



Long Lane Primary School

Anti-Fraud, Theft and Corruption Policy

Date	Description
June 2019	Agreed and Adopted by the Resources Committee

Review Schedule	Annually
Next Review	June 2020

1.1 INTRODUCTION

1.2 Good Corporate Governance requires that the authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This policy statement, however, will not compromise the Council's Equal Opportunities Policy or the requirements of the Human Rights Act 1998.

1.3 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs. For ease of understanding it is separated into five areas as below: -

Culture	Section 2
Prevention	Section 3
Deterrence	Section 4
Detection and Investigation	Section 5
Training	Section 6

1.4 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission (including External Audit and Inspection), other Government Inspection bodies, the Local Government Ombudsman, the National Standards Board, HM Customs & Excise and the Inland Revenue. These bodies are important in highlighting any areas where improvements can be made.

1.5 Fraud and corruption are defined by the Audit Commission as: -

Fraud – “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”.

In addition, fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”.*

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

In addition, this policy statement also covers *“the failure to disclose an interest in order to gain financial or other pecuniary benefit.”*

1.5 Fraud Act 2006

Fraud is an offence whereby an individual intends to make a gain, or cause loss/expose another to a risk of loss by means of a dishonest act or omission. The test of dishonesty is objective; if a person's actions are, by ordinary standards, considered dishonest, then it does not matter if the individual did not consider the actions to be dishonest. Different offences of fraud include:

- Fraud by false representation (dishonest representation) to gain or cause loss or an exposure to a risk of loss (e.g. phishing) (chip and pin)
- Fraud by failing to disclose information (failing to notify cohabitation with proscribed individual)
- Fraud by abuse of position – (e.g. taking funds paid by parents for school activities)
- Obtaining services dishonestly (e.g. creating false travel expenses)
- Possessing, making and supplying articles for use in frauds

2. CULTURE

- 2.1 The culture of the Council has always been one of openness and integrity. This culture therefore supports the opposition to theft, fraud and corruption, supported by the Council's Confidential Reporting Code, and the Officer and Member Codes of Conduct.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation.
- 2.3 The Council's elected Members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding theft, fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will wherever possible be treated in confidence. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.
- 2.4 Concerns must be raised when Members, employees or the public reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:
- A criminal offence
 - A failure to comply with a statutory or legal obligation
 - Improper or unauthorised use of public or other official funds
 - A miscarriage of justice
 - Maladministration, misconduct or malpractice
 - Endangering an individual's health and/or safety
 - Damage to the environment
 - Deliberate concealment of any of the above
- 2.5 The Council will ensure that any allegations received in any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner. Any person who raises concerns will not be treated adversely because of their disclosure.

- 2.6 The Council will deal firmly with those who defraud the Council or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/Members raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through Group procedures (Members).
- 2.7 When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, Corporate Directors / Heads of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

3. PREVENTION

ELECTED MEMBERS

3.1 The Role of Elected Members

- 3.1.1 As elected representatives, all Members of the Council have a duty to the Citizens of the District to protect the Council and public money from any acts of fraud and corruption.
- 3.1.2 This is done through the Anti-Fraud and Corruption Policy Statement, compliance with the National Code of Conduct for Members, the Council's Constitution, including Financial and Contract Rules of Procedure, and relevant legislation.
- 3.1.3 Elected Members sign to the effect that they have read and understood the Code of Conduct for Members when they take office. Conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests. The Head of Legal and Electoral Services advises Members of new legislative or procedural requirements.

EMPLOYEES

3.2 The Role of the s151 officer

- 3.2.1 The Head of Finance has the statutory responsibilities defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should:

"make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs".

- 3.2.2 Proper administration encompasses all aspects of local authority financial management including:
- Compliance with the statutory requirements for accounting and internal audit;
 - Ensuring the Authority's responsibility for ensuring proper administration of its financial affairs;

- The proper exercise of a wide range of delegated powers both formal and informal;
 - The responsibility for managing the financial affairs of the local authority in all its dealings; and
 - The recognition of the fiduciary responsibility owed to local tax payers.
- 3.2.3 Under these statutory responsibilities the Head of Finance contributes to the anti-fraud and corruption framework of the Council.

3.3 The Role of Managers

- 3.3.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council's HR policies and procedures, the Council's Financial and Contract Rules of Procedure and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the National Code of Conduct for Local Government Employees through the induction process.
- 3.3.2 Managers are expected to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures they must refer to the Council's Confidential Reporting Code.
- 3.3.3 Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll or the Revenues & Benefits computer system. Managers must ensure that relevant training is provided for all employees.
- 3.3.4 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. As in other public bodies Criminal Records Bureau (CRB) checks are undertaken for employees working with or who may have contact with children or vulnerable adults.

3.4 Responsibilities of Employees

- 3.4.1 Each employee is governed in their work by the Council's Financial and Contract Rules of Procedure, and other policies on conduct (Health and Safety and IT Security policy). Included in the Council policies are guidelines on Gifts and Hospitality, and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council or are available to all on the Intranet.
- 3.4.2 In addition to paragraph 3.4.1, 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. These will be included in induction training and procedure manuals.

