

STAFFORD BOROUGH COUNCIL

**ANTI-FRAUD AND
CORRUPTION STRATEGY**



JUNE 2010

STAFFORD BOROUGH COUNCIL
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STAFFORD BOROUGH COUNCIL

ANTI-FRAUD AND CORRUPTION STRATEGY

1.0 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 good governance, effective management and in maintaining public confidence. The Borough Council shares these high standards and is committed to protecting the public funds entrusted to it. The prevention / detection of fraud and corruption is not an objective in itself. It is however essential in supporting the Council's priorities (as set out in the Corporate Plan) by ensuring that resources are used for their intended purposes to deliver priority services to the citizens of Stafford Borough Council.
- 1.2 The public is entitled to expect the Borough Council to conduct its affairs with integrity, honesty and openness, and to demand the highest standards of conduct from those working for it. This Anti- Fraud and Corruption Strategy outlines the Borough Council's commitment to creating an anti-fraud culture, and maintaining high ethical standards in its administration of public funds.
- 1.3 The Strategy 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 Borough Council. The Strategy also satisfies the legislative requirements to have 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 Stafford Borough Council has a zero tolerance to fraud and corruption and is committed to reduce losses from fraud and corruption to an absolute minimum throughout the organisation.

2.0 INTRODUCTION

- 2.1 Stafford Borough Council's Internal Audit section has the key function of monitoring the effectiveness of internal controls in operation. This also includes carrying out investigations into suspected fraud or corruption. Fraud and corruption can be reported in a number of different ways which are outlined in the Fraud Response Plan.
- 2.2 The purpose of this Strategy is to outline the Borough 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
- agency staff
- contractors
- consultants
- suppliers
- service users
- staff and committee members of organisations funded by the Borough Council
- staff and principals of partner organisations.

In addition to the above, the Borough Council also expects the citizens of Stafford Borough Council to be honest in their dealings with the Council.

- 2.3 This Strategy sets out the Borough Council's commitment to tackling fraud and corruption. This makes it clear to all concerned that appropriate action will be taken against those committing or attempting to commit, fraudulent or corrupt acts against the Authority.
- 2.4 In order for the Council to be effective in its approach to dealing with the problem of fraud and corruption it has to maintain a culture of zero tolerance to such matters. It is committed to reduce losses from fraud and corruption to an absolute minimum throughout the organisation.

3. CORPORATE FRAMEWORK AND CULTURE

- 3.1 The Fraud Act of 2006 provides a legislative definition of fraud as the intention to make gain or cause loss by false representation, failing to disclose information or abuse of position.
- 3.2 The new Bribery Act (expected to come into force October 2010) introduces general offences of offering or receiving bribes, a specific offence of bribing a foreign public official, and the new corporate offence of failing to prevent bribery. If bribes are paid for or on behalf of an organisation it can automatically be prosecuted and its only defence will be to demonstrate that it has "adequate procedures" in place to prevent corrupt business practices.
- 3.3 The Borough 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:
- Standing Orders and Financial Regulations,

- Codes of Conduct for members and officers,
- Terms of Reference of Committees
- Scheme of Delegation
- Accounting procedures and records
- Sound internal control systems
- Effective Internal Audit section
- Effective recruitment and selection procedures
- Disciplinary Procedure
- Fraud Response Plan
- Benefit Fraud Prosecutions Policy
- Whistleblowing Policy
- Surveillance Policy
- Anti Money Laundering Policy
- Data Matching arrangements
- Training.

3.4 The Borough Council believes that a culture of honesty and openness is a key element in tackling fraud and corruption. Members and staff play an important part in creating and maintaining this culture. They are encouraged to raise any matters that concern them relating to the Council's methods of operation.

3.5 Concerns can be raised knowing they will be treated seriously and properly investigated in a confidential and impartial manner. In raising concerns staff can be assured that there will be no victimisation, anonymity will be respected wherever possible and their employment situation and future prospects with the Council will not be affected (see Whistle-blowing Policy below).

4. **PREVENTION**

4.1 The Borough Council recognises that 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 Council and respective roles and responsibilities are outlined below.

4.2 **Anti Fraud & Corruption Champions**

The Council's commitment to anti fraud and corruption is championed by the Deputy Chief Executive (S151 Officer) and the Cabinet Member (Resources).

4.3 **Employees of the Borough Council**

4.3.1 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage 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.

