

Anti-Fraud and Anti-Corruption Strategy

Version History			
Version	Date	Detail	Author
1.0	September 2015	Revision of Strategy	Carl Hardman

Foreword from the Leader of the Council and Chief Executive

We believe that the public is entitled to demand conduct of the highest standard and integrity, and our Members, employees, partners, contractors and suppliers are expected to conduct themselves in accordance with the highest standards of political, professional and personal conduct.

Good Corporate governance, protecting public services and public assets are key priorities for the Council and we will not tolerate fraud and corruption (including bribery) in all of its forms whether it is attempted on or from within the Authority. Money lost in this way cannot be spent on delivering those services critical to improving the lives of local people. We all have a part to play in eliminating fraud by recognising and maintaining the controls set out in this Strategy to protect us from fraud, and to remain vigilant to the many forms which fraud and corruption may take.

Any concerns which are raised with us will be promptly investigated and the Council will take all appropriate action against the perpetrator where fraud or corruption is proven.

Further guidance is set out in detailed Policies which are available on the Council's website.



Cllr Anne Western
Leader of the Council



Ian Stephenson
Chief Executive

Anti-Fraud and Anti-Corruption Strategy

1) Introduction

Derbyshire County Council is one of the largest organisations in the County, and in common with all public authorities the Council recognises the potentially significant risk which fraud and corruption (including bribery) pose to the achievement of its aims and objectives as any money lost cannot be used to deliver essential public services. Fraud and corruption threats may occur internally or externally.

The nature of fraud threats is subject to change and during recent years those attempted by organised crime networks, through the use of the Internet, computer systems or relating to purchasing and procurement have increased.

In administering its responsibilities the Council is set against fraud, corruption, bribery and theft in all its forms and is committed to an effective Anti-Fraud and Anti-Corruption Strategy which has been designed to: -

- * **encourage prevention;**
- * **promote detection; and**
- * **identify a clear pathway for investigation.**

The Council is committed to incorporating best practice approaches to fighting fraud and corruption and will review and revise the Strategy to ensure its resilience to these threats is maximised.

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 and will remain vigilant to potential incidents.

The Council also expects that individuals and organisations (e.g. suppliers, contractors, partner bodies and members of the public) that it comes into contact with, will act towards the Authority with integrity and without thought or actions involving fraud or corruption. The Council also encourages such individuals and organisations to raise any concerns they may have at the earliest opportunity.

The Council is committed to investigating concerns thoroughly, promptly and confidentially. However, malicious or vexatious allegations will not be tolerated.

Where fraud or corruption are proven, the Council will take all appropriate action against the perpetrator(s) and will pursue all options available to recover any losses incurred including action under the Proceeds of Crime Act where appropriate.

The Council's Anti-Fraud and Anti-Corruption Strategy is based on a series of comprehensive and interrelated procedures which are designed to frustrate any attempted fraudulent or corrupt act. These cover: -

- * **Culture (Section 4)**
- * **Deter & Prevent (Section 5)**
- * **Detection & Investigation (Section 6)**
- * **Training (Section 7)**

The Authority is also aware of the high degree of ongoing external scrutiny of its affairs by a variety of agencies including: -

- * **The Local Government Ombudsman**
- * **The External Auditor**
- * **Central Government Departments/Parliamentary Committees**
- * **HM Revenue and Customs**
- * **The Department for Work and Pensions - Jobcentre Plus**

2) **Aims and Objectives**

- * Risk assess new and existing fraud and corruption threats;
- * Create a robust anti-fraud and anti-corruption culture within the Council;
- * Develop and maintain effective systems and procedures for the prevention and detection of fraudulent and corrupt activity;
- * Establish an effective response to suspected cases of fraud and corruption and ensure that all suspicions are properly and thoroughly investigated;
- * Take appropriate action to deal with proven fraudsters;
- * Pursue all forms of redress where losses occur.

3) **Definitions of Fraud, Corruption, Bribery and Theft**

Fraud

The Chartered Institute of Public Finance and Accountancy (Cipfa) defines fraud as “the intentional distortion of financial statements 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”.

Fraud Act 2006

This Act establishes that fraud may be committed in the following ways:-

- * Fraud by false representation;
- * Fraud by failing to disclose information;
- * Fraud by abuse of position.

Corruption

The Cipfa publication ‘The Investigation of Fraud in the Public Sector’ defines corruption as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

Bribery

The Bribery Act 2010 establishes that an offence of bribery occurs when a person offers, gives or promises to give a financial or other advantage to another in exchange for improperly performing a relevant function or activity. Similarly, the offence of being bribed is defined as requesting, accepting or

agreeing to accept such an advantage in exchange for improperly performing such a function or activity.

Theft

The Theft Act 1968 states that “a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”.

