

Darlington Borough Council

Anti-Fraud & Corruption Strategy

1 Introduction

1.1 The Council's Anti-Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts affecting the Council.

1.2 An effective Strategy will require support across the Council and involves:

- A Corporate Framework;
- Prevention (of error, irregularities, fraud and corruption);
- Detection and Investigation;
- Training;
- Deterrence.

2 Corporate framework

2.1 The Corporate Framework requires a whole range of high level component parts, if it is to contribute to the Council having an effective counter-fraud strategy, and some of the key ones include:-

- An Anti-Fraud & Corruption Policy Statement which emphasises the importance of probity to all concerned;
- Member support;
- Codes of conduct for Members and Employees;
- Protocol for Members on Gifts and Hospitality
- Proceeds of Crime Act (Anti-Money Laundering) Policy
- Confidential Reporting ("Whistleblowing") Policy, and Complaints Procedures;
- Benefits Anti-Fraud Policy, Strategy and Sanctions Policy.
- Contracts Procedure Rules and Financial Procedure Rules;
- IT Security Policy
- Sound internal control systems, procedures and reliable records;
- Effective internal audit;
- Effective recruitment procedures;
- The Council's Disciplinary Procedure;

- The Regulation of Investigatory Powers (RIPA) Procedure
- Clear responsibilities, accountabilities and standards;
- Induction and training.

3 Prevention

3.1 Within the overall corporate framework there are a number of key people and measures which can help in the prevention of fraud and corruption, and these are:

- Employees of the Council;
- Members;
- Internal Control Systems;
- Combining with Others to Prevent and Fight Fraud.

Employees of the Council

3.2 A key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. In this regard, temporary staff should be treated in the same manner as permanent employees.

3.3 Employee recruitment should be in accordance with procedures laid down by the Head of Human Resource Management. Whenever possible, written references should be obtained with specific assurances regarding the known honesty and integrity of potential employees before formal employment offers are made.

3.4 All employees must abide by the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. This Code forms part of the Employee Handbook and is referred to in all Contracts of Employment. Employees of the Council are expected to follow any code of conduct related to their personal Professional Institute.

3.5 The Council has in place employee disciplinary procedures. Any breach of conduct will be dealt with under these procedures and may result in dismissal.

3.6 Employees are reminded under the Council's Contracts Procedure Rules that they must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out in the Council's Code of Conduct for Employees.

3.7 The Borough Solicitor is the appointed Monitoring Officer in line with the Local Government and Housing Act 1989. As part of this role, the Borough Solicitor has overall responsibility for the maintenance and operation of the Authority's Confidential Reporting ("Whistleblowing") Policy.

Members

3.8 Members are required to operate within:

- The Council's Code of Conduct for members;

- Local Authorities Members' Interest Regulations 1992 (SI 618); SI 1996/121.5
- Council Rules of Procedure.

3.9 These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members and are in each Member's Handbook; they include rules on the declaration and registration with the Chief Executive of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives.

3.10 The Authority has in place a Standards Committee, which promotes high standards of member conduct and assists members to observe the code of conduct.

Internal Control Systems

3.11 The Council has Contracts Procedure Rules, Financial Procedure Rules and various rules and codes of conduct in place that provide a requirement on employees, when dealing with the Council's affairs, to act in accordance with best practice.

3.12 The Director of Corporate Services has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs. In addition, under the Accounts & Audit Regulations 2003 as the "responsible financial officer", he is required to determine the accounting control systems which include:

- "measures to enable the prevention and detection of inaccuracies and fraud",
- "identification of the duties of employees dealing with financial transactions and the division of responsibilities of those employees in relation to significant transactions".

The latter requirement is a key control in the prevention of impropriety.

3.13 The Council's aim is to have sound financial systems and procedures which incorporate efficient and effective internal controls. As part of the Strategy, the "separation of duties" should be considered as a fundamental control in systems, especially when involving significant transactions.

3.14 Under the Council's Financial Procedure Rules, Directors are responsible for ensuring that adequate controls are in place. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the Council's Internal Audit Section.

Combining with Others to Prevent and Fight Fraud

3.15 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud. Such activity is carried out in full compliance with the Data Protection Act 1998 and with the Code of Practice for National Fraud Initiative Data Matching Exercises and includes providing payroll information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases disciplinary action could lead to dismissal.

