

EAST HERTS COUNCIL

HUMAN RESOURCES COMMITTEE – 5 JULY 2007

REPORT BY THE LEADER OF THE COUNCIL

6. ANTI-FRAUD AND CORRUPTION STRATEGY AND CONFIDENTIAL REPORTING CODE

WARD(S) AFFECTED: NONE

'D' RECOMMENDATION – that the Anti-Fraud and Corruption Strategy and Confidential Reporting Code be approved and adopted.

1.0 Purpose/Summary of Report

1.1 To update existing policies in accordance with new business arrangements within the Council.

2.0 Contribution to the Council's Corporate Priorities/Objectives

2.1 Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.

3.0 Background

3.1 The Anti-Fraud & Corruption Strategy and the Confidential Reporting Code were last updated in May 2004. These documents require review as they do not reflect the Council's new business arrangements. The revised documents are attached as Appendices 'A' and 'B' (Pages 6.3 - 6.19)

4.0 Report

4.1 Corporate Management Team considered the revised Anti-Fraud and Corruption Strategy and Confidential Reporting Code on 15 May 2007 and asked that Heads of Service be given the opportunity to comment.

5.0 Consultation

5.1 Comments made by Heads of Service have been taken forward and amendments made as appropriate. The documents have also been discussed with UNISON and their comments have been accommodated as appropriate.

5.2 Local Joint Panel on 20 June 2007 gave its support to the revised policies.

6.0 Legal Implications

6.1 None

7.0 Financial Implications

7.1 None

8.0 Human Resource Implications

8.1 The Council needs robust current policies to support its Human Resource arrangements.

9.0 Risk Management Implications

9.1 Failure to maintain a current and robust Anti-Fraud & Corruption Strategy and Confidential Reporting Code will weaken the overall arrangements for the prevention and detection of fraud and corruption.

Background Papers

None

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East Herts Council
Anti-Fraud and Corruption Strategy
Draft Policy Statement

East Herts Council encourages a culture of honesty and integrity and is committed to establishing and maintaining a framework of internal control which promotes the prevention and detection of any fraud and corruption perpetrated by its Members, employees and by others who attempt to obtain the Council's assets or services. East Herts Council has a zero tolerance towards fraud and corruption.

1. Introduction and Definitions

- 1.1 East Herts Council employs approximately 375 direct employees and also employs staff indirectly through a number of service contracts. The Council has a total annual inflow and outflow of cash in excess of £295 million.
- 1.2 The stewardship of public accounts has never had a higher profile. The administration of public funds demands the highest degree of integrity from its Members, employees, suppliers and contractors.
- 1.3 The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, procedures and recommended practices.
- 1.4 The Council also expects that individuals and organisations (e.g. suppliers and contractors) that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or corruption.
- 1.5 The Council will make every effort to recover any losses incurred through fraud & corruption.
- 1.6 The Council is committed to an effective Anti-Fraud and Corruption Strategy designed to:
 - (a) encourage prevention,
 - (b) promote detection, and
 - (c) identify a clear pathway for investigation.
- 1.7 An irregularity means something which gives rise to suspicion that a fraudulent or corrupt act has taken place, or is about to take place.

The following definitions are contained in both the CIPFA publication "The Investigation of Fraud in the Public Sector" and the Audit Commission's "Fraud and Corruption Audit Manual".

(a) Fraud

"The intentional distortion of financial statement or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain". Note: This strategy is also relevant to misappropriation without the distortion of financial statements or other records.

(b) Corruption

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

1.8 The Council’s Anti-Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any fraudulent or corrupt act. These cover:

- (a) Culture,
- (b) Prevention,
- (c) Detection and Investigation, and
- (d) Training.

2. Culture

2.1 The Council encourages a culture of honesty and openness in all of its dealings with wholehearted opposition to fraud and corruption in any form. This culture encourages Members, staff and customers to report any suspicions they have regarding irregularities.

2.2 The Section 151 Officer is responsible in law for ensuring the probity of the Council’s activities. The Council is also required to have an “adequate and effective” internal audit function and it is through this section that the Director of Internal Services supports management in their control over fraudulent or corrupt acts.

