NO. 9

GREAT DUNMOW TOWN COUNCIL

ANTI-FRAUD & CORRUPTION STRATEGY

1. Introduction

1.1 This Anti-Fraud and Corruption Strategy links closely to the Council's Vision and supports the Council's values of openness, honesty and performing to the highest standards.

1.2 This document first outlines how the Council currently manages the risk of fraud and then reviews the Council's arrangements against the CIPFA Better Governance Forum's Red Book 2 "Managing the Risk of Fraud" as a basis for developing a counter fraud strategy which complies with best practice.

1.3 The guidance from CIPFA defines the following five key elements as foundations of an effective anti-fraud framework.

- Adopting the Right Strategy
- Accurately Identifying the Risks
- Creating and Maintaining a Strong Culture
- Taking Action to Tackle the Problem
- Defining Success

2. How the Council Manages the Risk of Fraud & Corruption Policies, Procedures and Codes

2.1 The Council's Corporate Framework provides a whole range of high level component parts, which contribute to the Council having an effective counter-fraud strategy, and some of the key ones include:-

- An Anti-Fraud & Corruption Policy Statement which emphasises the importance of probity to all concerned;
- Member support;
- Codes of conduct for Members and Officers;
- "Whistleblowing" Policy, and Complaints Procedures;
- Contracts Procedure Rules and Financial Procedure Rules;
- Sound internal control systems, procedures and reliable records;
- Effective internal audit;
- Effective recruitment procedures;
- The Council's Disciplinary Procedure;
- Clear responsibilities, accountabilities and standards;
- Induction and training.

2.2 These policies provide a framework within which the organisation operates. Having clear policies ensures clarity about individual accountabilities and the appropriate course of action in any given event. These policies not only ensure that a consistent and fair approach is taken during any investigations regarding suspected fraud or corruption but also contribute to the promotion of anti-fraud culture.

Internal Control Systems

2.3 The Council has adopted a Constitution incorporating Contracts Procedure Rules, Financial Procedure Rules and various rules and codes of conduct that provide a requirement on officers, when dealing with the Council's affairs, to act in accordance with best practice.

2.4 The Town Clerk has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs. In addition, under the Accounts & Audit Regulations 2003 as the "responsible financial officer", he/she is required to determine the accounting control systems which include:

- *"measures to enable the prevention and detection of inaccuracies and fraud,"*
- *"identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions."*

The latter requirement is a key control in the prevention of impropriety.

2.5 The Council's aim is to have sound financial systems and procedures which incorporate efficient and effective internal controls. As part of the Strategy, the "separation of duties" should be considered as a fundamental control in systems, especially when involving significant transactions.

2.6 Under the Council's Financial Procedure Rules, the Town Clerk is responsible for ensuring that adequate controls are in place. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the Council's Internal Audit Section.

2.7 As part of the Council's published Accounts each year, a formal statement is produced which describes the Internal Control Systems and provides an assessment of their effectiveness. This **Annual Governance Statement** is designed to provide assurance to external parties of the quality of the Council's governance arrangements and demonstrates effective stewardship of the public funds entrusted to the Council.

2.8 This network of systems and procedures to assist in the fight against fraud and corruption is well established and has been in place for many years. However the Council is determined to keep pace with future developments and therefore this strategy will build on the existing arrangements to ensure they remain current and comply with best practice.

3. Adopting the Right Strategy

3.1 Adopting the right strategy is a key element in effectively countering fraud and corruption. Great Dunmow Town Council is committed to promoting a strong ethical and counter fraud culture. This anti fraud and corruption strategy is the mechanism for achieving this commitment and in particular, aims to reduce losses to fraud and corruption in all areas of the Council to an absolute minimum. It is intended to achieve this by complying with the best practice standards recommended by CIPFA's Better Governance Forum.

3.2 The strategy links closely to Council's Vision which defines the following as values the Council aims to live up to

- Setting high standards
- Open and honest
- Leading by example
- Focusing on performance

3.3 The strategy is not just concerned with operational activity to detect and investigate fraud and corruption, but also sets out objectives for pro-active actions to deter and prevent fraud and corruption through the development of an anti-fraud and corruption culture. Real achievements will be measured by specifying appropriate outcomes against which the effectiveness of the strategy can be assessed.

3.4 This strategy and the various policies which support it will be reviewed annually to ensure they remain current and satisfy best practice requirements.

