



Anti-Fraud, Theft and Corruption Strategy

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Owner: A Hill

1. INTRODUCTION

Effective local government relies on public confidence in elected members and appointed officers and it is important that the council sets out and aspires to appropriate standards. The Nolan Report relating to the Principles of Public Life published in 1997 defined seven general principles that should underpin public life.

1. Selflessness

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

2. Integrity

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

3. 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.

4. Accountability

Holders of public office are accountable for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office.

5. Openness

Holders of public office should be as open as possible about all of 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.

6. Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve conflicts arising in a way that protects the public interest.

7. Leadership

Holders of public office should promote and support these principles by leadership and example

The council endorses these principles and expects all those who are involved in the work of the council to subscribe to these standards. This includes:

- Members
- Employees
- Agency workers
- Consultants

- Contractors
- Suppliers
- Staff and members of partner organisations

The council's expectation on propriety and accountability is that members and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and recommended practices.

The council's Standards Committee, in its terms of reference, is charged with monitoring the operation of the Members' Code of Conduct and promoting and maintaining high standards of conduct by those to whom the code applies. As provided for in section 28 of the Localism Act 2011 the Members' Code of Conduct must be consistent with the seven general principles set out above.

The council also expects that individuals and organisations (e.g. suppliers and contractors) with whom it is associated will act with integrity and that the public will be honest in their dealings with the council.

2. DEFINITIONS

For the purpose of this strategy the following definitions apply but if there is any question as to whether an action constitutes financial or other malpractice then the prescribed processes should still be used as they are intended to cover wider irregularities.

Fraud

The intentional distortion of financial statements or other records (including the failure to declare information) by a person internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.

Theft

The dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it.

Corruption

The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.

Bribery

This is similar to corruption and under the Bribery Act 2010 is defined as the offering, promising or giving of a financial or other advantage to another person with the intention of inducing that person to perform improperly a relevant function or activity or to reward that person for doing so.

3. THE STRATEGY

The purpose of this document is to set out the council's attitude towards fraud, theft and corruption and its strategy for dealing with these issues. It is intended to address any public concerns and to be helpful to all stakeholders in dealing with dishonesty. The strategy consists of an overall policy statement and a number of supporting documents which set out the culture, tone and standards of the council.

Policy Statement

POLICY STATEMENT

In administering its responsibilities, Erewash Borough Council is opposed to any form of fraud or malpractice, whether it is attempted on the council from the outside or inside. The council is committed to operating in an open and honest way in order to:

- Encourage the prevention of malpractice
- Promote the detection of malpractice
- Identify a clear pathway for investigation
- Apply sanctions and recover losses

It is expected that members and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The council also requires that individuals and organisations with which it comes into contact, in any capacity, will act towards the council with integrity and without thought or actions involving fraud or malpractice.

All members, employees and all others involved in the work of the council should be made aware of its content and meaning.

The statement is underpinned by a corporate framework of supporting codes, rules, policies and procedures designed to set out the open and honest culture which the council wishes to foster and also frustrate any fraudulent or corrupt practices.

4. CORPORATE FRAMEWORK

This covers:

- Culture
- Prevention
- Detection and Investigation
- Awareness and Training
- Whistleblowing

4.1 Culture

The council has in place a variety of rules and procedures to help ensure that the highest standards of conduct are practised by members, employees and those with whom the council deals. These include:

- The Council Constitution (including a Scheme of Delegation)
- Financial Regulations and Procedures
- Contract Procedure Rules
- Members' Code of Conduct (which includes rules regarding relationships, personal interests, gifts and hospitality and confidentiality)
- Employees' Code of Conduct (which includes rules regarding relationships, personal interests, gifts and hospitality and confidentiality)

The council is also aware of the high degree of ongoing external scrutiny of its affairs by a variety of agencies including:

- The External Auditor
- The Local Government Ombudsman
- Central Government Departments and Inspectorates
- Parliamentary Committees
- HM Revenue and Customs
- The Department for Work and Pensions
- The Surveillance Commissioner
- The Information Commissioner

The council's employees are an important element in its stance on fraud, theft and corruption and are positively encouraged to raise any concerns that they may have on these issues where they are associated with the council's activities. Employees should report any concerns to their line manager, who in turn is required to report this to the council's Section 151 Officer or his nominated officer, the Internal Audit Manager. Where the employee is of the opinion that this cannot be done, but has concerns of malpractice or wrongdoing, alternatively, they can report this through the council's Confidential Reporting Policy.