2.3 Financial Procedures require each Director to notify the Chief Executive, the Director of Internal Services, the Section 151 Officer and the Head of Internal Audit immediately of any irregularity or suspected irregularity involving Fraud and Corruption. The Chief Executive or Director should subsequently confirm the specific details in writing.

All irregularities and suspected irregularities will ultimately need to be notified to the Chief Executive, the Director of Internal Services, the Section 151 Officer and the Head of Internal Audit. Initial notification will be dependent on who is suspected and where the irregularity has occurred. Reporting lines are shown below but should there be any doubt the Head of Internal Audit should be consulted.

Concern	First Point of Notification
About a Member	Monitoring Officer
About an outside organisation	Director
In your Division	Director
In another Division	Chief Executive

About your Director
About Chief Executive
About benefit claimant

Chief Executive
Director of Internal Services
Benefits Fraud Officer

The Chief Executive, the appropriate Director, the Director of Internal Services and the Head of Internal Audit will appraise each other of the presence of an irregularity or suspected irregularity at the earliest opportunity.

- 2.4 Concerns raised by staff will be treated seriously and in strict confidence. There will be no victimisation of staff divulging concerns and their employment position and future prospects with the Council will not be affected. All staff are encouraged to raise concerns through the above internal procedures but they may also approach the Council's External Auditor or the charity Public Concern at Work (tel: 020 7404 6609). More information about Public Concern at Work is available on their website www.pcaw.co.uk.

The Council regards the raising of unfounded malicious allegations of fraud and corruption as a serious disciplinary matter. It is also a disciplinary offence to deter or victimise staff from raising valid concerns about fraud or corruption.

- 2.5 Members of the public, organisations, Council suppliers and contractors are encouraged to raise any issue that concerns them through whichever channel they consider appropriate.

3. **Prevention**

3.1 Staff

- (a) The Council recognises that a key preventative measure in the fight against fraud and corruption is to take steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential staff.
- (b) Staff recruitment will be undertaken in accordance with approved recruitment checklists held by both Human Resources and Managers. Written references and evidence of qualifications will be obtained before offers of appointment are made.
- (c) Staff of the Council will be bound by the Staff Code and Code of Conduct, the Council's Financial Regulations, Financial Procedures and Rules of Procedure Relating to Contracts, Codes issued by professional bodies of which they are members and the National Schemes of Conditions of Service.

- (d) The Council has in place a Disciplinary Procedure and this is to be followed wherever staff are suspected of committing a fraudulent or corrupt act. The Disciplinary Procedures will in no way revoke the rights of the Council to pursue criminal prosecution of staff involved in fraudulent or corrupt acts.

3.2 Members

Members are required to operate within:

- (a) Government Legislation,
- (b) National Code of Local Government Conduct,
- (c) Local Authorities Member Interest Regulations 1992 (SI.618), and
- (d) Council Financial Regulations, Financial Procedures and Rules of Procedure Relating to Contracts.

These matters are specifically brought to the attention of Members in the introduction pack. Members are required to provide the Head of Democratic Services with specified information regarding their direct or indirect pecuniary interests and to keep that information up to date.

3.3 Systems

- (a) The Council has Financial Regulations, Financial Procedures and Rules of Procedure Relating to Contracts in place that require Members, staff and a number of service contractors, when dealing with the Council's affairs, to act in accordance with best practice.
- (b) The Section 151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- (c) The Council has developed, and is committed to continuing with systems and procedures that incorporate efficient and effective internal controls. The Chief Executive and Directors are responsible for the installation and maintenance of sound internal control regimes. The existence and appropriateness of internal controls are independently monitored by the Council's Internal

Audit Section. Any removal of internal controls should only be done in liaison with the Section 151 Officer.

- (d) The Internal Audit planning process incorporates a risk assessment approach to planned audits, which assists in determining the areas to focus attention on and the frequency of reviews. The risk assessment process is subject to an ongoing review.