4) Culture

The Council has determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption. The Council does not, and will not, pay bribes or offer an improper inducement to anyone for any purposes, nor does it or will it, accept bribes or improper inducements or engage indirectly in or otherwise to encourage bribery.

There is an expectation and requirement that all individuals and organisations associated with the Council in any way will act with integrity and that Members and staff, at all levels, will lead by example in these matters. Under the Public Contract Regulations 2006 a company is automatically debarred from competing for public contracts where it is convicted of corruption, including bribery.

The Council's staff are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues, where they are associated with the Authority's activities. This they can do in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary a route, other than via the normal line manager, may be used to raise such concerns. Examples of such routes are:-

- * **The Audit Services Unit (Direct Line - 01629 538708);**
- * **The Director of Legal Services;**
- * **The Chief Executive/Strategic Directors and Directors.**

The Council has a Whistleblowing The Confidential Reporting Code and an Anti-Money Laundering Policy which set out how such matters will be dealt with.

Suppliers, contractors, partners and members of the public are also encouraged to report concerns through any of the above routes.

Senior Management are responsible for following up any allegation of fraud or corruption received and will do so, in accordance with the requirements of Financial Regulations Appendix 3.2 a.16, by immediately informing the Assistant Director of Finance (Audit).

The investigating officer (usually a member of the Audit Services Unit) will:-

- Deal promptly with the matter;
- Record all evidence disclosed;

- Ensure that all such evidence is sound and adequately supported;
- Ensure the security of all evidence collected;
- Ensure that, where appropriate, adequate consideration is given to the need to liaise with any other agency (e.g. the Police;)
- Ensure that the Council's insurers are notified of the situation at the earliest opportunity;
- Report the outcome of any investigation promptly, in accordance with the requirements of the Council's Financial Regulations (Appendix 3.2 a.7), so that appropriate action may be taken on its findings (including the possible instigation of the Authority's Disciplinary Procedures)

Senior Management will deal swiftly and firmly with those who defraud the Council, or who are corrupt. The Authority should be considered as robust in dealing with financial malpractice.

There is, of course, a need to ensure that any investigation process is not misused and, therefore, any such abuse (e.g. the proven malicious raising of allegations known to be unfounded) may itself be dealt with as a disciplinary matter.

5) Deter and Prevent

The Council's first line of defence is to deter those who would commit fraud or corruption from an attack against the Council. The deterrence factor is maximised through:-

- * Prominent publication of the Council's robust stance against fraud and corruption;
- * Design and implementation of a fraud awareness programme to ensure the profile of fraud remains high amongst Members, staff, contractors, suppliers and partners;
- * Publication of the Council's successes in identifying and taking action against those who commit fraud.

The Council participates in the National Fraud Initiative and in other national and regional counter-fraud networks and takes prompt action to deal with any counter fraud related intelligence and reports.

Members

All Members have a duty to protect the Council and public money from any acts of fraud and corruption. Members are required to operate within the:-

- * **Council's Constitution, Financial Regulations and Standing Orders;**
- * **Code of Conduct for Members;**
- * **Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.**

These matters are specifically brought to the attention of Members in the induction process and official Council diary, and include the declaration and registration with the Director of Legal Services of any potential area(s) of

conflict between Members' County Council duties and responsibilities and any other areas of their professional or personal lives. Officers advise Members of new legislative or procedural requirements.

Chief Executive

As the Head of Paid Service the Chief Executive has responsibility for the overall corporate management and leadership of all employees providing services across the Council.

Director of Finance

The Director of Finance is the Council's officer designated with the statutory responsibilities defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should: "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs". 'Proper administration' encompasses all aspects of local authority financial management including:

- * Compliance with the statutory requirements for accounting and internal audit;
- * Managing the financial affairs of the Council;
- * The proper exercise of a wide range of delegated powers both formal and informal;
- * The recognition of the fiduciary responsibility owed to local tax payers.

The Director of Finance also maintains a head of profession role in respect of finance within the Authority and through this, exercises, amongst other things, a quality control on financial administration.

Director of Legal Services

As the Council's Monitoring Officer the Director of Legal Services is responsible for ensuring that all decisions made by the Council are within the law. The Monitoring Officer's key role is to promote and maintain high standards of conduct throughout the Council by contributing to the development of, enforcing and reporting appropriate governance arrangements including codes of conduct.

Audit Services

The Council's Audit Services Unit undertakes a review of the effectiveness of governance, internal control and risk management and works with Senior Management to recommend and implement suitable controls. The Unit plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. The Council's Audit Charter empowers the Unit to:

- * Have unrestricted access to all records, personnel (both Members and employees) and physical properties necessary for the purposes of Audit, however and wherever these are held;

- * Have access to records belonging to third parties such as contractors when required;
- * Require such information and explanations as are considered necessary for Audit purposes.

