

Anti-Fraud & Corruption Framework

December 2009

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Policy Statement

In carrying out its functions and responsibilities the Council is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from within and outside the Council.

The Council will consider taking legal and/or disciplinary action where there is evidence of fraud or corruption occurring.

It is expected that Members and employees at all levels will adopt the highest standards of propriety and accountability and will lead by example in ensuring adherence to rules, procedures and agreed practices

The Council also expects that individuals and organisations (e.g. the public, suppliers/contractors), which it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or corruption. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis.

The protection of the public purse is everyone's responsibility.

1 INTRODUCTION

- 1.1 This framework represents a commitment by the Council to protect public funds and to ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity.
- 1.2 In carrying out its functions and responsibilities the Council is fully committed to deterring fraud and corruption whether it is attempted on or from within the Council; and is committed to an effective anti-fraud and corruption strategy designed to:-
- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
 - enable any such acts to be **detected** at an early stage; and
 - deal with any subsequent **investigations** in a prompt, thorough and professional manner.
- 1.3 The Fraud Act 2006 has provided the first legal definition of fraud as :-
- “the intention to make gain or cause loss by false representation, failing to disclose information or abuse of position.”**
- 1.4 Corruption is defined by CIPFA and the Audit Commission as:-
- “offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.”**
- 1.5 This framework outlines the mechanisms whereby the Council will deliver its policy commitment to its partners, customers, contractors and to the general public. It covers a series of measures designed to frustrate any attempted fraudulent or corrupt act, these are grouped under the following headings:-
- Culture
 - Prevention
 - Detection and Investigation
 - Training
- 1.6 The Council's Confidential Reporting framework also encourages everyone to disclose concerns about potential fraud and corruption and therefore should be read alongside this framework. The Council also has a specific Anti-fraud & Corruption Framework for Housing Benefit and Council Tax Benefit which should be read in conjunction with this framework for those areas.
- 1.7 If Members, managers, employees or members of the public are unsure of the appropriate action to take in relation to the items contained in the framework then they should contact the Internal Audit Section for advice and guidance.

2 CULTURE

- 2.1 The culture and tone of the Council will continue to be one of honesty and opposition to fraud and corruption.
- 2.2 The culture and procedures established by the Council are intended to ensure that high standards in public life are embedded throughout the Authority. It is expected that Members and employees at all levels will adopt the highest standards of propriety and accountability and will lead by example in ensuring adherence to rules, procedures and agreed practices.
- 2.3 The Council also expects that individuals and organisations (e.g. the public, suppliers/contractors), which it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or corruption. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis. The protection of the public purse is everyone's responsibility.
- 2.4 All Members and employees play an important part in creating and maintaining the culture within the Authority. Everyone is therefore positively encouraged to raise any concerns that they may have regarding fraud and corruption in any of the activities of the Authority in the knowledge that such concerns will, wherever possible, be treated in the strictest confidence and investigated properly.
- 2.5 The Council encourages all Members and employees to act appropriately in all dealings and guidance on appropriate behaviour is available in the form of Codes of Conduct for Members and employees and in some cases service specific policies and codes of practice.
- 2.6 The Council will take a robust approach in all cases of suspected financial malpractice, fraud or corruption and will always seek to cases of suspected fraud and corruption to the Police for investigation.
- 2.7 Any Member or employee who attempts to defraud the Council or who is corrupt will be dealt with swiftly. Where appropriate following proven fraud the Council will implement its disciplinary procedures or make a referral under the Standards process for Members. Any investigation of an employee would follow the Council's disciplinary process and any investigation of Members would follow the Standards Process.
- 2.8 Where it is found that fraud or corruption has occurred due to a breakdown in the Council's systems or procedures, Management will ensure that appropriate improvements in systems of controls are implemented in order to prevent a reoccurrence.
- 2.9 Unless there are good reasons to the contrary any allegations received by way of anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner. Further information on the protection that is offered to employees and others who raise concerns is contained in the Council's Confidential Reporting framework.
- 2.10 However, the Council needs to ensure that any investigation process is not misused and, therefore, any abuse of procedures such as raising malicious and unfounded allegations may be dealt with as a disciplinary matter.

