



Draft Anti-Fraud and Anti-Corruption Strategy

East Herts Council encourages a culture of honesty and integrity. The Council is committed to ensuring it has a framework of internal control operating to promote the prevention and detection of any fraud and corruption, whether involving its Members or employees or others who might attempt to misuse the Council's resources or services. East Herts Council has a policy of zero tolerance of fraud and corruption.

1. Introduction

Definitions: In this document, an **irregularity** is anything unusual or unexpected that may reasonably arouse suspicion that a fraudulent or corrupt act has taken place, is on-going or is about to take place.

Fraud is any form of deliberate deception or misrepresentation intended to gain an unlawful or unfair advantage or benefit. It may be a criminal offence. **Corruption** is the offering, giving, soliciting or acceptance of an inducement or reward that might reasonably be thought likely to influence a decision or action of any person. It too may be a criminal offence.

- 1.1 East Herts Council has some 360 employees. The Council has a total annual turnover in excess of £300 million. The scale of the operation and the high level of public interest in local government demand a coherent and comprehensive strategy to deter, prevent, detect, contain and bring to justice any form of fraud or corruption.
- 1.2 The Council expects and requires its Members and staff at all levels to lead by example to ensure compliance with its rules, procedures and practices.
- 1.3 The Council also expects that individuals and organisations (e.g. suppliers and contractors) with whom it has dealings will act towards the Council with integrity and without thoughts or deeds involving fraud or corruption.
- 1.4 The Council will take steps to recover any losses incurred through fraud and corruption.
- 1.5 The Council seeks to maintain an effective Counter Fraud and Corruption Strategy in which the key elements are:
 - a) Culture – the prevailing set of assumptions and values within the organisation – and the Reporting of suspicions of fraud and corruption,
 - b) Actions to Prevent and Deter Fraud and Corruption,
 - c) Controls to Detect and ensure Investigation of Fraud and Corruption,
 - d) Alertness and vigilance reinforced by training.

2. Culture and Reporting

- 2.1 The Council aims to foster a culture of integrity, honesty and openness throughout the organisation, in which fraud and corruption are not tolerated or given tacit consent, and that all should be alert to any evidence of irregularities and be ready to act upon such evidence.

2.2 Members, employees and those with whom the Council has dealings are encouraged to report any reasons to suspect fraud and corruption. Especially where corruption is involved, such reporting is likely to be critically important in uncovering offences. The Council's Disclosure ('Whistleblowing') Code provides for such reporting to be made without fear of reprisals. The Code also details the ways in which such information will be handled and followed up. To help in cases of personal doubt whether or how to proceed, the Code provides for advice and guidance to be available informally and in strict confidence, and, if need be, for disclosure to be made anonymously.

3. Prevention and Deterrence

3.1 The Director of Internal Services, in his position as the Section 151 Officer, has an overall responsibility in law for ensuring that the Council's financial affairs are properly governed and that appropriate systems are in place to prevent and deter, so far as is practicable, any financial fraud or other misappropriation or misuse of the Council's assets and to detect any such at as early a stage as possible. The Council is also required to have an "adequate and effective" internal audit function that maintains an independent review of such systems. Each Director is responsible for ensuring that all the staff in his or her service area are aware of the Council's systems of financial control and that there is full compliance with them.

3.2 The Council's internal financial control systems are intended to provide indications of any fraudulent activity, and awareness of their existence should generally be a powerful deterrent to fraud. 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.

3.3 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 is practicable, the honesty and integrity of potential staff.

b) Staff recruitment will be undertaken in accordance with approved recruitment check-lists held by both Human Resources and Managers. Written references and evidence of qualifications will be obtained before an offer of appointment is made. Details of any unspent convictions will be requested of all prospective employees.

- c) Awareness of this Anti-Fraud and Anti-Corruption Strategy forms part of the induction process for all new employees.
- d) Council staff are further bound by the Officers' Code of Conduct, the Council's Financial Regulations, Contract Procurement Rules and the National Schemes of Conditions of Service.
- e) The Council has a Disciplinary Procedure that is to be followed whenever staff are suspected of committing a fraudulent or corrupt act. The Disciplinary Procedures in no way substitute for prosecution of staff involved in fraudulent or corrupt acts.

3.4 Members

- a) Members are required to operate within:
 - Government Legislation,
 - National Code of Local Government Conduct,
 - Local Authorities Member Interest Regulations 1992 (SI.618),
 - Council Financial Regulations and Contract Procurement Rules, and
 - The Members' Code of Conduct
- b) These documents are specifically brought to the attention of Members in the introduction pack. Members are required to provide the Head of Democratic and Legal Support Services with specified information regarding their direct or indirect financial interests and to keep that information up to date.

3.5 Systems

- a) The Council has Financial Regulations and Contract Procurement Rules in place that require Members, staff and service contractors, when dealing with the Council's affairs, to act in accordance with best practice.
- b) The Council has developed, and is committed to maintaining, 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, operational effectiveness and appropriateness of internal controls are independently monitored by the Council's Internal Audit Section. Any variation or suspension of any internal controls requires authorisation by the Director of Internal Services as Section 151 Officer.

c) The Internal Audit planning process incorporates a risk-assessment approach to planned audits, including risks arising from potential fraud and corruption, which assists in determining the areas on which to focus attention and the frequency of reviews. The risk assessment process is itself subject to continual review.