Senior Management

Managers at all levels are responsible for the communication and implementation of this Strategy. They are also responsible for ensuring that their employees are aware of the Council's Policies and Procedures, Financial Regulations and its control framework through a structured induction process and that the requirements of each are being met. Managers are expected to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.

The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's Recruitment and Selection Procedures contain appropriate safeguards in the form of written references, the verification of qualifications held and employment history. Disclosure and Barring Service (DBS) checks are undertaken for employees working with, or who may have contact with children or vulnerable adults.

Staff

Council employees are expected to comply, at all times, with the requirements of any Code(s) of Conduct related to their personal membership of any professional institute, and also to abide by the Authority's Code of Conduct for Employees. An approved Disciplinary Procedure is in place.

The role that staff are expected to play in the Authority's framework of internal control will feature in staff induction and re-induction procedures.

In line with the requirements of the Council's Fidelity Guarantee insurance policy, the attention of Senior Management should be triggered where staff regularly do not take annual leave, or, for example, where through sickness/vacancy levels, recognised checking mechanisms break down.

Employees are also reminded that under the Council's Standing Orders they must operate within Section 117 of the Local Government Act 1972 and declare any pecuniary interests in contracts relating to the Council, and should not accept any fees or rewards linked to their employment other than their proper remuneration.

Systems

The Council has Policies and Procedures including Financial Regulations in place which require staff, when dealing with the Authority's affairs, to act in accordance with statutory, regulatory and best practice requirements.

The Authority has developed, and is committed to continuing with, systems and procedures which incorporate efficient and effective internal controls and which include adequate separation of duties. It is required that all Strategic Directors and Directors in Departments ensure that such controls (including those within systems operating in a computerised environment) are properly maintained and documented. Their existence and appropriateness are independently monitored by the Council's Audit Services Unit.

External Auditors

Independent external audit is an essential safeguard regarding the stewardship of public money. KPMG are currently the Council's external auditor and carry out work through specific reviews which are designed to test, amongst other things, the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption.

6) Detection and Investigation

The array of preventive systems, particularly internal control systems, within the Council has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is often the alertness of Members, staff or the public which enables detection to occur and the appropriate action to be initiated when there is evidence that fraud or corruption may be taking place.

However, despite the best efforts of Managers and auditors, frauds are discovered by chance or as the result of a 'tip off,' and, the County Council has put in place arrangements to enable such information to be properly dealt with. These are detailed within this Strategy at Section 4.

Council employees are required under Financial Regulations to report all suspected irregularities to the Assistant Director of Finance (Audit). Prompt reporting of such a situation is essential to the Anti-Fraud and Anti-Corruption Strategy and:-

- * **Ensures the consistent treatment of all information concerning potential fraud or corruption;**
- * **Facilitates effective, objective and professional investigation by an experienced Audit team;**
- * **Ensures the proper implementation of a fraud response investigation plan.**

Dependent upon the nature and the anticipated extent of the alleged irregularities the Audit Services Unit will normally work closely with Management to ensure that all allegations and evidence are properly investigated, assessed and reported upon.

The Council's Disciplinary Procedures will be implemented where the outcome of an investigation indicates improper behaviour. Theft, fraud and corruption are serious offences which may constitute gross misconduct against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities.

The Council will normally wish the Police to be made aware of, and to independently investigate and prosecute, offenders where financial impropriety is suspected or discovered. Referral to the Police is a matter for the Chief Executive, after consultation with the Director of Legal Services, Director of Finance, relevant Strategic Director(s)/Director(s) and the Assistant Director of Finance (Audit) under the Council's agreed procedure.

7) Training

The Council recognises that the continuing success of its Anti-Fraud and Anti-Corruption Strategy, and its general credibility, will largely depend upon the effectiveness of programmed training and responsiveness of staff throughout the organisation.

To facilitate this, the Council supports the concept of induction and re-induction training for Members, and, particularly for staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

Staff who ignore such training and/or guidance may face the possibility of disciplinary action.

The investigation of alleged fraud and/or corruption centres on the Council's Audit Services Unit. It is therefore essential that staff involved in this work should also be effectively and regularly trained. The training plans of Audit Services staff will reflect this requirement.

8) Conclusion

The Council has in place a clear network of systems and procedures to assist it in implementing safeguards against fraud, corruption, bribery and theft. It is determined that these arrangements will keep pace with any future developments in both preventive and detection techniques relating to fraudulent or corrupt activity that may affect its operation.

To demonstrate this commitment the Council maintains a continuous overview of such arrangements through its Audit Committee, Director of

Finance, Financial Regulations, Financial Procedures, Standing Orders and Audit activities.

This Strategy statement will be subject to ongoing review to ensure its continued currency.