



**ANTI FRAUD AND CORRUPTION &
PROSECUTION POLICY STATEMENT
AND STRATEGY
2010/11**

PRODUCED BY: HEAD OF INTERNAL AUDIT

SUBJECT TO ANNUAL REVIEW

APPROVED BY:

CORPORATE MANAGEMENT TEAM: 1 SEPTEMBER 2010

AUDIT COMMITTEE: 22ND SEPTEMBER 2010

CABINET:

ANTI FRAUD AND CORRUPTION & PROSECUTION POLICY STATEMENT

Southend on Sea Borough Council (the Council) is committed to adhere to and promote the common principles of good governance for public sector organisations, as set out in its Local Code of Governance. This is because it recognises that good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

In order to achieve this, it is important to effectively manage risk. Otherwise resources that should be spent on front line services could be lost. This is particularly the case when dealing the risk of fraud and corruption.

Therefore the Council has adopted a zero tolerance to fraud and corruption. It will not tolerate fraud or irregularity perpetrated by:

- its members or employees against the Council or others
- customers, suppliers, claimants or other third parties against the Council.

It is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. It therefore expects members and employees to adopt and promote the Nolan Committee's *Seven Principles of Public Life* (**Appendix 1**) and participate in counter fraud initiatives.

It will ensure probity in local administration and governance by taking positive action against all forms of fraud and corruption.

Where fraud or corruption is suspected the Council will:

- consider cases on their merits and investigate appropriately, all enquiries being carried out with the utmost propriety
- work within guidelines based on best practice and relevant legislation.

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings, prosecution and / or referral to the police
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

The Council is therefore committed to reduce losses from fraud and corruption to an absolute minimum across all its areas of activity.

The Council will deliver this policy by implementing an Anti Fraud and Corruption Strategy and supporting action plan. These documents will be reviewed annually to ensure compliance with good practice guidance and that they are effectively reducing losses due to fraud and corruption.

Councillor N Holdcroft
Leader of the Council

Rob Tinlin
Chief Executive

SEPTEMBER 2010

ANTI FRAUD AND CORRUPTION STRATEGY

INTRODUCTION

An overriding responsibility of public sector organisations is the provision of effective and efficient services to clients and stakeholders in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements.

The impact of fraud on a public sector organisation can have consequences that are serious and often far reaching. Fraud can directly affect the ability of the public sector to serve the most vulnerable in society. Financial and reputational loss are the obvious key risk areas but instances of fraud can also bring a range of other serious consequences including breakdown of trust, political fall-out, impact on morale and the risk of potential litigation.

The indications are that losses due to fraud and corruption are on the increase, a trend that is likely to continue given the current economic climate.

Therefore, the need for effective risk management in the public sector is more essential than ever, as:

- public expectations increase and tolerance of failure by public service organisations reduces;
- the impact of government reforms in the public sector start to take effect.

The Accounts & Audit Regulations 2003 also require the Council to have proper arrangements in place for managing risk:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”

In producing this strategy, reference has been made to current good practice guidance as set out in:

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- CIPFA Publication: Managing the Risk of Fraud
- Audit Commission Publication: Protecting the Public Purse: Local Government Fighting Fraud

WHAT IS FRAUD AND CORRUPTION?

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

Fraud may be committed against the Council:

- from the inside, by its employees or members

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- from the outside by third parties (external fraud)

Corruption is the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person. This involves the abuse of an employee's or member's position within the Council in order to confirm an unfair advantage on a third party (who can be either internal or external to the Council).

