

# **HARLOW DISTRICT COUNCIL**

## **Anti-fraud and Corruption Strategy**

**June 2005**

## **WHERE FRAUD OR CORRUPTION IS PROVEN ACTION WILL BE TAKEN**

The Council is committed to an effective anti-fraud and corruption strategy, which is designed to:

- encourage prevention of fraud and corruption
- promote detection of fraud and corruption
- identify a clear pathway for investigation
- implement corrective measures as deemed appropriate, which in cases of financial impropriety may include referral to the Police

The Council's expectation is that Members and employees at all levels will lead by example to ensure high standards of propriety and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times.

The key responsibilities for implementing the strategy lie with:

### **Corporate Management Team/Heads of Service/Senior Managers**

To maintain effective systems of internal control designed to prevent and detect fraud within their Service

To keep procedures under continuous review and to seek advice and guidance from the Head of Financial Services where new risks are identified or changes in procedures are required

To ensure that all employees are aware of, and adhere to, Financial Regulations and Standing Orders

To ensure that all suspected fraud or corruption is reported to the Internal Audit Section

To instigate the Council's disciplinary procedures, or take other appropriate action, wherever fraud or corruption by employees has been proven

### **Members**

To operate and adhere to the Council's Constitution incorporating the Members Model Code of Conduct and Registers of Interests, Gifts and Hospitality

### **All employees**

To abide by the Council's Code of Conduct for Employees. This code details the standards all employees must uphold to maintain the integrity of the Council's activities

To adhere to Financial Regulations, Standing Orders and Scheme(s) of Delegation.

# Harlow District Council

## Anti-Fraud and Corruption Strategy

### INTRODUCTION

1. Harlow District Council seeks to provide value for money services to the public. The public have a right to expect that public funds are spent appropriately, transparently and on needed services in an efficient, effective and economic manner. One way in which these principles are secured is to minimise the risk and effect of fraud and corruption.
2. The Council is committed to an effective anti-fraud and corruption strategy designed to:
  - ◆ encourage prevention of fraud and corruption
  - ◆ promote detection of fraud and corruption
  - ◆ identify a clear pathway for investigation
  - ◆ implement corrective measures as deemed appropriate where fraud/corruption has been detected
3. Fraud is defined in the Audit Commission Fraud Audit Manual 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".***

Fraud is a deliberate act by an individual or group of individuals. Fraud is therefore always intentional and dishonest.
4. Corruption is defined in the Audit Commission Fraud Audit Manual as:

***"the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person".***
5. Where fraud or corruption is detected, such corrective measures as are deemed appropriate will be implemented. There will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
6. In addition to fraud and corruption, it is intended that this strategy will also apply to any other irregularity, financial or otherwise, including theft.
7. The Council's expectation is that Members and employees at all levels will lead by example to ensure high standards of propriety and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times.
8. The Council also expects that individuals and organisations with which it comes into contact will act towards the Council with integrity and without any deliberate thought or action to perpetrate fraud or corruption,
9. The Council's anti-fraud and corruption strategy is based on a series of inter-related procedures which are designed to frustrate any attempted fraudulent or corrupt act.

These procedures are embedded in the following documents:

- ◆ Standing Orders
- ◆ Financial Regulations
- ◆ Council's Scheme of Delegation
- ◆ Code of Conduct for Employees
- ◆ Members Model Code of Conduct and Registers of Interests, Gifts and Hospitality
- ◆ Disciplinary Rules and Procedures
- ◆ Confidential Reporting Procedures
- ◆ Whistleblowing Policy and Procedures
- ◆ Procurement Strategy
- ◆ Risk Management Strategy

10. These procedures cover:

- ◆ Culture (paragraphs 13 to 19)
- ◆ Prevention (paragraphs 20 to 37)
- ◆ Detection and Investigation (paragraphs 38 to 47)
- ◆ Training (paragraphs 48 to 49)

11. The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies and people including:

- ◆ Local Government Ombudsman
- ◆ Audit Commission
- ◆ HM Customs & Excise
- ◆ Inland Revenue
- ◆ Department for Works and Pensions
- ◆ The public/council tax payers via the Annual Inspection of the Accounts
- ◆ The public/service users through the Council's complaints procedure
- ◆ The Standards Board for England

12. In addition to the above there is also internal scrutiny applied by the Council, through Internal Audit, under the Accounts and Audit Regulations 1996.

## **CULTURE**

13. The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

14. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with integrity and that Council Members and employees, at all levels, will lead by example in these matters.

