

## ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY

### POLICY

*Northampton Borough Council is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.*

#### 1 INTRODUCTION

1.1 This document sets out Northampton's commitment to the prevention and detection of fraud and corruption. The Strategy is designed to:

- Encourage prevention
- . Promote detection, and
- . Provide an effective means of investigation.

1.2 The Council expects that members and employees, at all levels, will lead by example in ensuring adherence to legal requirements, rules, procedure, practices and best behaviour.

1.3 The Council also expects that individuals and organisations (suppliers, contractors and service providers) that it comes into contact with will act towards the Council with integrity and without thoughts or actions involving fraud and corruption.

1.4 Management is expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Council, including Members, should be robust in dealing with malpractice.

#### Definition of Fraud and Corruption

1.5 Fraud is defined as:

“The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.”

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, which may affect the authority, including theft.

1.6 Corruption is defined as:

“The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.”

These definitions conform to those used by the Audit Commission.

## **2 STRATEGY**

2.1 The following headings briefly summaries the approach to be adopted in order to achieve the policy stated as above. They are each dealt with in the body of this document.

### 2.2 Prevention

- . The role and responsibilities of member;
- . The role and responsibilities of management;
- . Responsibilities of employees;
- . Official guidance;
- . Role of internal audit.
- . Role of external audit.

### 2.3 Deterrence

- . Prosecution;
- . Disciplinary Action:
- . Publicity.

### 2.4 Detection

- . Role of management;
- . Role of employees;
- . Role of internal audit;
- . Public Interest Disclosure Act and Employee Confidential Reporting Code;
- . Hotline.

### 2.5 Investigation

- . Role of internal audit;
- . Role of benefit fraud team;
- . Role of external audit.

## **3 PREVENTION**

### **The role of members**

3.1 As elected representatives, all members of the council have a duty to the citizens of Northampton, to protect the assets of the council from all forms of abuse. This is done through the adoption of the anti fraud and corruption policy statement and by compliance with the national code of conduct for members.

3.2 In addition, members have a duty to provide sufficient resources to allow the Council to fulfil its obligation under the Accounts and Audit Regulations 1996, to provide an adequate and effective internal audit of the accounting records and control systems.

- 3.3 Members have a duty to record any interests associated with the dealings of the Council in a register kept by the Committee Services Manager. Members should also comply with paragraphs 27-29 of the National Code of Local Government Conduct, which refers to gifts and hospitality.

### **The role of management.**

- 3.4 Directors are responsible for the accountability and control of employees and the security, custody and control of other resources under their control (F.R.1 (3)).
- 3.5 The Council is committed to continuing with systems and procedures that incorporate efficient and effective internal controls and which include adequate separation of duties and that up to date procedure notes are maintained for all financial, management and operational systems.
- 3.6 Directors may delegate responsibility to managers, but it remains essential that management at all levels issue clear and precise written instructions in how financial work must be done, which should say who should do it (and who should not do it, if this applies). They are also responsible for ensuring that appropriate procedures are in place to safeguard the resources for which they are responsible.
- 3.7 Managers should also strive to create an environment in which their employees feel able to approach them with any concerns they may have about suspect irregularities. The employee confidential reporting code has been introduced for situations where it is not possible to discuss with line management.
- 3.8 Managers should ensure that adequate and appropriate training is provided for employees and that checks are carried out from time to time to ensure procedures are being followed.
- 3.9 The Council's [Recruitment and Selection Policy](#) (w.e.f. 1.12.99) requires that references and qualifications of all proposed new employees will be thoroughly checked prior to a position being offered. Effective steps at the recruitment stage should establish the prospective employee's honesty and integrity.

### **The responsibility of employees.**

- 3.10 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 authority.
- 3.11 Employees should always be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management. Where this is not possible the employee reporting code is designed to assist.

- 3.12 Employees are expected to abide by the Council's [Standards of Conduct](#). They are also expected to follow any Code of Conduct related to their Professional Institute and they may be required to disclose information about their personal circumstances.
- 3.13 Employees should comply with the requirements regarding hospitality as outlined in the Employee Handbook, (paragraph 12 of [Standards of Conduct](#)), and if appropriate inform their line manager. The Committee Services Manager also maintains various registers to record gifts received, and disclosures by employees.

### **Official guidance**

- 3.14 In addition to Financial Regulations and Standing Orders directorates will have their own procedures to prevent and deter fraud. There may also be audit reports, which recommend methods to minimise losses to the authority. Managers and employees should be aware of these and ensure that their working practices are in accordance with official guidelines.

### **Role of Internal Audit.**

- 3.15 Internal Audit plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud. However it must be recognised that the actual responsibility lies with management, not Internal Audit. Internal Audit may recommend changes in procedures to prevent losses to the authority as well as giving advice and assistance to all departments.

