

PART 5

MALVERN HILLS DISTRICT COUNCIL

ANTI-FRAUD AND CORRUPTION POLICY STATEMENT

1. The Council is committed to maintaining an honest and open culture within the organisation.
2. Members, employees and all other people that work on behalf of the Council must have high standards of conduct. They are expected to follow the principles of public life, and national and local standards of corporate governance. This includes all local and national codes of conduct.
3. Systems of internal control will be maintained to prevent and detect fraud and corruption, but the Council will not be complacent. When it is suspected that fraud and/or corrupt action has occurred, it will be investigated promptly and fully. Appropriate action will be taken in all cases, including:
 - taking disciplinary action
 - criminal prosecution
 - imposing sanctions
 - seeking compensation
4. This policy applies equally to all members, employees and other people acting on behalf of the Council.
5. From time to time, as necessary, the Council will adopt a strategy for ensuring the compliance of this policy.

MALVERN HILLS DISTRICT COUNCIL

ANTI-FRAUD AND CORRUPTION STRATEGY

Council meeting 25th June 2002

INTRODUCTION

The Council has agreed a policy on fraud, theft and corruption which embodies the principles of integrity, accountability, openness and leadership.

This strategy details a series of measures which are designed to prevent fraudulent or corrupt acts and the steps to be taken when such acts occur.

For ease of understanding, the strategy is separated into six areas:

- Culture
- Prevention
- Deterrence
- Detection and Investigation
- Awareness and Training
- Fraud Response Plan

Definitions

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”.

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

Misuse of assets: the use of council assets for personal gain and the abuse of property.

This strategy also covers: “the failure to disclose an interest in order to gain financial or other pecuniary gain.”

CULTURE

The culture of the Council is one of openness, equity, fairness and mutual respect. The prevention and detection of fraud/corruption are everyone's responsibility - elected members 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 be treated in confidence.

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**
- **deliberate concealment of any of the above.**

Management will ensure that all allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998.

There is, of course, a need to ensure that any investigation process is not misused and, therefore, 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 systems or procedures, senior management will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

PREVENTION

ELECTED MEMBERS

The Role of Elected Members

As elected representatives, all members of the Council have a duty to the community to protect the Council from all forms of abuse. This is carried out through this anti-fraud and corruption strategy, compliance with the Councillor Code of Conduct, the Council's Financial Rules, and the relevant legislation.

Elected members sign to the effect that they have read, understood and will observe the Councillor Code of Conduct when they take office. This is brought to the attention of members during induction, which includes the declaration and registration of interests. An annual reminder takes place.

EMPLOYEES

The Role of Managers

Managers at all levels are responsible for the communication and implementation of this strategy to employees. Managers are also responsible for ensuring that their employees are aware of the Council's financial rules. Furthermore, managers are required to make employees aware of the requirements of any code of conduct for local government employees.

Managers are expected to strive to create an environment in which employees feel able to approach them with any concerns about suspected irregularities. Where managers are unsure of the necessary procedures, they will refer to the Council's Whistleblowing policy.

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, housing benefits or council tax. Managers must ensure that proper controls are in place.

It is recognised that a key preventative measure for dealing with fraud and corruption is for managers to follow correct procedures at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees.

Formal recruitment procedures are in place which contain appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, police checks are undertaken on employees working with children.

The Responsibilities of Employees

Each employee is governed in his/her work by the Council's financial and other procedure rules, codes of conduct and various protocols and policies. These guidelines cover the acceptance of gifts and hospitality, professional and personal conduct, and conflicts of interest. The guidelines are issued to all employees when they join the Council, and are updated from time to time.

Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the Council's assets.

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 will be raised, in the first instance, directly with the line manager, or in accordance with the Council's Whistleblowing Policy.

Conflicts of Interest

Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest and the appropriate entry must be made in the Register of Interest. Such situations can arise with externalisation of services, tendering, planning and land issues, etc. Separation of duties will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

Official Guidance

In addition to financial and other Council procedure rules, services will 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.

The Role of Internal Audit

Internal audit plays an important preventative role in ensuring that systems and procedures are in place to prevent and detect fraud and corruption. Audit will investigate cases of suspected irregularity, and liaise with management to recommend changes in procedures.

The Role of External Audit

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.

Co-operation with Others

Arrangements are in place to develop and encourage the exchange of information on national and local fraud and corruption activity with external agencies such as:

- the police service
- local government groups
- the Audit Commission
- Department for Work and Pensions
- the Electoral Commission

DETERRENCE

Prosecution

The Council operates a prosecution policy in respect of housing and council tax benefit in line with guidance issued by the Department for Work and Pensions. The policy is designed to clarify the actions taken in specific cases and to deter others from committing offences. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

Disciplinary Action

Theft, fraud and corruption are serious offences, and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case. It will be applied in a consistent manner, after consultation when necessary with the Chief Executive, the Monitoring Officer, and the Section 151 officer.

Action will be taken against members if they are found to have been involved in theft, fraud or corruption against the Council, depending on the circumstances of each case. Such action will be taken after the matter has been referred, as appropriate, by the Monitoring Officer to the Standards Committee for England and the police.

Publicity

Any appropriate publicity opportunities associated with anti-fraud and corruption activity will be taken, and the Council will ensure that the results of any action taken, including prosecutions, are reported in the media. In all cases where financial loss to the authority has occurred, the Council will seek to recover the loss and advertise this fact.

All anti-fraud and corruption activities, including updates to this strategy, will be publicised in order to make the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

Regular reports will be made to the Audit and Standards Committee.

DETECTION AND INVESTIGATION

Internal audit plays an important role in the prevention of fraud and corruption. Included in the three-year audit plan are reviews of financial system controls and specific fraud and corruption tests, spot checks and unannounced visits.

System controls are in place to deter fraud and corruption, but it is the vigilance of employees and members of the public that often 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 in accordance with the requirements of the Human Rights Act 1998.

All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This:

- ensures the consistent treatment of information, and
- facilitates a proper and thorough investigation by management

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 senior management after consultation with the Audit Manager, the Monitoring

Officer and the Section 151. The police will normally be informed of any financial impropriety.

The Role of the Benefits Investigation Team

The Council's benefits investigation team is responsible for all benefit fraud investigations. They will work in partnership with internal audit in cases where employees of the Council are suspected of benefit fraud.

AWARENESS AND TRAINING

The Council recognises that the continuing success of this strategy, and its general credibility, will depend on the awareness of all elected members and employees, and the effectiveness of programmed training.

CONCLUSION

The Council sets and maintains high standards, and encourages a culture of openness, equity, fairness and mutual respect. This strategy fully supports the commitment to maintain an honest authority, free from fraud and corruption.

A network of systems and procedures is in place to assist in dealing with fraud and corruption when it occurs. The Council 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 our operation.

This strategy will be reviewed annually with the advice of the Monitoring Officer and the Section 151 Officer.

MALVERN HILLS DISTRICT COUNCIL FRAUD RESPONSE PLAN

OPERATIONAL CONTROL

