

EAST CAMBRIDGESHIRE DISTRICT COUNCIL CONSTITUTION

PART 4

7. ANTI-FRAUD AND CORRUPTION STRATEGY

1.0 INTRODUCTION

1.1 The Council aims to provide community leadership and quality services.

1.2 In carrying out its functions and responsibilities, the Council 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 Council (e.g. suppliers and contractors).

1.3 However, in light of several well-publicised fraud and corruption cases within local government and the Local Government Act 2000, the Council has accepted that it must formalise these accepted standards and practices and develop an anti-fraud and corruption strategy.

1.4 We are currently in a strong position due to the controls that have already been put in place, i.e. the provisions of the Council's Constitution, financial regulations and the members' code of conduct, but we must not be complacent.

1.5 The Council, therefore, must 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 Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This strategy, however, will not compromise the Council's human resources policies (including the equal opportunities policy) or any obligations as an employer under the code of conduct for local government employees.

1.6 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 Section 2
- Prevention Section 3
- Deterrence Section 4
- Detection and investigation Section 5
- Awareness and training Section 6

1.7 The Council 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 Revenue and Customs. These bodies are important in highlighting any areas where improvements can be made.

1.8 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 Council 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 Council, 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”*.

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

2.0 CULTURE

2.1 The culture of the Council has always been one of openness and the core values of fairness; trust and value support this. The Council’s culture therefore supports the opposition to fraud and corruption.

2.2 The prevention/detection of fraud and corruption and the protection of the public purse are everyone’s responsibility.

2.3 The Council’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, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.

2.4 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.

2.5 Concerns should be reported either to the Council’s Monitoring Officer or by using the Council’s Whistleblowing Policy. However, the Council will ensure that any

allegations received in any way, including by 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.

- 2.6 The Council will deal firmly with those who defraud the Council, 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 and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.7 When fraud or corruption have occurred because of a breakdown in the Council's systems or procedures, executive directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

3.0 PREVENTION

ELECTED MEMBERS

3.1 The Role of Elected Members

- 3.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.
- 3.1.2 This is done through the anti-fraud and corruption strategy and compliance with the code of conduct for members, the provisions of the Council's Constitution (including the Council's financial regulations) and relevant legislation.
- 3.1.3 Elected members sign to the effect that they have read and understood the code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Monitoring Officer advises members of new legislative or procedural requirements.

EMPLOYEES

3.2 The Role of Managers

- 3.2.1 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 financial regulations and the provisions of the Council's Constitution, 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 code of conduct for local government employees through the induction process.
- 3.2.2 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. Where they are unsure of the procedures, they must refer to the information in the leaflet covering the Council's "whistle-blowing" policy.

- 3.2.3 Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, and the creditor payments systems. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed.
- 3.2.4 The Council 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 Council's equal opportunities policy will be adhered to during this process.
- 3.2.5 The Council 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. Further checks will be introduced in areas where an increased risk of potential fraud and corruption has been identified.
- 3.3 Responsibilities of Employees
- 3.3.1 Each employee is governed in their work by the provisions of the Council's Constitution, the financial regulations and other codes of conduct and policies (e.g. human resources policies and procedures, the email and internet code of practice, and IT security policy). 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 Council or will be provided by their manager.
- 3.3.2 In addition to paragraph 3.3.1, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.
- 3.3.3 Employees who hold professional, trade or other appropriate qualifications are expected to comply with codes of conduct issued by the organisations of which they are members.
- 3.3.4 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 in paragraph 3.3.5 below.
- 3.3.5 Concerns must be raised, in the first instance, directly with the supervisor or direct line manager or, if necessary, anonymously (by letter or phone), and via other routes, in accordance with the Council's whistle-blowing policy:
- To senior managers, executive directors, the chief executive, or the Council's monitoring officer who will report such concerns to the internal auditor

- directly to the internal auditor
- to the external auditor, who, depending upon the nature of the concern, will liaise with the internal auditor.

3.4 Conflicts of Interest

3.4.1 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.

