

## **CHAPTER 9.4 – CORPORATE ANTI FRAUD AND ANTI CORRUPTION POLICY**

### **9.4.1 Introduction**

Wokingham Borough Council (The Council) aims to deliver high quality services and provide value for money by being fully accountable, honest and open in everything that it does.

Fraud and corruption undermine these aims by diverting resources from legitimate activities, damaging public confidence in the Council and adversely affecting staff morale.

To achieve its strategic priorities, the Council seeks to ensure that measures are taken to prevent, detect and investigate fraudulent or corrupt acts. The aim of this policy is to reduce losses from fraud and corruption to an absolute minimum.

The Council has a zero tolerance policy regarding fraud and corruption. It has adopted the following approach.

“In administering its responsibilities the Council is opposed to fraud and corruption whether it is attempted on or from within the Council and is committed to preventing, deterring, detecting and investigating fraud and corruption.”

This policy is particularly relevant to:

- a) elected Members;
- b) employees;
- c) contractors;
- d) consultants;
- e) suppliers;
- f) service users;
- g) customers (including the public); and
- h) partner organisations.

### **9.4.2 Defining Fraud**

The Council defines “fraud” as an 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 financial gain. This may involve, but is not limited to:

- a) falsification or alteration of accounting records or other documents;
- b) misappropriation of assets or theft;
- c) suppression or omission of the effects of transactions from accounting records of other documents;

- d) recording transactions which have no substance; and
- e) wilful misrepresentation of transactions or of the Council's state of affairs.

#### **9.4.2.1**

Furthermore, the Fraud Act 2006 has defined fraud in law for the first time, defining it in three classes:

- a) fraud by false representation;
- b) fraud by failing to disclose information; and
- c) fraud by abuse of position.

#### **9.4.3 Defining Corruption**

The Council defines corruption as the offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the Council, its Members or Officers. Areas where corrupt practices may occur include, but are not limited to:

- a) tendering and awarding of contracts;
- b) pecuniary interests of Members and Officers;
- c) the award of permissions, and
- d) the disposal of assets.

#### **9.4.4 Framework for Prevention and Detection**

It is a management responsibility to maintain the internal control system and to ensure that the Council's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

#### **9.4.5 Key Principles and Culture**

The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside of the authority. The Council is committed to creating a culture of opposition to fraud and corruption. The Council is determined that the authority meets the expectations of the Committee on Standards of Public Life and is committed to the ten general principles which govern standards of conduct in local government, namely:

- a) selflessness;
- b) honesty and integrity;
- c) objectivity;
- d) accountability;
- e) openness;
- f) personal judgement;

- g) respect for others;
- h) duty to uphold the law;
- i) stewardship; and
- j) leadership.

#### **9.4.5.1**

The Council expects Members (elected and co-opted) and employees (including agency staff, consultants and contractors) to lead by example in ensuring effective opposition to fraud and corruption. This includes ensuring adherence to legislation, local rules and regulations, National and Local Codes of Conduct and that all procedures and practices are beyond reproach.

#### **9.4.6 Raising Concerns**

Employees at all levels should be alert to the possibility of fraud and corruption. They are expected, and positively encouraged to raise any concerns relating to fraud and corruption which they become aware of. These can be raised in any way that the employee prefers, including with their line manager, through a Director, with the Shared Audit and Investigation Service or through the Council's Whistleblowing Policy. Whichever route is chosen, the employee can be assured that concerns raised in good faith will be fully investigated and, wherever possible, those raising concerns will be dealt with in confidence.

When management receive concerns from employees or others regarding potential fraud or corruption, they should immediately contact the Assistant Director, Governance (and Monitoring Officer) with details of the concerns. The Assistant Director, Governance will make preliminary enquiries and in consultation with the Section 151 Officer will determine whether there are grounds for an investigation.

Councillors, service users, suppliers, partner organisations and members of the public are encouraged to report any concerns. These concerns about fraud and corruption should be reported either directly to the Assistant Director, Governance or via the Council's Whistleblowing Policy.

If employees feel that they are unable to use internal routes then they can contact the council's external auditors, Ernst and Young:

#### **Ernst and Young**

Helen Thompson

Wessex House, 19 Threefield Lane, Southampton, SO14 3QB, United Kingdom

[hthompson2@uk.ey.com](mailto:hthompson2@uk.ey.com)

07974 007332

Although the Council encourages its staff to report concerns acting in good faith, any maliciously motivated and unfounded allegations may be dealt with through the Council's disciplinary code.