Reporting Concerns – Employees / Elected Members

- 2.11 Employee concerns should be raised in the first instance directly with your supervisor, Service Manager, Head of Service or Director or if the individual feels that this is not appropriate then any of the following people may be approached:-

Post	Telephone
Chief Internal Auditor	Ext 4415 or 01543 464415
Head of Governance & Organisational Development	Ext 4411 or 01543 464411
S151 Officer (Head of Financial Management)	Ext 4334 or 01543 464334
Monitoring Officer (Head of Legal & Democratic Services)	Ext 4236 or 01543 464236

Elected members may choose to raise their concerns with the Monitoring Officer or Chief Executive or can also approach any of the people listed above.

In certain circumstances you may wish to contact an appropriate external body – e.g. Trade Union or External Auditor to raise the concern on your behalf.

In addition the Council's External Auditor, the Audit Commission can be contacted on 020 7828 1212 or enquiries@auditcommission.gov.uk

Reporting Concerns – Members of the Public, Suppliers, Contractors

- 2.12 Members of the public and the Council's suppliers/contractors are also encouraged to report concerns to the Council via the following contacts

Chief Internal Auditor – 01543 464415
Head of Governance & Organisational Development – 01543 464411

For Housing Benefit Fraud Allegations the Benefit Fraud Investigation Team should be contacted on 0800 980 7380

3 PREVENTION

3.1 The Council is required to establish procedures for the scrutiny of its own functions to ensure that there are proper arrangements in place to administer the Council's financial affairs. This internal scrutiny occurs as a result of :-

- Responsibilities arising from section 151 of the Local Government Act 1972 responsibilities and Section 114 Local Government Finance Act 1988;
- the establishment of a sound Internal Audit function in accordance with the Accounts and Audit Regulations 2003 (as amended); and
- the responsibilities placed on the Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.

3.2 The Council's activities are also subjected to a high degree of external scrutiny by others including:-

- Local Government Ombudsman;
- Audit Commission;
- Central Government Departments;
- HM Revenues and Customs; and
- The general public.

Employees

3.3 The Council recognises that a key preventative measure in dealing with fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees. This applies to permanent, temporary and casual posts where identity checks and asylum/immigration checks are performed as part of the induction process.

3.4 The Council has a formal procedure for recruitment and it is important that this is complied with, especially in relation to the verification of all qualifications and the obtaining of written references to ascertain the honesty and integrity of potential employees. The Council must follow an open and fair recruitment process without favouritism or canvassing.

3.5 The Council's Financial Regulations, Contract Procedure Rules and Code of Conduct for Employees requirements govern all employees. In addition to the Council's rules many employees will also be required to comply with the standards and ethical requirements laid-down by their professional bodies.

3.6 All employees must ensure that they declare all outside interests in accordance with the Code of Conduct for Employees and any departmental policies. Employees need to ensure personal integrity in all transactions. Where a conflict of interest may occur then the employee should not become involved in the transaction and should inform their line-manager.

- 3.7 All private employment/outside commitments performed by employees must be declared to the Council and approved in advance. Private work should be carried out in hours when the employee is not employed by the Council and should not be conducted from Council Premises or using Council tools and equipment. Further details on Private Work can be found in the Code of Conduct for employees. Public Duties are slightly different and the Council has a separate policy which allows paid time off to conduct these duties where they are recognised Public Duties(e.g. School Governors, Magistrates)
- 3.8 It is important that employees comply with the Council's guidelines on gifts and hospitality, as laid out in the Code of Conduct for Employees, which cover the appropriate acceptance and declining of offers of gifts and hospitality. All employees are required to declare any gifts and hospitality over the value specified in the code of Conduct¹ (with the exception of modest refreshments) accepted by or offered to them in accordance with the Gifts and Hospitality Guidelines even if they do not accept the offer. It is a criminal offence for an employee to receive any fee or reward other than their proper remuneration for carrying out their duties.
- 3.9 The role that employees will play within the framework of internal controls to prevent fraud or corrupt practices occurring within their area of work and the Council as a whole will be clearly stated in the induction process, office procedure manuals and job descriptions etc.

