

# GUILDFORD BOROUGH COUNCIL

## ANTI-FRAUD AND CORRUPTION STRATEGY

(Approved by the Council on 24 August 2006)

### 1. Introduction

1.1 Good corporate governance requires that the Council clearly demonstrates that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (councillors and employees) and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This policy statement, however, will not compromise the Council's Equal Opportunities Policy or the requirements of the Human Rights Act 1998.

1.2 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and outlines the steps to be taken if such acts occur. Since the policy is designed to cover all of the Council's activities, it is separated into the following areas:

- Culture
- Prevention
- Deterrence
- Detection and Investigation
- Training

1.3 The Council also recognises the role of external bodies, such as the Audit Commission (including external audit and inspection), Local Government Ombudsman, Standards Board for England, HM Revenue & Customs and the Inland Revenue in scrutinising the Council's activities. They can highlight areas for improvement based on a wider experience.

1.4 Fraud and corruption are defined by the Audit Commission as:-

Fraud – “*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.*”

In addition, fraud can also be defined as “*The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent.*”

Corruption – “*The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.*”

In addition, this policy statement also covers “*The failure to disclose an interest in order to gain financial or other pecuniary benefit.*”

### 2. Culture

2.1 The prevention/detection of fraud/corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. The culture of the Council is one of openness and accountability. The Council has adopted Core Values which supports this culture.

- 2.2 Councillors and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. The Council has adopted a Whistle-Blowing Policy to assist those who wish to bring concerns forward in confidence. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.
- 2.3 Concerns must be raised when councillors, employees or the public 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 a statutory or legal obligation
  - improper or unauthorised use of public or other official funds
  - a miscarriage of justice
  - maladministration, misconduct or malpractice
  - endangering an individual's health and/or safety
  - damage to the environment
  - deliberate concealment of any of the above
- 2.4 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.
- 2.5 The Council will deal firmly with those who defraud the Council or who are corrupt or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/councillors raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through Monitoring Officer procedures (councillors). This is covered in greater detail in the Council's Whistle-Blowing Policy.
- 2.6 When fraud or corruption has occurred due to a breakdown in the Council's systems or procedures, it is the responsibility of the directors to ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

### **3. Prevention and Roles and Responsibilities**

#### Role of Councillors

- 3.1 As elected representatives, all councillors have a duty to protect the Council and public money from any acts of fraud and corruption.
- 3.2 This is done through a framework which includes the Anti-Fraud and Corruption Policy, compliance with the Members' Code of Conduct, compliance with the Council's Constitution, including Financial Procedure Rules, protocols, regulations and relevant legislation.
- 3.3 Councillors sign to the effect that they have read and understood the Members' Code of Conduct when they take office. Conduct and ethical matters are specifically brought to the attention of councillors during induction and include the declaration and registration of interests. The Head of Legal and Democratic Services advises councillors of new legislative or procedural requirements.

Role of the Chief Finance Officer (CFO)

- 3.4 A strategic director has been identified as having the statutory responsibilities of the Finance Director, as defined by Section 151 of the Local Government Act 1972. These responsibilities establish that every local authority in England and Wales should:

*“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”.*

- 3.5 The responsibilities include ensuring proper administration in all aspects of local authority financial management, including:

- compliance with the statutory requirements for accounting and internal audit;
- ensuring the Council’s responsibility for maintaining proper administration of its financial affairs;
- the proper exercise of a wide range of delegated powers both formal and informal;
- the responsibility for managing the financial affairs of the Council in all its dealings; and
- the recognition of the fiduciary responsibility owed to local tax payers.

- 3.6 Under these statutory responsibilities, the responsible Section 151 director contributes to the anti-fraud and corruption framework of the Council.

Role of the Monitoring Officer

- 3.7 It is the responsibility of the designated Monitoring Officer to maintain an up-to-date version of the Constitution and ensure that it is widely available for consultation by councillors, staff and the public. The role also contributes to the corporate management of the Council, in particular, through the provision of professional legal and ethical advice.

