

# **SWINDON BOROUGH COUNCIL**

## **ANTI-FRAUD AND CORRUPTION STRATEGY**

**Reviewed: December 2008**



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## INTRODUCTION

Swindon Borough Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.

In carrying out its functions and responsibilities the Council wishes to promote a culture of openness and fairness and expects that elected members and employees at all levels will adopt the highest standards of propriety and accountability. Proper accountability, achieved through probity, internal control and honest administration is therefore essential.

Although the Council has a good reputation for integrity and honesty things may go wrong and, in case they do, we must have procedures for combating fraudulent or improper attempts to obtain assets or services.

The Council needs to maintain constant vigilance in order to safeguard the resources to which we are entrusted and protect our reputation. We must raise awareness, deter and identify fraud and, at the same time, provide mechanisms for employees to raise legitimate concerns when they feel justified, hence, the need for this strategy.

The principle outlined in this strategy apply to Members and all employees of the Council including school based staff and they demonstrate, to the community of Swindon, our commitment to the prevention, detection and investigation of all forms of fraud and corruption wherever it is found.

The Council also expects the same level of commitment from all outside individuals and organisations, including partners and contractors and claimants ensuring that they act towards the Council with honesty and integrity.

## LINKS TO STRATEGIC OBJECTIVES

The Council has adopted a Corporate Plan for the period 2006/10. This is called 'Making Swindon the UK's Best Business Location'. The plan identifies seven corporate priorities for this period of which three are partly dependent on strong anti-fraud and corruption arrangements i.e.

- **To deliver excellent services** – there is a continuing drive towards ensuring people from all of Swindon's communities experience excellent services.
- **To transform the performance and effectiveness of the organisation** – the Council is focussing on service excellence, customer first, modern workforce and value for money.
- **To make the best use of resources** – through a programme of efficiency reviews, implementing a new value for money programme and benchmarking of costs, quality and effectiveness.

Delivering excellent services requires obtaining value for money and ensuring that there are strong arrangements in place to combat fraud and corruption so that public confidence in the Council is maintained.

## WHAT ARE FRAUD AND CORRUPTION

**Fraud** – the Fraud Act 2006 establishes a new general offence of fraud that can be committed in three ways – by false representation, by failing to disclose information and by abuse of position. It also establishes a number of specific offences to assist in the fight against fraud – these include an offence of possessing articles for use in fraud and an offence of making or supplying articles for use in fraud.

- Fraud by false representation: a person is in breach of this section if this is done dishonestly and there is intent, by making the representation, to make a gain for himself or another; or to cause or expose the risk of loss to another.
- Fraud by failing to disclose information: a person is in breach of this section if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, make a gain for himself or another; or to cause or expose the risk of loss to another.
- Fraud by abuse of position: a person is in breach of this section if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person; dishonestly abuses that position with the intention to make a gain for himself or another; or to cause or expose the risk of loss to another.

**Theft** is defined in the 1968 Theft Act, as ‘a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it’.

**Corruption** – is the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the audited body, its members or officers.

## OBJECTIVES OF THE STRATEGY

The Council's objectives for its Anti-Fraud Strategy for 2008-2011 are to maintain minimal losses through fraud and corruption and embed management of fraud risk within the culture of the organisation. The intention is to achieve this by implementing the CIPFA Fraud Standards that state that the foundations of an effective anti-fraud framework comprise five key elements:

- Adopting the right strategy
- Accurately identifying the risks
- Creating and maintaining a strong structure
- Taking action to tackle the problem
- Defining success

The next section of this strategy document outlines each of the CIPFA fraud standards and assesses how each of these will be delivered. Key activities that will be taken forward in the Action plan for 2008-2011 are highlighted; the Action plan also includes actions that seek to introduce other elements of best practice from the Use of Resources Key Lines of Enquiry for 2008 and 2009 and other local authorities.

## **ADOPTING THE RIGHT STRATEGY**

To reduce losses to fraud and corruption to an absolute minimum, a strategic approach is required with a clear remit covering all areas of fraud and corruption affecting the organisation. The Council's anti-fraud and corruption strategy is linked to its strategic objectives and describes outcomes against which to evaluate its effectiveness. The strategy meets the requirements of the Use of Resources Key Line of Enquiry for 2009 and also the Cipfa Better Governance Forum guidance 'Managing the risk of Fraud: actions to counter fraud and corruption'. The strategy has also been updated to reflect the changes introduced by the Fraud Act 2006.

The Council's Whistleblowing Policy, which is an appendix to this strategy, also complies with best practice and the British Standard on Whistleblowing.

Additionally, there needs to be a clear understanding of the importance of the links between policy work (to develop an anti-fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).

The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the organisation's focus clearly on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc).