Management

- 3.10 Managers have an important role to play in the prevention of fraud and corruption. They should strive to create an environment within which their staff feel able to approach them with any concerns that they may have about suspected irregularities.
- 3.11 Managers are responsible for ensuring that all internal controls within their area of responsibility are effectively maintained. They should investigate any potential weakness in these controls due to factors such as the level of vacancies, sickness absence or annual leave and where possible look to ensure controls remain effective and operational.
- 3.12 The Council has developed and is committed to continually improving systems and procedures incorporating efficient and effective internal controls, including the provision of adequate separation of duties. Service Managers, Heads of Service and Directors have a responsibility to ensure that all systems of internal control, including those in a computerised environment, are operating effectively and documented adequately. All processes and activities need to be designed to be open and transparent and be designed to reduce the opportunities for fraud or corrupt acts to occur. Management are encouraged to consult with Internal Audit when they are looking to change working methods to ensure appropriate controls can be built in.

Elected Members

- 3.13 The activities and conduct of Members are governed by :-
- the Council's Constitution;
 - Code of Conduct for Members;

¹ This value is currently £25 (June 2006 version of the Code of Conduct)

- 3.14 These matters are specifically brought to the attention of Members in the introduction pack and include the declaration and registration of potential areas of conflict. Members are advised of new requirements on them as and when they occur by the Monitoring Officer and Member Services.
- 3.15 Members must ensure that they act appropriately in all circumstances and should not seek or offer any incentive or reward in return for acting in a particular way or reaching a particular decision. Members may be acting corruptly if they attempt to use their position as an elected member for their own or anybody else's personal gain or loss.
- 3.16 It is important that all Members promptly complete and return their Declaration of Interests upon election and at any time when there are changes to their outside interests in accordance with the Code of Conduct. Any failure to declare an interest may lead to action being taken against the Member under the Standards process.
- 3.17 Members must also comply with the rules relating to the receipt of gifts and hospitality when considering if they can be accepted or not. Any gift over the £25 must be declared in the gifts & hospitality register.

Role Conflict and Separation

- 3.18 Members and employees must always ensure that they avoid situations where there is a potential role conflict. Such situations can arise where there is externalisation of services or internal tendering situations. Members or employee's close friends/relations may work for companies tendering for work being let by the Council and it is therefore necessary to be open and honest where such conflicts occur. The relevant declarations of interest should be made and you should consider withdrawing yourself from the decision making process. Members and Employees are encouraged to seek advice and to err on the side of caution if they feel that they may have a conflict of interest in a decision being made that would benefit themselves or a close friend or relation.
- 3.19 Effective role separation will ensure that the decisions made by the Authority are based upon impartial advice and avoid questions about the improper disclosure of confidential information. This is particularly important where one part of the Council may be tendering for a Council Contract in competition with external companies.

Systems

- 3.20 The Council's Code of Conduct for employees and Financial Regulations along with other Council documents and policies require employees to act in accordance with best practice.
- 3.21 The Head of Financial Management has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. Various codes of practice outlining systems, procedures and responsibilities are widely distributed to employees and should be complied with at all times.
- 3.22 The Internal Audit Section independently monitors and reviews the internal control systems established by Management in accordance with the Audit Plan.

Co-operation with Others

- 3.23 Arrangements are in place and continue to develop to encourage the exchange of information on national and local fraud and corruption activity in relation to Local Authorities with external agencies such as:-
- the Police;
 - Internal Audit Groups;
 - the Audit Commission;
 - Government Departments and Agencies; and
 - the National Anti-Fraud Network.
 - the Serious & Organised Crime Agency
- 3.24 The Council is a statutory participant in the National Fraud Initiative (NFI) carried out by the Audit Commission. The Council submits data that it holds on various systems such as Housing Benefits and Housing Rents. This data is then matched with data provided by other public sector bodies to identify potential frauds. More information on the NFI can be found on the Council's website <http://www.cannockchasedc.gov.uk/NFI>.

4 DETECTION AND INVESTIGATION

- 4.1 There are numerous systems of control in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection. Frauds are often discovered by chance or following a “tip-off” and arrangements are in place to enable such information to be dealt with appropriately. The process for following up information is contained in the Fraud Response Plan below.
- 4.2 All cases of suspected or proven fraud, corruption or other impropriety (with the exception of Housing Benefit Frauds) should be notified to the Chief Internal Auditor as soon as possible to ensure that a central record is maintained and to determine whether further work is needed to examine the appropriateness of the control framework in place in the area. Any suspected fraud or corrupt practice involving elected Members will be reported to the Monitoring Officer by the Chief Internal Auditor.
- 4.3 Early reporting is essential to the success of this strategy and the swift referral of cases of suspected fraud or corruption to the Chief Internal Auditor will:-
- ensure the consistent treatment of information regarding fraud and corruption;
 - ensure the proper implementation of a fraud investigation in accordance with the Council’s Fraud Response Plan; and
 - allow for the identification of any implications in relation to Money Laundering/Proceeds of Crime Act and the relevant external notifications to be made.

