



# MELTON BOROUGH COUNCIL

## CORPORATE COUNTER FRAUD STRATEGY

2014-2017

Approved at Council on: ###

# **A strategy for dealing with theft, fraud and corruption**

## **1. INTRODUCTION**

The Council has a duty to protect the public money that it controls from loss due to dishonesty. It also has a duty to provide assurance to the people of Melton; to its employees; and to other stakeholders that it is taking this responsibility seriously.

The adoption of a formal strategy provides an opportunity to communicate, to everyone involved with the Council, our absolute determination to deal with dishonesty, whether involving Councillors, employees, contractors or customers. It sets out the steps that the Council is taking to maintain and improve its defences against dishonesty, as well as targets against which we can measure our performance. It also shows how the Council is making use of the support available from its providers of internal audit services – the Welland Internal Audit Consortium – to assure the effectiveness of its arrangements.

The Council has a zero tolerance approach to fraud and corruption. Any information that is received suggesting that fraud has taken place or that there have been any instances of corrupt practice will be investigated thoroughly. If evidence of misconduct by an employee is found, the Council will take disciplinary action and any appropriate legal action. If the evidence points to a Member; to a supplier or contractor; or to any other party the information will be passed to the police for investigation.

## **2. ELEMENTS OF THE STRATEGY**

The Strategy is made up of the following elements:

- prevention;
- detection;
- investigation;
- retribution and restitution; and
- use of deterrents.

Running through the various elements is a clear theme of individual responsibility. Councillors and employees must be responsible for their own conduct: each of them has a part to play in maintaining the high standards set by the Council. This document has been drafted to show how we are addressing each element of the Strategy and to highlight and set targets for the completion of those things that are still to be done.

It is the duty of any Member and any employee who believes that there is evidence of fraud or corrupt behaviour to report without delay to an appropriate Officer – specifically:

- The Chief Executive;
- The Head of Central Services (Section 151 Officer)
- The Head of Communications (Monitoring Officer)
- The Head of Welland Internal Audit Consortium.

Any strategy must be subjected to regular testing to ensure that it is delivering the required outcomes. The Council's arrangements for dealing with the risks of theft, fraud and corruption are evaluated annually by our external auditors. In addition, the Strategy contains improvement targets against which progress can be assessed on a regular basis: progress reports will be contained in each year's Annual Report of Internal Audit produced by the Head of Consortium.

## **2.1 PREVENTION. The Council will take all reasonable and appropriate steps to make theft, fraud or corruption difficult. This will be done through:**

### **Investment in appropriate technology**

The Council has installed modern IT systems to support the delivery of key financial systems. Those systems provide for effective internal controls to ensure the accuracy and legitimacy of financial transactions. The various systems have been implemented in a way that supports the proper separation of duties; ensures compliance with prescribed processes; and provides a reliable audit trail that identifies the employee responsible for initiating – and the manager responsible for authorising – any particular transaction.

The Council's IT arrangements are designed to ensure the secure use of systems for their approved purposes. The **IT STRATEGY** and policies have been developed to regulate areas of risk including:

- Unauthorised access to and use of Council equipment and systems.
- Disclosure of confidential information; and.
- Importing of unapproved data and programs.

The management of these risk areas has the effect of reducing the Council's vulnerability to fraud and corruption.

### **Clear rules and instructions that identify the responsibility of individuals**

Procedural Rules, and in particular Financial/Contract Procedural Rules (FPR/CPR) provide the basis for the effective management of the Council's affairs and the foundations upon which effective systems of control can be developed. It is therefore critical that they be subject to regular and rigorous scrutiny to ensure that their effectiveness is not eroded by changes in legislation, structures, policy or other causes. FPRs and CPRs were reviewed and revised in July 2011 and the Head of Central Services is responsible for ensuring that they remain current, reflecting fully and appropriately the Council's management structure and relevant policies.

#### **Action Point 1: Maintaining Current Procedural Rules**

The Head of Central Services will confirm, as part of the Annual Governance Statement, that **either** Financial and Contractual Procedural Rules have been reviewed during the reporting year and are fully fit for purpose, **or**, that necessary amendments are being drafted.

By drafting Instructions prescribing the way in which systems – and particularly financial systems - are to be operated, the Council's management both reduces the likelihood of error in transactions and makes it more likely that attempts to get round system controls will be noticed and challenged. It is the responsibility of the relevant Heads of Service to ensure that Instructions are drafted which set out the way that users of the Council's financial systems must input and authorise transactions; that those Instructions are made available to all relevant employees; and that the Instructions remain current. The Head of Central Services shall determine whether Instructions are necessary to ensure the proper operation of any other systems and, if so, shall instruct the relevant Head of Service accordingly.