#### **9.4.7 Corporate Governance**

The main corporate policies and procedures which formulate the Council's framework for minimising risk and the prevention of fraud and corruption include:

- a) Anti Fraud and Anti Corruption Policy;
- b) Internal Audit Charter;
- c) Contract and Procurement Regulations;
- d) Financial Regulations;
- e) Human Resources Policy and Guidance for Discipline;
- f) Human Resources Policy for Conduct and Personal Behaviour;
- g) Human Resources Policy for Recruitment and Retention;
- h) Member's Code of Conduct;
- i) Money Laundering Policy;
- j) Officer's Code of Conduct;
- k) Prosecution and Sanction Policy;
- l) Risk Management Strategy;
- m) Scheme of Delegation;
- n) Whistleblowing Policy; and
- o) Anti-Bribery Policy

#### **9.4.8 Corporate Responsibility**

Assistant Directors must ensure that all employees in their service are familiar with the corporate policies and procedures listed at 9.4.7, in addition to any other relevant rules and regulations specific to their service. Failure to adhere to these policies and procedures could result in the instigation of disciplinary procedures.

#### **9.4.9 Recruitment**

The Council recognises that one of the most important issues relating to the prevention of fraud and corruption is the effective recruitment of staff and therefore takes pre-employment screening seriously.

Employee recruitment is required to be in accordance with procedures laid down by the Lead Specialist, HR. As part of these procedures, particular reference is made to:

- a) verifying the identity of the applicant;
- b) obtaining satisfactory references prior to appointment;
- c) verifying the applicant is able to legitimately work in the UK;
- d) verifying and retaining copies of certificates for stated qualifications; and
- e) undertaking Disclosure Barring Service checks where appropriate.

These practices apply to all permanent appointments including those where employees have entered the organisation as an agency worker or consultant in the first instance.

#### **9.4.10 System of Internal Control**

The risk of fraud and corruption can be minimised by good financial management, sound internal control systems, effective management supervision, and by raising public, member and employee awareness of fraud.

##### **9.4.10.1**

Internal control is the whole system of controls, financial and otherwise, established to provide reasonable assurance of:

- a) proper aims and objectives;
- b) efficient and effective operations;
- c) reliable management information and reporting;
- d) legitimate expenditure;
- e) compliance with laws and regulations;
- f) performance management; and
- g) security of assets and income.

##### **9.4.10.2**

Weaknesses in the design and operation of administrative and financial internal control systems may increase the risk of fraud. Systems should contain efficient, effective, and well documented internal controls that cover the following:

- a) adequate segregation of duties;
- b) proper authorisation and approval procedures;
- c) adequate physical security over assets; and
- d) reliable monitoring and reporting arrangements.

### **9.4.10.3**

It is management's responsibility to install adequate internal controls and rectify weaknesses if they occur. To help management discharge this responsibility, systems may be subject to review by both Internal and External Audit. Auditors are responsible for reporting to management on significant weaknesses in the control environment, including deficiencies in the operation of internal controls and highlighting exposure to the risk of fraud. High risk audit concerns are promptly followed up to ensure issues highlighted are appropriately actioned.

Management should instigate occasional deterrent compliance checks on the operation of internal controls within their service and are encouraged to seek advice from the Shared Audit and Investigation Service on what checks should be carried out. This work should be used to inform the Annual Governance Statement.

### **9.4.11 Risk Management**

Major fraud risks relating to services should be included within local Risk Registers and subject to regular review to ensure that appropriate controls are in place to mitigate those risks.

### **9.4.12 Role of Statutory Officers**

The Council has a statutory responsibility, under Section 151 of the Local Government Act 1972, to ensure the proper administration of its financial affairs and also to nominate one of its Officers to take responsibility for those affairs. The Council's nominated Section 151 Officer is the Deputy Chief Executive and Director of Corporate Services

#### **9.4.12.1**

The Council's Monitoring Officer (Assistant Director, Governance) is responsible under Section 5 of the Local Government and Housing Act 1989 to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs.

### **9.4.13 Effective Action**

Responsibility for investigating suspected fraud and corruption against the Council rests with the Shared Audit and Investigation Service. This is to ensure that the investigation is performed only by properly trained officers in accordance with the appropriate legislation:

- a) Corruption Act 1906
- b) Criminal Procedures and Investigations Act (CPIA) 1996;
- c) Data Protection Act 1998;
- d) Fraud Act 2006;
- e) Freedom of Information Act 2000;
- f) Human Rights Act 1998;
- g) Local Government Finance Act 1992;
- h) Police and Criminal Evidence Act (PACE) 1984;
- i) Proceeds of Crime Act 2002;

- j) Regulation of Investigatory Powers Act (RIPA) 2000;
- k) The Council Tax (Administration and Enforcement) Regulations 1992.

