

**ANTI-FRAUD AND CORRUPTION POLICY**

*To:* **Cabinet**

*Date:* **15 January 2013**

*From:* **LGSS Director of Law and Governance**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable** *Key decision:* **No**

*Purpose:* **To provide Cabinet with details of:**  
**1. The revised Anti-Fraud and Corruption Policy.**  
**2. The revised Fraud Response Plan.**

*Recommendation:* **It is recommended that Cabinet approves the revised Anti-Fraud and Corruption Policy and revised Fraud Response Plan.**

<b><i>Officer contact:</i></b>		<b><i>Member contact:</i></b>	
Name:	Steve Tinkler	Name:	Councillor Steve Count
Post:	LGSS Head of Audit and Risk Management	Portfolio:	Cabinet Member for Resources and Performance
Email:	<a href="mailto:Steve.Tinkler@cambridgeshire.gov.uk">Steve.Tinkler@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:steve.count@cambridgeshire.gov.uk">steve.count@cambridgeshire.gov.uk</a>
Tel:	01223 699144	Tel:	01223 699173

## **1. PURPOSE**

- 1.1 This report provides Cabinet with details of the revisions made to the Anti-Fraud and Corruption Policy and Fraud Response Plan and requests that Cabinet approve the policy.
- 1.2 Cabinet will note that the revised policy is a joint policy which is recommended to be adopted within both Cambridgeshire and Northamptonshire County Council. The creation of LGSS has provided the opportunity for both councils to align their approach towards the prevention of fraud and corruption, and in effect consolidate the best elements of anti-fraud activity into one standard approach. As a result of this review an updated Anti-Fraud and Corruption Policy and a supporting Fraud Response Plan have been developed for approval.
- 1.3 It should be noted that the attached revised policy and response plan have been produced following detailed consultation with LGSS HR Professional Services.
- 1.4 This report is supported by:
  - The updated Anti-Fraud and Corruption Policy (**Appendix A**)
  - The Fraud Response Plan (**Appendix B**)

## **2. BACKGROUND**

- 2.1 Recent reports issued by Central Government including the “Fighting Fraud Locally – The Local Government Fraud Strategy”, and from the Audit Commission – “Protecting the Public Purse 2012”, all indicate that fraud within the public sector is on the increase. The latter report issued in November 2012, identifies that during 2011/12 local government bodies detected more than 124,000 cases of fraud, with a value of £179m.
- 2.2 In response to the growing risk of fraud within the public sector, local government bodies are recommended to review their counter-fraud strategies in the context of *Fighting Fraud Locally*, the first national strategy for local government fraud.
- 2.3 In response to this requirement a project was undertaken by LGSS Internal Audit & Risk Management, in consultation with LGSS HR Professional Services to develop a joint Anti Fraud and Corruption Policy that could be adopted by both Cambridgeshire and Northamptonshire Councils.
- 2.4 The Policy is supported by a joint Fraud Response Plan which sets out the responsibilities of staff and the actions they should take in relation to suspected instances of theft, fraud and corruption involving Council funds.

## **3. ANTI FRAUD AND CORRUPTION POLICY**

- 2.2 The new policy has adopted the best practice previously operating in each council. It also takes into account best practice and guidance contained in Chartered Institute of Public Finance and Accountancy (CIPFA) Red Book 2 – Managing the Risk of Fraud –

## Actions to Counter Fraud and Corruption.

### 2.4 The key messages within the policy are:

#### **Culture**

- The Council promotes a zero tolerance approach towards fraud, corruption and other malpractice for personal gain. Dishonesty, lack of integrity, avoidance of controls and failure to comply with agreed policies will not be tolerated.
- The Council actively encourages openness and expects any individual to report concerns or suspicions of fraud or corruption without delay.
- The Council promotes an external Whistleblowing policy to encourage and enable contractors, suppliers and the public to raise any serious concerns.

#### **Deterrence**

- The publication of this Anti-Fraud and Corruption Policy and regularly reinforcing that the Council operates a zero tolerance approach will help deter those considering perpetrating fraudulent acts.
- In order to deter any persons from attempting to defraud the County Council appropriate action will be taken to publicise the general outcomes of disciplinary action and to remind employees of the control measures that are in place.

#### **Prevention**

- Managers are responsible for assessing the risk of fraud in their area and ensuring there are appropriate and effective controls in place to mitigate the risk.
- Internal Audit will also however seek to proactively promote the anti-fraud message through the delivery of targeted reviews and awareness raising initiatives.

#### **Investigation**

- When managers suspect that fraudulent activity may have occurred they must report this immediately to the LGSS Head of Internal Audit who will decide in consultation with the Service and LGSS Human Resources whether an investigation is required and by whom it will be conducted.
- The Investigating Officer must be suitably trained and experienced in undertaking fraud investigations, as their findings may need to be referred to the Police and the evidence needs to be collected to a criminal evidence standard. As a result, allegations of financial impropriety will usually be investigated by a qualified member of the Internal Audit team.
- The Fraud Response Plan gives full guidance on how the Council conducts investigations into allegations of fraud and the roles and responsibilities of all parties involved. This is discussed below.