#### **Action Point 2: Drafting Financial Instructions**

The Head of Central Services will gain assurance from Senior officers, as part of the Annual Governance Statement, that adequate financial system arrangements are in place.

The Council recognises it faces special challenges in ensuring the financial integrity of the Benefits System, whilst maintaining a quality service for law abiding applicants and landlords. It has therefore adopted a detailed **BENEFIT FRAUD SECURITY STRATEGY** for the Benefits Service, which is complementary to the overall policy framework set out in this document.

## Clear statements of principal

The Council has made it clear through the adoption of the Strategy itself and the supporting Anti-Bribery Policy that it is not prepared to tolerate any form of dishonest or improper behaviour by Members, employees, contractors or suppliers.

## Good employee selection procedures

The Council seeks to employ honest and competent employees to reduce the likelihood of loss whether from mistakes or misconduct. Good employee selection procedures, consistently applied, reduce the Council's risk and for that reason they are a requirement of our insurers.

A Recruitment Procedure has been adopted by the Council and corporate recruitment procedures have been developed in support of that policy. The operation of some of these procedures has been devolved to departmental managers and it is important to ensure on going and effective compliance with approved policies and procedures.

### Action Point 3: Monitoring Recruitment Procedures

The Monitoring Officer will put in place arrangements to monitor compliance with the Council's recruitment procedures and to subject the procedures themselves to periodic review to ensure that they remain effective and comply fully with statutory and other requirements. As part of the Annual Governance Statement, he/she will **either** confirm that procedures are fit for purpose and are complied with **or** that appropriate remedial action is in hand.

## Codes of Conduct for Members and Employees

The Council has adopted Codes of Conduct for Members and Employees to underline its commitment to the highest standards of probity.

The National Model Code of Conduct for Members was issued by the Secretary of State under the provisions of the Local Government Act 2000 and represents a national standard of good practice. A Code of Conduct for Members based on the national model forms part of the Constitution adopted by the Council in April 2007: the Constitution also contains a Code of Conduct for Employees although the Government has still to deliver the promised model code for employees. The Council has also adopted a Protocol for Members and Officers dealing with Planning Matters and a Protocol for Member Officer Relations.

Following the Localism Act 2011 the Council put responsibility for audit and code of conduct issues with its Governance Committee. The Monitoring Officer has specific responsibilities to monitor the use being made of the Registers and take action as necessary to ensure that Members are fully aware of their responsibilities for full and prompt disclosures; to oversee ethical issues; and to provide advice and guidance to Members on the Code of Conduct

Members and employees are required by their Codes of Conduct to register certain interests and gifts and hospitality offered/accepted. A Register of Members Interests and a Register of Gifts and Hospitality for use by both Members and employees is maintained by the

Monitoring Officer: Employees are required to notify their line managers of any personal interests that might impact on the proper discharge of their duties. Members are also required to declare any personal and prejudicial interests which they may have in matters under consideration at Committee and other meetings and these declarations are recorded in the minutes.

#### **Action Point 4: Monitoring the Registers**

The Monitoring Officer will monitor the use made by Members and employees of the available Registers and take appropriate action to promote compliance with the requirement for full and timely disclosure. As part of the Annual Governance Statements he/she will **either** confirm that Members and employees are making appropriate use of the Registers and that no material failures of disclosure have been identified **or** summarise instances of non-compliance and outline steps taken to reduce the likelihood of re-occurrences.

## **Training and support**

The risk of loss or damage to the Council's reputation due to mistake or dishonesty is reduced if all employees are both trained in the technical requirements of their jobs and clearly instructed as to the standards of honesty that the Council requires of its Councillors, employees, contractors and customers.

The Council's corporate induction processes provide the opportunity to ensure that all new employees receive a clear and consistent message about standards of acceptable behaviour.

#### **Action Point 5: Using the Induction Process to Communicate Standards of Acceptable Behaviour.**

The Monitoring Officer will ensure that the corporate induction process provides clear and consistent guidance to each new employee on the standards of behaviour they are required to maintain. That guidance will include:

- What the Code of Conduct requires of employees;
- The operation of the Whistleblowing Policy; and
- The requirements of the Counter-Fraud Strategy

The Council, like all other local authorities, has accepted that the Nolan Principles of Public Life define acceptable standards of behaviour (See Appendix A). The Council's managers will deliver regular briefings to their teams in which they will make clear that those Standards must be followed. Briefings will also remind employees of their duties – as set out in the Code of Conduct – and of the Council's Whistleblowing arrangements.

The Council will take action to ensure that all employees understand and accept the standards of behaviour expected of them. The HR function has established that the Council's existing employee surveys are ill suited to capture this type of data: alternative means of obtaining the necessary assurance will be developed.

