

# Anti-Fraud & Corruption Policy 2014



## 1.0 WHAT IS FRAUD AND CORRUPTION?

### 1.1 What is Fraud?

#### 1.1.1 The Audit Commission Fraud Manual defines **Fraud** as:

*'The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain'*

#### 1.1.2 Most actual and attempted fraud against local authorities is committed by people who do not work for the authority, usually by claiming grants and benefits to which they are not entitled.

#### 1.1.3 Fraud does not include petty theft or misappropriation unless there is distortion of financial statements or other records.

#### 1.1.4 However, this policy is designed to promote propriety in public office and so the following, more general, definition of fraud is also appropriate: *'deliberate deception, trickery or cheating with the intention to gain an advantage'*.

### 1.2 What is Corruption?

#### 1.2.1 The Audit Commission Fraud Manual defines **Corruption** as:

*'the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person'*

#### 1.2.2 Unlike fraud, corruption usually needs a council employee or Councillor to take part.

#### 1.2.3 In addition, the legislation relating to corrupt practices in public bodies also describes forbearing to do anything for reward as corrupt.

## 2.0 MID DEVON DISTRICT COUNCIL'S APPROACH TO COMBAT FRAUD AND CORRUPTION

### 2.1 The Council's Anti-Fraud and Corruption Policy demonstrates a firm, clear and unambiguous commitment to preventing fraud and corruption. This policy, along with others such as the Codes of Conduct for both Officers and Members, is designed to prevent fraud and corruption. However, if fraud or corruption is discovered, the Council will deal swiftly with the perpetrators in accordance with this policy.

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2.2 This Policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act, and the steps to be taken if such an act occurs.

## 3.0 CULTURE

3.1 The Council must maintain a culture which does not tolerate fraud and corruption, and which is based on openness, fairness, trust and value.

3.2 Managing the risk of fraud and corruption is the responsibility of management. However, each member and officer of the Council must be aware of the risk of fraud, and has a duty to report any reasonable suspicions. All members and officers are encouraged to raise concerns about fraud and corruption, immaterial of rank, seniority or status, in the knowledge that such concerns will be properly investigated. The Council has a Whistle-blowing Policy to give confidence to anyone who wishes to raise concerns about behaviour and practice.

3.3 The Council will deal firmly with those who seek to defraud the authority, or who are found to be corrupt, in accordance with this policy (and operates a zero tolerance approach).

3.4 We believe the best defence against fraud and corruption is to create a strong anti-fraud culture within the organisation. We promote the ten general principles governing conduct, which are:

### 1. Selflessness

Holders of public office should serve the public interest and should never improperly confer an advantage or disadvantage on any person.

### 2. Honesty and Integrity

Holders of public office should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

### 3. Objectivity

Decisions should be made on merit, including when making appointments, awarding contracts, or recommending individuals for rewards and benefits.

### 4. Accountability

Holders of public office should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully with any scrutiny to their particular office.

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## 5. Openness

Holders of public office should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for their actions.

## 6. Personal Judgement

Holders of public office may take account of the views of others, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

## 7. Respect for Others

Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of officers and members of the Council.

## 8. Duty to uphold the Law

Holders of the public office should uphold the law and, on all occasions, act in accordance with the trust placed in them.

## 9. Stewardship

Holders of the public office should ensure that resources are used in a prudent manner and in accordance with the law.

## 10. Leadership

Holders of the public office should promote and support these principles by leadership, and by example, and should act in a way that preserves public confidence.

3.5 We expect all our officers and members to follow these principles and all legal rules, procedures and practices, and to protect our legitimate interests at all times. Any member or officer, and any person or organisation who falls short of these standards can be sure that we will take all necessary action to deal with the matter.

3.6 We also expect that people and organisations we deal with will act with honesty towards us.

## **4.0 PREVENTION**

4.1 The Council's Chief Officers – Chief Executive, Heads of Service and Service Managers – are responsible for establishing sound systems of internal control

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in all of their service's operations. 'Internal control' means the systems of control devised by management to ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources. Such systems must safeguard the authority's assets and interests from fraud.

- 4.2 Internal Audit independently monitors the existence, appropriateness and effectiveness of internal controls, as a service to management.
- 4.3 Where fraud or corruption has occurred because of a breakdown in the authority's systems or procedures, management will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 4.4 The Council's Chief Officers are responsible for ensuring that all staff are aware of the existence and content of the Financial and Contract Procedure Rules and other regulatory documents.
- 4.5 Chief Officers must ensure that staff are properly trained to discharge the responsibilities allocated. Once training has been provided, performance must be managed and use of proper practices enforced.
- 4.6 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps during the recruitment process to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Council's recruitment policy should be adhered to during this process, and adequate employment references/employment checks performed.
- 4.7 When a new member of staff commences employment with the Council they will receive an Induction session, which will include a presentation from the Audit Team Leader on the Anti-Fraud & Corruption and Whistle-blowing Policies and be made aware that the Policies are available on the Internal Audit pages of the Council's Intranet site (Sharepoint).
- 4.8 All staff must comply with the Officers Code of Conduct. Members must comply with the Member's Code of Conduct. These policies state how the Council expects all officers and members to conduct themselves, and specifically requires offers of gifts, hospitality and potential conflicts of interest to be declared. The Head of Communities and Governance (in her role as Monitoring Officer) maintains these registers and they are subject to independent review by Internal Audit on an annual basis.

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- 4.9 Employees are required to report to their line manager, supervisor or other responsible senior officer any illegality, impropriety, breach of procedure or serious deficiency. The Council has a Whistle-blowing Policy to give confidence to anyone who wishes to raise concerns about behaviour and practice.
- 4.10 Arrangements are in place, and will continue to be developed, which encourage the secure exchange of information/data between the Council and other Government agencies on national and local fraud and corruption activity. All such arrangements will adhere to Data Protection legislation.

## 5.0 DETERRENCE

- 5.1 Where fraud or financial irregularity is confirmed, the Audit Team Leader and/or the Head of Legal and Democratic Services will refer this to the police for investigation and, where appropriate, prosecution.
- 5.2 Fraud and Corruption are serious offences against the Council. The Council's disciplinary process will be invoked in respect of any employee who is found to have acted fraudulently or corruptly. Disciplinary action may also be taken in addition to, or instead of, criminal proceedings, subject to the advice of the Human Resources Section.
- 5.3 The Council's Communications Team will liaise with the press to publicise any anti-fraud and corruption initiatives undertaken by the Council.

## 6.0 DETECTION AND INVESTIGATION

- 6.1 Employees are required to report to their Head of Service or Service Manager any concerns about illegality, financial impropriety, or breach of procedure. The Council's Whistle-blowing Policy provides a framework for reporting, investigating and following up such concerns.
- 6.2 Where it appears that a potential fraud or financial impropriety has occurred this must be reported to the Audit Team Leader. An audit investigation will then commence.
- 6.3 Internal Audit will ensure that potential fraud or irregularity is responded to promptly and discreetly;
- ❑ All evidence is recorded;
  - ❑ Evidence is sound and adequately reported;
  - ❑ All evidence is held securely;
  - ❑ The Council's insurance section is notified where appropriate;

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- Findings are reported promptly to management; and
  - Further action is taken, where appropriate
  
- 6.4 In the case of fraud or financial irregularity, where sufficient evidence exists to suggest that a criminal offence may have been committed, the Audit Team Leader and/or the Head of Legal and Democratic Services will refer this to the police. The police, in consultation with the Crown Prosecution Service, will determine whether any prosecution will take place.
  
- 6.5 The Audit Team Leader will ensure that fraud or financial irregularity necessitating police involvement is reported to the Chief Executive, the Council's Monitoring Officer, the Section 151 Officer, and where this is employee related, the Head of Human Resources and Development.
  
- 6.6 If during the course of any investigation, it transpires that any corrupt action has occurred, the Audit Team Leader will notify the Council's Monitoring Officer.
  
- 6.7 Where the outcome of an Internal Audit investigation indicates improper behaviour by an employee, chief officers must instigate the authority's disciplinary procedure. Disciplinary action may be taken in addition to, or instead of, criminal proceedings, subject to the advice of the Human Resources Section.
  
- 6.8 In the case of benefit fraud, the Council has a dedicated unit established to investigate potential irregularities. Working practices in this regard are set out in the Housing Benefit/Council Tax Benefit Fraud Procedures Manual. These policies will be followed in the case of suspected benefit fraud.
  
- 6.9 The procedures outlined above for the detection and investigation of fraud, corruption and financial irregularity are illustrated by means of a flowchart are Annex 1.
  
- 7.0 RESPONSIBILITY FOR THIS STRATEGY**
  
- 7.1 The Audit Team Leader has overall responsibility for the maintenance and operation of this Policy. The Policy will be reviewed and updated on an annual basis to ensure that it is both up to date and working as intended.
  
- 7.2 A confidential record of disclosure and its outcomes will be kept for a period of 5 years from the date all action was concluded on the matter. Reports will be made to the Audit Committee on a half yearly basis to inform them of the number, and type of, instances of fraud and corruption. However, no

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personal details will be listed to ensure that confidentiality will not be jeopardised.