3.16 The Council operates the Verification Framework (VF) in line with central government initiatives to reduce benefit fraud.

3.17 The Council also participates in an intelligence gathering, collation and dissemination service on fraud and corruption known as the National Anti-Fraud Network (NAFN) and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum.

4 Detection and Investigation

4.1 It is the responsibility of Directors and their managers to prevent and detect fraud and corruption.

4.2 In addition, Internal Audit and External Audit will liaise closely and implement a cyclical programme of audits which will test for fraud and corruption.

4.3 However, despite the best efforts of managers and auditors, many frauds are discovered by chance or "tip-off". It is often the alertness of employees and the public that enables detection to occur. In such cases there is a requirement within the Council's Financial Procedure Rules to inform the Director of Corporate Services.

4.4 The Anti-Fraud & Corruption Policy Statement provides a clear path for raising concerns and facilitating "tip-offs", and the fraud-response arrangements, outlined in this Strategy, enable such information or allegations to be properly dealt with. The Council's Proceeds of Crime Act (Anti-Money Laundering) and Confidential Reporting "Whistleblowing" Policies also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.

4.5 All Allegations of fraudulent activity notified to the Director of Corporate Services are considered by Internal Audit. Some are followed up with a full investigation, others are better dealt with as a management issue. However, in order that appropriate action can be taken in each case it is vital to;

- report allegations swiftly
- record all evidence that has been received;
- ensure that evidence is sound and adequately supported;
- make secure all of the evidence that has been collected;
- refer, where appropriate, to the Council's disciplinary procedures;

4.6 Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Strategy and ensures:-

- consistent treatment of information regarding fraud and corruption;
- proper investigation, if necessary, by an independent and experienced audit team;
- the optimum protection of the Council's interests.

4.7 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management, HR, legal etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.

4.8 The Council's disciplinary procedures will be used to the fullest extent where the outcome of the Audit investigation indicates that fraud has taken place.

4.9 Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. The Crown Prosecution Service determine whether or not a prosecution will be pursued. Referral to the Police is a matter for the Director of Corporate Services and the relevant Director. Various employees will be consulted during investigations and the Chief Executive will be kept informed of referrals to the Police. Referral to the Police will not inhibit action under the disciplinary procedure.

4.10 The Council's External Auditor also has powers to independently investigate fraud and corruption, and the Council can use his services for this purpose too.

5 Training

5.1 The Council recognises that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training, communication and responsiveness of employees throughout the organisation.

5.2 To facilitate this, the Council supports the concept of full induction, training and follow-up training; this applies particularly to employees involved in internal control systems and financial and finance-related systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced, and to casual, temporary and agency staff, who may not be aware of the high standards of probity that are required in the public sector.

5.3 The Council intranet will be utilised to promote the Anti-Fraud and Corruption Policy and Strategy and associated documents, procedures and information.

5.4 The review of the Council's internal control systems and the investigation of fraud and corruption centres on Internal Audit, apart from the investigation of fraudulent Housing Benefit claims which rest with Housing Benefits Investigation Team.

5.5 The employees involved in the review of internal control systems and investigative work should be properly and regularly trained; the training plans of Internal Audit and the Housing Benefits Investigation Team will reflect this requirement.

6 Deterrence

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:-

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity - e.g., clause in contracts, statements on benefits claim forms, website, publications etc.;
- Acting robustly and decisively when fraud and corruption are suspected and proven - e.g., the termination of contracts, dismissal, prosecution etc.;
- Taking action to effect the maximum recoveries for the Council - e.g. through agreement, Court action, penalties etc.;
- Having sound internal control systems, that still allow for innovation, but at the same time minimising the opportunity for fraud and corruption.

- The operation and advertising of a Benefit Fraud Hotline.

7 Conclusion

7.1 The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments, in both prevention and detection techniques, regarding fraudulent or corrupt activity that may affect its operation or related responsibilities.

7.2 To this end, the Council maintains a continuous overview of such arrangements, in particular, through the roles of the Monitoring Officer and Director of Corporate Services, the Contract and Financial Procedure Rules, codes of Conduct and various codes of financial practice, accounting instructions and audit arrangements.

7.3 Both the Policy Statement and Strategy will be subject to review annually by the Director of Corporate Services to ensure that they remain current.