

BRECKLAND COUNCIL

STRATEGY TO HELP FIGHT FRAUD AND CORRUPTION

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1. INTRODUCTION

1.1. Statement of Intent

1.1.1. Breckland Council is determined to protect itself against fraud and corruption, whether it is attempted from outside or from within the organisation. The Council is thus committed to an effective strategy to fight fraud and corruption designed to: -

- encourage the prevention of fraud and corruption;
- promote the detection of fraud and corruption; and
- identify clear arrangements for investigating any allegations of fraud and corruption.

1.1.2. To support this strategy the Council has a framework of written procedures and controls that set out best practice and aim to reduce the risk of fraud and corruption. This framework includes:

- Council Constitution
- Financial Regulations and Finance Procedure Rules
- Contracts Standing Orders
- Procurement Strategy and e-Procurement Strategy
- Officers' Code of Conduct
- Members' Code of Conduct
- Whistleblowing Policy
- Counter Fraud Strategy and Policy for Housing Benefits
- Register of Interests
- Register of Gifts and Hospitality

1.2 Definitions of Fraud and Corruption

1.2.1. The definitions of fraud and corruption, as stated by the Audit Commission, are:-

- **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”

The Council's Strategy to help fight fraud and corruption also recognises the intentional distortion of financial statements or other records 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”

The Council's strategy to counter potential fraud and corruption also focuses on the failure to disclose an interest in order to gain financial or other pecuniary benefit.

1.3. The Fraud Act 2006

1.3.1. The Fraud Act 2006 established three ways of committing fraud

- False representation
- Failing to disclose information
- Abuse of position

It also introduced the new offences of:

- Obtaining services dishonestly
- Possessing articles for use in fraud

1.4. External scrutiny of the Council's Affairs

1.4.1. The Council's affairs are subject to extensive scrutiny by a variety of external bodies and individuals, including: -

- the Local Government Ombudsman.
- the Audit Commission who are required to ensure that the Council has adequate arrangements for the prevention and detection of fraud and corruption.
- members of the public via the complaints procedure and their right to inspect the Council's published accounts, performance indicators and local performance plans.
- the business community via the annual business consultation process.
- HM Revenue and Customs.
- the Department of Works and Pensions.
- the Benefit Fraud Inspectorate (BFI).
- the Standards Board for England.

Such scrutiny is welcomed by the Council.

1.5. Statutory Responsibilities

1.5.1. Under section 151 of the Local Government Act 1972 the Council is required to make arrangements for the proper administration of its financial affairs and nominate one of its officers to be responsible for the administration of those affairs. This responsibility currently rests with the Council's Chief Accountant.

1.5.2. The Chief Accountant also has a statutory responsibility under section 114 of the Local Government Act 1988 to ensure the proper arrangement of the Council's financial affairs and is required to report to full Council, Cabinet and the external auditor where it appears that a decision has been made or is about to be made that would involve the incurring of expenditure or a loss which is unlawful.

1.5.3. In addition, the authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.5.4. The Deputy Chief Executive acts as Monitoring Officer under section 5 of the Local Government and Housing Act 1989 to ensure that the actions of officers and councillors are scrutinised as to their legality.

1.5.5. An officer has been nominated as the Council's Money Laundering Reporting Officer (MLRO) in accordance with the Money Laundering Regulations 2003. The MLRO will assess reports of potential money laundering received from Council employees.

1.6. The Role of Internal Audit

- 1.6.1 The Council has an adequate and effective system of internal audit established in accordance with the requirements of the Accounts and Audit Regulations 2003, the Accounts and Audit (Amendment) (England) Regulations 2006 and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- 1.6.2 In accordance with the above legislation and Code of Practice, Internal Audit acts as an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, by evaluation its effectiveness in achieving the organisation's objectives.
- 1.6.3 All Internal Audit activity is subject to approval and review by the Overview and Scrutiny Commission.
- 1.6.4 In addition to the above, the Anglia Revenues Partnership participates in the National Fraud Initiative undertaken in conjunction with the Audit Commission on a 2-yearly basis.

1.7. Converting from a Statement on Internal Control to an Annual Governance Statement

- 1.7.1. Under the Account and Audit Regulations 2003, the Council was responsible "for ensuring that the financial management of the body was adequate and effective and that the body had a sound system of internal control which facilitated the effective exercise of that body's functions and which included arrangements for the management of risk". Previously, to confirm compliance with this statutory duty, a Statement on Internal Control would be published each year with the Council's financial statements focussing on:

- Reviewing the accuracy of internal control arrangements;
- Recognising where arrangements need to be improved; and,
- Identifying what action the Council plans to take to improve those arrangements.

However, the above arrangements were revised by the Accounts and Audit (Amendment) (England) Regulations 2006. The major changes introduced from 2007/08 have included a major review of the Council's Code of Corporate Governance and providing an Annual Governance Statement instead of the Statement on Internal Control.

1.8. Code of Corporate Governance

- 1.8.1. The Council has drafted a Local Code of Corporate Governance which sets out the principles of good corporate governance which was reviewed in 2007/08 in accordance with the Accounts and Audit (Amendment) (England) Regulations 2006. This will shortly be adopted.