#### **Action Point 6: Confirming Employees' Acceptance of the Council's Standards**

The Monitoring Officer will investigate means of obtaining reliable assurance that all employees understand and accept the standards of behaviour expected of them.

The Council's Appraisals and Development Scheme is designed to ensure that all employees have the skills necessary to do their jobs properly. In particular the Scheme supports the Council's normal induction arrangements to ensure that any employee who is required to operate the Council's financial systems has been trained up to an appropriate level of competence.

## **2.2 DETECTION.**

**The Council's processes and procedures will be designed to make mistakes or deliberate misconduct easy to detect. Procedures will be drafted so that employees are clear about their responsibilities to be alert to possible error or misconduct.**

### **Internal Control**

The Council's key financial processes have been designed to incorporate internal checks and are documented to show who should do what and how. Internal check means that the work of one employee serves as a check on the accuracy and legitimacy of the work of his/her fellow. If employees know how each process should be carried out, non-standard behaviour should be easily detected. Financial and management controls are subject to regular review by internal audit and any weaknesses or scope for improvement are reported to the relevant managers.

#### **Action Point 7: Maintaining effective internal controls**

The Head of Consortium will deliver Annual Audit Plans giving assurance that the Council's internal control framework is appropriate to manage the risks of error, fraud or corruption to which it is exposed. Audit reports issued to service managers and the Section 151 Officer will include recommendations as to necessary improvements in the internal control framework.

The Head of Consortium's Annual Report on Internal Audit will address specifically the adequacy of the Council's arrangements to manage the risks of fraud or corruption. This report will be subject to consideration by the Governance Committee on the first meeting of the Committee in each municipal year.

### **Whistleblowing Arrangements**

The Council has made it clear, through the adoption of a Whistleblowing Policy, that each employee has an individual responsibility to report any concerns about acts of impropriety - including any and all types of dishonest behaviour. The Whistleblowing Policy is subject to regular review and was last updated in 2011.

The Council recognises that there are special problems to be addressed in respect of Benefits fraud. It has therefore set in place arrangements consistent with the best practice guidance provided by the Government; the Local Government Association and other agencies: this has involved the establishment of a Fraud Hotline which is promoted through a range of channels, including the information provided with the annual rent increase notification.

The Council also recognises that members of the public may have or obtain information that raises legitimate concerns about other aspects of the Council's activities. There is a need to ensure an appropriate level of public awareness about the Fraud Hotline and other methods by which they can bring such concerns to the Council's attention.

**Action Point 8: Establishing public channels for "Whistleblowing"**

The Monitoring Officer will investigate the scope to provide and promote a range of convenient channels for members of the public to report concerns about suspected misconduct involving the Council's employees, Members or contractors and other service providers.

**2.3 INVESTIGATION. Any evidence of misconduct will be investigated thoroughly. In the event that evidence suggesting criminal misconduct is found, the Council will notify the police and will give vigorous support for any criminal investigation.**

Directors and Heads of Service must report all instances of potential fraud or corruption immediately to the S151 Officer. This duty applies even where the amount of money involved may appear to be relatively trivial, as an apparently minor matter can turn out to be much more significant after investigation. The Council has developed an Anti-Fraud & Corruption Response Plan which provides a framework for investigating and dealing with potential cases of fraud or corruption. The Plan forms Appendix B to the Strategy.

The Council has two internal agencies with capacity for investigating cases of suspected fraud or financial misconduct. The Benefits Investigation Officer carries out both reactive and proactive investigations of suspected benefit fraud. The Welland Internal Audit Consortium is the agency usually charged with the investigation of any other category of suspected fraud or financial misconduct. All other misconduct (i.e. not involving fraud or financial matters) will be dealt with in accordance with the Council's Dismissal and Disciplinary Procedure.

The incidence of criminal misconduct not related to benefit fraud is low; however the Consortium has established a clear framework for liaising with the police and the effectiveness of those arrangements has been tested and demonstrated.

**Action Point 9: Maintaining Lines of Communication with Local Police**

The Head of Consortium will identify an appropriate first point of contact within Leicestershire Constabulary to whom any cases of suspected criminal misconduct will be reported and with whom the Consortium will liaise with in investigating such cases.

**2.4 RETRIBUTION & RESTITUTION. In the event that misconduct is proved, the Council will take appropriate disciplinary and/or legal action. Where a prosecution results, the Council will seek restitution.**

The Council's Local Terms and Conditions specify the action that is appropriate for different categories of misconduct by employees. The Council is consistent in its application of its disciplinary arrangements.

