

**DERBY CITY COUNCIL**  
**ANTI-FRAUD AND CORRUPTION POLICY AND**  
**STRATEGY**

**JUNE 2013**

## **Foreward**

Over recent years, there has been a growing awareness among local authorities of an increasing level of fraud, and the publicity given to discovered frauds. There are also indications that fraud is becoming more organised.

Derby City Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. The Council aims to prevent theft, fraud and corruption by:

- developing an anti-fraud and corruption culture among staff and the public to deter such acts;
- encouraging the reporting of reasonably held suspicions;
- designing and operating systems, procedures and policies which minimise the risk of fraud, theft, corruption, misappropriation and misuse of assets ; and
- assisting other government bodies, where appropriate, in their investigations into theft, fraud and corruption.

The Council will treat each case on its own merits, but where appropriate, the Council will seek to prosecute persons who:

- operate corrupt practices against the Council; or
- steal from the Council; or
- defraud the Council;

and will seek to recover the proceeds of any such activity from identified offenders.

## **1. INTRODUCTION**

- 1.1 Derby City Council aims to make sure all of its services are of the highest possible quality; provide value for money, and that it is fully accountable, honest and open in everything it does. As with any large organisation, the size and nature of our services puts us at risk from fraud, corruption, theft, irregularity, improper use or misappropriation of the Council's property or resources both from within the Council and outside it.
- 1.2 The Council is committed to making sure that the opportunity for fraud and corruption is reduced. Where there is the possibility of fraud, corruption and theft, it will be dealt with in a firm and controlled manner.
- 1.3 An important part of this approach is the existence of an anti-fraud and corruption strategy, to advise and guide members and staff on the Council's approach to the serious issues of fraud and corruption. This document provides an overview of Council policy in this matter and includes a fraud response plan on how to deal with fraud and corruption.
- 1.4 The main message is that the Council expects all members, employees, consultants, contractors, partnering organisations and service users, to be fair and honest, and to provide the help, information and support the Council needs to deal with fraud and corruption.

## **2. CORPORATE FRAMEWORK AND CULTURE**

- 2.1 The Council has a wide range of interrelated policies, codes, rules and procedures and other guidance documents that provide a corporate framework to counter the possibility of fraudulent and / or corrupt activity. These have been developed taking account of appropriate legislative requirements and expected standards relating to public sector life. These documents include:
  - Codes of Conduct for members and officers
  - Financial and Contract Procedure Rules
  - Procurement Code
  - Disciplinary Procedures
  - Confidential Reporting Code (Whistleblowing)
  - Complaints Procedures
  - Local Code of Governance
  - Gifts and Hospitality Protocols
  - Register of Interests
  - Anti Money Laundering policy
  - Anti-Bribery policy
  - Corporate prosecution policy

- 2.2 The expectation is that elected / co-opted Members and employees of all levels will adopt the highest standards of propriety and accountability and demonstrate that the Council is acting in a transparent and honest manner. Compliance with this Policy, along with adherence to the requirements of the related Codes of Conduct, Protocols and Procedures referred to above, should ensure such standards are achieved. Consequently, any elected / co-opted Member of the Council who commits a fraudulent or corrupt act against the Council will be subjected to the Council's procedures for dealing with complaints of misconduct against Members operated via the Council's Monitoring Officer / Standards Committee. Any employee committing a fraudulent or corrupt act against the Council will be subjected to the Council's disciplinary procedures. The above action in relation to both Members and officers will be in addition to any prosecution proceedings that might occur. All such acts are to be notified to the Head of Governance and Assurance.
- 2.3 The highest standards are also expected from all organisations that have dealings with the Council. Suppliers, contractors, consultants, partners and other organisations funded by the Council are therefore expected to adopt or abide by Council policies, procedures, protocols and codes of practice as appropriate. The Council will consider the extent to which it has further involvement with any organisation that fails to abide by the expected standards.
- 2.4 The Council believes that the maintenance of a culture of honesty and openness, based on values such as fairness, trust and integrity is a key element in tackling fraud and corruption. In this respect, each Member and officer of the Council is under a duty to report any reasonable suspicions and is encouraged to raise concerns about fraud and corruption, regardless of rank, seniority or status, in the knowledge that such concerns will be properly investigated. To this end, the Council has a Confidential Reporting Code (Whistle-blowing) to protect anyone who wishes to raise concerns about behaviour / practice.
- 2.5 When fraud and / or corruption has occurred due to an identified breakdown in controls, the relevant Service Director will be responsible for ensuring appropriate improvements in systems of control are implemented in order to minimise the risk of re-occurrence.

