

Stroud District Council - **Anti-Fraud and Corruption Policy**

1. INTRODUCTION

In carrying out its functions and responsibilities, the Council has always adopted a culture of openness and fairness and has expected that its elected members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards have also been expected from organisations that have dealings with the Council (eg. suppliers/contractors).

The Council is already in a strong position due to the controls that have already been put in place, ie. Procedure Rules, Financial Regulations and codes of conduct for its members and staff.

In adopting this revised policy, the Council reiterates that it is firmly committed to dealing firmly with fraud and corruption, and will deal equally with perpetrators from inside (members and employees) and outside the authority.

This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and outlines the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:

Culture	Section 2
Prevention	Section 3
Deterrence	Section 4
Detection and investigation	Section 5
Awareness and Training	Section 6

The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Council's external auditors, inspection bodies, the Local Government Ombudsman, and HM Revenue and Customs. These bodies are important in highlighting any areas where improvements can be made.

Fraud and corruption has been defined by the Audit Commission as follows:

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 has been defined as – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*

Stroud District Council - **Anti-Fraud and Corruption Policy**

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

2. CULTURE

The culture of the Council has always been one of openness and the core values of fairness, trust and value support this. The Council’s culture therefore supports the opposition to fraud and corruption.

The prevention/detection of fraud/corruption and the protection of the public purse are everyone’s responsibility.

The Council’s elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged by the Council’s Confidential Reporting Code (‘Whistle-Blowing’ policy) 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.

Concerns which can be raised under this code include, but are not limited to, those relating to fraud. 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 a statutory or legal obligation
- improper unauthorised use of public or other funds
- a miscarriage of justice
- maladministration, misconduct or malpractice
- endangering of an individual’s health and safety
- damage to the environment
- deliberate concealment of any of the above.

The Council will deal firmly with those who commit fraud, 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 all actions are taken in a fair and equitable manner in accordance with relevant legislation and policies. Any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.

When fraud or corruption have occurred because of a breakdown in the Council’s systems or procedures, the Council will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

3. PREVENTION

The Role of Elected Members

As elected representatives, all members of the Council have a duty to citizens to protect the authority from all forms of abuse.

This is done through this Anti-Fraud and Corruption Policy, and compliance with the code of conduct for members, the Council's Financial Regulations and Procedure Rules and relevant legislation.

Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Head of Legal Services advises members of legislative or procedural requirements.

The Role of the Audit Committee

The Council's Audit Committee has a key specific role to play in The Committee's responsibilities include:

- Monitoring Council policies, including the Anti-Fraud and Corruption Policy
- Reviewing work arising from internal and external audits
- Reviewing risk management and governance arrangements

Members of the Audit Committee will receive reports from the Head of Internal Audit manager in relation to fraud cases and the action taken.

The Role of Managers

Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Council's Financial Regulations and 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 code of conduct for local government employees through the induction process.

Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities, and to make their staff aware of the Council's Confidential Reporting Code.

Stroud District Council - **Anti-Fraud and Corruption Policy**

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 or casual posts.

The Council has a recruitment procedure, which contains appropriate safeguards on matters such as obtaining written references and verifying qualifications held. As with other public bodies, police checks are undertaken on employees working in certain types of employment. Further checks may be introduced in areas where an increased risk of potential fraud and corruption has been identified.

Responsibilities of Employees

Each employee is governed in their work by the Council's Procedure Rules and Financial Regulations and other codes of conduct and policies (eg. health and safety). They are also governed by the code of conduct for local government employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees as part of their contract of employment when they join the authority. Copies can be provided by managers or by Human Resources if required, and are available on the intranet.

Additionally, 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 authority. These should be included in induction training and procedure manuals.

Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management.

Concerns should be raised, in the first instance, directly with the supervisor/manager, or, if necessary, with one of the following : Heads of Service, Corporate Team members, the Chief Executive, the Council's Monitoring Officer, or the Audit Manager. Other possible reporting routes are set out in the Council's Confidential Reporting Code.

