

**SWINDON BOROUGH COUNCIL**

**ANTI-FRAUD AND CORRUPTION**

**STRATEGY**

**Reviewed: JULY 2007**



# Contents

	<b>Page Number</b>
1. Introduction – why do we need a strategy?	1
2. What are Fraud and Corruption?	1
3. Culture	2
4. Key Principles	3
5. The role of Elected Members	3
6. The role of Employees	4
7. The role of Managers	4
8. Conflicts of Interest	5
9. The role of Internal Audit	5
10. The role of the Benefits Investigation Team	6
11. The role of External Audit	6
12. Measures to minimise the risk of fraud	7
13. How the Council aims to deter fraud	8
14. Detection and Investigation	9
15. Awareness and Training	10
16. Monitoring of Policy	10
17. Conclusion	10

Appendix 1: Whistleblowing Policy

Appendix 2: Fraud Response Plan

## 1. Introduction – why we need an anti-fraud and corruption strategy

- 1.1 Swindon Borough Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.
- 1.2 In carrying out its functions and responsibilities the Council wishes to promote a culture of openness and fairness and expects that elected members and employees at all levels will adopt the highest standards of propriety and accountability. Proper accountability, achieved through probity, internal control and honest administration is therefore essential.
- 1.3 Although the Council has a good reputation for integrity and honesty things may go wrong and, in case they do, we must have procedures for combating fraudulent or improper attempts to obtain assets or services.
- 1.4 The Council needs to maintain constant vigilance in order to safeguard the resources to which we are entrusted and protect our reputation. We must raise awareness, deter and identify fraud and, at the same time, provide mechanisms for employees to raise legitimate concerns when they feel justified. Hence the need for this strategy.
- 1.5 The principle outlined in this strategy apply to Members and all employees of the Council including school based staff and they demonstrate, to the community of Swindon, our commitment to the prevention, detection and investigation of all forms of fraud and corruption wherever it is found.
- 1.6 The Council also expects the same level of commitment from all outside individuals and organisations, including partners and contractors and claimants ensuring that they act towards the Council with honesty and integrity.
- 1.7 This strategy document sets out measures designed to frustrate any attempted fraudulent or corrupt acts and the steps to be taken if such action occurs.

## 2. What are Fraud and Corruption?

- 2.1 **Fraud** – the Fraud Act 2006 establishes a new general offence of fraud that can be committed in three ways – by false representation, by failing to disclose information and by abuse of position. It also establishes a number of specific offences to assist in the fight against fraud – these include an offence of possessing articles for use in fraud and an offence of making or supplying articles for use in fraud.
  - ***Fraud by false representation:*** a person is in breach of this section if this is done dishonestly and there is intent, by making the representation, to make a gain for himself or another; or to cause or expose the risk of loss to another.
  - ***Fraud by failing to disclose information:*** a person is in breach of this section if he dishonestly fails to disclose to another person information which he

is under a legal duty to disclose; and intends by failing to do so, make a gain for himself or another; or to cause or expose the risk of loss to another.

- ***Fraud by abuse of position:*** a person is in breach of this section if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person; dishonestly abuses that position with the intention to make a gain for himself or another; or to cause or expose the risk of loss to another.

2.2 **Corruption** – is the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the audited body, its members or officers.

### 3. Culture

3.1 The culture of the Council is one of openness and the Council is committed to sound corporate governance, and supports the general principles as set out in The Relevant Authorities (General Principles) Order 2001 i.e.

- Selflessness
- Honesty and Integrity
- Objectivity
- Accountability
- Openness
- Personal Judgement
- Respect for others
- Duty to Uphold the Law
- Stewardship
- Leadership

3.2 The prevention and detection of fraud and corruption and the protection of the public purse are responsibilities of everyone. The Council's elected members and employees play an important part in creating and maintaining this culture. The Council believes that Staff and Members have the responsibility to prevent and detect fraud and corruption, and are positively encouraged to raise concerns regarding fraud and corruption, in the knowledge that such concerns will, wherever possible, be treated in confidence.