- 4.3.2 Staff recruitment will be undertaken in accordance with the Borough Council's Recruitment & Selection Policies. Written references covering the known honesty and integrity of potential staff and evidence of qualifications must be obtained for potential members of staff before formal employment commences. For certain sensitive posts, the Borough Council will undertake additional checks (e.g. criminal convictions checks).
- 4.3.3 All staff must abide by the Borough Council's Code of Conduct for Employees, which sets out requirements on personal conduct. All staff are expected to follow the codes of conduct laid down by their respective professional institutes. The Council will report any known impropriety to the relevant Institute for them to consider appropriate disciplinary action.
- 4.3.4 The Borough Council has a Whistle-blowing Policy in place to assist employees in reporting concerns about fraud and other issues without fear of reprisal.
- 4.3.5 The Borough Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct 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 Fraud Response Plan. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.
- 4.3.6 All staff are required to declare in a public register any offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the Council. Employees should also declare private work etc., which if permitted must be carried out during hours when not employed on Council work, and should not be conducted from Council premises.

4.4 Council Members

- 4.4.2 Members are required to operate in within:
- National Code of Local Government Conduct
 - Sections 94-96 of the Local Government Act 1972
 - Local Authorities Members' Interest Regulations 1992 (SI 618); SI 1996/121.5
 - City Council Standing Orders and Financial Regulations.
- 4.4.3 These matters and other guidance are specifically brought to the attention of members at their induction and subsequent training. They

include rules on the declaration and registration of potential areas of conflict between members' Council duties and responsibilities, and any other areas of their personal or professional lives.

- 4.3.3 Members are required to provide the Head of Law & Administration with specific information concerning their direct or indirect pecuniary interests and to keep that information up to date.
- 4.3.4 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.
- 4.3.5 The Borough Council has in place a 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 for independent investigation.
- 4.3.6 The Borough Council has established a Standards Committee to promote and maintain high standards of conduct within the District, Parishes and Town Councils.
- 4.3.7 The Borough Council's Audit & Accounts Committee has included within its terms of reference a responsibility to review the effectiveness of internal audit including work in respect of fraud.

4.4 Internal Control Systems

- 4.4.1 The Council has Standing Orders, Financial Regulations, Accounting Procedures and various rules and codes of conduct in place. Members and officers are required to comply with this best practice when dealing with the Council's affairs.
- 4.4.2 Overall responsibility for dealing with fraud and corruption rests with the Section 151 Officer (currently the Deputy Chief Executive) having a statutory duty under the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs. He is therefore the principal contact for all staff and members.
- 4.4.3 In addition, under the Accounts and Audit Regulations 2003 (as amended 2006) the Council is required to maintain an adequate and effective internal audit of its financial records and systems of internal control.
- 4.4.4 Internal Audit assesses regularly the level of risk within Council systems with a view to preventing fraud and corruption. Such assessments are discussed with Heads of Service and are incorporated into work plans.

4.4.5 The Borough Council has a Benefits Fraud Investigation Team which is dedicated to the detection and prevention of fraudulent benefits claims.

4.4.6 The Borough 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. Heads of Service are responsible for maintaining effective internal controls including the prevention and detection of fraud and other illegal acts. Internal Audit will monitor and report on these controls.

4.4.7 The adequacy and appropriateness of the Council's systems of internal control are independently monitored by both Internal and External Audit. Any weaknesses identified are reported to management whose duty it is to ensure that corrective action is taken. The Section 151 Officer will use his statutory power to enforce the required changes if necessary.

4.5 External Scrutiny

4.5.1 External scrutiny of the Council's various activities occurs as a result of involvement by the:

- Local Government Ombudsman,
- Audit Commission,
- Central Government Departments and Parliamentary Committees,
- HM Customs and Excise,
-Inland Revenue,
- The Department of Work and Pensions
- The General Public.

4.6 Working with Others

4.6.1 It is evident across the country that an increasing wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple identities and false addresses, and involve different agencies. Staff are therefore encouraged to liaise with those other agencies, exchanging information where possible and appropriate to help prevent and detect fraud.

4.6.2 There are a variety of arrangements in place, which facilitate the regular exchange of information between the Borough Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local agencies including:-

- other local and statutory authorities

- Treasurer's Associations and Societies
- local, regional and national Auditor and Housing benefits investigators networks
- government departments
- police forces
- the Audit Commission, and
- the National Anti-Fraud Network.

