 Under the Localism Act, authority has been delegated to the Council's Monitoring Officer to receive and investigate complaints of failure to comply with the Members' Code of Conduct. The Council's Standards Committee receives reports on these investigations and takes decisions in respect of a Member who is found on hearing to have failed to comply with the Code of Conduct.

3.4 These matters and other guidance are specifically brought to the attention of Members at their induction and are in each Member's handbook. They include rules on the declaration and registration with the Chief Executive of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives. The Monitoring Officer advises Members of any new legislative or procedural requirements.

3.5 The Local Government Act 2000 requires all Members to give a written undertaking to comply with the Code of Conduct if they are to remain on the Council.

#### **Officers of the Council**

3.6 A key preventative measure in the fight against fraud, bribery and corruption is to take effective steps at the recruitment stage. As part of the recruitment process managers should establish, as far as possible, the previous record of the potential staff, in terms of their propriety and integrity. Temporary staff should be treated in the same manner as permanent staff.

3.7 Staff recruitment will be undertaken in accordance with the Council policies for Recruitment and Selection. Written references should always be obtained and qualifications verified before formal employment offers are made. In addition, as with other public sector bodies, checks will be undertaken with the Disclosure and Barring Service with regard to employees working with children and vulnerable adults.

- 3.8 The Code of Conduct for Council Employees states that employees must ensure that they use public funds entrusted to them in a responsible and lawful manner. They must also disclose any financial or non-financial interests that they consider could bring about conflicts with the Authority's interests. The Code of Conduct is issued to all new employees when they join the Council.
- 3.9 Staff are also expected to follow the codes of conduct and standards laid down by their respective professional institutes.

### **Systems of Internal Control**

- 3.10 The Council's aim is to have sound financial systems and procedures, which include efficient and effective internal controls. It is the responsibility of management to ensure that these controls also minimise the risk of fraud and error occurring. Separation of duties, where one member of staff is not responsible for all parts of a procedure, should be considered as a fundamental control in systems, especially when involving significant transactions. Where this is not possible, for example because of resource constraints, managers should consider introducing a system of random, periodic checks on transactions.
- 3.11 The Council's Financial Procedure Rules set out that Executive Directors and Assistant Directors are responsible for making sure that adequate controls are in place. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the Council's Internal Audit Section.
- 3.12 As part of the Council's published Accounts each year, a formal statement is produced which describes the internal control systems and provides an assessment of their effectiveness. This Annual Governance Statement is designed to provide assurance to external parties of the quality of the Council's governance arrangements and demonstrates effective stewardship of the public funds entrusted to the Council. The Statement is supported by the annual report and head of internal audit opinion on the system of internal control, which takes into account the work undertaken to prevent, detect and investigate cases of fraud, bribery and corruption in the Council.

### **Combining with Others to Prevent and Fight Fraud**

- 3.13 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. This is mainly done through the National Fraud Initiative exercises co-ordinated by the Audit Commission. Such activity is carried out in full compliance with the Data Protection Act 1998 and with the Audit Commission's Code of Data Matching Practice and includes providing information to other agencies for data matching purposes. The Audit Manager is the local co-ordinator for the National Fraud Initiative.
- 3.14 There is also an intelligence gathering, collation and dissemination service on fraud, bribery and corruption known as the National Anti-Fraud Network (NAFN) in which the Council participates. Information obtained from the NAFN is circulated by Internal Audit to all relevant parts of the Council.

- 3.15 Any employee found to be carrying out fraudulent activity on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases disciplinary action could lead to dismissal.
- 3.16 The Council operates a Benefit Fraud Hotline to allow Members of the public to report individuals who are suspected of abusing the benefits system.

## **4. Combating Fraud**

- 4.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside or outside of the Council. These include:
- Having sound internal control systems, that allow for innovation and calculated risk, but at the same time minimise the opportunity for fraud, bribery and corruption.
  - Publicising the fact the Council has strong policies in place to deter fraud, bribery and corruption and states this at every appropriate opportunity e.g. statements in contracts, on claim forms, and publicity literature.
  - Acting quickly when fraud, bribery and corruption is suspected and proven, e.g. the termination of contracts, the dismissal and/or prosecution of offenders.
  - Taking action to recover the maximum redress for the Council, e.g. through agreement, court action, penalties, insurance, superannuation etc.
  - Generating maximum publicity for successful outcomes to investigations and prosecutions, via local media or using the Council's internal communications channels