- 3.4.3 Employees are expected always to be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named below.
- 3.4.4 Concerns must be raised, in the first instance, directly with the Head teacher or Team Leaders, if necessary, anonymously (letter, telephone) and via other routes, by the Council's Confidential Reporting Code (Whistleblowing), e.g.: -
- Heads of Service, Corporate Directors, the Chief Executive or the Council's Monitoring Officer, who will report such concerns to the Head of Finance
 - Directly to the Head of Finance
 - External Auditor, who depending upon the nature of the concern will liaise with the Head of Finance
 - Trade Union Representative

3.5 Conflicts of Interest

- 3.5.1 Both elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

3.6 Official Guidance

- 3.6.1 In addition to the Council's Financial and Contract Rules of Procedure, Service Units will have their own procedures to prevent and deter fraud. There may also be audit reports, which recommend methods to minimise risks and losses to the Authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

3.7 Role of Internal Audit

- 3.7.1 Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal Audit investigates all employee cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations (see below), in accordance with agreed procedures. Within the Financial Procedure Rules in the Constitution, representatives of Internal Audit are empowered to, and will:
- enter at all reasonable times any Council premises or land
 - carry out unannounced visits to Council Offices to carry out spot checks
 - 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

- 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 his/her control or possession

Internal Audit liaises with management to recommend changes in procedures to reduce risks and prevent losses to the Authority.

3.8 The Role of the Benefits Investigation Team

3.8.1 The Benefits Investigation Team is responsible for all of the benefit fraud investigations, in accordance with legislation and agreed codes of conduct. In cases where employees are involved they will work with Internal Audit, HR and appropriate senior management to ensure that correct procedures are followed and that this policy is adhered to.

3.9 The Role of the Audit Commission

3.9.1 Independent external audit is an essential safeguard of the stewardship of public money. This is currently carried out by the Audit Commission 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.

3.9.2 Where External Audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

3.10 Co-operation with Others

3.10.1 Internal Audit has arranged, and in compliance of the Data Protection Act, to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to Local Authorities, with external agencies such as:

- Police
- County, Unitary and District Groups
- Audit Commission
- Benefits Agency
- Government Departments
- National Anti-Fraud Network

3.11 The Role of the Public

3.11.1 This policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.

4. DETERRENCE

4.1 Publicity

4.1.1 The Council's Public Relations Unit (PR) will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. PR will also try to ensure that the results of any action taken, including prosecutions, are also reported in the press.

4.1.2 In all cases (both Member and Officer) where the Council has suffered a financial loss then the Council will seek to recover the loss and advertise this fact.

4.1.3 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption, when it occurs.

5. DETECTION AND INVESTIGATION

5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their five-year plan are reviews of system controls including financial controls and specific fraud and corruption tests and spot checks.

5.2 In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and Members of the public that aids detection.

5.3 In some cases frauds are discovered by chance or "tip-off" and arrangements are in place to enable such information to be properly dealt with.

5.4 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern is raised or by the originator as per paragraph 3.4.4 (the Council's Confidential Reporting Code). This is essential to the strategy and:

- Ensures the consistent treatment of information regarding fraud and corruption; and
- Facilitates a proper and thorough investigation by an experienced audit team or appropriate officer, in accordance with agreed procedures.

5.5 This process will apply to all the following areas:

- a) fraud/corruption by elected Members
- b) internal fraud/corruption
- c) other fraud/corruption by Council employees
- d) fraud by contractor's employees

- e) external fraud (the public)
- 5.6 Cases under d) and e) would normally be referred directly to the Audit Commission or Police. Cases under (a) in respect to the Code of Conduct for Members will be referred to the National Standards Board in addition to the Audit Commission and/or the Police.
- 5.7 Any decision to refer a matter to the Police will be taken by the Monitoring Officer in consultation with the Heads of HR, Legal and Finance.
- 5.8 Depending on the nature of an allegation under b) to e), the Head of Finance will normally work closely with the Corporate Director / Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 5.9 The Council's Disciplinary Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.3.2 will cover Members.

6. AWARENESS AND TRAINING

- 6.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of training and awareness for Members and employees. The policy is an integral part of the induction programme and there is specialist training for certain elected Members and employees.
- 6.2 Regular awareness by managers' briefings, leaflets and information cards will ensure that the policy is kept current. Full copies of the Anti-Fraud and Corruption and Confidential Reporting policies are available on the intranet.
- 6.3 In addition external fraud alerts are circulated to all appropriate staff and will in future appear on the Intranet.

7. CONCLUSION

- 7.1 The Council has always prided itself on setting and maintaining high standards and a culture of openness and integrity. This strategy fully supports the Council's desire to maintain an honest authority, free from fraud and corruption.
- 7.2 The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.
- 7.4 This policy statement will be reviewed on a regular basis, with a maximum of two years between each review.