

## **PART 4**

### **4.2 Anti-Fraud and Corruption Policy**

## **ANTI-FRAUD AND CORRUPTION POLICY**

### ***Why is this important?***

*This Policy demonstrates clearly that the County Council is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (councillors and employees) and outside the County Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.*

### **INTRODUCTION**

1. Suffolk County Council takes its responsibility to protect public funds seriously and expects its business to be conducted to the highest ethical and legal standards. The Council has a zero tolerance to fraud, theft and corruption, whether this is attempted by internal or external sources, and is committed to the prevention, deterrence, detection and investigation of such instances.
2. In carrying out its functions and responsibilities, the County Council has always adopted a culture of openness and fairness and has expected that councillors and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards have also been expected from organisations that have dealings with the County Council (e.g. suppliers / contractors).
3. This Policy will not compromise the County Council's equalities and inclusion policies or any obligations as an employer under the Code of Conduct for Local Government Employees.
4. This Policy embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
  - Culture
  - Prevention
  - Deterrence
  - Detection and investigation
  - Awareness and Training
5. The County Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the National Audit Office, the Local Government and Social Care Ombudsman and HM Revenue and Customs. These bodies are important in highlighting any areas where improvements can be made.

6. Fraud is defined as a person(s) acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or risk of loss) on another, including:
  - Fraud by making a false representation
  - Fraud by failing to disclose information
  - Fraud by abuse of position
7. This definition does not include misappropriation or petty theft without the distortion of financial statements or other records. This document, however, is intended to cover all financial irregularities and criminal acts which may affect the County Council, including: theft of property; false accounting; obtaining by deception; computer abuse and crime.
8. Corruption can be broadly defined as dishonest or unethical conduct by a person entrusted with a position of authority, often to acquire personal benefit and typically involves bribery.
9. The Bribery Act 2010 defines bribery broadly as an inducement or reward offered, promised, or provided to gain personal, commercial, regulatory or contractual advantage. It is an offence to offer a bribe or agree to receive a bribe.
9. In addition, this Policy covers the failure to disclose an interest in order to gain financial or other pecuniary gain.

## **CULTURE**

10. The culture of the County Council is one of openness and the core values of fairness, trust and value support this. The County Council's culture therefore supports the opposition to fraud and corruption.
11. The prevention / detection of fraud / corruption and the protection of the public purse are everyone's responsibility.
12. County councillors, employees and other stakeholders play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.
13. Concerns must be raised when councillors or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
  - a criminal offence
  - a failure to comply with a statutory or legal obligation
  - improper unauthorised use of public or other funds
  - a miscarriage of justice

- maladministration, misconduct or malpractice
  - endangering of an individual's health and safety
  - damage to the environment
  - deliberate concealment of any of the above.
14. The County Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner.
15. The County Council will deal firmly with those who defraud the County Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
16. When fraud or corruption have occurred because of a breakdown in the County Council's systems or procedures, directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

## **PREVENTION**

### *COUNCILLORS*

#### *The Role of Councillors*

17. As elected representatives, all county councillors have a duty to members of the public to protect the County Council from all forms of abuse.
18. This is done through this Policy and compliance with the Members Code of Conduct, the County Council's Constitution and relevant legislation.
19. Councillors sign to the effect that they have read and understood the Code of Conduct when they take office. These conduct and ethical matters are specifically brought to the attention of county councillors during induction and include the declaration and registration of interests. The Monitoring Officer advises county councillors of new legislative or procedural requirements.

### *EMPLOYEES*

#### *The Role of Managers*

20. Managers at all levels are responsible for the communication and implementation of this Policy in their work area. They are also responsible for ensuring that their employees are aware of the County Council's Scheme of Resource Management and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Local Code of Conduct for Local Government Employees through the induction process.

21. Managers are expected to strive to create an environment in which their staff are able to approach them with any concerns they may have about suspected irregularities.
22. Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed.
23. The County 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. The County Council's equalities and inclusion policies will be adhered to during this process.
24. The County Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, DBS checks are undertaken on employees performing certain jobs (e.g. working with children, vulnerable groups or in healthcare) . Further checks will be introduced in areas where an increased risk of potential fraud and corruption has been identified.

#### Responsibilities of Employees

25. Each employee is governed in their work by the County Council's Scheme of Resource Management and other codes of conduct and policies (e.g. health and safety, IT strategy, IT security). They are also governed by the Code of Conduct for Local Government Employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the County Council or will be provided by their manager.
26. Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the County Council. These will be included in induction training and procedure manuals.
27. Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. Concerns must be raised, in the first instance, directly with the employee's line manager. If for any reason, they feel unable to speak to their manager, the County Council's Whistleblowing Procedure provides details of who to contact.
28. The offering of money or other incentives to persuade somebody to do something, especially something dishonest or illegal is known as bribery. Bribery and corruption distorts competition and investment, hinders free and fair trade, and represents an unacceptable cost to the organisation. Bribery

is a mandatory rejection criterion within the County Council's Procurement Regulations (Part 5.1 of the Constitution) and there are procedures in place to ensure procurement processes are fair and transparent. Bribery can also be apparent in the offering of gifts and hospitality, and the County Council has set guidance on the receiving of these as employees could be open to prosecution in respect of receiving entertainment or hospitality which is given with the intention of subverting the recipient's duties of good faith, impartiality or trust which are owed to his employer. The County Council's Anti-Bribery Policy and Procedure provides full details and conveys the Authority's unequivocal anti-bribery stance.