### **3. PREVENTION**

- 3.1 Fraud and corruption is costly, both in terms of reputational risk and financial losses (either directly through the loss of cash / assets and / or through the utilisation of resources in dealing with and resolving any identified cases).
- 3.2 The Council recognises that the successful implementation of an anti-fraud and corruption culture is dependent on the commitment and involvement of Members, senior and other levels of management, all employees, workers and stakeholders in the wider community. Specific responsibilities are detailed below. Collectively

these actions promote an anti fraud culture and minimise the Council's exposure to the risk of fraud and corruption.

- 3.3 The prevention of fraud and corruption is therefore a key objective of the Council and respective roles and responsibilities are outlined below:

### **Members**

Members have a duty to protect the Council and public money from any act of fraud or corruption. Members discharge their duty by complying with the Code of Conduct for Members and the Constitution. There is an established Standards Committee, which considers and takes action in relation to complaints received about Members conduct. Members play an active part in ensuring good corporate governance and a commitment to and support of the Council's approach to anti fraud and corruption. They provide a key link to the residents of the City and have a wider role in promoting the Council's ethics and values within the community.

### **Audit & Accounts Committee**

The Audit and Accounts Committee's Terms of Reference outline their responsibility to "monitor Council policies on the anti-fraud and anti-corruption strategy". The Audit and Accounts Committee also has a responsibility to monitor and, where necessary, challenge the Authority's risk management processes, including the management of identified fraud risks. Members of the Audit and Accounts Committee receive regular updates from the Head of Governance and Assurance in relation to fraud cases and the action taken. Members of the Audit Committee challenge management where significant risks are identified in Internal Audit reports.

### **Chief Executive**

The Chief Executive is responsible for leading and promoting the Council's ethical agenda.

### **S151 officer**

The Council's appointed Section 151 Officer is responsible for the proper administration of the Council's financial affairs. This is a statutory role under the Local Government Act 1972. He/she has a duty to notify the Chief Executive if the Authority, one of its committees or one of its officers has taken, or is about to take, an unlawful action which has or would result in a loss to the Authority.

### **Monitoring officer**

The Monitoring Officer is responsible for ensuring that all decisions that the Council makes are within the law. This is a statutory role appointed under Section 5 of the Local Government and Housing Act 1989. The Monitoring Officer also has a key role in promoting and maintaining high standards of conduct amongst Members of the authority, through supporting Members of the Council to help them to follow the Code of Conduct and the Council's other rules and procedures.

### **Strategic Directors, Service Directors and Heads of Service**

Strategic Directors, Service Directors and Heads of Service are responsible for promoting and implementing this document. All managers should encourage employees to raise any concerns they may have about fraud or corruption, in line with the Council's Confidential Reporting Code. Managers are responsible for the identification, analysis and prioritising of risk, including fraud risk, in their service areas. Risks must be managed in line with the Council's Risk Management guidelines. Managers must have sufficient controls in place, including separation of duties, to safeguard assets and reduce losses through error or fraud and corruption. Managers should ensure that employees and other workers, e.g. agency staff and volunteers, are aware of and regularly reminded about the Council's anti fraud and corruption policy.

### **All employees**

All employees must operate the systems of internal control established by management. Employees are governed in their work by the various policies, protocols, codes, rules and procedures, particularly regarding conduct issues and are responsible for ensuring that they follow any instructions given to them by management, particularly in relation to the safekeeping of assets. In this context, any action committed by an employee of the Council in their private life, for which they are convicted of a criminal offence, should be brought to the attention of their line manager by the employee concerned, with a view to enabling an appropriate assessment of any possible impact on their job role and the instigation of any action to address associated risks. Failure to do so, should the matter come to light through other means will result in the Council's disciplinary procedures being instigated. Employees must be aware that any theft, fraud or corruption against the Council is classed as gross misconduct under the disciplinary process. Employees are also expected to be alert to the possibility that fraud and corruption may exist in the workplace and are under a duty to share (with management or other agreed body) any concerns they may have. Employees are protected under the Council's Confidential Reporting Code, where required, regarding any concerns they raise in good faith. Line managers should consult with Internal Audit in assessing risks to the Council regarding any notification by an employee of a criminal conviction. All criminal offences (including driving offences) should be disclosed to ensure that a full risk assessment can be undertaken. Line managers should also notify the Head of Governance and Assurance when a disciplinary investigation takes place involving employees alleged to have committed fraud against the Council.