## **Sanctions**

- Following a fraud investigation the Internal Audit team will produce a detailed report of findings for consideration by management. The Head of Service will then decide where appropriate, in consultation with Human Resources, whether a disciplinary hearing will be required.

## **Redress**

- The manager responsible for the service in which a loss has occurred as a result of fraud or other misconduct must ensure that all possible means to recover losses are pursued

## **4. THE FRAUD RESPONSE PLAN**

4.1 The aim of the Fraud Response Plan is provide guidance to ensure that effective action can be taken to:

- prevent ongoing losses of funds or other assets where fraud has occurred and to maximise the potential for recovery;
- minimise the occurrence of fraud by taking rapid action at the first signs of a problem;
- maximise the chances of success in future sanction action, including criminal prosecution;
- reduce the impact on service delivery;

4.2 The key actions within the Fraud Response Plan include:

- If a member of staff raises concerns regarding suspected fraud the line manager must inform the LGSS Head of Internal Audit immediately. Line managers should only undertake discreet preliminary enquiries which should be restricted to the basic facts required to determine whether there are any grounds to the allegation. The handling of evidence at the early stages of an investigation can be critical to the outcome of the investigation and advice must be sought from the LGSS Head of Internal Audit to ensure evidence is safeguarded and not compromised. No action should be taken which may alert those suspected of involvement.
- Once the potential extent of the allegation has been established the LGSS Head of Internal Audit will meet with the relevant Director and HR Business Partner and agree the strategy and approach for conducting the audit investigation. In exceptional circumstances the LGSS Head of Internal Audit may instigate aspects of the investigation if it is not practically possible to set up a case meeting, but in this case the relevant manager and HR will be advised.
- A lead Investigating Officer will be selected by the Case Conference. The Investigating Officer must be suitably trained and experienced in undertaking fraud investigations, as their findings may need to be referred to the Police and the evidence needs to be collected to a criminal evidence standard. As a result,

allegations of financial impropriety will usually be investigated by a qualified member of the Internal Audit team.

- Internal Audit will secure any assets, documents, records and correspondence which may be relevant to the investigation. Physical evidence will be either secured on site or removed and retained by Internal Audit for examination.
- Fact finding interviews with members of staff within the service area may be necessary to clarify any areas of uncertainty and to provide additional background information. Fact finding investigation interviews are not disciplinary interviews and are intended to clarify details on procedures and responsibilities. Disciplinary procedures do not commence until the Audit investigation is concluded and findings are presented to management.
- Where an Internal Audit investigation concludes that there is evidence of fraud or impropriety perpetrated by a member of staff, a detailed report on the investigation and its findings will be presented to the relevant Head of Service. Based upon the findings the Head of Service, with support from Human Resources, will decide whether disciplinary action is required
- The decision to refer a matter to the Police will be taken by the LGSS Head of Internal Audit and the appropriate Director of the Council, in consultation with the relevant Head of Human Resources.

## **5. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING**

5.1 The adoption of the Anti Fraud and Corruption Policy will provide an important framework to help the Council address, and hopefully mitigate, the risk of theft, fraud and corruption. This will help protect the money provided for local services and will thereby contribute towards the Council achieving its three priorities of:

- Developing the local economy for the benefit of all
- Helping people live healthy and independent lives in their communities
- Supporting and protecting vulnerable people when they need it most

## **6. SIGNIFICANT IMPLICATIONS**

### **6.1 Resource and Performance Implications**

An effective Anti-Fraud and Corruption environment will help safeguard the Council's financial resources and prevent ongoing losses where fraud has occurred, whilst maximising the potential for recovery.

## 6.2 Statutory, Risk and Legal Implications

### Section 151 Officer

Under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985 the Section 151 Officer has a statutory duty to ensure that there are proper arrangements in place to administer the Council's financial affairs.

### Chief Financial Officer

The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the Chief Financial Officer (CFO) lists one of the CFO's core responsibilities as 'implementing appropriate measures to prevent and detect fraud and corruption'.

### LGSS Head of Internal Audit & Risk Management

The LGSS Head of Internal Audit has a duty to monitor instances of financial irregularities within the Council as a whole, and to report certain details to external bodies, such as the Audit Commission. Internal Audit also has a duty to ensure that appropriate investigations are carried out.

## 6.3 Equality and Diversity Implications

Not directly applicable.

## 6.4 Engagement and Consultation

The Anti Fraud and Corruption Policy and the Fraud Response Plan have been reviewed by the Senior Management Team, the Head of HR Policy and Strategy and Cllr Steve Count – Cabinet Member – Resources & Performance who has provided the Policy's foreword.

## 6.5 Public Health

Not directly applicable.

### **Source Documents**

*Fighting Fraud Locally – The Local Government Fraud Strategy:*

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/strategy-document?view=Binary>

*Protecting the Public Purse 2012 – Audit Commission:*

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/20121107-ppp2012.pdf>