3.3 By establishing a Standards Committee the Council has reinforced this culture. The Standards Committee report to the Council:

- When it considers standards of conduct and behaviour in a particular area need reviewing; and
- When it feels the level of commitment necessary to resolve these difficulties should be greater

3.4 ***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 statutory or legal obligation***
- ***Improper unauthorised use of public or other funds***
- ***A miscarriage of justice***

- ***Maladministration, misconduct or malpractice***
- ***Endangering of an individuals health and safety***
- ***Damage to the environment***
- ***Deliberate concealment of any of the above***

- 3.5 The Council will ensure that any allegations received in any way including by anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner.
- 3.6 The Council will deal firmly with those who defraud the Council, or are corrupt, or where there has been financial malpractice. There is 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 manner.
- 3.7 When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

#### **4. Key Principles**

- 4.1 Leading by example, our Council will:
- Introduce appropriate measures to minimise the risk of fraud
  - Adopt formal procedures to investigate fraud when it is suspected
  - Operate a procedure for employees to voice genuine concerns and protect those who do so
  - Deter employees from making malicious or unfounded allegations
  - Have no hesitation referring cases of suspected financial irregularity to the attention of the Police
  - Liaise on fraud issues with all organisations with whom we are in partnership
  - Work closely with the Police and other appropriate external agencies to combat fraud

#### **5. The role of Elected Members**

- 5.1 As elected representatives, all members of the Council have a duty to the Citizens of Swindon, to protect the Council from all forms of abuse. This is reflected through the adoption of this Anti-Fraud and Corruption Strategy and compliance with the Council's Code of Conduct for Members, the Council's Financial Regulations and Standing Orders and relevant legislation.
- 5.2 Elected members undertake to observe the Council's 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 Director of Law and Democratic Services (the Council's Monitoring Officer) advises members on the ethical framework and of new legislative or procedural requirements.

- 5.3 The Standards Committee approves and monitors the anti-fraud strategy and whistleblowing procedure for the Council and ensures that it operates effectively.
- 5.4 The Director of Law and Democratic Services and the Head of Internal Audit will consult with the Chair of Standards Committee on all investigations that are being carried out under the Anti-Fraud Strategy and Whistleblowing procedures. The Chair of Standards Committee will be kept informed on the progress of all investigations.

## **6. The role of employees**

- 6.1 The work of employees is governed by the Council's Standing Orders and Financial Regulations and other Codes of Conduct (i.e. Health and Safety and IT Security). They are also governed by the Council's Code of Conduct for Employees. The Code of Conduct includes guidelines on Gifts and Hospitality and conflicts of interest. These matters will be included in induction training and procedure manuals.
- 6.2 Employees are expected to always be aware of the possibility that fraud, corruption and theft may exist 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 below:
- Heads of Service, Directors, Group Directors, the Chief Executive, the Council's Monitoring Officer or members of the Standards Committee, who will report such concerns to the Head of Internal Audit.
  - Directly to the Head of Internal Audit
  - The Council's External Auditor, who depending upon the nature of the concern will liaise with the Head of Internal Audit
- 6.3 Concerns can also be raised anonymously (letter or telephone) or via other routes such as the Council's Whistleblowing Policy (see Appendix 1).
- 6.4 The Council has to comply with legislation relating to money laundering. Guidance has been prepared regarding this and is available from the Director of Finance.

## **7. The role of Managers**

- 7.1 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:
- Standing Orders
  - Codes of Conduct

- Financial Regulations
- Anti-Fraud and Corruption Strategy
- Whistleblowing Procedure
- Scheme of Delegation
- Complaints and Disciplinary Procedures
- Service specific procedure manuals

- 7.2 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council Financial Regulations and other policies complied with.
- 7.3 Probity issues should be afforded a very high profile in employee induction and training processes and all new members of staff should be made aware of the Anti-Fraud and Corruption Strategy via their induction.
- 7.4 Managers should ensure that audit recommendations are implemented promptly.
- 7.5 Information provided to Managers by Internal Audit regarding frauds committed elsewhere via the Fraud Bulletins should be carefully considered. Managers should consider whether their procedures are sufficiently secure to prevent a similar occurrence within our Council?
- 7.6 Frauds are most commonly discovered through the diligence of employees, service users and the public. They will expect their concerns to be treated in confidence and taken seriously. The Council encourages the reporting of suspicions and will protect those who do so (even if the suspicions are unfounded but made with good intent).
- 7.7 Further guidance on how to react as a Manager if you suspect a fraud, or suspicions are brought to your attention are included in the Fraud Response Plan (attached as Appendix 2).