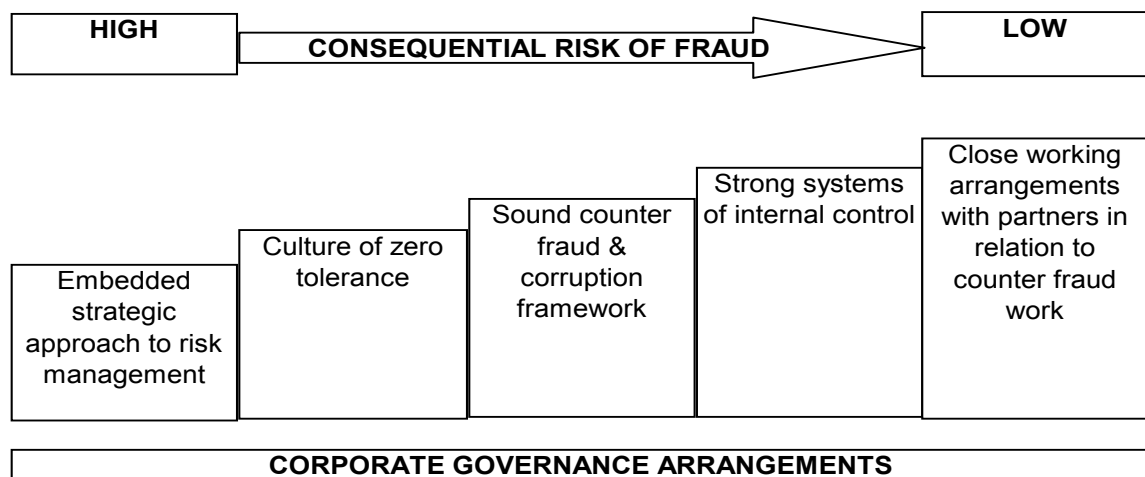
WHAT THIS STRATEGY AIMS TO DELIVER

This strategy is designed to ensure that the Council has:

- adequate arrangements are in place to manage the risk of fraud well in advance of any occurrence
- cost effective arrangements in place to identify and investigate any such concerns when they arise.

GOVERNANCE ARRANGEMENTS

The Council will aim to maintain the five key essentials of corporate governance that need to be in place in order to manage the risk of fraud at an acceptable level.



Source: ALARM Managing the Risk of Fraud

OPERATIONAL PROCESSES

The Council's will also ensure that its processes demonstrate that it:

- adopts the right strategy
- accurately identifies the risks
- creates and maintains a strong anti fraud and corruption structure through;
 - giving those doing this work the necessary authority and support to pursue their remit effectively
 - ensuring staffing doing this work have specialist training and accreditation
 - having effective propriety checks in place

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- developing effective relationships with other organisations
- takes action to tackle the problem which includes adopting a deterrence and prevention framework covering culture, deterrence, prevention, detection, investigation, sanctions and redress)
- defines success, based on outcomes not merely activity.

Source: CIPFA Managing the Risk of Fraud

INTER-DEPENDENCIES

The Anti Fraud and Corruption & Prosecution Policy Statement and Strategy should be read in conjunction with the:

- Risk Management Policy Statement and Strategy
- Whistleblowing Policy (Confidential Reporting Policy)
- Anti-Money Laundering Policy and Strategy

THE BENEFITS

The financial cost of fraud does not fully reflect the personal impact it can have on victims. In the public sector, every pound lost through fraud directly affects citizens by increasing national and local taxation levels or threatening essential services such as social care, housing and education. The honest majority pay for it.

Fraud is likely to increase because of the recession as:

- economic distress can increase the incentive to commit fraud; and
- controls to prevent and detect fraud can come under pressure as councils reduce their costs.

Therefore, having an embedded anti fraud and corruption culture throughout the Council will help minimise the loss of resources through fraudulent or corrupt activity.

DELIVERING THE STRATEGY

REPORTING ALLEGATIONS / SUSPICIONS

Allegations and/or suspicions may arise from any source within or external to the Council. Any member or officer, who suspects fraud, corruption, theft or other financial irregularity in respect of either the Council or private funds if appropriate, is expected:

- to report the matter to an appropriate officer or directly to their line manager who will undertake initial investigations and decide whether the matter requires further investigation. Should that be the case:
 - potential benefit fraud should be notified to the **Housing Benefit Investigation Team**; and
 - all other concerns should be reported to the **Group Manager - Investigations** in accordance with Financial Procedure Rules.