Conflicts of Interest

Both elected members 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, 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

Stroud District Council - **Anti-Fraud and Corruption Policy**

In addition to Financial Regulations and Procedure Rules, service units may have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

Role of Internal Audit

Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit investigate all cases of suspected irregularity, except benefit fraud investigations (see below). They liase with management to recommend changes in procedures to prevent further losses to the Council.

The Role of the Benefits Investigation Team

The Revenue and Benefits Service is committed to the effective, accurate and secure delivery of Housing and Council tax Benefits.

The Benefits Investigation Team plays a vital role in the security of the Housing and Council Tax Benefit System. The team will conduct its actions in accordance with legislation and all other policies and procedures that may have an impact. The Team is responsible for all benefit fraud investigations. The Team will act in a fair and equitable manner and seek to establish a reliable truth in all investigations. Where offences are identified action will be taken in line with the appropriate Policy. In cases where employees are involved, they will work with Internal Audit, and appropriate senior management to ensure that correct procedures are followed and that this policy is adhered to.

The Role of External Audit

Independent external audit is an essential safeguard in the stewardship of public money. This 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. It is not the external auditor's function to prevent fraud and irregularity, 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 authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

Co-operation with Others

Internal Audit and the Benefits Investigation team will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- police
- county, unitary and district authorities
- Audit Commission
- Department of Works and Pensions
- government departments.
- external auditors

4. DETERRENCE

Prosecution

The authority has adopted a specific benefits prosecution policy. Other cases involving fraud or corruption committed by elected members, employees or external parties will be considered on an individual basis, and it is highly likely that the Council will seek to prosecute offenders wherever appropriate.

Disciplinary Action

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. Disciplinary action may be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case.

Members will face appropriate action if they are found to have been implicated in theft, fraud or corruption involving the Council. 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.

Publicity

The Council will optimise the publicity opportunities associated with its anti-fraud and corruption activity. It will also try to ensure where appropriate that the results of any action taken, including prosecutions, are reported in the media.

Stroud District Council - **Anti-Fraud and Corruption Policy**

In appropriate cases where financial loss to the Council has occurred, the Council will seek to recover the loss and advertise this fact.

All anti-fraud and corruption activities may be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

5. DETECTION AND INVESTIGATION

General

Internal Audit plays an important role in the detection of fraud and corruption. Their work includes reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits. However, Internal Audit cannot guarantee to detect all cases of fraud and corruption.

In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.

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.

All suspected irregularities are required to be reported to Internal Audit either by the person with whom the initial concern was raised or by the originator. This:

- ensures the consistent treatment of information regarding fraud and corruption

- facilitates a proper and thorough investigation by an experienced audit team

This process will apply to all the following areas:

- a) fraud/corruption by elected members
- b) internal fraud/corruption
- c) other fraud/corruption by authority employees
- d) fraud by contractors' employees
- e) external fraud (the public).

Any decision to refer a matter to the police will be taken by the Internal Audit Manager in consultation with the Head of Finance and the Chief Executive. The Monitoring Officer shall be informed of any cases referred to the police.

The Internal Audit Manager will ensure that all allegations are thoroughly investigated and reported upon.

Housing and Council Tax Benefit

Where the allegation concerns the payment of Housing or Council Tax Benefit any concerns should be reported via the Stroud District Council Web Site. Allegations are treated in the strictest confidence.

6. AWARENESS AND TRAINING

The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the Council.

To facilitate this, positive and appropriate provision has been made via induction and for employees via their development plans. This includes specialist training where appropriate (eg. for Internal Audit and Benefit Investigation staff).

This policy, and the Council's confidential reporting policy will be made available to members and employees via the intranet.

7. CONCLUSION

The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This policy fully supports the Council's desire to conduct all its business in an honest and trustworthy manner, free from fraud and corruption.

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 techniques to both prevent and detect fraudulent or corrupt activity that may affect its operations.

The Council's Internal Audit team will maintain a continuous review of all these systems and procedures.

This strategy will be reviewed regularly, and updated where appropriate.