15. The Council's Members and employees play an important part in creating, maintaining and promoting this culture and are positively encouraged to raise concerns about any aspect of the Council's activities in the knowledge that such concerns will be treated in confidence and investigated properly and fairly.

16. The Council has a Confidential Reporting Procedure, which is included in the Employee Handbook. In addition to this employees may leave a message on the Whistleblowing hotline (01279 446221).
17. If employees feel unable to report a concern via their own departmental management they may contact one of the following:
  - ◆ The Monitoring Officer (Head of Legal and Democratic Services) - 01279 446037
  - ◆ The Section 151 Officer (normally Head of Financial Services - 01279 446217 but temporarily an Executive Director - 01279 446099)
  - ◆ Chief Executive - 01279 446000
  - ◆ Internal Audit Section - 01279 446886
  - ◆ Audit Commission - 01438 351570 or 01279 446636
  - ◆ Benefits Counter Fraud and Corruption Team – 01279 446475
  - ◆ An elected member
  - ◆ Public Concern at Work – 0207 404 6609. This is a registered charity whose services are free and strictly confidential, more information is available on their website [www.pcaw.co.uk](http://www.pcaw.co.uk)
18. The Council assures employees raising concerns that they will be fully supported, will have nothing to fear from reprisals and there will be no adverse impact on their personal situation. Where anonymity is requested, this will be guaranteed as far as possible.
19. Members of the public are also to report concerns through any of the above routes or, if appropriate, through the Council's complaints procedure. Requests for confidential treatment will be honoured.

## **PREVENTION**

### **Employees**

20. The Council recognises that a key preventive measure in the fight against fraud and corruption is to take effective steps at the recruitment stage. The Council will establish, as far as possible, the previous record of prospective employees, in terms of their propriety and integrity by:
  - ◆ obtaining written references prior to appointment, this will also apply to temporary staff unless the appropriate Head of Service, in conjunction with the Head of Human Resources, considers that this is not practicable in the time available
  - ◆ undertaking police checks for designated posts where the postholder may deal with vulnerable people or where the duties require the highest level of propriety
21. All employees are expected to abide by the Council's Code of Conduct for Employees. This code details the standards all employees must uphold to maintain the integrity of the Council's activities. The Code is detailed in the Employee Handbook and includes rules regarding relationships, gifts and hospitality, confidentiality, personal conduct and conflicts of interest. Where appropriate, employees are also expected to follow any code of conduct related to their personal professional institute.
22. All employees must operate and adhere to the Council's Financial Regulations, Standing Orders, Health and Safety regulations and Scheme(s) of Delegation.

23. All employees are responsible for ensuring that they follow instructions given to them by management, particularly in relation to the safekeeping of the Council's assets.
24. The Council has disciplinary procedures for all categories of employees, which will be used where the outcome of an investigation indicates improper behaviour by any employee.

### **Members**

25. As elected representatives, all Members of the Council have a duty to the citizens of Harlow to ensure the Council uses its resources prudently and in accordance with the law. As such they are required to operate and adhere to the Council's Constitution incorporating the Members Model Code of Conduct and Registers of Interests, Gifts and Hospitality. The Code is detailed in the Members Handbook and includes rules regarding relationships, gifts and hospitality, confidentiality, personal conduct and conflicts of interest.
26. All Members must operate and adhere to the Council's Financial Regulations and Standing Orders.
27. Allegations that Members may have breached the Model Code will be referred to the Standards Board for England for investigation.

### **Internal control systems**

28. Each Head of Service is responsible for the successful implementation of controls designed to prevent and detect fraud within their Service.
29. Management at all levels are responsible for ensuring that their employees are aware of the Council's Financial Regulations and Standing Orders and that the requirements of both are being met.
30. The Section 151 Officer has a statutory responsibility under the Local Government Act 1972 to ensure the proper arrangements of the Council's financial affairs, and issues instructions covering financial procedures which support Financial Regulations.
31. The Council has developed and is committed to continuing with systems and procedures which incorporate efficient and effective internal controls and which include adequate separation of duties to ensure that error or impropriety is prevented.

### **Internal Audit**

32. The Accounts and Audit Regulations 1996 and 2003 requires the Council to maintain an adequate and effective system of internal audit.
33. The Council's Internal Audit Team plays a vital preventive role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption.
34. The Internal Audit Team investigates all cases of suspected irregularity, except benefit fraud investigations (unless they involve a member of staff within the Revenues and Benefits Team) and will liaise with management to recommend changes in procedures to prevent further losses to the Council.