Fraud Response Plan (Excluding Housing and Council Tax Benefit Fraud)

- 4.4 Usually, an initial investigation will be carried out which will aim to confirm or disprove the initial suspicion or allegation by obtaining and thoroughly evaluating all material evidence so as to establish the facts. Where observations or surveillance are required this will be properly authorised and carried out in accordance with the Regulation of Investigatory Powers Act and the Council’s own policy.
- 4.5 The investigation will aim to: -
- identify all those involved;
 - collect and record all evidence to support the allegation, and ensure that it is held securely;
 - liaise as necessary with the relevant Head of Service or Director and outside agencies where appropriate
- 4.6 The Head of Financial Management, as s151 Officer, has the authority to determine whether to refer allegations of suspected fraud and corruption to the Police for prosecution. In most cases the Police will be invited to carry out a fraud investigation. Where the Police decide to investigate the Internal Audit section will work with alongside them to conduct an internal investigation and disciplinary action will be taken at the appropriate time.

- 4.7 At the conclusion of the investigation a report will be made to the Chief Executive, the relevant Director and the s151 Officer. If one of these Officers is potentially implicated in the investigation then they will be excluded from the reporting process.
- 4.8 All employees engaged in the investigation of potential fraud and corruption will ensure that the strictest standards are adhered to, in particular regarding the confidentiality of the investigation. This is especially important due to the fact that: -
- Allegations and suspicions may turn out to be unfounded and hence embarrassment for the accused and authority is spared;
 - Where fraud has occurred breaches in confidentiality could alert the suspect and result in them having the opportunity to cover their tracks or destroy evidence.
- 4.9 **Employees -** In accordance with the Council's Disciplinary Policy & Procedures, management has the prime responsibility for investigations into the conduct of employees. However in accordance with Financial Regulations, the s151 Officer (Head of Financial Management) has responsibility for organising the investigation of suspected fraud or corruption. In most cases the relevant Head of Service and the Head of Governance & Organisational Development or the Chief Internal Auditor will be appointed as joint Investigating Officers and the investigation will be conducted and reported to management in accordance with the Council's Disciplinary Scheme.
- 4.10 **External Frauds-** Where the allegation of fraud does not implicate an employee then the Head of Governance & Organisational Development or the Chief Internal Auditor will conduct the investigation.

Housing & Council Tax Benefit Fraud

- 4.11 Housing and Council Tax Benefit Frauds are normally investigated by the Benefit Fraud Investigation Team and are covered by the separate Anti-fraud & Corruption Framework for Housing Benefit and Council Tax Benefit. However where the Housing Benefit fraud involves a Member the Chief Executive and the Monitoring Officer will be consulted and kept informed. The Chief Internal Auditor, Head of Governance & Organisational Development and HR Manager will be consulted and kept informed in relation to any Housing Benefit Fraud committed by employees. Members or employees found to have committed housing benefit fraud may also be subject to Standards or disciplinary action.

Prosecution Policy

- 4.12 The Council will look to prosecute all those accused of committing fraud, theft or corruption against the Council. In most cases the Council will refer the matter to the Police for an independent prosecution.
- 4.13 The prosecution of Housing and Council Tax Benefit Fraud will be pursued in accordance with the Prosecution Policy in the Anti-fraud & Corruption Framework for Housing Benefit and Council Tax Benefit as the Council has powers to carry out such prosecutions.

- 4.14 Where an employee is found to have been involved in fraudulent or corrupt activity the Council will look to take further action in accordance with the Disciplinary Policy. Where Members are found to be involved in fraudulent or corrupt activity the Monitoring Officer will be informed and the matter will be referred for a Standards Investigation.
- 4.15 Where a genuine mistake or error is discovered the Council will not look to prosecute but will provide training and advice to the employee/Member and possibly look to revise systems and procedures to prevent similar actions occurring in the future.