## **Partners**

The Authority's Partners should ensure that there are adequate arrangements in place to minimise fraud and corruption and protect the public funds they receive from the Council. All Partners have a duty to report any suspected fraud or corruption that arises from their relationship with the Council to the Head of Governance and Assurance.

## **Internal Audit**

Internal Audit independently monitors the existence, appropriateness and effectiveness of internal controls as a service to management and thereby plays a vital preventative role. Internal Auditors are empowered to:

- Enter at all reasonable times any Council premises or land.
- Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary.
- Have access to records belonging to third parties such as contractors when required (dependent on rights of access clauses within individual contracts / agreements).
- Require and receive such explanations as are regarded necessary concerning any matter under examination.
- Require any employee of the Council to account for cash, stores or any other Council property under their control or possession.

Internal Audit work results in a liaison / reporting process whereby changes in procedures are recommended / agreed with management with a view to reducing risks and preventing losses to the Council. Internal Audit also follows up and informs management as to the extent that such agreed action has been implemented. Internal Audit has reporting lines to the highest levels of authority within the Council, enabling any failure to implement agreed action to be appropriately challenged. Internal Audit contributes to deterring fraud by working with other Local Authorities, the police and professional bodies. This ensures the Council's anti fraud arrangements are in line with current best practice.

The Authority participates in the National Fraud Initiative (NFI), which the Audit Commission runs every two years. This is a computerised data matching exercise, designed to detect fraud in public bodies. The Authority also participates in local and regional data matching. Internal Audit is the Authority's key contact for the National Fraud Initiative and all local data matching exercises and as such they will work closely with relevant managers to ensure all data subjects (e.g. staff) are notified that their data will be shared for these exercises. Internal Audit will work with partners to share information and encourage participation in data

matching and other anti fraud measures. Internal Audit will report frauds to the Audit and Accounts Committee and External Audit as appropriate.

Internal Audit also participates in the Annual Fraud Survey which the Audit Commission runs each year. This involves reporting on all frauds which have taken place during a twelve month period, and includes data on frauds committed by Members or employees, values and, where applicable, prosecutions.

### **Housing & Council Tax Benefit staff**

The Council administers the Housing and Council Tax Benefit scheme on behalf of the Department of Work and Pensions. It is responsible for the following:

- To pay Housing and Council Tax Benefit in line with legislation
- Secure the gateway to Housing and Council Tax Benefit by having sound processes in place to verify evidence used to support an application.
- Investigate Housing and Council Tax Benefit fraud

The Council has a detailed Housing Benefit Anti Fraud Procedure, which provides guidance on Benefit investigation processes. There is a dedicated team of Benefit Fraud investigators and they work closely with other Authorities and agencies to reduce Benefit fraud. They provide a Benefit Fraud Hotline number (01332 640888) and encourage the reporting of allegations or suspicions of Benefit fraud. The Authority's strict requirement to repay fraudulently obtained monies is also a major deterrent to fraud, and may be additional to any other Benefit fraud sanctions that are applied. The Council has formal Sanction and Prosecution Guidance relating to Benefit fraud and the sanctions they can apply, i.e. Formal Caution; Administration Penalty; Overpayment Recovery and Civil Recovery Action; or Prosecution.

### **Trading Standards and Environmental Health**

It provides advice to the public and to business across the full range of public protection issues. These include licences, misleading adverts, business fraud such as food adulteration, car "clocking" and rogue traders. In ensuring legal compliance and fair trading they ensure fraud is detected and dealt with.

### **Legal Services**

Legal Services provide advice and support during fraud investigations where required and any subsequent civil action taken to recover losses.

Legal Services are responsible for maintaining details of authorisations under the Regulation of Investigatory Powers Act 2000 (RIPA), where surveillance of persons is intended. RIPA guidance is available on the Intranet.

### **Money Laundering Reporting Officer (MLRO)**



The Council's nominated Money Laundering Reporting Officer (MLRO) will review all reported money laundering allegations and decide whether the transaction / circumstances are suspicious and whether to make a report to the Serious Organised Crime Agency. There is no clear definition of what constitutes suspicion and the MLRO will apply common sense in making their decision. The MLRO will review the Anti-Money Laundering policy and communicate this policy to relevant staff.