4.6.3 The Council is a member of the National Anti-Fraud Network (NAFN). NAFN provides access to information relating to fraud within the public sector. Fraud intelligence is collated and circulated to members, and information services to assist in the more effective investigation of fraud are available.

4.6.4 The Borough Council has a Fraud Hotline, to allow members of the public to report individuals who are suspected of committing benefits fraud.

4.6.5 The Council has established formal procedures to respond to complaints received about any aspect of service delivery. Issues relating to fraud and corruption will be passed directly to the Section 151 Officer.

4.6.6 The Council will involve the police to prosecute offenders where fraudulent or corrupt acts are discovered. This will be a matter for the Section 151 Officer, Monitoring Officer and the Chief Executive to decide in consultation with the relevant head of service.

5. **DETECTION AND INVESTIGATION**

5.1 It is the responsibility of Heads of Service and managers to maintain effective control systems and procedures, and to ensure that all staff comply with the instructions contained therein. These control systems provide indicators of fraudulent activity and are designed to deter any fraudulent activity.

5.2 In accordance with Financial Regulations all suspected fraud / irregularities should be notified to the Section 151 Officer for subsequent referral to the Internal Audit section. Where resources permit Internal Audit will be responsible for the investigation. If not, the Section 151 Officer must ensure the investigation is conducted by a suitable officer to ensure:-

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

- 5.3 When information relating to fraud or corruption is obtained it is reviewed and subject to a risk assessment. Some are followed up with a full investigation; others are better dealt with as management issues. Depending on the nature and extent of the information obtained, the investigating officer (from Internal Audit or Benefits Fraud Investigation) will:
- deal promptly and confidentially with the matter
 - record all evidence
 - ensure that evidence is sound and adequately supported
 - ensure security of all evidence collected
 - liaise as necessary with the relevant Head of Service
 - liaise as necessary with external agencies e.g. Police
 - use Proceeds of Crime legislation if appropriate
 - notify the Council's insurers if appropriate, and
 - liaise with the Head of Human Resources regarding disciplinary procedures where appropriate.
- 5.4 There is a need to ensure that any investigation process is not misused and therefore any abuse, such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 5.5 Where it is found that fraud or corruption has occurred due to a break down in the Council's systems or procedures, Heads of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent a recurrence.
- 5.6 Where fraud is found to have taken place with the involvement of a Borough Council employee the Council's disciplinary procedure will be invoked.
- 5.7 Where financial impropriety is discovered relating to employees, members or external organisations, the matter may be referred to the police in accordance with the Fraud Response Plan. Such decisions will be made by the Deputy Chief Executive (S151 Officer) in conjunction with the Audit Manager. Referral to the police will not necessarily prohibit action under the disciplinary procedure.
- 5.8 The Council's External Auditor, the Audit Commission, also has powers to independently investigate fraud and corruption. The Audit Commission has established a dedicated telephone hotline for receiving disclosures. The hotline is manned during normal office hours and a dedicated answering machine is available to callers outside of office hours. The hotline number is 0845 0522 646.
- 5.9 The Borough Council's Whistle-blowing 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 Borough 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 internal channels, and also covers making disclosures to external bodies if there is a unsatisfactory outcome to an internal disclosure.

5.10 Staff can raise concerns in the first instance with their immediate line manager / supervisor but where staff feel unable to do so they can deal direct with any of the following:

- the Section 151 Officer (Deputy Chief Executive)
- the Chief Executive
- the Monitoring Officer (Head of Law & Administration)
- any Head of Service
- Internal Audit
- any Trade Union representative.

5.11 Elected members, suppliers, contractors and the general public are also encouraged to report concerns through any of the above routes.

5.12 If an employee considers that internal options for raising concerns are not appropriate he / she has the further option of raising the matter through "Public Concern at Work". This is a registered charity whose services are free and strictly confidential.

6. **DETERRENCE**

6.1 There are a number of ways in the Council deters potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside or outside of the Borough Council, and these include:

- Publicising the fact that the Borough Council is firmly set against fraud and corruption and stating this at appropriate opportunities i.e. on claim forms
- Acting robustly and decisively when fraud and corruption is suspected and proven e.g. termination of contracts, dismissal and / or prosecution of offenders
- Taking action to effect the maximum recoveries for the Council e.g. through agreement, court action, penalties, insurance etc.
- 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.

6.2 It is the responsibility of Heads of Service to communicate the Anti-Fraud and Corruption Strategy to their staff and to promote a greater awareness of fraud within their services.