### **Action Point 10: Introduction of a Corporate Prosecution Policy**

The Monitoring Officer, in liaison with the Head of Welland Internal Audit Consortium, will devise a Corporate Prosecution Policy which covers at least:

- the reporting to the Police of any case of misconduct by employees, contractors, clients or customers amounting to a criminal offence;
- the arrangements for the Council to pass all evidence to the Police without delay and to support and co-operate with any subsequent Police investigation
- the requirement in all such cases for the Council to press for a prosecution as a matter of public policy; and
- Where the Council would seek to recover any losses from in the event that a successful prosecution results.

Good practice requires each local authority to adopt a formal "Fraud Response Plan" making clear the responsibility of specific post holders in the event of a reported fraud. The Council has responded to this new requirement and its Plan has been adopted as an appendix to the Counter-Fraud Strategy.

**2.5 DETERENCE. The Council will publicise the fact that its arrangements make it likely that dishonest behaviour will be detected quickly and that it will take appropriate legal and/or disciplinary action to punish offenders and to recover from them any losses that they have caused.**

The Council attempts, with some success, to have all successful prosecutions for benefit fraud reported by the local press. The Head of Communications assists in our attempts to place stories with the local media to ensure that local people are aware of the Council's successes in investigating fraud. The Council's own free paper "Melton Mail" provides a further channel of communication with local people and promoting the whistleblowing arrangements available to them if they have concerns about or evidence of dishonesty.

The Council will also seek to create a local climate of opinion that is hostile to those who attempt to defraud the Council or other public bodies. This will be done by means of articles in Council publications spelling out the impact that fraud has on the tax bills of individuals and families or on needy individuals deprived of their entitlement to services or benefits. Where possible a similar message will be included in press releases and public statements of Members and Officers.

### **Action Point 11: Pursuit of Publicity**

The Head of Communications will seek to place articles both in the local media and in the Melton Mail to:

- publicise the Council's commitment to act against dishonesty;
- highlight successes in prosecuting fraudsters; and
- promote the Council's Whistleblowing arrangements



Application forms for benefits, grants and other services contain warnings, expressed in "Plain English" of the action that will be taken against people making false or incomplete statements. The greatest risks of client dishonesty are judged to relate to applications for benefits; for grants; and for Council accommodation: it is therefore appropriate to keep under annual review the warnings included in the applications for these services

**Action Point 12: Review of anti-fraud warnings**

The Head of Communities and Neighbourhoods will ensure that the warnings contained in application forms for benefits; grants and Council accommodation are reviewed annually to ensure that they comply with best practice guidance

**2.6 THE AUDIT PROCESS. The Council's arrangements for dealing with theft, fraud and corruption will be subject to review as part of the annual programme of section 151 work.**

The Annual Internal Audit Plan is designed to provide assurance about the management of the Council's key risks for the year and those risks are identified through a process that engages the Council's senior managers. Fraud and corruption represents a risk that must always be considered and, under normal circumstances, audit work will provide assurance about some elements of the Council's counter fraud and corruption arrangements every year. In addition, audits of financial systems and of arrangements to deliver services to clients provide opportunities to deliver assurance about the management of service-specific fraud risks.

The Head of Consortium will use the information gathered in the course of planned audit work (and any other assignments commissioned) together with information provided by relevant government agencies to develop an estimate of the Council's exposure to fraud. The Head of Central Services as Section 151 Officer will use that information to determine how much audit time should be committed to counter-fraud work in the following financial year. The information gathered by the Head of Consortium will be reported to the Governance Committee within the Annual Report of Internal Audit together with a summary of the range and effect of counter-fraud work undertaken during the year.

**Action Point 13: Providing assurance that fraud and corruption risks are being managed.**

As part of the annual audit planning process the Head of Consortium will provide the Head of Central Services with sufficient evidence to support an assessment of the risks associated with different elements of the counter-fraud framework. The Head of Central Services assessment will be reported to the Audit Committee as part of the process of obtaining Member endorsement of the Annual Audit Plan.

**3. CONCLUSIONS**

It is important to the Council's role of community leadership that it demonstrates the highest standards of behaviour in its conduct of public business and in the use of public money. The adoption of a strategy to deal with the risks of theft, fraud and corruption is part of an on going process of living up to those standards. Of equal importance will be the way in which the Council monitors its performance against the strategy and searches continuously for ways in which it can improve standards.

#### **Action Point 14: Annual Reporting**

The Head of Consortium will report annually to the Governance Committee on the effectiveness of the Strategy, the completion of Action Points for the enhancement of the Strategy; the impact of such improvement activities; and on any opportunity for further improvements identified in the course of internal audit activity or by other means. As part of the Annual Governance Statement, the Head of Consortium will provide an assessment of the impact of the Strategy in the reporting year.

The Head of Consortium will report to the Committee's annually.