1.9. Standards Committee

- 1.9.1. The Council's Standards Committee plays a key role in promoting and maintaining high standards of conduct by councillors in accordance with their code of conduct.

2. CULTURE

2.1. Statement of Intent

- 2.1.1. The Council is determined to promote a culture of honesty, integrity and opposition to fraud and corruption. To that end the Council is now adopting the Seven Principles of Public Life as formulated by the Nolan Committee (see Appendix 1).
- 2.1.2. The Council expects all councillors and employees to adhere to legal requirements, rules, procedures and the seven principles referred to above.
- 2.1.3. The Council is committed to continuing development of systems and procedures designed to prevent or detect possible fraud or corruption.

2.2. External Organisations and Individuals

- 2.2.1. The Council also expects individuals and organisations it deals with (e.g. suppliers, contractors and recipients of grant) to act with honesty and integrity.
- 2.2.2. Members of the public are encouraged to report concerns through the Council's Whistleblowing Policy or via their local councillor. Details of local councillors can be obtained by contacting the Democratic Services Manager or via the Council's website.

2.3. Employees

- 2.3.1. Employees are encouraged to raise any concerns they may have in relation to any internal activities of the Council or in its dealings with outside individuals or organisations. They can do this, without fear of recrimination, in the knowledge that such concerns will be properly investigated and fairly dealt with in accordance with the Council's Whistleblowing Policy.
- 2.3.2. The Council has issued guidance to all employees advising them what they should do if they suspect fraud or corruption in the document – **Guidance for employees – How to react to concerns of inappropriate behaviour**. Likewise, managers have been issued with guidance advising them how to react to suspected fraud or corruption brought to their attention in the Procedural Note - **Guidance for managers – How to react to concerns of inappropriate behaviour**. Both of the aforementioned documents are attached to the Council's Whistleblowing Policy.
- 2.3.3. The Council will treat the raising of any unfounded malicious allegations by an employee as a potential disciplinary matter.

2.4. Councillors

- 2.4.1. Councillors are expected to raise any concerns via the Whistleblowing Policy
- 2.4.2. Councillors raising unfounded malicious allegations may be subject to a complaint to the Standards Board for England for alleged breach of the Members' Code of Conduct.

3. PREVENTION

3.1. Employees

- 3.1.1. The Council recognises that a key preventative measure against the possibility of fraud or corruption is to take effective steps at the recruitment stage to establish, as far as possible the propriety and integrity of potential employees. This includes temporary and

contract staff. Agencies providing temporary staff should be required to confirm references have been obtained and validated.

- 3.1.2. The Council requires recruitment to be in accordance with the Council's Recruitment and Selection Policy. Written references should be obtained regarding the known honesty and integrity of potential employees and any relevant qualifications should be confirmed prior to appointment.
- 3.1.3. The Council expects its employees to abide by its Officers' Code of Conduct and any code of conduct issued by their professional institute, where applicable.
- 3.1.4. The Council expects its employees to abide by section 117 of the Local Government Act 1972, which requires the disclosure of any financial interests in contracts relating to the Council and the refusal of any fees or rewards whatsoever, other than their proper remuneration.
- 3.1.5. The Council has an agreed disciplinary procedure of which all employees are made aware. Employees subject to investigation for alleged malpractice will be dealt with in accordance with these procedures.
- 3.1.6. Failure to inform the Council of any conviction for a criminal offence received during employment constitutes a disciplinary offence.
- 3.1.7. The Council expects its employees to abide by the framework noted at 1.1.2 above.
- 3.1.8. These procedures include provisions for maintaining adequate separation of duties to seek to prevent error or impropriety. The existence, appropriateness and effectiveness of such controls is independently monitored by the Internal Audit Service in conjunction with the Council's external auditors.

3.2. Councillors

- 3.2.1. The Council requires its councillors to operate within: -
 - the Council's Constitution;
 - sections 94 - 97, 105 and 107 of the Local Government Act 1972;
 - the Local Authorities (Model Code of Conduct) Order 2007; and,
 - any future relevant legislative provisions or codes of conduct.
- 3.2.2. These matters are specifically brought to the attention of councillors via induction training and the soon to be released Members' Information Pack.

3.3. Exchange of Information

- 3.3.1. The Council has arrangements in place, which encourage the exchange of information with other agencies on national and local fraud and corruption activity whilst, at the same time, abiding by data protection requirements.

3.4. External Liaison

- 3.4.1. The Council has liaison arrangements with:-
 - the Police;
 - the Norfolk Financial Officers Association;

- the Norfolk Chief Internal Auditors Group;
- the Audit Commission;
- the Department of Works and Pensions;
- the National Anti-Fraud Network (NAFN); and,
- the Benefits Fraud Inspectorate (BFI).