3.5 Official Guidance

3.5.1 In addition to financial regulations and the provisions of the Council's Constitution, individual service areas may have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the Council. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

3.6 Role of Internal Audit

3.6.1 Under the Accounts and Audit Regulations, the Council has the responsibility for reviewing, appraising and reporting upon the extent to which the Council's assets and interests are safeguarded from losses due to fraud and other offences; this function is performed by the Internal Audit section. Internal Audit investigates all cases of suspected irregularity, except benefit fraud investigations (see below), in accordance with the requirements of the Human Rights Act 1998. They liaise with management to recommend changes in procedures to prevent further losses to the Council.

3.7 The Role of the Anglia Revenues Partnership

3.7.1 The Anglia Revenues Partnership is responsible for all benefit fraud investigations, in accordance with the requirements of The Regulation of Investigatory Powers Act 2000, the Human Rights Act 1998 and its own Counter-fraud Strategy and Policies. In cases where employees are involved, they will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and that this strategy is adhered to.

3.8 The Role of External Audit

3.8.1 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 Council's financial systems, and arrangements for preventing and detecting fraud and corruption. The detection of fraud is not the primary role of the auditor, but it is to draw attention to the weaknesses or threats identified in the course of their duties to enable management to take appropriate action.

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

3.9 Co-operation with Others

3.9.1 Internal Audit has set up, 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
- Benefits Agency
- government departments.

4.0 DETERRENCE

4.1 Prosecution

4.1.1 The Anglia Revenues Partnership has adopted a benefits prosecution policy and the Council will review the need for a corporate policy. The corporate policy will encompass the public, elected members and employees. It is designed to clarify the Council's action in specific cases and to deter others from committing offences against the Council. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

4.2 Disciplinary Action

4.2.1 Theft, fraud and corruption are serious offences against the Council 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, after consultation with the Chief Executive and the Executive Director, Human Resources and IT. (The police will pass valid cases to the Crown Prosecution Service.)

4.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. 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 including possible referral to the police. Under the provisions of the Local Government Act 2000 certain cases are required to be referred to the Standards Board of England.

4.3 Publicity

- 4.3.1 The Council's public relations unit will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. PR will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.
- 4.3.2 In all cases where financial loss to the Council has occurred, the Council will seek to recover the loss and advertise this fact. In addition to demonstrating the action the Council takes, to prevent and detect fraud, it protects itself and the services it provides against the results of fraud within the organisation by obtaining Fidelity Guarantee Insurance.
- 4.3.2 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.
- 4.3.3 Regular reports will be made to the Standards Committee about countering fraud and corruption activities and their success.

5.0 DETECTION AND INVESTIGATION

- 5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their three-year plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits.
- 5.2 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3 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.
- 5.4 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, as per paragraph 3.3.5 (the Council's "whistle-blowing" policy). The Audit Commission will also be notified of all frauds involving sums over £1,000 and any corrupt acts. This is essential to the strategy, and:
- ensures the consistent treatment of information regarding fraud and corruption
 - facilitates a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the Human Rights Act 1998.
- 5.5 This process will apply to all the following areas:
- a) fraud/corruption by elected members

- b) internal fraud/corruption
- c) other fraud/corruption by Council employees
- d) fraud by contractors' employees
- e) external fraud (the public).

5.6 Cases under a), d) and e) would normally be referred directly to the District Auditor, Ombudsman or the police.

5.7 If the initial investigation reveals that a full investigation is warranted the Council will invoke the Council's Fraud Response Plan and where applicable the Council's Disciplinary Procedure.

5.8 Any decision to refer a matter to the police will be taken by the Chief Executive in consultation with the Internal Auditor, Executive Director, Human Resources and IT, the relevant Executive Director and the Monitoring Officer. The Council will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.

5.9 Depending on the nature of an allegation under b) to e), the Internal Auditor will normally work closely with the executive director concerned to ensure that all allegations are thoroughly investigated and reported upon.

5.10 The Council's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.2.2 will cover members.

6.0 AWARENESS AND TRAINING

6.1 The Council 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 Council.

6.2 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.

6.3 A leaflet on the Council's "whistle-blowing" policy is distributed to all employees and members, and full copies of all relevant policies and strategies are available on the Council's Intranet.

7.0 CONCLUSION

7.1 The Council 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 Council's desire to maintain an honest organisation, free from fraud and corruption

7.2 The Council has in place a network of systems, policies 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.

- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit. This strategy will be reviewed periodically.