4. Accurately Identifying the Risks

4.1 The risk of fraudulent or corrupt activity is included in the Council's risk management arrangements. It is acknowledged that if the potential incidence and magnitude of fraud can be identified and measured, this will allow resources to combat fraud to be allocated more effectively. However whilst data to measure detected fraud may be readily available, and is often generated as part of the investigation, the measurement of undetected fraud is more difficult to acheive.

4.2 The strategy will seek to adopt appropriate definitons for fraud and develop a formal mechanism for measuring fraud and corruption levels and losses.

5. Creating and Maintaining a Strong Culture

5.1 High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. In promoting good governance standards the Council aims to create an anti-fraud culture and environment to deter those who may commit fraudulent and corrupt acts and encourage those who suspect such activity to report it promptly.

Members

5.2 The responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management.

5.3 The District Council has a Standards Committee, which promotes and maintains high standards of member conduct and assists members to observe the code of conduct. In particular Members are required to operate within:

- National Code of Local Government Conduct;
- Sections 94-96 of the Local Government Act 1972;
- Local Authorities Members' Interest Regulations 1992 (SI 618);
- Council Rules of Procedure.

5.4 These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members and are in each Member's Handbook; they include rules on the declaration and registration with the Town Clerk of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives.

Officers of the Council

5.6 A successful anti-fraud culture is one where acts of fraud and corruption are widely recognised as unacceptable behaviour and Whistleblowing is perceived as public-spirited action. The Council has put in place a number of policies, procedures and other actions to promote an anti-fraud culture to the officers of the Council.

5.7 All officers must abide by the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. This Code forms part of the Employee Handbook and is referred to in all Contracts of Employment. Officers of the Council are expected to follow any code of conduct related to their personal Professional Institute.

5.8 The Council has in place disciplinary procedures for all categories of employee. Any breach of conduct will be dealt with under these procedures and may result in dismissal.

5.9 Officers must comply with the Council's Contracts Procedure Rules which require that they operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out in the Council's Code of Conduct for Employees.

5.10 The Town Clerk is the Monitoring Officer in line with the Local Government Act 2000. As part of this role, the Town Clerk has overall responsibility for the maintenance and operation of the Authority’s Whistleblowing Policy.

Safe Recruitment

5.11 A key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential officers, in terms of their propriety and integrity. In this regard, temporary staff should be treated in the same manner as permanent officers.

5.12 Officer recruitment should be in accordance with procedures laid down by the Full Council. Whenever possible, written references should be obtained with specific assurances regarding the known honesty and integrity of potential officers before formal employment offers are made.

5.13 A key action under this strategy is to review the effectiveness of propriety checking procedures to ensure the Council remains up to date with and implements best practice in this area.

Training

5.14 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 programmed training, communication and responsiveness of officers throughout the organisation.

5.15 To facilitate this, the Council supports the concept of full induction, training and follow-up training; this applies particularly to officers involved in internal control systems and financial and finance-related systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced, and to casual, temporary and agency staff, who may not be aware of the high standards of probity that are required in the public sector.

5.16 The review of the Council's internal control systems and the investigation of fraud and corruption centres on Internal Audit

5.17 The officers involved in the review of internal control systems and investigative work are properly experienced and regularly trained

5.18 The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work. A key priority therefore will be to conduct a programme to promote fraud awareness to appropriate groups of officers throughout the Council.

Combining with Others to Prevent and Fight Fraud

5.19 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the Data Protection Act 1998 and with the Audit Commission’s Code of Practice for National Fraud Initiative Data Matching Exercises, and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council’s trust and confidence in the employee. In certain cases disciplinary action could lead to dismissal.

5.20 With the increase in recent years of frauds perpetrated against a variety of public bodies, which usually involve fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include:

- Police Forces and Fraud Squads
- Essex Association of Treasurers
- Essex Fraud Investigation Group
- Audit Commission and External Auditor
- Universities and Colleges
- Student Loans Company
- HM Immigration Office
- Department for Works and Pensions
- National Anti Fraud Network

6. Taking Action to Tackle the Problem

Deterrence

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:-

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity – e.g.,publicising the Whistleblowing arrangements, clause in contracts, statements on benefits claim forms, publications etc.;
- Acting robustly and decisively when fraud and corruption are suspected and proven – e.g., the termination of contracts, dismissal, prosecution etc.;
- Taking action to effect the maximum recoveries for the Council – e.g. through agreement, Court action, penalties, insurance etc.;
- The Town Clerk will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Authority. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.
- Having sound internal control systems, that still allow for innovation, but at the same time do not provide the opportunity for fraud and corruption.