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- to deal swiftly and firmly with those who defraud the Council or who are corrupt.

In exceptional circumstances, such matters can also be reported to the Chief Executive or Chair of the Audit Committee. Alternatively the matter may be reported through the Council's Whistleblowing Policy. **The confidential reportline number is 01702 215215.**

ROLES AND RESPONSIBILITIES

In order to ensure the successful implementation of the strategy, clear roles and responsibilities have been established for members and officers, which are detailed in **Appendix 2**.

MONITORING DELIVERY

The Council maintains a detailed framework that outlines all the actions to be taken to deliver the objectives of this strategy. This is reviewed and updated annually to ensure it reflects current good practice requirements as well as targets areas of interest for the year. This will be reported upon in full once a year as evidence in support of the Council's governance statement.

Appendix 3 summaries actions to be taken this year where current practice requires updating or new activities are to be introduced into the framework. Progress in delivering these actions will be reported upon each quarter to the Corporate Management Team and the Audit Committee.

DATA MATCHING

The Council will actively pursue opportunities to participate in data sharing exercises in the quest to prevent and detect fraud and corruption, including the Audit Commission's National Fraud Initiative and ongoing data matching with the Department of Works and Pensions.

This will be done in line with the Information Commissioners Code of Practice for Data Sharing.

PROSECUTION

All allegations of fraud and corruption will be taken seriously, thoroughly investigated and rigorous action taken when fraud is substantiated. Where there is clear evidence that a fraudulent or corrupt act has been committed the following tests will be applied before a case is considered for prosecution:

- **The Evidential Test:** There must be enough evidence to provide a realistic prospect of conviction.
- **The Public Interest Test:** A prosecution will usually take place unless there are public interest factors tending against prosecution that clearly outweigh those tending in favour. Although there may be public interest factors against prosecution in a particular case, often it should go ahead and those factors should be put to the court for consideration when sentence is being passed.

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The Crown Prosecution Service's 'Code for Crown Prosecutors' published 2000, details various public interest factors that should be referred to when making a decision to prosecute.

The Council will in most instances prosecute where the fraud perpetrated:

- was not a first offence, or
- was planned, or
- involved more than one person and
- passes the Public Interest Test detailed above.

Each department / section involved in the detection and investigation of fraud will maintain detailed guidance as to the:

- relevant public interest factors and thresholds to be applied
- required sufficiency and standards of evidence obtained, before referring cases for prosecution
- appropriate sanctions that can be considered (where appropriate)
- options available to seeking redress for any losses (where appropriate).

The Council believes fair and effective prosecution is essential in order to protect public funds and deter fraudulent activity. The Council will ensure that successful prosecutions are reported to the media in order to demonstrate its continual drive to prevent fraud.

MEASURING EFFECTIVENESS

Over the next two years significantly increase:

- the number of potential fraud and corruption cases reported
- the overall awareness of the Council's anti fraud and corruption arrangements when the next staff survey is undertaken.

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APPENDIX 1: NOLAN COMMITTEE'S PRINCIPLES OF PUBLIC LIFE

INTRODUCTION

The Council has set out the principles of good governance it applies in its Local Code of Governance which is consistent with the CIPFA / SOLACE Guidance Delivering Good Governance in Local Government Framework. However members and employees may wish to refer to the Nolan Committee's *Seven Principles of Public Life*, as set out below, to help ensure that their own conduct complies with these overarching good governance principles.

SELFLESSNESS

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

ANTI FRAUD AND CORRUPTION STRATEGY
APPENDIX 2: ROLES AND RESPONSIBILITIES

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES
Chief Executive / Corporate Directors (Individually or Collectively)	To ensure that the Council manages risk effectively through the development of a corporate policy and strategy	<ul style="list-style-type: none"> • Establish effective systems of internal control, with appropriate controls to minimize the risk of fraud and corruption and procedures are in place to ensure that staff adhere to these systems • Train all employees and members on the standards and requirements of the Council's Code of Conduct and all relevant legislation
Heads of Service / