

ANTI FRAUD AND CORRUPTION STRATEGY
(INCORPORATING THE
FRAUD PREVENTION & RESPONSE PLAN)

1. Introduction and Overview

- 1.1 The Council is committed to the highest possible standards of openness, probity and accountability.
- 1.2 This document sets out how the Council will prevent and deter fraud and irregularity from occurring and how it will deal with identifying and investigating any cases that do occur, whether involving persons within or external to the Council.
- 1.3 It lays down the responsibilities and courses of action to be taken by all Members and employees and supports the Councils Anti-Fraud & Corruption Policy Statement and the Fraud Prosecution Policy.
- 1.4 The strategy will be applied both sensitively and sensibly in accordance with the relevant circumstances of individual cases.

2. Roles and Responsibilities

- 2.1 The Council must ensure that it has robust practices for deterring and responding to financial malpractice. Accordingly clear roles and responsibilities over the prevention of fraud and corruption have been established.

Members and Chief Officers

- 2.2 It is a Chief Officer's responsibility to prevent and detect fraud and corruption. This is achieved by the establishment of sound systems of internal control designed to reduce the risk within the Council. Any Member or Chief Officer who suspects fraud, corruption or other financial irregularity in respect of either the Council or private funds (e.g. school voluntary funds, amenity funds) is expected to deal swiftly and firmly with those who defraud Southend Borough Council or who are corrupt and to report the matter to the Borough Treasurer or the Chief Internal Auditor in accordance with Financial Procedure Rule 11.5. Any suspicions of fraud or corruption within the Borough Treasurer's will be reported to the Chief Executive and Town Clerk.
- 2.3 It is a Chief Officer's responsibility to ensure all employees receive full training / guidance on the standards and requirements of the Council's Code of Conduct and all relevant legislation.
- 2.4 If any employee is suspected of fraud, corruption or financial irregularity, then the matter shall be dealt with in accordance with the Employee Code of Conduct, the Disciplinary Rules and the Formal Disciplinary Procedure and Code (hereinafter called "the Council's Disciplinary Rules and Procedures").
- 2.5 It is the Chief Officer's responsibility to respond to all audit reports in writing within a timetable agreed with the Chief Internal Auditor detailing the action intended, to address any recommendations which could reduce the Council's exposure to fraud (as detailed in Financial Procedure Rule 11.7).

All Employees and Members

- 2.6 Both Members and employees must ensure they are aware of the standards and requirements of the Council's Code of Conduct and all relevant legislation (as per the individual's Job Description) and act in accordance with these. If Members or employees are unsure of the required standards, it is their responsibility to request guidance from Chief Officers / relevant line managers as applicable.
- 2.7 Any suspected fraud that could have an impact on the Council must be reported in accordance with Financial Procedure Rule 11.5, or alternatively through the Council's Confidential Reporting Policy. Failure to do so could expose an individual to risk of subsequent disciplinary action.
- 2.8 If an employee makes an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against them. If, however, an employee makes an untrue allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against the individual.

Internal Audit

- 2.9 Internal Audit must review the Anti-Fraud and Corruption Policy Statement and Strategy annually and put forward any proposed changes to the Borough Treasurer.
- 2.10 Internal Audit reviews and appraises the adequacy, reliability and effectiveness of the Council's systems of internal control and then reports recommendations to management. Internal Audit plans to identify serious weaknesses of internal control, which could leave the Council open to fraud.
- 2.11 Internal Audit undertakes investigation of suspected cases of fraud in accordance with this strategy.

Housing Benefit Investigation Team

- 2.12. The Council has an active Housing Benefit Investigation Team which concentrates resources on the prevention and detection of Benefit fraud. The team operate under specific procedures detailed within the Housing Benefits Manual and relevant legislation. This is in addition to the Council's compliance with the Government's Housing Benefit Verification Framework scheme.

External Auditors

- 2.13 The appointed External Auditor reviews the overall arrangements for the prevention and detection of fraud and corruption.

3. Definitions

- 3.1 Fraud may be committed against the Council from the inside, by its employees (**employee fraud**) or from the outside by third parties (**external fraud**). In addition, frauds which are originated outside the Council can be achieved by a third party influencing the actions of an employee (**corruption**).