29. Money laundering is generally understood to mean the conversion of the proceeds of crime, in order to create the end appearance of legitimately earned funds. Any member of staff or councillor could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and / or do nothing about it. The Anti Money Laundering Policy sets out how any concerns should be raised.

#### Conflicts of Interest

30. Both county councillors and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

#### Official Guidance

31. In addition to the Scheme of Resource Management, directorates should have their own procedures to prevent and detect fraud. Audit reports will also recommend methods to minimise losses to the County Council. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

#### Role of Internal Audit

32. Internal Audit is within the Corporate Services Directorate and it plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit investigates all cases of suspected irregularity and deals with enquiries from other public sector bodies through the National Anti Fraud Network and National Fraud Initiative. Internal Audit liaise with management to recommend changes in procedures to prevent further losses to the County Council.

#### The Role of External Audit

33. Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the County Council's financial systems, and arrangements for preventing and

detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the County Council's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices. The Code of Audit Practice gives full details of the role of external auditors.

### Co-operation with Others

34. Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:
- Police
  - County, Unitary and District groups
  - External Audit service
  - Government departments

## **DETERRENCE**

### Sanction

35. Responsibility for the prevention and detection of fraud and other illegal acts rests with directors.
36. Officers are responsible for immediately notifying the Head of Internal Audit of any circumstances suggesting the possibility of an irregularity which affect the County Council's assets or interests. These will be investigated in line with the Council's Fraud Response Plan.

The Head of Internal Audit shall, in consultation with the Head of Legal Services, S151 Officer and the appropriate Director, determine what action to take in accordance with the Council's Sanctions Policy (Fraud), including whether to refer the case to the Police.

37. Circumstances referred to the Police for investigation are passed to the Crown Prosecution Service (CPS) to make any subsequent decision as to whether a prosecution should be made.
38. This Policy encompasses the public, county councillors and employees. It is designed to clarify the County Council's action in specific cases and to deter others from committing offences against the County Council. However, it is recognised that it may not always be in the public interest to refer cases for criminal proceedings.

### Disciplinary Action

39. Theft, fraud and corruption are serious offences against the County Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation by the Head of Internal Audit with the Director, Section 151 Officer and Head of Human Resources.
40. In the event of an allegation against a county councillor in relation to fraud, theft or corruption against the Council, this will be reported to the Monitoring Officer who will agree the action to be taken with the Chief Executive and Head of Finance. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

### Publicity

41. The County Council's Communications Team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the County Council. They will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.
42. In all cases where financial loss to the County Council has occurred, the County Council will seek to recover the loss and advertise this fact.
43. All anti-fraud and corruption activities, including the update of this Policy, will be publicised in order to make the employees and the public aware of the County Council's commitment to taking action on fraud and corruption when it occurs.

## **DETECTION AND INVESTIGATION**

44. Internal Audit plays an important role in the detection of fraud and corruption. Included in their strategic plan are proactive fraud-related reviews and specific fraud and corruption tests. Spot checks and unannounced visits may also occur.
45. In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees, councillors and the public that aids detection.
46. In some cases, frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.
47. All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This is essential to the Policy, and:

- ensures the consistent treatment of information regarding fraud and corruption; and
- facilitates a proper and thorough investigation by an experienced audit team.

48. This process will apply to all the following areas:

- fraud / corruption by county councillors
- fraud / corruption by employees
- fraud by contractors' employees
- external fraud (the public).

49. Any decision to refer a matter to the Police, External Audit or other external agency will be taken by the Head of Internal Audit in consultation with the Section 151 Officer, Director and Head of Legal Services. The County Council will normally wish the Police to be made aware of, and investigate independently, offenders where significant financial impropriety is discovered.

50. The County Council's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.

## **AWARENESS AND TRAINING**

51. The County Council recognises that the continuing success of this Policy and its general credibility will depend on the awareness of county councillors and employees throughout the County Council.

52. To supplement this, all internal audit staff are trained to deal with fraud and corruption issues.

53. The Whistleblowing Procedure, containing details on safeguarding staff when a concern is raised, and can be found on the Council's website.

## **CONCLUSION**

54. The County Council prides itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This Policy fully supports the County Council's desire to maintain an honest authority, free from fraud and corruption.

55. The County Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.

56. The County Council will maintain a continuous review of all these systems and procedures through Internal Audit.

57. This Policy will be reviewed regularly and any significant variations reported to Councillors and the Corporate Leadership Team.

*RESPONSIBILITIES OF THE HEAD OF FINANCE*

*To review this Policy on a regular basis and propose any revisions required.*

*RESPONSIBILITIES OF DIRECTORS*

*To comply with the requirements of the Policy and any further guidance issued by the Head of Finance.*

**Further advice and assistance** can be obtained from:

Louise Aynsley, Head of Finance, 01473 265651

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