

# ANTI-FRAUD AND CORRUPTION POLICY

## Policy Document

### 1. FOREWORD

- 1.1 The United Kingdom public sector maintains high standards of probity and has a good reputation for protecting the public purse. Sound systems of public accountability are vital to effective management and in maintaining public confidence. This Council shares these high standards and is committed to protecting the public funds entrusted to it. The minimisation of losses from fraud and corruption is essential to ensure that resources are used for their intended purpose, that of providing services to the citizens of South Lakeland.
- 1.2 The public are entitled to expect the Council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. This Anti-Fraud and Corruption Policy outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.
- 1.3 The Policy is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and to take effective action against any attempted or actual fraudulent act affecting the Council. The Policy also satisfies the legislative requirements of having effective arrangements for tackling fraud and conforms with professional guidance laid down in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.
- 1.4 The policy will not compromise the Council's commitment to Equal Opportunities or the requirements of the Human Rights Act 1998 or other relevant legislation.

### 2. INTRODUCTION

- 2.1 The Council is required to maintain an effective internal audit of its activities, with a key role to monitor the effectiveness of internal controls operating within the Council. Furness Audit currently provides the Internal Audit function.
- 2.2 Fraud and Corruption can be defined as:-
  - Fraud – “the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to “conceal the misappropriation of assets or otherwise for gain”
  - Corruption – “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

The Fraud Act 2006 sets out three general offences of fraud: by false representation, by failing to disclose information and by abuse of position.

Incidents of fraud or corruption often come to light as a result of an irregularity being noticed.

- Irregularity – “any action that is contrary to rule or moral principle or abnormal in any way”.

This Policy covers all the above.

2.3 The purpose of this Policy is to outline the Council's approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption, both internally and externally. It applies to:

- Councillors
- Employees
- Contractors
- Consultants
- Suppliers
- Service users
- Partnerships and organisations supported by the Council
- Agency staff

In addition to the above, the Council also expects the residents of South Lakeland to be honest in their dealings with the authority.

2.4 The Policy sets out the Council's commitment to tackling fraud and corruption. This makes it clearly apparent to all concerned that appropriate and decisive action will be taken against those committing, or attempting to commit, fraudulent or corrupt acts against the authority.

### **3. CORPORATE FRAMEWORK AND CULTURE**

3.1 The Council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:

- Codes of Conduct for Members and officers [Part 5 of the Constitution of the Council]
- A Register of Interests
- Registers of Gifts and Hospitality
- Financial Procedure Rules and Contract Procedure Rules [Part 4 of the Constitution of the Council]
- Accounting procedures and records including general procedures for receiving income
- Sound internal control systems
- Effective internal audit, provided by Furness Audit
- Officer Employment Procedure Rules
- Disciplinary Procedure
- Criminal Acts Procedure
- Fraud Investigation Procedures and Guidelines
- Whistleblowing Policy
- The Regulation of Investigatory Powers Act (RIPA) Procedure
- Procurement Toolkit
- Ethics and Standards policy
- Money Laundering Policy
- Production of an Annual Governance Statement

3.2.1 The Council believes that the maintenance of a culture of honesty and openness is a key element in tackling fraud. The Codes of Conduct for Members and Staff are based on the Nolan Principles of Standards in Public Life. Failure to uphold these

Codes will be considered as detrimental to the aims of the Council and will lead to the appropriate action being taken against those concerned.

#### **4. PREVENTION**

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

##### **4.1 Council Employees**

4.1.1 A key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage. These will be to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard, temporary staff should be treated in the same manner as permanent officers.

4.1.2 Staff recruitment will be undertaken in accordance with the Council's policies for Recruitment and Selection. Whenever possible, written references should be obtained regarding the known honesty and integrity of potential members of staff, before formal employment offers are made and in appropriate cases confirmation of qualifications will be required.

4.1.3 For all appointments to posts where the employee will:-

- have access to corporate computer systems or
- be required to order goods or authorise invoices or
- be required to handle cash or cheques or
- negotiate contracts for the supply of goods or services

or for any other post which the responsible Director considers appropriate, the Council will seek a declaration from applicants that they have not been involved in false claims for Housing and/or Council Tax Benefit. The declaration will be sought in respect of successful applications and with their agreement. The Council will carry out random checks on declarations: a job offer will be withdrawn if the checks produce proven evidence of false benefit claims or the person refuses to make the declaration. This process will be made clear in recruitment packs.

4.1.4 All staff must abide by the Council's Code of Conduct for Officers, which sets out requirements on personal conduct. All professional staff are expected to follow the codes of conduct laid down by their respective professional institutes.