## **8. Conflicts of Interest**

- 8.1 Both elected members and employees must ensure that they avoid situations where there is potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning 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.

## **9. The role of Internal Audit**

- 9.1 The role of the Internal Audit is to deliver an opinion to the Audit Committee, the Chief Executive, Leader of the Council and the Section 151 Officer, on the Council's risk management, control and governance arrangements.

- 9.2 In relation to fraud this responsibility includes examination of the adequacy of arrangements for managing the risk of fraud and ensuring that the Council actively promotes an anti-fraud culture, and that all employees are aware of the Council's anti-fraud policy and of their responsibilities in relation to combating fraud.
- 9.3 In addition, Internal Audit assists in deterring fraud by examining and evaluating the effectiveness of control, commensurate with the risk, throughout the Council's operations. This includes ensuring that management has reviewed its risk exposure, identified and mitigated against the possibility of fraud as a business risk. As part of this Internal Audit will undertake an annual programme of proactive fraud testing.
- 9.4 Internal Audit will investigate all employee cases of suspected financial irregularity, fraud or corruption, except Benefits Fraud investigations (see point 11 below) in accordance with agreed procedures and relevant legislation i.e. Regulation of Investigatory Powers Act 2000 (RIPA).
- 9.5 Internal Audit is responsible for following up any allegation of fraud or corruption received and does so through clearly defined procedures and standards:
- Dealing with the matter promptly
  - Recording all evidence received, ensuring that it is sound and adequately supported
  - Consulting with the Police as appropriate
  - Notifying relevant officers i.e. Director/Group Director, Monitoring Officer, Section 151 Officer and Chief Executive where appropriate
  - Assisting the relevant Director and Director of Human Resources in implementing any disciplinary procedures where appropriate
  - Ensuring that appropriate action is taken to minimize the risk of similar frauds occurring in the future

## **10. The role of the Benefit Investigation Team**

- 10.1 The Benefits Investigation team is responsible for all Benefit Fraud investigations. The team report to the Director of Revenues and Benefits. In cases where employees of the Council may be suspected of an irregularity, the Benefits Investigation team will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and that this policy is adhered to.

## **11. The role of External Audit**

- 11.1 External Audit has an essential role to play in relation to the stewardship of public money. The 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.

- 11.2 It is not the external auditor's function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. The external auditor has a responsibility to review the Council's arrangements for preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunity for corrupt practices.

## 12. Measures to minimise the risk of fraud

- 12.1 In order to maintain high standards, procedures and controls have been established, providing an environment that will minimise the opportunity for fraud. Key documents that support the Council's commitment against fraud are published on the intranet. Important anti fraud procedures include:

- Financial Regulations
- Codes of Conduct for Members and Employees
- Disciplinary Procedures
- Council's Complaints Procedure
- Whistleblowing Procedure
- Managers' Guide: responding to fraud
- Membership of National Anti-Fraud Initiatives, including the Housing Benefit Matching Service
- Money Laundering Guidance
- Standing Orders Relating to Contracts
- Information Technology Security Policy
- The Royal Mail's service to return re-directed benefit mail
- A Prosecution Policy (Benefits)
- The Security Manual in relation to Housing Benefit claims
- Scheme for the Financing of Schools
- Departmental Guidance and Procedure Notes

- 12.2 These documents and procedures help us to conduct the Council's business in a manner beyond reproach. They establish the rules to which we must adhere and are supported as necessary, by detailed procedure manuals that have been prepared for the key functions of the Council.

- 12.3 Staff and members are expected to comply with any statutory obligations about disclosure, conflicts of interest, pecuniary interests, gifts and hospitality received and offered but refused.

- 12.4 The Council operates rigorous recruitment processes that include the verification of references and the completion of CRB checks for staff who have contact with children or vulnerable adults, prior to them taking up appointment.