### **Role of External Audit.**

- 3.16 Independent external audit, which is a key role for the district auditor, is an essential safeguard of the stewardship of public money. This role is delivered through carrying out of specific reviews that are designed to examine (amongst other things) the adequacy of the council's financial systems and arrangements for preventing and detecting fraud and corruption. It is not external auditor's function to prevent or detect 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 delay if grounds for suspicion come to their notice. The external auditor has a statutory responsibility to review the council's arrangements for preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunity for corrupt practices.

## **4 DETERRENCE**

### **Prosecution**

- 4.1 The purpose of any prosecution policy is to deter fraud. The Council is aware that in investigating and detecting certain matters it is necessary to prosecute the offender(s) and publicise the outcome to deter potential future fraud.

- 4.2 The authority has adopted a prosecution policy, which is designed to deter others from committing offences against the authority whilst recognising that it is not always in the public interest to refer cases for criminal proceedings.

### **Disciplinary action**

- 4.3 Theft, fraud and corruption are serious offences against the authority and employees may face disciplinary action if there is evidence that they may have been involved in these activities. Disciplinary action may be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case. Referral to the Police will be authorised by the Chief Executive and the Borough Treasurer.

### **Publicity**

- 4.4 Where a case is referred to the Police for criminal proceeding and is subsequently brought to the court, the press office is advised so that a reporter can attend court to cover the story. It is hoped that any resultant publicity will act as a deterrent to potential fraudsters.

## **5 DETECTION**

### **The role of management**

- 5.1 It is vital that management at all levels are alert to potential problems in their work area and that adequate and effective safeguards are in place to prevent financial irregularities. However, managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity would be picked up promptly, so minimising any loss to the authority. Internal Audit can provide advice and assistance in this area.

### **The role of employees**

- 5.2 Employees play an important role in detecting theft, fraud and corruption. They may have suspicions about colleagues they work with or those in different sections whose work they deal with, and /or contractors working for the authority. All employees are encouraged to discuss their concerns with line management or Internal Audit.

### **The role of Internal Audit**

- 5.3 The responsibility for the detection of financial irregularities rests with management. Internal Audit will advise and assist management in fulfilling their responsibility for preventing irregularities and will investigate cases where irregularities are thought to have taken place. There may be circumstances of course, where auditors detect fraud as a result of the work that they are undertaking or as a result of specific fraud searching exercises.

## **The Public Interest Disclosure Act 1998 and The Confidential Reporting Code**

- 5.4 The Public Interest Disclosure Act offers protection to employees who “blow the whistle” externally. The legislation stipulates that to qualify for this protection, in most cases, the employee will need to have reported their suspicions internally first. To enable employees to do this, the Council has adopted a Confidential Reporting Code, which details how, and to whom, employees should raise their concerns.

### **Hotline**

- 5.5 The Council has introduced a hotline (**0800 7316202**) to enable members of the public to report any suspicions of fraud or corruption.

## **6 INVESTIGATIONS**

### **The role of Internal Audit**

- 6.1 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work with management to ensure that all allegations and evidence are properly investigated and reported upon, in accordance with Financial Regulations and the Employee Handbook.
- 6.2 The Council’s [Disciplinary Procedures](#) will be used where the outcome indicates improper behaviour.
- 6.3 Where financial impropriety is discovered, the Chief Executive and Borough Treasurer reserve the right to inform the Police.

### **The role of Benefit Fraud Team**

- 6.4 The Benefit Fraud Team will investigate allegations of benefit fraud. General guidelines have been devised by the Fraud Investigation Manager in Revenue Services to provide investigators with guidance on how they should conduct themselves and to the special arrangements which apply to those officers engaged on visiting duties and work outside of normal office hours etc.
- 6.5 Sometimes it is necessary to interview members of the public in connection with the suspected fraud. The Social Security Administration (Fraud) Act 1997 does give the Council the option of appointing inspectors with rights of access to business premises in order to investigate suspected housing benefit fraud. The authority is looking to take advantage of this option and to use the powers under this Act.

### **Data Matching**

- 6.6 The Authority participates in many anti-fraud and corruption strategies, one of which is the Audit Commission’s data matching initiative. This is a proactive exercise to match information held to identify any potential discrepancy or fraudulent action, for example pension records compared to Council tax benefit and payroll details matched to housing benefit records.

## **The role of External Audit**

6.7 External Audit also has powers to investigate fraud and corruption.

## **7 CONCLUSION**

7.1 This document sets out our commitment to preventing and detecting fraud. In line with other Council policies it should be reviewed and updated.