4.1.5 The Council recognises that staff are often the first line of defence in preventing fraud. The Financial Procedure Rules place responsibility for fraud prevention on all employees. Staff should therefore be alert to the possibility of fraud and to report any concerns. The Council will provide and monitor a web-based interactive fraud awareness facility to ensure that staff are aware of their responsibilities as regards reporting suspected acts of fraud and corruption.

4.1.6 The Council has in place disciplinary procedures for all employees. Those found to have committed any acts of impropriety will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution, in accordance with the Criminal Acts Procedure. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.

4.1.7 Under the Council's Constitution, staff must be aware of the disclosure of pecuniary interests in contracts relating to the Council, or the non-acceptance of any fees, gifts, hospitality or any other rewards, other than their proper remuneration. These requirements are set out in Part 5 of the Constitution of the Council.

## **4.2 Members**

4.2.1 Members are required to operate within:

- National Code of Local Government Conduct
- Sections 94-96 of the Local Government Act 1972
- Part 5 of the Constitution of the Council

4.2.2 These matters and other guidance are specifically brought to the attention of new Members at induction courses. 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.

4.2.3 After approving an Anti-Fraud and Corruption Policy, Members will be expected to play an important role through leading by example and being seen to support it.

4.2.4 The Council has in place an Overview and Scrutiny process. Its remit includes the review of decisions and actions undertaken by the Council. Any matter arising from this process, in which fraud is suspected, can be referred to Furness Audit for independent investigation.

4.2.5 The Council has established a Standards Committee, which has independent representatives within its membership, to examine issues of potential misconduct by Members.

4.2.6 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.

## **4.3 Internal Control Systems**

4.3.1 The Council has Financial and Contract Procedure Rules, Accounting Procedures and various rules and codes of conduct in place. Staff are required to comply with this best practice when dealing with the Council's affairs.

4.3.2 The Assistant Director (Resources) has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the Council's financial affairs. In addition, under the Accounts and Audit Regulations 2003, as amended, the Council is required to maintain an adequate and effective internal audit of its financial records and systems of internal control.

4.3.3 The Council's aim is to have sound financial systems and procedures, which incorporate efficient and effective internal controls. The "separation of duties" is considered a fundamental control in such systems, especially when involving significant transactions. Directors and Assistant Directors are responsible for maintaining effective internal controls including the prevention and detection of fraud and other illegal acts. Furness Audit will monitor and report upon the effectiveness of these controls.

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

- 4.4.1 There are a variety of arrangements in place which facilitate the regular exchange of information between the Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators such as internal auditors, housing benefits investigators etc.
- 4.4.2 The Council will continue to operate in line with the principles of the Verification Framework (VF) which was a central government initiative to reduce fraud and error in Housing and Council Tax Benefit.
- 4.4.3 There is also an intelligence gathering, collation and dissemination service on fraud and corruption known as the National Anti-Fraud Network (NAFN). The Council will participate fully with this initiative.
- 4.4.4 Data matching will also be undertaken. This is recognised as an important tool in the prevention and detection of fraud, and is used by all other local authorities. The Audit Commission has drawn up a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation. Personal information will be transferred in a safe and secure manner.
- 4.4.5 The Council has also introduced an independent Fraud Hotline, to allow members of the public and staff to report irregularities or individuals who are suspected of abusing the benefits system.

#### **5. REPORTING, DETECTION AND INVESTIGATION**

- 5.1 It is the responsibility of Directors and Assistant Directors to maintain good control systems and ensure that all staff comply with these systems.
- 5.2 Furness Audit has a structured and risk based planning process to accommodate a cyclical programme of audits, which includes the testing for fraud and corruption. This includes liaison with external audit when considering the programme of audits.
- 5.3 Despite the best efforts of managers and auditors, many frauds are discovered by chance or "tip off", either through the alertness of staff or from a member of the public. In such cases there is a requirement within the Council's Financial Procedure Rules for staff to:
- Report actual or suspected instances of fraud to the Director concerned who shall immediately notify the Assistant Director (Resources) who shall take such steps as she considers necessary by way of investigation
  - The Assistant Director (Resources) will decide whether to involve the Police in matters of serious fraud and inform the Leader of the Council or appropriate Chairman accordingly.
- 5.4 There is a dedicated Fraud and Verification team responsible for conducting evidence checks in line with VF procedures, the Housing Benefit (General) Regulations and the Council Tax Benefit (General) Regulations

Evidence checks will include:

- Identity
- Residency and rent
- Household composition
- Earnings, employed and self- employed
- Benefits
- Income
- Capital
- Pensions (Private and State)

The Team will also investigate all allegations of fraudulent activity including interviews under caution. Risk assessment will be undertaken to direct cases to the resources deemed to be the highest risk in terms of loss to the public purse. Separate guidelines and Codes of Practice for the prosecution of offenders are in place, including a Code of Conduct for Fraud investigators and practices for the treatment and questioning of persons and tape recording of interviews.