Prevention

6.2 Officers across the Council have an important role to play in the prevention of fraud and corruption. Officers need to understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk. To this end, Internal Audit and the Council's Risk Management Strategy endeavour to provide appropriate advice to managers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work.

6.3 The Internal Audit Plan includes a programme of work based on key risk areas as identified under the Councils risk management arrangements. This programme of work is not restricted solely to the investigation of detected fraud but also includes anti-fraud assurance work intended to deter and prevent fraud. Anti-fraud assurance work will represent an area of ongoing development and represents a key priority for the Anti-Fraud & Corruption Strategy.

Detection

6.4 It is the responsibility of chief officers and their managers to prevent and detect fraud and corruption.

6.5 In addition, Internal Audit and External Audit will liaise closely and implement a cyclical programme of audits which will test for fraud and corruption.

6.6 However, despite the best efforts of officers and auditors, many frauds are discovered by chance or "tip-off". It is often the alertness of employees and the public that enables detection to occur.

6.7 The Anti-Fraud & Corruption Policy Statement provides a clear path for raising concerns and facilitating "tip-offs", and the fraud-response arrangements, outlined in the Strategy, enable such information or allegations to be properly dealt with. The Council's Whistleblowing Policy also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.

6.8 The Council's Whistleblowing arrangements will be reviewed against best practice from Public Concern at Work and updated accordingly. This will include testing staff confidence in the Whistleblowing arrangements and ensuring that the policy is communicated to and accessible to all employees and contractors. In addition the arrangements for members of the public to raise fraud concerns will be reviewed.

Investigation

6.9 Senior management are responsible for following up any allegation of fraud or corruption that they receive and are required to inform the Town Clerk, of all suspected irregularites. The investigating officer, in consultation with Internal Auditor, will:-

- deal promptly and confidentially with the matter;
- record all evidence that has been received;
- ensure that evidence is sound and adequately supported;
- make secure all of the evidence that has been collected, including electronic evidence;
- where appropriate, contact other agencies, e.g. Police;
- when appropriate, arrange for the notification of the Council's insurers;
- report to senior management, and where appropriate, recommend that management take disciplinary action in accordance with the Council's Disciplinary Procedures, and make any necessary revisions to systems and procedures to ensure that similar frauds do not recur.

6.10 Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Strategy and ensures:-

- ➢ consistent treatment of information regarding fraud and corruption;
- ➢ proper investigation by an independent and experienced audit team;
- ➢ the proper implementation of a fraud response investigation plan;
- ➢ the optimum protection of the Council's interests.

6.11 Depending on the nature and anticipated extent of the allegations, the Internal Auditor will normally work closely with management, personnel, legal etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.

6.12 The Council's disciplinary procedures will be used where the outcome of the Audit investigation indicates improper behaviour. "Reasonable belief" is sufficient ground for dismissal, rather than absolute proof as in a court of law.

6.13 The Council's External Auditor, the Audit Commission, also has powers to independently investigate fraud and corruption, and the Council can use this service too.

6.14 Where a fraud has occurred, management will need to take action to ensure that any control weaknesses which provided the opportunity for this are addressed. Where appropriate control weaknesses will be identified by the investigation. Any lessons learnt will be disseminated to all relevant sections. Whilst generally this is the current practice a key action will be to make this a formal conclusion to any investigation.

Sanctions and Redress

6.15 Where financial impropriety is discovered, whether perpetrated by officers, Members or organisations (e.g. suppliers, contractors, and service providers) the Council deal with, the presumption is that the Police will be called in. The Crown Prosecution Service determine whether or not a prosecution will be pursued. Referral to the Police is a matter for the Town Clerk. Various officers will be consulted during investigations and the Town Clerk will be kept informed of referrals to the Police.

6.16 Referral to the Police will not inhibit action under the Council's Disciplinary Procedures. Serious cases of fraud or corruption would represent gross misconduct and consequently the officer may be liable to dismissal.

6.17 The Town Clerk, acting as Monitoring Officer, will advise on the course of action to be taken in relation to Members.

6.18 Suspected financial impropriety by any organisation the Council deals with, will be the subject of an investigation. If proven, this could result, for example, in the termination of an individual contract and may result in prosecution.

6.19 In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. If the fraudster is an employee, the loss may be recovered from any monies due to the individual on termination of employment.

6.20 In the event of the Council receiving a request for a reference in respect of an employee who has been dismissed as a result of a fraud/irregularity investigation, the Town Clerk should be contacted for guidance regarding the wording of any reference provided.

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