4. DETECTION AND INVESTIGATION

4.1. Detection

- 4.1.1. The Council has extensive measures in place designed to prevent, or make more difficult, any fraudulent or corrupt activity.
- 4.1.2. Managing the risk of fraud and corruption is the responsibility of the Chief Executive, the Deputy Chief Executive, the Directors and the Service Managers. Hence, the Council expects its senior managers to be alert in the prevention or detection of fraud or corruption. However, it is often the alertness of other employees, councillors or members of the public that enables detection to occur and appropriate action to take place.
- 4.1.3. Despite best efforts, some fraudulent or corrupt acts will be discovered by chance, “tip-off” or whistleblowing. The Council has arrangements in place to enable such matters to be properly dealt with.
- 4.1.4. Employees are required by the Financial Regulations to report any suspicion they have that fraud or corruption has taken place or may be about to take place. The Officers’ Code of Conduct also advises them to report any aspect of the provision of a service or behaviour of a colleague, which might, if more widely known, bring the Council into disrepute.
- 4.1.5. The Council will treat any financial malpractice very seriously. Senior managers are expected to deal swiftly and firmly with those who are involved in fraudulent or corrupt acts.

4.2. Investigation – Statutory Requirements

- 4.2.1. Investigation of suspected fraud or corruption will be conducted in accordance with the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedures and Investigations Act (CIPA) 1996, The Human Rights Act 1998, the Regulation of Investigatory Powers Act (RIPA) 2000 and any other relevant legislation.
- 4.2.2. In the event of cases of fraud, Internal Audit must notify the Audit Commission promptly of all frauds exceeding £10,000, and any cases of corruption and any fraud cases of particular interest or complexity, and will set out the details on Form AF70 for submission to the Audit Commission’s Counter Fraud Unit.

4.3. Investigation of Benefit Fraud

- 4.3.1. The Council’s benefit service is delivered by the Anglia Revenues Partnership, which has a dedicated Benefits Fraud Investigation Team. Its Benefit Fraud Policy sets out the Partnership’s position and procedures in respect of suspected benefit fraud.

4.3.2. The Partnership would normally expect to prosecute serious cases of benefit fraud in conjunction with appropriate agencies. The Partnership's Benefit Prosecution Policy determines the procedures to be followed.

4.4. Investigation of other suspected Fraud or Corruption

4.4.1. Other cases of suspected fraud or corruption will initially be assessed by the relevant manager.

4.4.2. Where they consider further enquiries are appropriate the following procedures will be adopted:

- the Chief Accountant or the Audit Manager at South Norfolk Council will be contacted without delay.
- the manner in which the matter is to be handled and/or further investigated will be agreed between the Chief Accountant/Audit Manager and other relevant staff.
- all evidence will be properly recorded, considered as to its adequacy and kept securely
- where appropriate, the Council's disciplinary procedures will be invoked and liaison with the police will take place

4.4.3. Where the manager considers no further action is warranted, he/she will still be required to inform the Audit Manager at South Norfolk Council accordingly.

4.4.4. The involvement of the Audit Manager is seen as fundamental to ensure:-

- there is a focal point for gathering information and noting trends if they are emerging
- there is consistent treatment of information regarding fraud and corruption
- that a proper investigation is carried out by independent and experienced personnel
- the optimum protection of the Council's interests
- the liaison with the necessary external agencies
- that innocent employees are protected

4.4.5. Internal Audit will work closely with senior managers and other agencies to ensure that all allegations and evidence are properly investigated and reported upon and, where appropriate, maximum recoveries are made for the Council, using the Proceeds of Crime Act 2002, where appropriate.

4.4.6. Where major financial impropriety is discovered, the presumption is that the police will be informed and arrangements made, where appropriate, for the prosecution of offenders.

4.4.7. Referral to the Police for matters involving fraud or corruption will be determined by the relevant Director in consultation with the relevant Service Manager, District Solicitor and Chief Accountant, as appropriate. Referral to the Police will not preclude action under the Council's disciplinary procedures.

4.4.8. If there is any doubt about the course of action to be taken, the Chief Executive will be consulted.

4.5. Money Laundering

- 4.5.1. If there is suspicion that an offence of money laundering may have taken place, the Money Laundering Reporting Officer may refer the matter to the National Criminal Intelligence Service.

4.6. External Auditors

- 4.6.1. In the majority of cases, where the Audit Commission suspects a fraud, the case will be passed over to the control of Internal Audit, which will then be expected to oversee the investigation of the case and keep External Audit informed of progress. However, External Audit also reserves the right to retain control over a fraud investigation, although this is only likely in exceptional circumstances and, will offer support and assistance to Internal Audit in investigating significant frauds, where appropriate.
- 4.6.2. Finally, the Council may use External Audit's services for the investigation of a suspected fraud, where it is important for the enquiry to be seen publicly as wholly impartial.

5. PUBLICITY AND TRAINING

5.1. The Council's Commitment

- 5.1.1 The Council recognises the continuing success of this strategy and its credibility will depend largely on the effectiveness of publicity, training and the responsiveness of its employees.
- 5.1.2. The Council supports induction and ongoing training, particularly for employees involved with internal control systems, to ensure their responsibilities and duties are regularly highlighted and reinforced.

APPENDIX 1

SEVEN PRINCIPLES OF PUBLIC LIFE

- as defined by the Nolan Committee in 1996

SELFLESSNESS

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards or benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.