## **5. Detection and investigation**

- 5.1 It is the responsibility of Executive Directors, Assistant Directors and managers to maintain good control systems and ensure that all staff comply with these systems.
- 5.2 The Council's Internal Audit section has an annual audit plan to test for fraud, bribery and corruption, based on a risk assessment model, which includes liaison with external audit when considering the audit plan. In addition, Internal Audit and External Audit will liaise closely on work plans involving fraud, bribery and corruption. As part of the plan, Internal Audit carry out a number of proactive fraud detection reviews using data analysis to focus work on key fraud risk areas and identify potential anomalies for further investigation.
- 5.3 However, despite the best efforts of managers and auditors, many cases of fraud and error are discovered by chance or "tip-off". It is often the alertness of employees and the public that enables detection to occur. The earlier a concern is raised, the more likely it is that action can be taken and the matter dealt with.
- 5.4 The Council has a Whistleblowing Procedure that encourages everyone working for, or on behalf of, the Council to raise concerns at the earliest opportunity. These may relate to fraud, bribery or corruption; or other unlawful conduct within the Council's activities. These referrals can be made to management or by using an on-line reporting form or dedicated 24-hour answerphone service.

- 5.5 Employees and managers are responsible for reporting any allegations of fraud, bribery or corruption that they receive. The fraud response arrangements, outlined in Corporate Fraud Response Plan, enable such information or allegations to be properly dealt with. The Plan also contains the standard definitions of fraud, bribery and corruption used by the Council. The Council's Whistleblowing Procedure also sets out the safeguards and support that are available to those who raise concerns.
- 5.6 The reporting of suspected irregularities is essential to achieving the objectives of the Anti Fraud, Bribery and Corruption Policy and ensures:
- consistent treatment of information regarding fraud, bribery and corruption;
  - proper investigation by an independent and experienced audit team;
  - the proper implementation of a fraud, bribery and corruption response investigation plan; and
  - the optimum protection of the Council's interests.
- 5.7 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management, Human Resources, Legal etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.
- 5.8 The Solicitor to the Council has requested a specific point of contact from Cheshire Police in relation to the offence of misconduct in public office. This will be operated in the same way that we do for electional offences which have such a point of contact in place.
- 5.9 The Council's disciplinary procedures will be used where the outcome of the investigation indicates improper behaviour; "reasonable belief" is sufficient ground for dismissal, rather than absolute proof as in a court of law.
- 5.10 In the event of the Council receiving a request for a reference in respect of an employee who has been dismissed as a result of a fraud/irregularity investigation, Human Resources should be contacted for guidance regarding the wording of any reference provided.
- 5.11 The Council's external auditor (Grant Thornton) also has powers to independently investigate fraud, bribery and corruption.

## **6. Sanctions and Redress**

- 6.1 A key strategic aim is to ensure that where fraud is proven appropriate sanctions are taken; sanctions can include disciplinary, civil and criminal. Sanctions are applied in cases of housing benefit fraud and successful prosecutions are publicised to deter fraudulent claims. Proceeds of Crime legislation is used by the Public Protection team and successful recovery has been achieved under this legislation. A sanctions policy is in development that will ensure the Council applies appropriate sanctions in a consistent manner across all areas.



## **7. Training**

- 7.1 The Council recognises that the success and credibility of its Anti Fraud, Bribery and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. As a result, details of the Policy will be provided to all Members and all staff and be included on induction programmes. The Policy will also be made available on the Council's intranet.
- 7.2 The Council supports the concept of induction training, particularly for officers involved in the internal control systems, to ensure that their responsibilities and duties are regularly highlighted and reinforced. The Council's e-learning platform includes a module on fraud, bribery and corruption for all officers and Members to complete. It is intended that this training will be mandated for all officers and Members and the possibility of disciplinary action against officers and Members who ignore such training and guidance is clear.
- 7.3 The officers involved in the review of internal control systems and investigative work should be properly and regularly trained. The training plans of Internal Audit, Public Protection and Benefits Fraud sections will reflect this requirement.
- 7.4 It is the responsibility of Executive Directors and Assistant Directors to communicate the Anti Fraud, Bribery and Corruption Policy to their staff and to promote a greater awareness of the possibility of fraud within their directorates.

## **8. Contacts**

- 8.1 Further advice or assistance can be obtained from the following:

### **Internal**

Jean Gleave - Chief Internal Auditor Tel: 01925 442354

Simon Bleckly - Audit Manager Tel: 01925 442217

Adrian Webster - Head of Benefits & Exchequer Services Tel: 01925 442266

Dave Watson - Community Safety and Licensing Manager  
Regulation and Public Protection Tel: 01925 442590

### **External**

Jo-Ann Whittingham - Grant Thornton Tel: 0151 224 7200

Local Government Ombudsman Tel: 0845 602 1983