4. Detection and Investigation

- 4.1 The array of preventative and detective systems, particularly internal control systems within the Council, are designed to provide indicators of any fraudulent activity, although generally they should be sufficient to deter fraud.
- 4.2 It is often the alertness of Members, staff and the public to indicators of fraud and corruption that enables detection to occur and appropriate action to take place.
- 4.3 Directors are required to notify the Chief Executive, the Director of Internal Services, the Section 151 Officer and the Head of Internal Audit once fraud or corruption is identified or suspected. The Director of Internal Services will determine the method and resources to be utilised to investigate any identified or suspected fraud or act of corruption.
- 4.4 Depending upon the nature of the irregularity the Internal Audit Section will work closely with management and other agencies, such as the Police, to ensure that all matters are investigated thoroughly and reported upon.
- 4.5 The Chief Executive and Directors are expected to deal swiftly and firmly with those who attempt or commit fraudulent or corrupt acts.
- 4.6 The Council will normally wish the police to be made aware of and to independently prosecute offenders where fraud and corrupt acts are discovered. Any decision to notify the Police where fraud or corrupt acts are discovered or suspected will be made by the Chief Executive in consultation with the appropriate Director and the Director of Internal Services. In the absence of the Chief Executive a decision to refer to the Police can be made by the Director of Internal Services in consultation with the appropriate Director.

- 4.7 Officers will be encouraged to participate in local and national professional groups in order to exchange information, initiatives and ideas which have fraud and corruption implications. Liaison with other Local Authorities and relevant Government Departments and Agencies will also be encouraged.
- 4.8 The Council's External Auditors will examine the Council's arrangements for the prevention, detection and investigation of fraud and corruption and will report accordingly. The External Auditor also has powers to independently investigate fraud and corruption and the Council can use the services of the External Auditor for this purpose also.
- 4.9 The Head of Benefits Services will arrange for the investigation of all cases of suspected benefits fraud perpetrated by external claimants. The Head of Benefits Services will advise the Director of Internal Services and the Head of Internal Audit in writing of all benefit fraud cases valued £2,500 or greater and of the action taken in respect of the fraud.

Where benefit frauds are committed by staff or there is suspected or proven collusion between benefits staff and the claimants then the Head of Benefits Services will advise the Director of Internal Services in writing of the irregularity. The Director will instigate a review of the case by the Internal Audit Section. The Head of People and Organisational Services will be consulted if consideration is being given to suspending an officer from duties pending investigation.

5. Training

- 5.1 The Council recognises the importance of training in the delivery of high quality services. The Chief Executive and Directors should ensure that staff involved in internal control systems are appropriately trained in fraud and corruption awareness and that their responsibilities and duties are regularly highlighted and reinforced.
- 5.2 Investigation of fraud and corruption will normally centre on the Council's Internal Audit Section and the Housing Benefits Fraud Investigation Team. Staff involved in this work should therefore be properly and regularly trained.
- 5.3 Regular training and instruction will be given to Members and staff on relevant topics including declaration of pecuniary and non-pecuniary interests and offers of and acceptance of gifts and hospitality.

6. **Conclusions**

- 6.1 The Council's systems, procedures, instructions and guidelines are designed to limit as far as is practicable any acts of fraud and corruption. All such measures will be kept under constant review to ensure that they keep pace with developments in preventative and detection techniques regarding fraudulent or corrupt activity.
- 6.2 The Council will maintain a continuous review of all its systems and procedures through its Section 151 Officer and audit arrangements.
- 6.3 This policy statement will be subject to review to ensure its currency.

Anti-Fraud & Corruption Strategy – 05.06.07
AUD/CKG



APPENDIX 'B'

AGENDA ITEM 6

East Herts Council

Draft Confidential Reporting Code

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1. Introduction

- 1.1 East Herts Council is committed to the provision of the highest quality services for the benefit of the local community and seeks to strive to the best possible standards of openness, probity and accountability.
- 1.2 Although the Council has set in place rules, regulations, quality standards and procedures to ensure the highest standard of conduct and commitment to services, it recognises that malpractice can occur.
- 1.3 The Council is not prepared to tolerate any such malpractice in the performance and delivery of its service.
- 1.4 On an annual basis, all employees receive a letter from the Chief Executive, reminding them that they need to declare any pecuniary and non-pecuniary interests. The letter also refers to what they should do if they suspect any malpractice amongst their colleagues or other officers connected with the Council, including external providers and agencies.
- 1.5 The Public Interest Disclosure Act (1998) puts the onus on employers to ensure they have a confidential reporting code in place. This view is endorsed by the LGA and the Audit Commission. This policy is based on advice provided by the LGMB, I&DeA, LGA and Audit Commission on best practice models used by other local authorities. It will also be reflected in the code of conduct for local government employees.