7. **ANTI FRAUD & CORRUPTION WORK PROGRAMME**

- 7.1 Internal Audit explicitly allocate time to anti fraud & corruption work. The work programme for 2010/11 is set out in Appendix A.

8. **RAISING FRAUD AWARENESS**

- 8.1 The Borough Council recognises that the success and credibility of its Anti-Fraud & Corruption strategy depends largely on the effectiveness by which it is communicated. Every opportunity will be taken to bring it to the attention of staff, members and other stakeholders. The Strategy will also be shown on the Borough Council's web page and be available on the Intranet.
- 8.2 The Borough Council supports the concept of induction training for new employees. As part of this process Internal Audit deliver a training slide which covers the role of internal audit, systems of internal control, fraud awareness and the Anti-Fraud & Corruption Strategy.
- 8.3 The Internal Audit section maintain a Fraud & Corruption Awareness Training slide which is circulated to all employees and members on a periodic basis with links to the Anti-Fraud & Corruption Strategy, the Whistle-blowing Policy and the Surveillance Policy.
- 8.4 Investigation of fraud and corruption centres around the Council's Internal Audit and Housing Benefits Fraud Investigation sections. Staff of these sections who are involved in the work are properly and regularly trained in all aspects of it. The training plans of the sections will reflect this requirement.
- 8.5 Regular training seminars will be provided for Members on a wide range of topics including declarations of interest and the National Code of Conduct.
- 8.6 Regular Fraud Newsletters will be circulated to officers and members.

9. **DEFINING SUCCESS**

- 9.1 The effectiveness of the Council's anti fraud and corruption arrangements can be assessed across a range of factors:-
- they accord with best practice as set out in CIPFA's Red Book and the Audit Commission's Protecting the Public Purse
 - they are subject to review by the Audit Commission as part of the Use of Resources
 - the low incidence of fraud within the council
 - they can be measured by the extent of awareness across the

council as evidence via the annual Fraud Survey.

- 9.2 The 2009/10 survey showed a high level of awareness regarding the Council's policies in respect of Anti Fraud & Corruption, Money Laundering and Whistle Blowing, with an 87.5% positive response.

All respondents stated that they would report suspected fraud or money laundering activity.

89.06% of respondents had received and read the fraud awareness guidelines and of those 95.24% had found them to be useful.

Of those who had reported suspicions of fraud 100% were satisfied that their referral had been dealt with properly

10 **CONCLUSIONS**

- 10.1 The Borough Council has put in place systems, procedures, instructions and guidelines designed to limit, as far as practicable, acts of fraud and corruption. However in the current climate of change there are issues that will increase the risk of loss. Changes in structure, changes in systems and the de-layering of staff all contribute to the exposure to the risk of fraud. To mitigate against this risk the Borough Council will regularly review arrangements to ensure they keep pace with developments in preventative and detection techniques regarding fraudulent or corrupt activity.
- 10.2 The Council will maintain a continuous review of all its systems and procedures through the Section 151 Officer and Internal Audit.
- 10.3 The Anti Fraud & Corruption Strategy provides a framework for preventing and tackling fraudulent acts the Council. The approval of the strategy by the Audit & Accounts Committee demonstrates the Council's commitment to protecting public funds and minimising losses to fraud and corruption.

APPENDIX A

ANTI FRAUD AND CORRUPTION WORK PROGRAMME 2010/11

WORK	DATE
Review council's anti fraud & corruption arrangements against CIPFA's Red Book "Managing the Risk of Fraud"	May 2010
Update Anti Fraud & Corruption Strategy and circulate via intranet	June 2010
Issue Fraud Newsletter	July 2010
Carry our Fraud Survey and produce Action Plan	August 2010
Attend Midlands Internal Audit Fraud group	Ongoing bi-monthly
Carry out fraud risk assessments at start of each audit	Ongoing
Carry out specific audits re Audit Commission's Protecting the Public Purse:- <ul style="list-style-type: none"> - single person discounts - recruitment / vetting - procurement fraud / OoFT guide - disabled parking concession 	June 2010 to March 2011
Circulate manager's Fraud Awareness training slide	August 2010
Update Surveillance Policy and circulate via intranet	September 2010
Update Whistleblowing Policy and circulate via intranet	September 2010
Report on Fraud Survey to Audit & Accounts Committee	September 2010
Circulate Fraud Awareness training slide to officers / members	October 2010
Issue Fraud Newsletter	January 2011
Update Fraud Response Plan	March 2011