Fraud is the intentional distortion of the financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain.

Corruption is the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person. This involves the abuse of an employee's or Member's position within the Council in order to confer an unfair advantage on a third party.

Theft is where Council assets are misappropriated. It is also important to distinguish this from negligence and accidental error where no intent exists.

N.B. Failure to observe the Council's rules, policies and legal obligations which result in financial loss to the Council will be treated in accordance with this Strategy.

4. Prevention

4.1 An anti-fraud culture within the Council is essential in order to prevent and deter fraud. This is achieved through the following measures: -

Measure	Responsibility
<p><u>Appointment of Employees</u> A key element in the prevention of fraud is to ensure that the Council recruits employees of the appropriate quality and integrity. Procedures are in place to ensure that employment, medical and qualification references and police checks (if applicable) are satisfactory and genuine. The provision of false information can result in dismissal.</p>	<p>Departmental Managers</p>
<p><u>Training</u> The Council is committed to all employees receiving the necessary training / guidance to ensure that they are aware and kept up-to date with the standards and requirements of the Council's Code of Conduct and all relevant legislation.</p> <p>Internal Audit provide targeted fraud awareness training seminars to ensure employees are aware of the Council's anti-fraud and corruption strategy, to improve vigilance within areas where fraud could occur and to remind employees of the mechanisms by which any suspicions can be reported.</p>	<p>Chief Officers</p> <p>Internal Audit</p>
<p><u>Internal Control</u> Chief Officers are responsible for developing and maintaining procedures and internal controls to ensure compliance with the overall Council financial framework and to implement best practice in safeguarding the Council's activities in accordance with Financial Procedure Rule 2.12e.</p> <p>Internal Audit are required as part of the Borough Treasurer's S.151 responsibility to provide audit coverage of all systems and recommend enhancements to internal control.</p>	<p>Chief Officers</p> <p>Internal Audit</p>
<p><u>Adherence to the Constitution</u> The Council's Constitution provides the overall regulatory framework and the Council's required approach to financial management and contracting processes. They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provision and reflects best Local Government professional practice. They Constitution reinforces the standards of conduct in public life required by the Council of its Members and employees and in particular the need for openness, accountability and integrity.</p>	<p>All Employees</p>

<p><u>Adherence to the Council's Employee Code of Conduct</u> The Employee Code of Conduct lays down guidelines for Council employees which provides standards thus protecting employees from allegations of malpractice. The Code gives clear advice on:-</p> <ul style="list-style-type: none"> ◆ The acceptance of gifts and hospitality ◆ The disclosure of information ◆ Disclosure of interests ◆ Corrupt practices 	All Employees
<p><u>Adherence to IT Security Policy</u> The Council has an Information Technology Security Policy and an Internet and Electronic Mail Code of Practice, aimed at reducing a wide range of security threats. The security policy has been based on best practice British Standard BS7799 which has been adapted to meet the Council's needs. Five aspects are detailed which all employees must adhere to. These include: -</p> <ul style="list-style-type: none"> ◆ Security Management ◆ Reporting of attempted breaches of computer security ◆ Compliance with IT legislation including the Data Protection Act 1998 ◆ IT Procurement ◆ Co-ordination and recovery of data 	All Employees
<p><u>Confidential Reporting Policy</u> All employees are encouraged to report any suspicion of fraudulent activity. The Council is committed to ensuring that any individual reporting an incident in good faith will not be subjected to any form of harassment, victimisation or disciplinary action. Every effort will be made to safeguard the confidentiality of the source, if requested. The policy details the various ways in which a concern may be raised and how the Council will respond.</p>	All Employees
<p><u>External and Internal Confidential Reporting Lines</u> Chief Executive & Town Clerk & Borough Treasurer's Internal Audit Section operate a dedicated reporting line which offers a confidential service to both employees and the public to report suspected fraud within or against the Council. The phonenumber 0800 838 223 is widely publicised within the Borough.</p>	All Employees
<p><u>Working with other Councils</u> The Council is determined to counter fraud and promote initiatives that can lead to a reduction in the occurrence of fraud. The Council's Internal Audit section and Housing Benefit Fraud Team will actively develop relationships with and support external agencies in fighting fraud within the public sector. They work closely with other Local Councils and organisations such as the Benefits Agency and the Police to share information for the prevention and detection of Fraud.</p>	All Employees
<p><u>Participation in organised Initiatives</u> Internal Audit and the Housing Benefit Fraud Team are involved in a number of initiatives with other organisations such as the National Fraud Initiative (NFI), Housing Benefit Matching Service (HBMS) and National Anti Fraud Network (NAFN).</p> <p>In addition the Council has introduced the Verification Framework in order to prevent benefit fraud from entering the system and increase staff awareness of fraud.</p>	Internal Audit Local Taxation & Benefits Local Taxation & Benefits

