

## ANTI-FRAUD AND CORRUPTION STRATEGY

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# ANTI-FRAUD AND CORRUPTION STRATEGY

## 1. DEFINITION

The definition of Fraud and Corruption is as follows:-

**Fraud** "the intentional distortion of 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** "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person"

## 2. WHO DOES THE STRATEGY APPLY TO

2.1 The Anti-Fraud and Corruption Strategy applies to all Members and employees of the Council.

## 3. THE NEED FOR A STRATEGY

3.1. Calderdale Council is a large, complex organisation responsible for looking after significant sums of public money. Every year millions of pounds are received by and paid out by the Council through a variety of transactions. The Council owns millions of pounds worth of moveable assets, ranging from small items of stationery through to expensive items of plant and equipment.

3.2. The vast majority of the Council's employees are scrupulously honest, and the vast majority of those people who receive money from the Council (members of the public, contractors, etc) are also honest. The Council, however, receives and pays out large amounts of money, which involves an enormous number of supporting transactions. This makes the Council susceptible to the risk of dishonest people defrauding monies to which they are not entitled.

3.3. The Audit Commission has identified for example the following areas as being particularly vulnerable to fraud:-

- Housing and Council Tax Benefit Claims
- Procurement
- Recruitment
- Personal Budgets
- Council Tax (Single Occupier and Student Discounts)

These examples can involve fraud by members of the public and contractors. There are also risks that money and assets could be misappropriated by dishonest Council employees – either acting alone, or

in collusion with others both inside and outside the Council. Dishonesty has many forms, ranging from taking money due to the Council, misusing or misappropriating assets, or putting in false claims for money payments.

- 3.4. There have been examples in Calderdale of all these kinds of fraud. The need to be alert to the possibility of dishonest behaviour requires the Council to develop a strategy aimed at preventing, detecting and investigating dishonest and fraudulent conduct that could incur the Council in losses. Every pound that is misappropriated means one pound less to spend on providing services to those people who genuinely need help from the Council.

#### **4. OVERALL COUNCIL POLICY**

- 4.1 Calderdale Council is committed to having an effective Anti-Fraud and Corruption Strategy. In so doing there is a further commitment to comply with guidance issued by the CIPFA Better Governance Forum in their document entitled "Managing the Risk of Fraud". This provides a framework for the countering of fraud and corruption, much of which Calderdale MBC either already has in place, or is seeking to implement as part of the ongoing review and improvement of the Anti-Fraud and Corruption Control Environment. The details of the Council's Anti-Fraud and Corruption Strategy are set out in the following sections of this document entitled:-

- Prevention
- Detection
- Investigation

- 4.2 Council employees should be aware of the Council's Whistleblowing Policy and report any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviour by Council employees or by others. The Council has set up a confidential fraud hotline (telephone 01422 393568). The Internal Audit Section of Finance Services have responsibility for operating this facility. Internal Audit staff will investigate all reports of suspected fraud and corruption made by employees.

- 4.3 Employees should be left in no doubt of the consequences, should they deviate from the standards expected and that the Council's Disciplinary Code clearly identifies the following as Gross Misconduct:-

Theft and Unauthorised Borrowing  
Fraud  
Dishonesty

A Head of Service (or other senior nominated officer where authorised) may dismiss an employee on the grounds of gross misconduct after following the recognised procedure.

- 4.4 In some instances the Council may decide to refer allegations of fraud and corruption to the Police. In so doing, regard will be made to the provisions of the Fraud Act 2006 in determining the offence under which a prosecution may be taken. The decision to refer cases to the Police will be taken by the Assistant Head of Finance (Internal Audit, Risk Management, LMS and Insurance).
- 4.5 Calderdale Council will do all it can to recover monies or assets misappropriated by employees or others as a result of dishonest behaviour. (See Section 8 on 'Recovery of Losses'.)
- 4.6 In order to protect the public purse all Calderdale Council employees need to know about:-
- those activities where experience has shown there are risks of fraud and corruption;
  - what individual employees can do to prevent fraud and corruption;
  - what employees should do if they have suspicions that fraud or corruption is going on. All employees have been issued with a copy of the leaflet "What to do if you suspect Fraud or Dishonesty" and should be aware of the Council's Whistleblowing Policy. Copies of both these documents are available for viewing on the intranet (Support for Services/Finance and Funding/Corporate Standards and Rules/Anti-Fraud and Corruption Standards and Rules).