- 3.8 After consultation with the Chief Executive and the CFO, the Monitoring Officer reports to the full Council (or to the Executive in relation to an executive function) where there is any proposal, decision or omission that would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

- 3.9 In addition, it is the responsibility of the Monitoring Officer:

- to contribute to the promotion and maintenance of high standards of conduct through provision of support to the Standards and Audit Committee;
- to ensure compliance with the Council’s responsibilities for the assessment, investigation and determination of complaints about the conduct of councillors;
- to ensure that executive decisions, together with the reasons for those decisions, and relevant officer reports and background papers are made publicly available as soon as possible;

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- to advise whether decisions of the Executive are in accordance with the budget and policy framework;
- to provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors; and
- to act as the Council's proper officer in respect of relevant functions specified in the Council's Constitution.

### Role of Managers

- 3.10 Managers at all levels are responsible for the systems within their control and prevention of fraud and corruption within their work area. They are also responsible for the communication and implementation of this strategy and ensuring that their employees are aware of the Council's personnel policies and procedures, the Council's Constitution, Financial Procedure Rules and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Council's Code of Conduct for Staff and any national guidelines covering the actions of local government officers through the induction process.
- 3.11 Managers are expected to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the information on The Loop, including the Whistle-Blowing Policy, which provides advice and guidance on confidential reporting.
- 3.12 Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example, payroll or the revenues and benefits computer system. Managers must ensure that relevant training is provided for all employees.
- 3.13 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary, casual posts or agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. As in other public bodies, Criminal Records Bureau (CRB) checks are undertaken for employees working with or who may have contact with children or vulnerable adults.

### Responsibilities of Employees

- 3.14 Each employee is governed in their work by the Council's Constitution, Financial Procedure Rules and other policies on conduct (e.g. health and safety, e-mail and internet usage policies, IT strategy and IT security policy). Included in the Council's policies are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council and are available to all on The Loop.

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- 3.15 In addition to paragraph 3.14, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.
- 3.16 Employees are expected always to be aware of the possibility that fraud, corruption and theft may exist in the workplace and that they can 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 in paragraph 3.17 below.
- 3.17 Concerns must be raised, in the first instance, directly with the supervisor/head of service or, if necessary, via other routes set out in the Council's Whistle-Blowing Policy, including:
- heads of service, directors, Chief Executive or Monitoring Officer
  - Head of Corporate Development
  - external auditor (who depending upon the nature of the concern will liaise with the Audit Manager)
  - Unison representative
  - confidential reporting hotline

### Conflicts of Interest

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

### Official Guidance

- 3.19 In addition to the Constitution, services are responsible for their own procedures to prevent and deter fraud. There may also be audit reports, which recommend methods to minimise risks and losses to the Council. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

### Role of Internal Audit

- 3.20 Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Under the Accounts and Audit Regulations 2003, it has a duty to provide an independent and objective opinion on the Council's control environment. As part of this duty of care, Internal Audit investigates all employee cases of suspected financial irregularity, fraud or corruption, except benefit fraud investigations (see below), in accordance with agreed procedures. Within the Financial Procedure Rules in the Constitution, representatives of Internal Audit are empowered to:-
- enter at all reasonable times any Council premises or land;
  - have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary;

- have access to records belonging to third parties, such as contractors, when required;
- require and receive such explanations as are regarded necessary concerning any matter under examination; and
- require any employee of the Council to account for cash, stores or any other Council property under his/her control or possession.

Internal Audit liaises with management to recommend changes in procedures to reduce risks and prevent losses to the Council.

#### Role of the Benefits Investigation Team

- 3.21 The Benefits Investigation Team is responsible for all benefit fraud investigations in accordance with legislation and agreed codes of conduct. In cases where employees are involved, they 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.

#### Role of the Audit Commission

- 3.22 Independent external audit is an essential safeguard of the stewardship of public money. This is currently carried out by the Audit Commission through 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. 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. External auditors are always alert to the possibility of fraud and irregularity and will act without undue delay if grounds for suspicion come to their notice. 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 corruption.

#### Role of the Public

- 3.23 This policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.