## **ACCURATELY IDENTIFYING THE RISKS**

Measuring the level of illicit activity is inherently difficult, however this must be done where practicable. Through measuring the problem of fraud and learning from where it is detected and how systems are penetrated, we can gain knowledge of where it is necessary to strengthen or introduce systems.

Both Internal Audit and the Council's Housing Benefits Fraud Team carry out pro-active counter fraud and corruption work, based on an assessment of risk. Measuring the potential risk exposure will be key to developing this informed approach.

Internal Audit is a member of the West of England Chief Auditors Group and is an active member of the Fraud sub-group. The Fraud sub-group allows for the exchange of best practice, experiences of recent frauds/scams, shared training programmes and the opportunity to benchmark etc. This is a valuable source of information in identifying the risks of fraud.

The Council is also a member of the Cipfa Better Governance Forum that issues guidance, best practice etc. in the area of counter fraud and corruption arrangements. The Forum issues weekly newsletters that identifies potential risk issues and has also developed a training programme that covers counter fraud issues.

## CREATING AND MAINTAINING A STRONG STRUCTURE

### Authority

The responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management. The Standards Committee and the Audit Committee are key member forums for ensuring sufficient authority is given to anti-fraud activity.

Corporate Board own the fraud strategy and are responsible for ensuring a strong counter fraud culture within their Group Directorates, and that staff accept that they are responsible for preventing and detecting fraud and corruption.

All Group Directors and Directors are required to sign annual governance assurance statements that include reference to the assessment of the risk of fraud and internal control arrangements within their directorates.

In order for the Council to deal robustly and effectively with suspected incidents of fraud, those responsible for investigating matters must be fully supported by all officers.

### Culture

The Audit Commission, in its annual survey and report on fraud and corruption in the Public Sector ("Protecting the Public Purse"), has highlighted the need for Members and senior officers to create an anti-fraud culture and environment within the organisation. The fight against fraud and corruption can only truly be effective where these acts are seen as anti-social, unacceptable behaviour and Whistleblowing is perceived as a public-spirited action.

The culture of the Council is one of openness and the Council is committed to sound corporate governance, and supports the general principles as set out in The Relevant Authorities (General Principles) Order 2001 i.e.

- Selflessness
- Honesty and Integrity
- Objectivity
- Accountability
- Openness
- Personal judgement
- Respect for others
- Duty to uphold the law
- Stewardship
- Leadership

By establishing a Standards Committee the Council has reinforced this culture. The Standards Committee report to the Council:

- When it considers standards of conduct and behaviour in a particular area need reviewing; and
- When it feels the level of commitment necessary to resolve these difficulties should be greater

***Concerns must be raised when members, or employees, 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 statutory or legal obligation
- Improper unauthorised use of public or other funds

- A miscarriage of justice
- Maladministration, misconduct or malpractice
- Endangering of an individual's health and safety
- Damage to the environment
- Deliberate concealment of any of the above

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.

The Council will deal firmly with those who defraud the Council, or are corrupt, or where there has been financial malpractice. There is a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary manner.

When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

The actions outlined in the action plan aim to help the Council to continue to ensure that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption.

### **Safe Recruitment**

The Council recognises that one of the most important aspects in relation to the prevention of fraud and corruption is the recruitment of staff. The Council already seeks to:

- Obtain satisfactory references before appointments are made
- Verify and retain copies of certificates for stated qualifications
- Comply with s.8 of the Asylum and Immigration Act 1999
- Undertake checks with the Criminal Records Bureau, where appropriate for the post
- Compliance with other Codes of Practice (e.g. OFSTED) for staff dealing with vulnerable service users

### **Training and Staff Development**

As part of the annual review of the mechanisms to prevent and detect fraud, training and appropriate skills and expertise will need to be developed. Both officers involved in anti-fraud work, and general operations, will need to develop appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation.

The Council will ensure that key anti-fraud staff have in place an appropriate personal development and training plan that will ensure that they have the right competency levels to prevent, identify and investigate fraud.

The Council will also consider the need to provide 'fraud risk awareness' training to groups of Officers, this may consist of general fraud awareness, or specific fraud awareness training such as case handling and IT crime; this may be provided internally, on-line, or be procured externally.

Such courses may include:

- Pre-employment screening
- Interviewing skills
- Money laundering
- Identity Fraud
- Fraud Identification and Prevention
- Regulation of Investigatory Powers Act
- Data Protection Act

## **Relationships with other organisations**

Arrangements need be put into place to encourage the exchange of information about fraud and corruption between the Council and other public agencies. Any such exchange of information will be undertaken in accordance with the principles contained in the Data Protection Act 1998.

These public agencies may include:

- Police
- Local, Regional and National Auditor Networks
- The National Anti-Fraud Network
- Audit Commission (NFI etc.)
- External Auditor (Audit Commission)
- Office of Fair Trading
- Department of Work and Pensions
- Health Service
- District Councils
- Other key partners such as Capita, LAA partners etc.