5. Detection

Allegations / Suspicions

- 5.1 Allegations and/or suspicions may arise from any source within or external to the Council.
- 5.2 All instances of internal or external suspected fraud, corruption and theft must be reported directly or via the appropriate line manager to the Borough Treasurer or his representative, the Chief Internal Auditor in accordance with Financial Procedure Rule 11.5. Alternatively the matter may be reported through the Council's Confidential Reporting Policy.
- 5.3 If the matter relates to pure theft of Council assets by external parties, the person referring it to Internal Audit will be advised of any action to be taken (i.e. this will usually be to report it through their Department direct to the Police) and notify the Council's Insurance and Risk Manager. The matter will be noted in the Audit Fraud File and any theft above £1,000 will be reported to External Audit. It is unlikely that Internal Audit will be further involved in the investigation of such thefts but it may be necessary to review any control implications that the theft may have highlighted.

Discovery during Audit

- 5.5 Any matters of a suspicious nature revealed during the course of Internal Audit work must be immediately reported to the Chief Internal Auditor. Auditors should attempt to secure any documents or information that might provide evidence but should not raise the matter with any employee. An appropriate course of action will then be recommended by the Chief Internal Auditor and agreed with the Chief Officer.

The Audit Fraud File

- 5.6 All allegations / suspicions of employee fraud or corruption will be recorded in the Audit Fraud file, held within Internal Audit, under a unique reference heading in the log. The nature, scale and seriousness of the allegation will then be considered in determining the course of action to be taken. All stages of the investigation are to be documented and reasons for decisions taken recorded.

6. Response to Allegations of Internal Fraud

6.1 Preliminary Inquiries

- 6.1.1 Internal Audit will undertake a preliminary inquiry into all allegations in order to ascertain if there is any substance to the claim and whether there is any prima facie evidence which could lead to disciplinary action and/or criminal prosecution. This work will be carried out in a timely manner. At this stage informal discussions will also be held with the Police and their views sought if applicable.
- 6.1.2 At the preliminary stage, as the allegation has not been substantiated,:-
- ◆ any employee cited will not be suspended from duties until sufficient evidence has been obtained.
 - ◆ line management will not necessarily be informed although they maybe consulted where it is deemed necessary to aid the inquiry.
- 6.1.3 The Chief Internal Auditor will advise the responsible Chief Officer that inquiries are being undertaken. No person will be disadvantaged if the preliminary inquiry shows that there is no case to answer and if this is the case the Chief Officer will be notified accordingly. As such no formal record will be placed on an employee's personnel file.
- 6.1.4 Any persons making a referral or allegation will be interviewed by an Auditor. If appropriate, notes will be taken at the time of the interview which are signed and dated. The notes are then summarised for the investigation file.
- 6.1.5 Where information is provided under the umbrella of the Council's Confidential Reporting Policy ("Whistleblowing") all concerns will be treated in confidence. If requested by the

informant every effort will be made not to reveal the identity of any person making the allegation.

- 6.1.6 The results of the preliminary inquiry will be reviewed and if there is sufficient evidence to support the allegation, the Chief Internal Auditor will advise the appropriate Chief Officer.
- 6.1.7 The Personnel Section will also be consulted at this stage to assess the potential course of disciplinary action to be taken by the Authority.
- 6.1.8 The responsible Client Officer will appoint an "Investigating Officer" under the Council's Disciplinary Rules and Procedures to lead the investigation. The "Investigating Officer" will be supplied with the preliminary inquiry material and will be required to closely liaise with Internal Audit and Personnel during the conduct of the investigation. In certain cases Internal Audit may be appointed the Investigating Officer. At this stage, the employee may be suspended by the Chief Officer or his/her delegated nominee under the guidance of Personnel and informed of the nature of the charge being investigated. The suspension will be in accordance with the Council's Disciplinary Rules and Procedures.