2. Aim of the Code

- 2.1 The aim of the code is to provide employees with the opportunity without fear of recrimination to disclose any allegations of malpractice within the Authority, any impropriety or breach of procedure or any deficiency in the delivery of the service.

2.2 An employee should have the opportunity to report any instances where they have a reasonable belief that one or more of the following has occurred:

- conduct where there is a criminal offence or breach of law,
- disclosures related to miscarriages of justice,
- dangerous procedures risking health and safety, including risks to the public and other employees,
- damage to the environment,
- the unauthorised use of public funds,
- fraud and corruption,
- sexual or physical abuse of clients; or
- other unethical conduct.

3. Scope of the Code

3.1 East Herts Council and all people employed by the Council are committed to ensure any allegations of malpractice etc will be investigated. If any malpractice is proven, it is in the public interest that they are corrected and any relevant sanctions are applied.

3.2 East Herts Council will ensure that all reports of malpractice are investigated and that employees are assured that processes are in place to protect them from harassment or bullying, directly or indirectly, should they report any such instances. The Council shall also ensure all employees who raise allegations in good faith will have no repercussions even if the alleged incident/s are not proven. However, allegations deemed to be malicious or raised for personal gain may lead to disciplinary action. It is also a disciplinary offence to deter or victimise staff from raising valid concerns.

3.3 All reports, verbal or written, will be treated in confidence. Should further details be required during the investigation, support will be provided through the Internal Audit Section and/or the Human Resources Section. Individuals can also seek support from the recognised trades union.

3.4 Members of the public, contractors, Council suppliers and other organisations who have business dealings with the Council, are encouraged to raise any issue that concerns them regarding malpractice.

3.5 The policy statement covers any malpractice by:

- any employee of East Herts Council
- any member of East Herts Council
- any contractor, supplier or consultant of East Herts Council in the course of their work for the Council
- members of the public.

4. Concerns involving Fraud and Corruption

4.1 Financial Procedures require each Director to notify the Chief Executive, the Director of Internal Services, the Section 151 Officer and the Head of Internal Audit immediately of any irregularity or suspected irregularity involving fraud and corruption. The Chief Executive or Director should subsequently confirm the specific details in writing.

4.2 All irregularities and suspected irregularities involving fraud and corruption will ultimately need to be notified to the Chief Executive, the Director of Internal Services, the Section 151 Officer and the Head of Internal Audit. The Monitoring Officer should also be consulted where concerns involve potential breach of law or miscarriage of justice.

Initial notification will be dependant on who is suspected and where the irregularity has occurred. Reporting lines are shown below, but should there be any doubt, the Head of Internal Audit should be consulted.

Concern	First point of Notification
About a Member	Monitoring Officer
About an outside organisation	Director
In your Division	Director
In another Division	Chief Executive
About your Director	Chief Executive
About Chief Executive	Director of Internal Services
About benefit claimant	Benefit Fraud Officer

Initial Concerns may be raised verbally or in writing. Staff who wish to make a written concern are invited to use the following format:

- the background and history of the concern (giving relevant dates);
- the reason why you are particularly concerned about the situation.

4.3 The Chief Executive, the appropriate Director, the Director of Internal Services, the Section 151 Officer and the Head of Internal Audit will appraise each other of the presence of an irregularity or suspected irregularity involving fraud or corruption at the earliest opportunity.

5. Investigation Process for Fraud and Corruption

5.1 The Director of Internal Services will determine the method and resources to be utilized to investigate any identified or suspected fraud or act of corruption.