### **Human Resources**

HR maintains and promotes the Employee Code of Conduct and related policies and procedures. They have a responsibility to ensure effective 'gateway' controls are in place for the recruitment of new employees, including pre-employment checks and relevant Criminal Record Bureau (CRB) checks. HR will inform the Head of Governance and Assurance of all disciplinary issues, financial or otherwise and will work together with Internal Audit to improve controls and ensure the effectiveness of disciplinary action.

### **Corporate Complaints Officer**

The Corporate Complaints Officer will notify Internal Audit of any potential fraud issues identified from complaints received.

### **Head of Procurement**

The Head of Procurement is responsible for the maintenance and monitoring of compliance with the Council's Contract Procedure Rules. The Head of Procurement will work with Head of Governance and Assurance to ensure effective antifraud and corruption processes are in place for contracting, and will inform the Head of Governance and Assurance of any potential fraud or corruption relating to the letting and monitoring of contracts, or non-compliance with Contract Procedure Rules.

### **External Audit and Audit Commission**

Independent external audit is an essential safeguard of the stewardship of public money. The Audit Commission through the Council's appointed Auditor carry this out through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption. It is not the external auditors' function to prevent fraud and irregularities, 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 Council's arrangements for preventing and detecting fraud and irregularities, and

arrangements designed to limit the opportunity for corrupt practices. The Audit Commission require details of any frauds over £10,000 to be reported individually.

## **Public**

Whilst this policy is primarily aimed at those within or directly associated with the Council, the public has a role to play in that they should be honest in their dealings with the Council and inform appropriate Members / officers of the Council if they feel that fraud, corruption or other wrong-doing may have occurred.

## **4. DETERRENCE**

4.1 Whilst many of the issues outlined within Section 3 on prevention will act as a deterrent, there are specific ways in which we seek to deter potential wrongdoers from committing or attempting fraudulent or corrupt acts. These include:

- Publicising that the Council is firmly against fraud and corruption at appropriate opportunities and will take stern action against perpetrators (e.g. dismissal of employees, prosecution of offenders, termination of contracts etc).
- Acting robustly and decisively when fraud and / or corruption are suspected and, if proven, being committed to viewing cases seriously and taking action as appropriate bearing in mind all relevant factors of each case.
- Always seeking to maximise recoveries for the Council, through agreement, repayment, court action, penalties, insurance, superannuation benefits etc.
- Referring any investigative cases to the Police as soon as there is sufficient evidence that criminal offences are likely to have occurred (As per the Fraud Response Plan).
- Liaising with the press or otherwise publicising any anti-fraud and corruption initiatives undertaken by the Council and subsequent results, where deemed appropriate.
- Where appropriate, publicising the results stemming from investigations into suspected cases of fraud and corruption.

## **5. DETECTION**

5.1 Whilst it is not an Internal Audit responsibility to detect fraud and corruption (this is the responsibility of management), Internal Audit plays an important role in such detection. Internal Audit plans include reviews of systems of internal controls, specific fraud and corruption tests, spot checks and unannounced visits. Such work may directly detect instances of fraud and corruption and invariably contributes to improved controls / procedures that aid detection of fraud and corruption or otherwise deter it from happening.

- 5.2 Strategic Directors, Service Directors and Heads of Service have responsibility for preventing and detecting fraud and corruption, but it is often the alertness of staff or members of the public, to the possibility of fraud and corruption, which aids detection. Allegations and complaints are key sources of detection regarding fraud and corruption and as such the Council treats this type of information seriously and in line with the Confidential Reporting Code where applicable.
- 5.3 Awareness of the key indicators of fraud and corruption is also advantageous to the detection of these offences and the Council is committed to training and communication routines whereby Members of the Council, managers and employees can be informed of or updated with the relevant facts that will aid their vigilance regarding the identification of fraud and corruption.

## **6. AWARENESS AND TRAINING**

- 6.1 The key to introducing a successful anti-fraud and corruption strategy and making sure it continues to apply will depend on effective communication of the strategy and appropriate awareness training for employees.
- 6.2 Advice and training in fraud awareness is available from Internal Audit to managers and staff involved in internal control systems and advice on covert surveillance is available from the Legal Division.
- 6.3 Investigation of fraud and corruption centres on the Council's Governance and Assurance Section and the Benefits Investigation Unit. Auditors and Benefit investigation staff must therefore be properly trained in fraud investigation.

## **7. CONCLUSION**

- 7.1 Derby City Council is committed to tackling fraud and corruption whenever it happens. The Council's response will be effective and organised and will rely on the principles included in this document.
- 7.2 The Council will continue to review our rules and procedures and will make sure that this strategy document is regularly reviewed to make sure it stays effective.