An integral part of this culture will be the education of employees who will be informed of:

- What constitutes malpractice within the council and how it affects their jobs and the service they provide;
- How seriously the council deals with all forms of malpractice. If employees do not have the confidence that the council will tackle the problem they may not come forward;
- What practices are unacceptable. Employees should be encouraged to ask managers if something is appropriate before, not after the event.

In return the council will be open and responsive to any concerns raised. The council will ensure that management is ready to listen and respond since it is not easy for people to report concerns about irregularities. The council will ensure that concerned employees are given full support and every precaution is taken to protect anonymity. In addition, defined routes to express employee concerns will be sustained, via the line manager and/or internal audit, and alternative routes identified to encourage employees to raise these concerns (see the council's Confidential Reporting "Whistleblowing" Policy).

It is possible that if the council does not develop a culture which is open and honest and where concerns can be raised, then either the issue will remain unaddressed, which may have potentially serious implications for the organisation as a whole, or the individual may feel compelled to voice their concerns outside of the council (e.g. to the media).

Third Party Concerns (Complaints Procedure)

The council has a clearly defined complaints procedure and members of the public are encouraged to report concerns through this route. Alternatively they are also able to use the whistleblowing channels to raise concerns. Senior management will act swiftly and firmly with all forms of fraud, theft and corruption.

Corporate Fraud Unit

The council has following the transfer of responsibility for the investigation of national welfare benefit fraud to the Department for Work and Pensions retained a specialist front line investigative capacity providing capability to investigate attempts to defraud the council and also carry out proactive work, in particular but not exclusively relating to council tax, council tax support and business rate fraud.

National Fraud Initiative

The council routinely participates in this statutory electronic data matching exercise run under the auspices of the Cabinet Office. Data is shared and matched with a number of other public and private sector bodies for the purpose of preventing and detecting fraud. The processes are prescribed and protocols agreed with the Information Commissioner.

4.2 Prevention

Recruitment Procedures

The council recognises that a key preventative measure in the fight against fraud, theft and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Temporary, contract and agency staff should be treated in the same manner as permanent employees.

Employee recruitment must therefore be in accordance with the council's approved selection procedures. It is particularly important in this context to obtain written references regarding the known honesty and integrity of the potential employee. The council has adopted a comprehensive recruitment procedure which includes the taking up of references in all cases. Appointments are made subject to receipt of satisfactory references. In addition, any qualifications which are essential criteria on the person specification are verified.

Employee Induction

The role that appropriate employees are expected to play in the council's framework of internal control will feature in the induction process, and in particular the need to operate and adhere to the council's Financial Regulations and Contract Procedure Rules.

Codes of Conduct - Employees

Employees are required to operate within and adhere to the Council Constitution incorporating the council's Employee Code of Conduct. They are also required to comply with any relevant Code of Conduct relating to their personal membership of any professional Institute. These matters are brought to the attention of employees through the induction process.

Disciplinary Procedure

The council has in place Disciplinary and Grievance Procedures.

Fidelity Guarantee Insurance

In line with the requirements of the council's fidelity guarantee insurance policy, the attention of senior management should be triggered where employees regularly do not take annual leave, or, for example, where through sickness/vacancy levels, recognised checking mechanisms break down.

Contract Procedure Rules

Employees are reminded they must operate within Section 117(2) of the Local Government Act 1972, regarding pecuniary interests in contracts relating to the council or fees and rewards other than proper remuneration, and that prior to entering into any arrangements they need to be aware of the Bribery Act 2010 and take care that they do not infringe any aspect of the Act.

Codes of Conduct - Members

Members are required to operate within and adhere to the Council Constitution incorporating the Members Code of Conduct and the Member Employee Protocol. Members are also required to observe Sections 94-96 of the Local Government Act 1972 and The Local Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

These matters are brought to the attention of members as part of their acceptance of office. Included is the requirement for declaration and registration of any potential areas of conflict between council duties and responsibilities and any other areas of professional or personal lives. Members are routinely reminded of this requirement.