NB For certain offences, or where it is prejudicial to the investigation, the employee may not be suspended.

- 6.1.9 No statements will be made to the press by persons other than by an Authorised Officer. All statements must be agreed internally and discussed with the Council's Media Manager or Communications Manager prior to release. Failure to do so may be considered a breach of the Council's Disciplinary Rules and Procedures. Any statement will be agreed with the Police if they are involved in the case.

6.2 Full Investigation

- 6.2.1 The nature and seriousness of any fraudulent or corrupt activity will determine the nature of the response taken by the Council, the level of resources employed and the involvement of outside agencies such as the Police.
- 6.2.2 The conduct of the full investigation will be agreed between the "Investigating Officer", Personnel, Internal Audit and the Police where applicable.
- 6.2.3 The purpose of the investigation is to :
 - ◆ Collect and collate any further documents, information and evidence appropriate to the matter.
 - ◆ To interview all relevant personnel to obtain witness statements
 - ◆ To establish facts of any malpractice and the need for any management action.
 - ◆ Report to the responsible Chief Officer the facts and options for action and recovery of any loss.

A formal record of the investigation will be maintained as detailed in the Internal Audit Fraud Manual.

- 6.2.4 It is important to note that it is not possible to apply a standard procedure to all fraud investigations as each case is unique. The Investigating Officer will therefore need to progress the case in line with the Internal Audit Fraud Manual.

6.3 Reporting

- 6.3.1 At the end of the investigation, the Investigating Officer will recommend to the Chief Officer or his/her delegated nominee after consultation with Internal Audit and Personnel, upon the nature and extent of disciplinary action that may be appropriate. The Investigation Officer must then adhere to the Council's Disciplinary Rules and Procedures.
- 6.3.2 The Investigating Officer advised by Personnel is responsible for presenting the case at the hearing. Internal Audit staff will be available to give evidence on the basis of the facts determined by their investigation work.

- 6.3.3 Additionally, an audit report may be issued highlighting any weakness in management control that may have contributed to the fraud and making recommendations for any necessary changes.
- 6.3.4 Any financial loss to the Council or indication of weaknesses in financial controls/procedures must be reported to the S.151 Officer. The Insurance and Risk Manager should also be informed of losses at the earliest possible stage in the investigation proceedings.
- 6.3.5 The External Auditor must also be informed, under Audit Commission rules of frauds over £1,000.

6.4 Police Referral

- 6.4.1 Where the investigation establishes evidence of fraud, misappropriation, theft, financial malpractice or corruption of a substantial nature, the Police will normally be requested to undertake a criminal inquiry. In certain limited circumstances it will be appropriate to refer the matter to the Chief Executive and Town Clerk to consider a prosecution by the Council.
- 6.4.2 Initial referrals to the Police are usually undertaken by Internal Audit. A liaison process between the Police and relevant Chief Officers will then be agreed.
- 6.4.3 The decision whether to refer the matter is taken by the Chief Internal Auditor in consultation with the S.151 Officer and Chief Officer. In some cases the S151 Officer will consult with the Chief Executive & Town Clerk.
- 6.4.4 Where a police referral requires an employee to give evidence in court Personnel will provide the necessary support / guidance.

6.5 Sanctions against Employees and Members

- 6.5.1 The Council will apply its Disciplinary Rules and Procedures and the Fraud Prosecution Policy to ensure that justice is achieved.
- 6.5.2 The Council's Disciplinary Rules and Procedures allow for the dismissal of an employee in appropriate circumstances.
- 6.5.3 Member misconduct is dealt with by the Standards Board for England.