5.5 Money laundering is the practice whereby criminals attempt to “clean” the proceeds of criminal activity by passing it through a legitimate institution. All staff who receive cash as part of their duties will be vigilant for any unusual transactions that might indicate that an attempt is being made to launder money. As an additional safeguard receipt of notes, coins or travellers’ cheques will not be accepted over £5,000 for any one transaction.

5.6 Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Policy and ensures:

- consistent treatment of information regarding fraud and corruption
- proper investigation by an experienced team
- the optimum protection of the Council's interests

Staff are encouraged to report any irregularities via the Fraud Hotline or, alternatively, to the Assistant Director concerned who will refer the matter to his/her Director and the Assistant Director (Resources) if it is considered an investigation is necessary. The Assistant Director (Resources) will decide whether to involve the Police in cases where an offence is suspected and inform the Leader of the Council or the appropriate Chairman accordingly.

5.7 Depending on the nature and anticipated extent of the allegations, the Assistant Director (Resources) may involve Furness Audit who work closely with:

- Departmental Management
- Human Resources Group
- Legal Services
- Other agencies, such as the Police

This is to ensure that all allegations and evidence are properly investigated and reported upon, and that where appropriate, recoveries are made for the Council.

5.8 The Council's Whistleblowing Policy provides a clear path for individuals to raise concerns of malpractice in any aspect of the Council's work, without the fear of recrimination or victimisation. The Council will take appropriate action to protect any individual who has raised a concern in good faith. The Policy deals with the reporting of fraud or alleged fraud through formal channels. The Policy also covers making disclosures to external bodies if there is an unsatisfactory outcome to a disclosure made internally.

The Whistleblowing Policy is communicated to the Council's suppliers and contractors who are requested to take any appropriate action as set out in that Policy. The Fraud Hotline is available to staff, the public and suppliers for raising whistleblowing concerns.

- 5.9 The Council's disciplinary procedures will be used to their fullest extent where a disciplinary panel finds that fraud has taken place.
- 5.10 Where financial impropriety is discovered relating to employees or Members, or grant aided voluntary organisations, the matter may be referred to the Police in accordance with the Criminal Acts Procedure. Such decisions are a matter for the Assistant Director (Resources) in consultation with the Director concerned. Referral to the Police will not necessarily prohibit action under the disciplinary procedure.
- 5.11 The Council's External Auditor, the Audit Commission, also has powers to independently investigate fraud and corruption.

## **6. TRAINING AND AWARENESS**

- 6.1 The Council recognises that the success and credibility of its Anti-Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. To this end, details of the Policy will be provided to all Members and all staff and be included on induction programmes. The Policy will also be shown on the Council's website and be available on the Intranet.
- 6.2 The Council supports the concept of induction training, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.
- 6.3 The officers involved in the review of internal control systems and investigative work should be properly and regularly trained. Those involved with benefit fraud investigation will be required to undertake special Professionalism in Security (PINS) training with the Department for Work and Pensions.
- 6.4 It is the responsibility of Assistant Directors to communicate the Anti-Fraud and Corruption Policy to their staff and to promote a greater awareness of fraud within their services.

## **7. DETERRENCE**

- 7.1 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, and these include:
- publicising the fact the Council is firmly set against fraud and corruption and states this at every appropriate opportunity, e.g. statements in contracts, on claim forms, and in publicity literature
  - acting robustly and decisively when fraud and corruption is suspected and proven, e.g. the termination of contracts, the dismissal and/or prosecution of offenders
  - taking action to effect the maximum recoveries for the Council, e.g. through agreement, court action, penalties, insurance, superannuation etc. It is important that all losses, as a result of fraud are recovered, wherever possible, in full.

- having sound internal control systems, that still allow for innovation and calculated risk, but at the same time minimising the opportunity for fraud and corruption.

## **8. REVIEW**

- 8.1 This policy is to be reviewed at appropriate times in response to procedural and legal changes and at least annually by the Audit Committee.

## **9 CONCLUSIONS**

- 9.1 The Council has in place a robust network of systems and procedures to assist it in the fight against 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 or related responsibilities. To this end, the Council maintains a continuous overview of such arrangements.
- 9.2 The Anti-Fraud and Corruption Policy provides a comprehensive framework for preventing and tackling fraudulent and corrupt acts against the authority. The approval of the Policy by the full Council demonstrates a commitment to protecting public funds and minimising losses to fraud and corruption. Having made this commitment, it is imperative that Directors and Assistant Directors put in place arrangements for disseminating the Policy and promoting fraud awareness, throughout their services.