5.2 Depending upon the nature of the irregularity, the Internal Audit section will work closely with management and other agencies such as the police, to ensure all matters are investigated thoroughly and reported upon.

5.3 The Chief Executive and Directors are expected to deal swiftly and firmly with those who attempt or commit fraudulent and corrupt acts.

5.4 The Council will normally wish the police to be made aware of and to independently prosecute offenders where fraud and corrupt acts are discovered. Any decision to notify the Police will be taken by the Chief Executive in consultation with the Director of Internal Services and the appropriate Director. In the absence of the Chief Executive a decision to refer to the Police can be made by the Director of Internal Services in consultation with the appropriate Director.

5.5 The Head of Benefits Services will arrange for the investigation of all cases of suspected benefit fraud perpetrated by external claimants. The Head of Benefits Services will advise the Director of Internal Services and the Head of Internal Audit in writing of all benefit fraud cases valued £2,500 or greater and of the action taken in respect of the fraud.

5.6 Where benefit frauds are committed by staff or there is suspected or proven collusion between benefits staff and the claimants then the Head of Benefits Services will advise the Director of Internal Services in writing of the irregularity who will instigate a review of the case by the Internal Audit Section.

6. Other Concerns

6.1 All other concerns should initially be raised with an individual's Line Manager. If the Line Manager is involved in the allegation, the issue should be raised with a more senior officer, in their division.

6.2 Employees should prepare a written note of their concern and agree the format with their Line Manager and Director.

6.3 A trade union or other representative can also be invited to attend any interview you might arrange with your Line Manager or any follow up meeting you might be asked to attend following your allegation.

6.4 The written note should include:

Background and history of your suspicions of the types of malpractice or other incidents. The reasons for your suspicion with relevant times, dates etc. Details of specific incidents and the impact on individuals, the work of the Council or the reputation of the Council.

7. Investigation process for Other Concerns

7.1 An Individual making allegations should contact their Line Manager to clarify the details of the alleged incident that has occurred or is suspected.

7.2 A report should be submitted outlining the allegations as described earlier in this policy document.

7.3 The Line Manager or Director or the Chief Executive will seek advice from Internal Audit and/or Legal and/or Human Resources and determine if the matter needs internal investigation or to be referred to external auditors or the police etc. Protocols for reporting to the Police will be followed as in paragraph 5.4. Any decision to notify the External Auditor will be taken by the Chief Executive in

consultation with the Director of Internal Services and the appropriate Director. In the absence of the Chief Executive a decision to refer a matter to the External Auditor can be made by the Director of Internal Services in consultation with the appropriate Director.

- 7.4 The Chief Executive will respond to your note within ten working days and will let you know:
- How s/he intends to deal with the allegation;
 - Set a provisional timetable for investigation;
 - Inform you if any initial investigations are underway;
 - Remind you of the support mechanisms available; and
 - Agree to keep you informed of progress etc.
- 7.5 Following initial investigations, the Chief Executive having sought advice might deem that any further action is unnecessary.
- 7.6 The Chief Executive will consider whether it is necessary to inform external bodies or to proceed internally. External investigation could result in case closure or internal corrective action. You will be kept informed on progress.
- 7.7 Should the Chief Executive deem that internal corrective action is necessary, the Council's disciplinary procedures, where appropriate, will commence against the officer/s involved.

8 Confidentiality

- 8.1 The Council will respect the confidentiality of the complainant where confidentiality is requested. However, it may be necessary for the originator to be called as a witness at a later date.

9 Anonymous Allegations

- 9.1 The Council encourages all allegations to have names put to them whenever possible. Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.

10 Further Action

- 10.1 All staff are encouraged to raise concerns through the above internal procedures, but they may also approach the Council's External Auditor and/or the charity Public Concern at Work.
Tel: 0207 404 6609.

- 10.2 For reporting Benefit Fraud you can use our 24 hour freephone service 0800 373 852, or fill in our on-line fraud reporting form and submit (anonymous).
- 10.3 Should you feel that the result of the investigation is unsatisfactory, you can take the matter further through your Union, external regulatory bodies, Citizens Advice Bureau etc.

This policy statement will be subject to review to ensure its Currency