- 12.5 It is the responsibility of Directors and Managers (Head teachers and Governors in schools) to operate internal systems to ensure these standards are applied and bring these systems to the attention of their employees. Procedures are operated throughout the Council to ensure:

- An adequate separation in duties (more than one employee involved in key tasks)
- Proper authorisation procedures (transactions must be approved)

- Independent monitoring and checking of data and documentation (checks and balances)
- 12.6 The Council has a rigorous internal and external audit process that monitors compliance with internal regulations and undertakes a rolling programme of checks to detect, deter and prevent fraud and corruption. However, it is for managers to determine the extent of internal control in their systems and they are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations are complied with.

## **13. How the Council aims to deter Fraud**

### **13.1 Housing and Council Tax Benefit Administration**

- The Benefits Service operates within the Government's policies and guidelines and the National Performance Standards Framework, which aims to improve the quality and accuracy of benefit determinations and both prevent and reduce the incident of fraud.
- To support this policy the Council has a Benefit Fraud Prosecution Policy. The policy encompasses all those in receipt of Benefits, be they the public, elected members, contractors or employees. It is designed to clarify the Council's action in specific cases and to deter others from committing offences against the Authority.

### **13.2 Prosecution**

- In cases of fraud and corruption, where there is evidence to suggest that a criminal offence has been committed, it is the responsibility of the Head of Internal Audit to submit the case to the Police for investigation and prosecution as appropriate.

### **13.3 Disciplinary Action**

- Theft, fraud and corruption are serious offences against the Council and will be regarded as gross misconduct. Employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit Fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each case and the advice of the Police, but will be a consistent manner.

### **13.4 Publicity**

- The Council's Communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. They will also try and ensure that the results of any action taken, including prosecutions, are reported to the press.
- In all cases where financial loss has occurred the Council will seek to recover any loss and consider making the public aware of this through the media.

- All anti-fraud and corruption activities, including the review of this policy; the issue of Fraud Bulletins and Warnings, will be publicised to make employees and the public aware of the Council's commitment to taking action on fraud and corruption, when it occurs.
- Regular reports by the Monitoring Officer and Head of Internal Audit will be made to Standards Committee with respect to countering fraud and corruption activities and their successes.

## **14. Detection and Investigation**

- 14.1 There are numerous system controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection.
- 14.2 Internal Audit plays an important role in the detection of fraud and corruption. Included in their annual plan are reviews of system financial controls and specific fraud and corruption tests, spot checks etc.
- 14.3 All suspected irregularities should be reported to the Head of Internal Audit. This is essential to the strategy and:
- Ensures the consistent treatment of information regarding fraud and corruption; and
  - Facilitates a proper and thorough investigation by an experienced audit team.
- 14.4 This process will apply to allegations relating to all the following areas:
- Fraud/corruption by elected members
  - Internal fraud
  - Other fraud by Council employees acting in a personal capacity
  - Fraud by contractors employees
  - External fraud (the public)
- In practice cases may be referred directly to the External Auditor or Police by complainants. The Council may also consider passing on such allegations to the External Auditor or the Police if considered appropriate.
- 14.5 Depending on the allegation, the Head of Internal Audit will normally work closely with the appropriate senior manager concerned to ensure that all allegations are thoroughly investigated and reported upon. A Fraud Response Plan has been developed by Internal Audit to assist in this process (see Appendix 2).
- 14.6 Any decision to refer a matter to the Police will be taken by the Head of Internal Audit in consultation with the Director of Finance, Chief Executive, Monitoring Officer and relevant Group Director/Director as appropriate.

## **15. Awareness and Training**

- 15.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of training and awareness on the part of elected members and employees. To facilitate this, positive and appropriate provision will be made through induction training and specialist training for certain elected members and employees.
- 15.2 In addition, Internal Audit will circulate Fraud Bulletins and warnings to all members and staff. The Director of Finance; the Monitoring Officer and Head of Internal Audit will also provide relevant training.

## **16. Monitoring**

- 16.1 The Standards Committee will monitor the Anti-Fraud and Corruption Strategy and Whistleblowing procedure for the Council and ensure that it operates effectively. The Head of Internal Audit and the Monitoring Officer in consultation with the Chair of Standards Committee will ensure that any corrective actions identified from investigations are brought to the attention of the Committee.

## **17. Conclusion**

- 17.1 The Council has in place a network of systems 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 both prevention and detection techniques, regarding fraudulent or corrupt activity.