## **TAKING ACTION TO TACKLE THE PROBLEM**

### **Deterrence**

There are a number of ways to deter potential fraudsters from committing, or attempting fraudulent or corrupt acts, whether they are internal or external to the Council. These include, but are not limited to:

- Publicising the fact that the Council is firmly set against fraud and corruption and stating this at every opportunity
- Acting robustly and decisively when fraud and corruption are suspected and proven
- Taking action to effect maximum recoveries for the Council
- Informing the Council's Press Office where cases of fraud and corruption against the Council are referred for criminal proceedings and subsequently brought to court, with a view to issuing a press release
- Having sound internal control systems which allow for innovation but do not provide the opportunity for fraud and corruption



## **Prevention**

There is an important role to be played in the prevention of fraud and corruption by managers within all services. It is vital that managers understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk.

To this end, Internal Audit and Risk Management endeavours to provide appropriate advice to service Managers to ensure that they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work. Internal Audit issue Fraud Bulletins on a regular basis informing staff of recent frauds and scams that have occurred in both the public and private arenas. Fraud Alerts are also issued where a particular issue has arisen that requires immediate attention.

### **Internal audit anti-fraud work plan**

As well as furthering the corporate actions identified in the accompanying action plan, a plan for Anti-Fraud work is produced by Internal Audit. This work is included in the annual internal audit plan. The areas selected for review are those fraud risk scenarios and activities that are assessed as being at high risk.

## **Detection**

It is often the alertness of employees or members that enables detection to occur.

Under our Anti-Fraud and Corruption Policy, employees must report any suspected cases of fraud and corruption to the appropriate manager, or if necessary, directly to the Head of Internal Audit. Reporting cases in this way is essential to the anti-fraud and corruption strategy and ensures that:

- Suspected cases of fraud and corruption are investigated properly
- The fraud response plan is carried out properly
- People and our interests are protected

The Council's Whistleblowing Policy is intended to encourage and enable employees to raise serious concerns. The Council has a dedicated, secure Whistleblowing hotline telephone number that is advertised widely across the Council through both poster campaigns and articles in the Core Brief etc.

The Council participates in the biennial National Fraud Initiative and detects certain types of fraud by this means.

## **Investigation**

Depending on the nature and anticipated extent of the allegation(s), the Head of Internal Audit will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated, reported and where appropriate, maximum recoveries are achieved.

The follow-up of any allegation of fraud and corruption received will be through the agreed procedures of the Anti-Fraud and Corruption Policy, the Fraud Response Plan and Disciplinary Procedures. The Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering Legislation.

Where a fraud has occurred, management must take any necessary changes to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight where there has been a failure of supervision or a breakdown/absence of control. Any lessons learnt will be disseminated to all relevant sections.

## **Sanctions and Redress**

After any investigation, sanctions should be applied where fraud and corruption are proven to be present. This should be done in a comprehensive, consistent and proportionate manner with all possible sanctions – disciplinary, civil and criminal – considered. Success rates need to be monitored routinely as an indicator and part of the quality process. The organization should be effective in recovering any losses incurred to fraud and corruption using, as appropriate, criminal and/or civil law.

Methods of recovery include, but are not confined to:

- Recovery of pension contributions from employees who are members of the Pension Fund
- An assessment of what assets an employee or third party who has committed fraud has and whether the losses incurred by the County Council can be recovered
- Bankruptcy - if it is believed an individual has a poor history of paying
- If an individual remains an employee of the County Council any assessed losses can be recovered from future salary payments

## **DEFINING SUCCESS**

Activity should not be confused with outcomes. The focus should always be fixed firmly on the clear outcomes described above for work to counter fraud and corruption. It is important that these relate to the actual sums lost to fraud and corruption rather than to the activity around it. This is no different from a commercial organization focusing on profit rather than turnover.

While activity can give an organisation the air of being busy – and, therefore, successful – what matters is the bottom line. Preventing fraud prevents losses – losses that can be directed into core business.

Only a comprehensive and professional approach to countering fraud and corruption can fully protect an organisation's valuable resources.