### **4. Prevention**

#### Housing and Council Tax Benefit Administration

- 4.1 Benefits administration is recognised nationally as being complex and difficult to administer. This results in the scheme being prone to error and abuse. The Council is committed to tackling poverty, but it must also ensure that the administration of housing and council tax benefit is secure, fair and provides prompt help to those who need it. Equally, it must also be vigilant in tackling fraud and error to ensure value for taxpayers' money. The Revenues and Payments 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 incidence of fraud.

Prosecution

- 4.2 The Council is committed to clarity and consistency in its actions and will seek to prosecute in specific cases. This encompasses members of the public, external contractors, suppliers, councillors and employees to deter others from committing offences against the Council. All benefits prosecutions are undertaken within the requirements of benefits legislation.

Disciplinary Action

- 4.3 Theft, fraud and corruption are serious offences against the Council and 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 individual case, but in a consistent manner.
- 4.4 Councillors will face appropriate action under this policy if they are found to have been involved in theft, fraud and corruption against the Council. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case. Councillors are bound by a code of conduct and complaints are reviewed by the Monitoring Officer. The Code of Conduct will govern the manner in which investigations are undertaken and may result in referral to the Audit Commission and/or the Police. If the matter is a breach of the Members' Code of Conduct, it will also be referred to the Standards and Audit Committee and/or the Standards Board for England. The relevant group leader will also be informed.

Publicity

- 4.5 The Council's communications service will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. Where cases of fraud and corruption have been proven, the Council will publicise the results of the case both internally and externally in line with best practice. The communications service will also try to ensure that the results of any action taken, including prosecutions, are reported in the press.
- 4.6 In all cases relating to both councillors and officers where the Council has suffered a financial loss, the Council will seek to recover the loss and advertise this fact.
- 4.7 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

**5. Detection and Investigation**

- 5.1 Internal Audit and managers play an important role in the detection of fraud and, at the Council, there are numerous systems and management controls in place to deter fraud and corruption. However, it is often the vigilance of employees and members of the public that aids detection.
- 5.2 In some cases, frauds are discovered by chance or "tip-off" and arrangements are in place to enable such information to be properly dealt with.
- 5.3 All suspected irregularities are required to be reported (orally or in writing) either by the person with whom the initial concern is raised or by the originator in line with the Council's Whistle-Blowing Policy. 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 or appropriate officer, in accordance with agreed procedures.

5.4 This process will apply to all the following areas:

- (a) fraud/corruption by councillors;
- (b) internal fraud/corruption;
- (c) other fraud/corruption by Council employees;
- (d) fraud by contractors' employees; and
- (e) external fraud (the public)

5.5 The Audit Commission will be informed of all cases investigated by Internal Audit or the Police. Cases under (a) in respect of the Members' Code of Conduct will be referred to the Standards and Audit Committee and/or Standards Board for England in addition to the Monitoring Officer, Audit Commission and the Police.

5.6 Any decision to refer a matter to the Police will be informed by the Council's Financial Procedure Rules within the Constitution.

5.7 Depending on the nature of an allegation under (b) to (e), the Audit Manager will normally work closely with the director concerned to ensure that all allegations are thoroughly investigated and reported upon.

5.8 The Council's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes, as outlined in paragraphs 4.3 and 4.4, will cover councillors.

## **6. Awareness and Training**

6.1 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 for councillors and employees. The policy is an integral part of the induction programme and there is specialist training for certain councillors and employees.

6.2 Regular awareness training through managers' briefings, leaflets and information cards will ensure that the policy is kept current. Full copies of the anti-fraud and corruption and confidential reporting policies are available on The Loop.

6.3 In addition, external fraud alerts are circulated to all appropriate staff and will, in future, appear on The Loop.

## **7. Conclusion**

7.1 The Council prides itself on setting and maintaining high standards and a culture of openness. This strategy fully supports the Council's desire to maintain an honest authority, free from fraud and corruption.

7.2 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 preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.



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- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit, within resources.
- 7.4 This policy statement will be reviewed on a regular basis, with a maximum of two years between each review.