## 5. PREVENTION

- 5.1 There are many ways of preventing fraud and corruption happening in the first place. The Council has adopted the following preventative measures:-
- 5.1.1 The Council's Recruitment and Selection procedures require that references should always be taken up when recruiting posts within the Council. This is intended to prevent people with a history of dishonest behaviour being employed by the Council
- 5.1.2 The Council has in place an Anti-Bribery Policy which makes clear the Council's commitment to the prevention, deterrence and detection of bribery in its overall zero tolerance towards bribery.
- 5.1.3 The Council's Code of Conduct for Council Employees makes it clear that the conduct of its employees should be of the highest possible standard and that the Council will not tolerate dishonest behaviour by employees.
- 5.1.4 All Council employees are issued with a copy of the leaflet "What to do if you suspect Fraud or Dishonesty" which advises on what

action should be taken if a fraud is suspected. This is included within and supported by the Council's Whistleblowing Policy.

- 5.2 High standards of financial administration are a key element in the prevention and detection of fraudulent activities. This can only be achieved if there is a strict control environment which is adhered to by both Officers and Management.
- 5.3 The Control Environment as a whole, relies on other mechanisms within the Council such as:-
  - Contract Procedure Rules
  - Financial Procedure Rules
  - Section 151 Standards
  - Code of Conduct for Employees and Members
  - Information and Communications Technology Control Environment
- 5.4 Council Rules govern the way in which the Council operates whilst the Section 151 Standards identify the financial controls that should be in place within all systems and all Directorates of the Council.
- 5.5 The Section 151 Standards must be complied with by Managers, as it is the basis upon which Internal Audit will review, evaluate and test those financial systems throughout all Services of the Council.
- 5.6 It is the responsibility of each Head of Service to ensure that their Service complies with all these rules and that sound financial controls exist within their financial systems and procedures.
- 5.7 The Internal Audit Section will carry out cyclical tests taking into account risk to ensure that all issues relating to the Council's Control Environment are in place and are being operated correctly.
- 5.8 The Council's overall arrangements for the prevention of fraud and corruption are reviewed annually by the External Auditor, who reports to the Council by way of a Management Letter.

## 6. DETECTION

- 6.1 Despite the best efforts of management and the Internal Audit Section and the existence of internal controls within all the systems of the Council, the determined perpetrator will invariably identify an area of weakness and attempt to exploit it.
- 6.2 In order that Managers can be clear on what fraud and corruption is, and how to identify it, the Council has produced a document called "Fraud and Corruption - Advice and Guidance to Managers". This document is available for viewing on the intranet (Support for Services/Finance and Funding/Corporate Standards and Rules/Anti-Fraud and Corruption

Standards and Rules). This gives clear advice and guidance on the highest risk areas, examples of what to look for, and guidance on what action to take having discovered a potential problem.

- 6.3 The Council has also produced a leaflet called "Fraud and Dishonesty – what can you do to stop it?" which is issued to all employees (and is on the intranet at Support for Services/Finance and Funding/Corporate Standards and Rules/Anti-Fraud and Corruption Standards and Rules). This leaflet gives guidance to employees on what they should do if they have any suspicion of Fraud or Dishonesty. This is detailed within and supported by the Council's Whistleblowing Policy.
- 6.4 In an attempt to eliminate fraud and corruption, the Council will continue to seek cost effective ways of identifying fraud and corruption and will act on all information and allegations received. This could include any of the following:-
- Tip offs from members of the public
  - Information received from companies and other agencies.
  - Referrals from Service Management.
  - Information derived as a result of Internal Audit work.
  - Concerns expressed by employees via the Fraud Hotline (See 6.5 below).
  - Data Matching (see 6.6 below)

#### 6.5 Fraud Hotline

The Council has adopted a Whistleblowing Policy which has embedded within it details of the Fraud Hotline. This is a confidential telephone answering service based within the Internal Audit Section that allows Council staff to raise any concerns they may have.

#### 6.6 Data Matching

There has been a growth in recent years in the use of Information Technology to detect fraud. This invariably involves the comparison of information across different databases. This can be done internally within the Council or between any number of other Councils. Calderdale has already taken part in data matching initiatives and will continue to do so in the future.

## 7. INVESTIGATION

7.1 Each and every fraud investigation has different characteristics, and as such makes the imposition of a fixed system of investigation difficult/impossible. In general terms, however, investigations can be categorised as involving:-

- Claimants (e.g. Housing/Council Tax Benefits, Council Tax Discounts)
- Employees or Members of the Council.
- Third Parties (e.g. external suppliers or contractors).

### 7.2 Claimant Based Investigations

In view of the potential for high levels of Housing Benefit Fraud and Council Tax Benefit Fraud, the Council employs a number of Housing Benefit Investigators. They have the benefit of specialist knowledge of the Housing Benefit rules and regulations, and are specifically employed to prevent, detect and investigate potential Housing Benefit Fraud cases. This covers both reactive work and proactive exercises.

All suspicions of Housing Benefit Fraud and Council Tax Benefit Fraud should be referred direct to the Housing Benefit Investigators, who will undertake the investigation and take the appropriate action once the facts of the situation have been established.