### **Benefits Counter Fraud and Corruption Team**

35. The Benefits Counter Fraud and Corruption Team is responsible for all benefits fraud investigations, in accordance with relevant legislation. In cases where Council employees are involved the Benefits Counter Fraud and Corruption Team will work in conjunction with Internal Audit, Human Resources and appropriate senior managers to ensure that correct procedures are followed.

### **External Audit**

36. Independent external audit is an essential safeguard in the stewardship of public money. The external auditor has a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity and to limit the opportunity for corrupt practices.

### **Working with others**

37. Arrangements are in place, and continue to be developed, to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. These include:
- ◆ Audit Commission
  - ◆ Essex Audit Group
  - ◆ Police
  - ◆ Department for Works and Pensions (Joint Organisation Board and Joint Regional Board)
  - ◆ National Anti-Fraud Network
  - ◆ National anti-fraud initiatives

### **DETECTION AND INVESTIGATION**

38. The array of preventive systems and proactive measures, particularly internal control systems within the Council are designed to deter and provide indications of fraudulent activity.
39. It is the responsibility of the Corporate Management Team, Heads of Service and their managers to prevent and detect fraud and corruption. However it is often the alertness of employees and the public that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may have been committed, or is in progress.
40. Despite the best efforts of managers and auditors many frauds are discovered by chance, "tip off" or whistleblowing and the Council has arrangements in place to enable such information to be dealt with properly.
41. The Council has a separate Benefits Counter Fraud and Corruption Team for dealing with suspected benefit fraud. All allegations are thoroughly and promptly investigated leading, when appropriate, to prosecution in conjunction with other agencies.
42. All other suspected irregularities are required by Financial Regulations to be reported either verbally or in writing to the Internal Audit Team. Employees can either approach the Internal Audit Team direct, or report the suspected irregularity via their own departmental management. Reporting is essential to the Anti-fraud and Corruption

Strategy as it ensures :

- ◆ the consistent treatment of information regarding any suspected fraud and/or corruption
  - ◆ an effective investigation by an independent and experienced internal audit team
  - ◆ the proper implementation of a structured response to any suspected act of fraud and/or corruption
  - ◆ that the investigation will be undertaken in accordance with the Regulations of Investigatory Powers Act and other relevant legislation.
43. Depending on the nature and anticipated extent of the allegations, the Internal Audit Team will normally work closely with management and any other agencies to ensure that all allegations and evidence are properly investigated and reported upon.
44. Where financial impropriety is discovered, the Council's presumption is that the matter will be referred to the Police, if deemed appropriate. The Crown Prosecution Service will determine whether a prosecution will be pursued. The decision on impropriety is a matter for the Chief Executive in consultation with the Head of Financial Services and the Monitoring Officer.
45. The Council's disciplinary procedures will be used where the outcome of the audit investigation indicates improper behaviour regardless of whether this has been referred to the Police.
46. The Audit Commission (the Council's external auditor) also has powers to investigate independently fraud and corruption and the Council can make use of these services.
47. The Council is obliged under the Proceeds of Crime Act 2002 to nominate an officer who has been assigned the duty of receiving reports of suspicious transactions and reporting those suspicions to the National Criminal Intelligence Services. An example of a suspicious transaction would be a large cash payment to the Council which could potentially indicate a money laundering activity. The Head of Financial Services has been designated responsible for fulfilling this role.

### **TRAINING**

48. The Council recognises that the continuing success of its Anti-Fraud and Corruption Strategy, and its general credibility, will depend largely on the effectiveness of its programmed training and an awareness of elected Members and employees throughout the organisation.
49. The Council supports the concept of induction training and personal performance plans. Managers will be responsible for ensuring that all employees are properly trained in the procedures that they should follow when undertaking their duties.

### **CONCLUSION**

50. The Council has in place a network of systems and procedures to assist in deterring and detecting 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 operations or related responsibilities.

51. Consequently the Council maintains a continuous overview of such arrangements and in particular, Standing Orders (including Standing Orders as to Contracts and Disposal of Land), Financial Regulations, various codes of practice/conduct and audit arrangements.
52. The Corporate Management Team and Heads of Service have a responsibility to keep procedures under continuous review and to seek advice and guidance from the Head of Financial Services where new risks are identified or changes in procedures are required.
53. This strategy will be subject to periodic review to ensure its currency.