Support for Witnesses During An Investigation/Prosecution

- 4.16 The Council recognises that the decision to report a concern or to give evidence as part of an investigation is often a difficult one to make not least because of the fear of reprisal from those responsible for the malpractice. However, where there are genuine concerns then the witness has nothing to fear as they are fulfilling a duty to the Council and to those for whom it provides services.
- 4.17 The Council will be as supportive as possible to witnesses during an investigation. Harassment and victimisation (including informal pressure) will not be tolerated. If as a result of providing evidence in good faith the witness experiences any pressure the Council will take action to protect them. Any employee or Member who is found to be victimising anyone who is providing evidence to an investigation may face action under the Standards or disciplinary procedures.
- 4.18 The Council will take all possible steps to maintain the confidentiality of a witness throughout the process where they have expressed a preference for their name not to be disclosed. However it is recognised that this may not always be possible. In the event that the investigation requires confidentiality to be broken then the witness will be informed in advance.
- 4.19 The Council will take steps to minimise any difficulties that the witness may face as a result of providing evidence to an investigation. For example, where the person is required to give evidence at a criminal or disciplinary proceeding then the Council will arrange for them to receive advice and support about the process that they will have to go through.

5 TRAINING & INFORMATION

- 5.1 The Council acknowledges the importance of ensuring that Members and employees are fully aware of their personal responsibilities, and will ensure appropriate training is provided to all Members and employees.
- 5.2 There are a number of key documents which set-out responsibilities and these include:-
- Codes of Conduct for Members
 - Code of Conduct for Employees (including Gifts and Hospitality Guidelines)
 - Financial Regulations
 - Confidential Reporting Policy
 - The Constitution
 - Relevant Professional Ethical Codes or frameworks.
- 5.3 The Chief Internal Auditor will ensure that all employees are made aware of their responsibilities under this policy as part of their induction process as well as ensuring that they are aware of the relevant reporting procedures.
- 5.4 The Council recognises that the continuing success of this strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the organisation.
- 5.5 To facilitate this, positive and appropriate provision will be made through the use of a short leaflet signposting the existence of the framework along with key points for all staff to be aware of to reduce fraud and corrupt activities.
- 5.6 Client departments will also ensure that all contractors/suppliers are aware of the existence of this framework and their responsibilities under it.
- 5.7 This framework and the advice leaflet will also be made available to contractors and the public by publishing it on the Council's website.

6 Monitoring & Review

- 6.1 The Council has in place a clear network of systems and procedures to assist it in dealing with fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.
- 6.2 The Head of Governance and Organisational Development will maintain a continuous overview of the arrangements in place to ensure that they are consistently applied and that all action taken is proportional. This framework will be reviewed and updated periodically to follow best practice and other changes.
- 6.3 Monitoring on the application of the framework, including allegations not proven or false allegations will be carried out. This will include monitoring of equality and diversity issues in relation to the person who has an allegation made against them and in relation to the ultimate outcome of any investigations. Information that may be recorded includes age, gender, race, disability, etc. However it may not be possible to obtain all information for all cases.
- 6.4 This information will be used to monitor trends and to ensure that the policy is applied equally to all and in particular that decisions to prosecute or take other action are consistently applied.

7 ASSOCIATED POLICIES

- 7.1 Other associated Council Policies:-
- Confidential Reporting Framework
 - Proceeds of Crime Act (Anti-Money Laundering) Policy
 - Disciplinary Policy
 - Housing Benefit Anti-Fraud Policy
 - Members & Employees Codes of Conduct
 - Regulation of Investigatory Powers Policy

This policy can be provided in Braille, on audio cassette tape/disk, **large print** and in the following languages Bengali, Gujarati, Chinese, Urdu, Punjabi and Polish on request to Cannock Chase Council on 01543 462621.

আপনি অনুরোধ জানালে এই কাগজপত্রগুলোর বাংলা অনুবাদের ব্যবস্থা করা যেতে পারে।

如有要求的話我們可將此文件翻譯成中文

વિનંતી કરવાથી તમને આ દસ્તાવેજ તમારી માતૃભાષામાં મળી શકે છે.

ਜੇ ਤੁਸੀਂ ਚਾਹੋ ਤਾਂ ਇਹ ਪਰਚਾ ਤੁਹਾਡੀ ਬੋਲੀ ਵਿੱਚ ਮਿਲ ਸਕਦਾ ਹੈ

یہ دستاویز آپ کی زبان میں، گزارش پر دستیاب کی جاسکتی ہے۔

Ten dokument jest dostępny na żądanie w twoim języku
? = 01543 462621