### 7.3 All Other Investigations

All other cases involving claimants, employees, Elected Members of the Council and third parties should be referred to the Anti-Fraud and Corruption Directorate Responsible Officer who will make a decision as to whether an investigation is merited. Where it is deemed to be merited, they will then report to Internal Audit, who employ a designated Specialist Auditor (Management Auditor - Investigations).

These investigations can range from those that are relatively simple, to those which are extremely complex. The procedures to be followed in these cases are as follows:-

7.3.1 All cases of potential fraud should be immediately notified to the Directorate Responsible Officer for a decision. If an investigation is deemed necessary, the Directorate Responsible Officer will refer to Internal Audit.

7.3.2 Where a referral is made the Internal Audit Section and Service Management will discuss and agree the way in which the case will be progressed.

- 7.3.3 The Assistant Head of Finance (Internal Audit, Risk Management, LMS and Insurance) will decide whether or not the Internal Audit Section will be directly involved in the investigation or whether Service Management should investigate the case.
- 7.3.4 Where cases are to be investigated by Service Management, the Internal Audit Section will continue to monitor progress and record the ultimate outcome of the case, and will always be available for the giving of advice and guidance throughout the investigation.
- 7.3.5 All investigations will be carried out in complete confidentiality, with professional standards being strictly observed in the gathering and recording of evidence and the putting together of a case file, in order to comply with the provisions of the Police and Criminal Evidence Act of 1984.
- 7.3.6 In cases of potential major fraud, the Assistant Head of Finance (Internal Audit, Risk Management, LMS and Insurance) and the appropriate Head of Service will, where deemed appropriate, report the matter to the Chief Executive and the Council.
- 7.3.7 If a case involves action against a third party, any action to be taken will be agreed between the Head of Service, the Internal Audit Section, and where necessary the Democratic and Partnership Services.
- 7.3.8 In all cases where employees are suspected of fraud, corruption, bribery, theft or unauthorised borrowing, and there is sufficient evidence to support a criminal prosecution, serious consideration will be given to referring the case to the Police for further investigation.
- 7.3.9 In such cases the decision to refer to the Police is ultimately the responsibility of the Assistant Head of Finance (Internal Audit, Risk Management, LMS and Insurance) who will make that decision after consultation with the Head of Service concerned.
- 7.3.10 All cases involving the loss of third party monies (e.g. home care client) will be referred to the Police at the earliest opportunity under existing arrangements with West Yorkshire Police.
- 7.3.11 All liaison with the Police will be undertaken by the Management Auditor (investigations) on the basis that he has direct contact with a named Police Liaison Officer from whom early advice and guidance on case progression can be sought where necessary.
- 7.3.12 Any identified case of fraud, corruption or bribery, including Housing Benefit Fraud, which involves an employee of the Council will, in addition to the actions outlined above, also be the subject of

the Council's Disciplinary Procedures which could render an employee liable to dismissal.

7.3.13 Any identified case of fraud, corruption or bribery, including Housing Benefit Fraud, which involves a Member of the Council will be referred to the Monitoring Officer via the Internal Audit Section.

7.3.14 The Council will ensure that all employees and Members who are subject to an investigation into suspected Housing Benefit Fraud will be treated fairly and courteously at all times.

7.3.15 In instances where disciplinary action is deemed to be appropriate, the final decision will ultimately be made by the Head of Service, who will then have to comply with the rules and regulations on Disciplinary Procedures. In these instances, the appropriateness of the employee being suspended should be considered at an early stage.

## 8. RECOVERY OF LOSSES

8.1 The Council's policy is that it will **always** seek to recover the losses incurred as a result of fraud and corruption.

8.2 As soon as the full extent of the loss has been established, notification should be sent to the Council's Insurance Officer giving details of the case indicating that recovery is to be attempted in the first instance.

8.3 A Sundry Debtor Account should then be raised to ensure that:-

- The recovery attempt is not overlooked.
- All sums withheld or subsequently received by way of recovery/restitution are appropriately credited.
- Any balance of loss outstanding is dealt with through existing procedures (i.e. insurance claim or write off as appropriate).

8.4 Recovery of losses from employees can be pursued in a number of ways as follows:-

- From payments due to the employee (e.g. car allowance, travel and other expenses claims – with the permission of the employee).
- From salary still due to be paid (with the permission of the employee).
- From the employee's superannuation entitlement. (Where the Council has suffered direct financial loss by reason of the offence).

- By way of written agreement with the employee to repay in one lump sum, or by an acceptable offer to pay by instalments.
- 8.5 It should be made clear that any monies offered will be accepted "without prejudice to any other action the Council may wish to take", and that acceptance is only in respect of losses identified to date and that the Council reserves the right to seek recovery of any further losses that may come to light in the future.
- 8.6 Claims under the Council's insurance arrangements in fraud and corruption cases should be regarded as a "last resort", and will only be instigated once all other avenues of recovery have been fully explored.

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