

EAST HERTS COUNCIL

LOCAL JOINT PANEL – 20 JUNE 2007

REPORT BY SECRETARY TO THE EMPLOYER'S SIDE

8(A) ANTI-FRAUD AND CORRUPTION STRATEGY AND CONFIDENTIAL REPORTING CODE

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WARD(S) AFFECTED: None

RECOMMENDATION – Local Joint Panel considers the attached policies and forwards any comments to Human Resources Committee for approval.

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1.0 Purpose/Summary of Report

1.1 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 and 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.

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.

## 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

## Contact Member:

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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](http://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  
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