#### **9.4.14 Procedure**

All referrals will initially be risk assessed and material instances of fraud or irregularity in the Council will be referred to the Shared Audit and Investigation Service.

The Shared Audit and Investigation Service will ensure the following objectives are met:

- a) investigations are undertaken fairly, objectively and in accordance with relevant laws and regulations, so as to avoid jeopardising the outcome on legal and procedural technicalities;
- b) to protect the evidence;
- c) to prove or disprove the original suspicions of fraud;
- d) if proven, to support the findings by producing effective evidence;
- e) to present evidence in an appropriate format accepted by the Crown Prosecution Service or the appropriate disciplining service;
- f) to apply appropriate sanctions and redress against those individuals and organisations that seek to defraud.

#### **9.4.15 Completion**

Once an investigation is completed the Shared Audit and Investigation Service may have responsibilities in relation to:

- a) recommending improvements to systems;
- b) attendance at disciplinary hearings and tribunals;
- c) attendance at Court as a witness; and
- d) reporting to the Audit Committee.

Conclusions will be based on fact allowing management to take forward any required disciplinary and / or criminal proceedings as they determine appropriate.

#### **9.4.16 Disciplinary**

The Council has in place disciplinary procedures which must be followed whenever staff are suspected of committing a fraudulent or corrupt act.

The disciplinary procedures are set out in the Disciplinary Policy and Guidance. The Chief Executive has overall responsibility for ensuring that the disciplinary procedure is managed effectively. Line managers, under the overall direction of Assistant Directors are responsible for day to day management and ensuring compliance with the Disciplinary Policy and Guidance.

#### **9.4.17 Reporting and Publicity**

Incidents of fraud and corruption are reported through the following mechanisms:

- a) Corporate Leadership Team;
- b) Audit Committee; and
- c) External Auditors (currently Ernst and Young).

Where evidence of fraud and corruption is found, appropriate sanctions will be sought in line with the Council's Prosecution and Sanctions Policy. The details of any proven act of fraud or corruption, including action taken by the Council will be publicised to employees, Members and the public. This is aimed at deterring further attempts of fraud or corruption by demonstrating the seriousness with which the Council views such cases. In agreement with the Section 151 Officer, Monitoring Officer, the Council will report criminal activity to the Police at the appropriate stage.

#### **9.4.18 Council Tax Investigations**

The Investigations Team within the Shared Audit and Investigation Service is also responsible for undertaking investigations within the Council Tax Reductions Scheme. This involves:

- a) investigating suspected fraud by false statement and/or failure to declare changes in circumstances or other method. ;
- b) making random checks on claimants; and
- c) maximising recovery of overpayments.

Where evidence of fraud and corruption is found, appropriate sanctions will be sought in line with the Council's Prosecution and Sanctions Policy. Successful prosecutions will be publicised to help deter further fraud.

#### **9.4.19 Working with Others**

Arrangements are in place and continue to develop and encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity. This includes participation in the National Fraud Initiative which matches data across a wide range of public service organisations in order to detect fraud or erroneous payments.

#### **9.4.20 Money Laundering**

Money laundering is the process of moving illegally generated funds through a cycle of transformation in order to create the end appearance of legitimately earned funds.

The Proceeds of Crime Act 2002 details the three principal money laundering offences as:

- a) assisting another to retain the benefit of crime;
- b) acquisition, possession or use of criminal proceeds; and
- c) concealing or transferring proceeds to avoid prosecution.

In addition there are related offences for failing to report where a person has knowledge, suspicion or reasonable grounds for knowledge or suspicion that money laundering has taken place, as well as for tipping off a person that a disclosure has taken place.

Council Officers and Members who suspect money laundering activities should report their concern to the Council's nominated Money Laundering Reporting Officer (MLRO), the Section 151 Officer (Deputy Chief Executive and Director of Corporate Services). Further details are contained in the Anti-Money Laundering Policy.

#### **9.4.21 Conclusion and Review**

The Council has in place a clear framework of systems and procedures to deter and investigate fraud and corruption. It will ensure that these arrangements are fair and are monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques regarding fraudulent or corrupt activity.

To this end, the Council maintains a continuous review of these arrangements through, in particular the Audit Committee, the Section 151 Officer (Deputy Chief Executive and Director of Corporate Services), Shared Audit and Investigation Service, External Audit and the Monitoring Officer (Assistant Director, Governance).

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