4. **Detection and Investigation**

4.1 The Council's internal control systems are intended to provide indications of any unusual patterns of activity or events that may point to potential fraudulent activity. The alertness and vigilance of Members, staff and the public to irregularities and their willingness to report any that come to their notice, are important in detection, especially of corruption.

4.2 Members of the public, organisations, and Council suppliers and contractors are encouraged to raise any concerns they have about irregularities. The Council is clear that disclosures will be more useful if they are not made anonymously. The Disclosure Code provides that it is the duty of any recipient of such information from an outside source to pass it without delay to the Internal Audit Manager. The Code gives further advice that should be heeded both by the recipient and by the person making the disclosure. It is the personal responsibility of whoever initially receives any such disclosure to pass on that advice.

4.3 Any Director, once aware of any suspected irregularity potentially involving fraud or corruption, whether in his or her own service area or elsewhere, must notify the Internal Audit Manager immediately. The Internal Audit Manager is also the officer designated in the Disclosure Code as the recipient of any disclosures made under that Code. Unless the Internal Audit Manager decides, and records on the case-file, that there is an overriding justification for delay or for other action, in any case of suspected fraud or corruption, he shall immediately inform the Chief Executive, the Director of Internal Services (Section 151 Officer), and the Director of any service area potentially implicated. An exception to that rule is that if benefits fraud is suspected, the matter should normally be referred immediately to the Benefits Fraud Officer. A second exception is that suspicion of electoral fraud or corruption should be immediately reported direct to the Chief Executive, as Returning Officer. If a Member is a subject of suspicion, the Monitoring Officer should also be informed, since any proven involvement in fraud or corruption would be a breach of the Members' Code of Conduct. Proceedings under the Members' Code shall normally commence only after the completion of investigations into any allegation of fraud and corruption, and, if court proceedings result, in the light of the court's

decision. A record shall be maintained on the case file of all decisions, including the proposed form of investigation and a timetable and any decision, by the Chief Executive, to take no further action. Copies of that record shall be provided to all officers to whom the matter has been disclosed under the provisions of this section. The person making any initial disclosure, if he or she has requested feedback, shall receive the information detailed in the Disclosure Code.

- 4.4 Unless the Chief Executive decides that there should be no further action, a risk-assessment shall be undertaken by the Internal Audit Manager, as soon as practicable, to determine whether action is necessary to protect the system(s) potentially affected, to limit damage or to avoid prejudice to any investigation. Such action may include, for example, withdrawal of computer access, or suspension (or any lesser restriction of access to Council premises and facilities) of anyone suspected. The Head of Human Resources will be consulted if consideration is being given to any officer's suspension, or to any lesser precautionary restrictions, pending investigation, and it will be for the Head of Human Resources to oversee any such suspension and restrictions.
- 4.5 The Director of Internal Services as Section 151 Officer is responsible for allocating necessary resources to investigate any identified or suspected fraud or act of corruption.
- 4.6 The Internal Audit Section will be responsible for the conduct of investigations unless there are specific provisions that the lead will be elsewhere (see below 4.7 & 4.8), and, as and when appropriate, will work closely with outside agencies to ensure that all matters are investigated thoroughly and reported upon. The Section will expect and require the full co-operation of all employees and to have ready access to all records and documents, except those protected by professional confidentiality. The progress of an investigation, reporting arrangements, and the consequent processes are detailed in the Disclosure Code.
- 4.7 The Head of Revenues and Benefits will arrange for the investigation of all cases of suspected benefits fraud perpetrated by external claimants. Where Council staff are suspected of benefit frauds or there is suspected or proven collusion between benefits staff and claimants then the Head of Revenues and Benefits will advise the Internal Audit Manager in writing of the suspicion. The procedures set out above (sections 4.3 - 4.6) will then be followed.

- 4.8 The External Auditor has powers to investigate fraud and corruption either on his own initiative or at the request of the Council.
- 4.9 The Chief Executive and Directors are expected to take disciplinary action swiftly and firmly with those who attempt or commit fraudulent or corrupt acts.
- 4.10 The Council's policy is that the Police or whichever external agency is appropriate to the alleged offence will normally be informed without delay of any suspicions of fraud and corruption. Any decision **not** to notify the Police or other agency will be made by the Chief Executive and should be documented on the case-file.

5. Training

- 5.1 As part of the general policy and practice of training for the delivery of high quality services, staff involved in internal control systems shall be appropriately trained in fraud and corruption awareness and their awareness of their responsibilities and duties regularly 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 and potentially sensitive matters such as the declaration of interests and the constraints on offers and acceptance of gifts and hospitality.
- 5.4 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.

6. Conclusions

- 6.1 The Council's systems, procedures, instructions and guidelines are designed to limit as far as is practicable acts of fraud and corruption. All such measures, including this Strategy Statement, will be kept under review, through the Director of Internal Services as Section 151 Officer and the Internal Audit Manager, to ensure the adoption of and conformity with evolving best practice.

6.2 This statement of practice will be subject to review on at least an annual basis

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