Section 151 Officer and the Monitoring Officer

These officers have key roles in providing advice to all members and staff about issues of legality and financial propriety.

The Director of Resources, as the council's responsible financial officer, undertakes the statutory duties under Section 151 of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs. This role is supported by work undertaken by Internal Audit. The responsible financial officer determines the development of financial systems and accounting instructions which outline the procedures to be followed by employees in relation to the council's financial activity.

The Monitoring Officer encourages the promotion and maintenance of high standards through the provision of support to the Standards Committee.

Chief Officers/Heads of Service

Chief Officers/Heads of Service are responsible for the implementation of controls designed to prevent and detect fraud within their service areas. The council has developed, and is committed to continuing with, systems and procedures which incorporate efficient and effective internal controls and which include adequate separation of duties. It is required that management at all levels are responsible for ensuring that such controls are properly maintained and documented and that their staff are aware of the council's Financial Regulations and Contract Procedure Rules.

Systems

Their existence and appropriateness are independently monitored by the council's Internal Audit Section.

External Liaison

The council has in place and continues to develop arrangements to encourage the exchange of information with other agencies on national and local fraud and corruption activity. These include:

- Police
- Cabinet Office
- Derbyshire Chief Financial Officers Group
- Midland Internal Audit Group
- Local Authority Investigating Officers Group (LAIOG)
- National Anti-Fraud Network
- Department of Works and Pensions

4.3 Detection and Investigation

The array of preventative systems, particularly internal control systems, which the council has in place have been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is often the alertness of members, employees or the public which enables detection to occur and the appropriate action to be initiated when there is evidence that fraud, theft or corruption may be taking place.

However, despite the best efforts of financial managers and auditors, frauds are often discovered by chance or as the result of a “tip-off”. The council has put in place arrangements to enable such information to be properly dealt with.

Employees are required under Financial Regulations to report all suspected irregularities to their line manager or the nominated Section 151 Officer (or his/her authorised representative, i.e. the Internal Audit Manager). Prompt reporting of such a situation is essential to the Anti-Fraud, Theft and Corruption Strategy and:

- Ensures the consistent treatment of all information concerning potential fraud or corruption
- Facilitates effective, objective and professional investigation by an experienced audit team
- Ensures the proper implementation of a fraud response investigation plan

Depending upon the nature and the anticipated extent of the alleged irregularities, the Internal Audit Section will normally work closely with management to ensure that all allegations and evidence are properly investigated, assessed and reported upon.

The council’s disciplinary procedures will be implemented where the outcome of an investigation indicates improper behaviour.

The council will normally wish the police to be made aware of, and to independently investigate and prosecute, offenders where financial impropriety is suspected or discovered. Referral to the police is a matter for the Section 151 Officer in accordance with established operational procedures.

4.4 Awareness and Training

The council recognises that the continuing success of its Anti-Fraud, Theft and Corruption Strategy and its general credibility, will largely depend upon the effectiveness of programmed training and responsiveness of employees throughout the council.

To facilitate this, the council supports the concept of induction and on going training for members and employees, particularly those involved in internal control systems, to ensure that their responsibilities and duties in this respect are highlighted and regularly reinforced.

Staff who ignore such training and/or guidance may face the possibility of disciplinary action.

The investigation of alleged fraud, theft and/or corruption centres on the council's Internal Audit Section. It is therefore apparent that staff involved in this work should also be effectively and regularly trained. The training plans of internal audit staff will reflect this requirement.

4.5 Whistleblowing

The council has a Confidential Reporting Policy, a formal procedure for employees to raise concerns. The procedure in place serves both to discourage malpractice and address the requirements of the Public Interest Disclosure Act 1998. It identifies the way in which employees can and should raise their concerns as regards any form of malpractice that comes to their attention.

There is, of course, a need to ensure that any investigation process is not misused and, therefore, any such abuse (e.g. the proven malicious raising of allegations known to be unfounded) will itself be dealt with as a disciplinary matter.

5. CONCLUSION

The council has in place a clear network of systems and procedures to assist it in implementing safeguards against fraud, theft and corruption. It is determined that these arrangements will keep pace with future developments in both preventative and detection techniques relating to such activity that may affect its operation.

To this end the council maintains a continuous overview of such arrangements and therefore this strategy document will be subject to regular review to ensure its currency.