7. Response to Allegations of External Fraud

7.1 Preliminary Enquires

- 7.1.1 Following the reporting of the suspected fraud, corruption or theft to the Borough Treasurer or Chief Internal Auditor as detailed in paragraph 5.2 above, the relevant departments of the Council are responsible for undertaking the preliminary enquiries into any allegation of external fraud or corruption and will appoint an Investigating Officer accordingly.
- 7.1.2 The purpose of the preliminary enquiry will be to ascertain whether there is any substance to the suspected case and whether there is any prima facie evidence which could lead to criminal prosecution. This work will be carried out in a timely manner.
- 7.1.3 Internal Audit is available to provide advice on the required nature of these enquiries.
- 7.1.4 All information received will be treated in confidence and every effort made not to reveal the identity of any person making an allegation.
- 7.1.5 The results of the preliminary enquiry will be reviewed and if there is sufficient evidence to support the suspicion, the Investigating Officer will advise the relevant Chief Officer.

7.2 Full Investigation

- 7.2.1 The relevant departments of the Council are responsible for undertaking the full investigation into any allegation of external fraud or corruption.

- 7.2.2 Internal Audit is available to provide advice on the conduct of such investigations.
- 7.2.3 The Housing Benefit investigation team in Local Taxation & Benefits Division is responsible for conducting the investigations into allegations of Housing Benefit Fraud.
- 7.2.4 The nature and seriousness of any fraudulent or corrupt activity will determine the nature of the response taken by the Council, the level of resources employed and the involvement of outside agencies such as the Police.
- 7.2.5 The conduct of the full investigation will be agreed between the “Investigating Officer”, Internal Audit and the Police where applicable.
- 7.2.6 The purpose of the investigation is to :
- ◆ Collect and collate any further documents, information and evidence appropriate to the matter.
 - ◆ To interview all relevant individuals to obtain witness statements
 - ◆ Report to the responsible Chief Officer the facts and options for action and recovery of any loss.

A formal record of the investigation will be maintained as detailed in the Internal Audit Fraud Manual.

- 7.2.7 It is important to note that it is not possible to apply a standard procedure to all such fraud investigations as each case is unique. The Investigating Officer will therefore need to progress the case in line with the Internal Audit Fraud Manual, available from Internal Audit.

7.3 Reporting

- 7.3.1 At the end of the investigation, the Investigating Officer will recommend to the Chief Officers or his/her delegated nominee the nature and extent of the further actions that may be appropriate.
- 7.3.2 Any financial loss to the Council or indication of weaknesses in financial controls/procedures must be reported to the S.151 Officer or his representative, the Chief Internal Auditor. The Insurance and Risk Manager should also be informed of losses at the earliest possible stage in the investigation proceedings.
- 7.3.3 The External Auditor must also be informed, under Audit Commission rules for suspected frauds over £1,000 and Housing Benefit frauds over £5,000. Internal Audit will provide this information to the External Auditor.

7.4 Sanctions/Police Referral

- 7.4.1 The Council will apply the Fraud Prosecution Policy to ensure that justice is achieved.
- 7.4.2 Any allegation of external fraud or corruption will be taken seriously, thoroughly investigated and rigorous action taken if substantiated. Where there is clear evidence that a fraudulent or corrupt act has been perpetrated against the Council, frauds will normally be referred to the Police. In certain limited circumstances it may be appropriate to refer the matter to the Chief Executive and Town Clerk to consider a prosecution by the Council pursuant to the Delegation of Chief Officers 3.2.
- 7.4.3 In all cases of external fraud referred to the Chief Executive & Town Clerk, he will consider whether it is in the public interest to undertake the prosecution by applying the Crown Prosecution Service’s “Code for Crown Prosecutors”.
- 7.4.4 The decision whether to refer the matter will be taken by the Investigating Officer in consultation with the S.151 Officer and Chief Officer.

8. Notes for Investigating Officers conducting Investigations

8.1 Internal Fraud

8.1.1 Investigations will be carried out in line with the Internal Audit Services Fraud Manual and the Personnel Section's procedures which will be available for use by all Investigating Officers.

8.2 External Fraud

8.2.1 Investigations will be carried out in line with the relevant Council department's procedures and instructions. Internal Audit will provide copies of the Internal Audit Services Fraud Manual to Investigating Officers if required.

8.2.2 Housing Benefit fraud investigations will be carried out in line with their approved procedures and instructions.