## **KEEPING AHEAD**

In order to try and stay one step ahead of the fraud to which the Council may be exposed, it will be necessary to undertake a regular review of national developments and strengthen systems and procedures. Key sources of information that will be used to inform the ongoing continuous improvement of the Anti-Fraud Strategy will be:

- Audit Commission Publications – in particular:
  - National Fraud Initiative Newsletters
  - Audit Commission Fraud Reports
  - Protecting the Public Purse
  - ICT Fraud and Abuse
- HM Treasury Publications – in particular:
  - Annual Fraud Reports
- CIPFA Better Governance Forum (IPF)
  - Weekly Newsletters
- National Anti-Fraud Network
  - Strategic Risk Assessment – Local Authority Fraud
  - Ongoing Alerts on website
- West of England Chief Auditors Group (Unitary and County Councils) Fraud sub-group
  - Benchmarking
  - Shared training programme
  - Exchange of information on recent frauds and scams
- KPMG Forensic
  - Fraud Risk Management publications

### Anti-Fraud Strategy Action Plan – 2009

| Ref  | Action   | Deadline     | Responsibility                          |
|--|--|--------------|---|
| <b>ADOPTING THE RIGHT STRATEGY</b>                 |  |              |   |
| 1.1  | Include explicit reference to the risk of fraud and corruption in the Council's Risk Management Strategy.  | January 2009 | Risk Manager                            |
| 1.2  | Develop a Fraud Risk Assessment to inform Internal Audit's anti-fraud and corruption proactive work.   | March 2009   | Head of Internal Audit                  |
| 1.3  | Review and update the range of anti-fraud policies on an annual basis.   | January 2009 | Head of Internal Audit                  |
| <b>ACCURATELY IDENTIFYING RISKS</b>                |  |              |   |
| 2.1  | Review techniques for measuring fraud and corruption losses and assess applicability to Swindon.   | August 2009  | Head of Internal Audit                  |
| 2.2  | Identify and maintain a proven record of actual amounts lost by the Council for recovery proceedings.  | March 2009   | Principal Auditor                       |
| <b>CREATING AND MAINTAINING A STRONG STRUCTURE</b> |  |              |   |
| 3.1  | Ensure that Corporate Board, Standards Committee and Audit Committee approve the final Fraud Strategy.   | January 2009 | Director of Law and Democratic Services |
| 3.2  | Include reference to measures taken to counter fraud and corruption in Annual Directors Assurance Statements arrangements made to ensure all staff are aware of their responsibilities in this area. | January 2009 | Head of Internal Audit                  |

| Ref  | Action   | Deadline       | Responsibility                                |
|--|--|----------------|---|
| 3.3  | Research and develop formal agreements with key partners, such as health service and other LAA partners, Capita etc. to encourage the exchange of information on national and local fraud and corruption activity which may affect the Local Authority.  | October 2009   | Head of Internal Audit                        |
| <b>TAKING ACTION TO TACKLE THE PROBLEM</b> |  |                |   |
| 4.1  | Develop, publicise and maintain a separate counter fraud page on the Council's intranet, to include: <ul style="list-style-type: none"> <li>▪ Counter Fraud Strategy,</li> <li>▪ Confidential Reporting (Whistleblowing) Policy,</li> <li>▪ Theft Fraud and Corruption Response Plan</li> <li>▪ Money Laundering Policy</li> <li>▪ Feedback form</li> <li>▪ How to report suspicion of fraud</li> <li>▪ Contact details for Internal Audit and the Audit Commission</li> </ul> | September 2009 | Principal Auditor                             |
| 4.2  | Define arrangements for maintaining up to date policies in respect of Safe Recruitment.  | October 2009   | Director of HR and Change / Principal Auditor |
| 4.3  | Identify any group of posts, which have opportunities for fraud and review need for CRB checks to be undertaken.   | October 2009   | Director of HR and Change / Principal Auditor |
| 4.4  | Include reference to Whistleblowing in Staff Survey to test the confidence in these arrangements.  | September 2009 | Head of Internal Audit                        |
| 4.5  | Develop ongoing programme of anti-fraud audits - a cyclical approach to address areas where the Council is most vulnerable to fraud and corruption.  | March 2009     | Audit Manager                                 |
| 4.6  | Develop warning signs reference list for auditor use in reviews.   | April 2009     | Principal Auditor                             |
| 4.7  | Cascade the Fraud Response Plan to relevant staff.   | December 2009  | Principal Auditor                             |

| Ref                     | Action   | Deadline      | Responsibility         |
|-------------------------|--|---------------|------------------------|
| 4.8                     | Review existing anti-fraud policies and related procedures to ensure they are compliant with legal requirements and whether they are sufficiently robust in respect of sanctions and redress.                                    | February 2009 | Head of Internal Audit |
| 4.9                     | Undertake annual reviews of sanctions levied, redress obtained and the effectiveness of investigations in cases where fraud and corruption are proved to be present, with a view to reporting to Standards and Audit Committees. | June 2009     | Principal Auditor      |
| <b>DEFINING SUCCESS</b> |  |               |                        |
| 5.1                     | Develop performance measures for this area.  | June 2009     | Head of Internal Audit |
| 5.2                     | Report the progress on activity against this strategy on an annual basis.  | June 2009     | Head of Internal Audit |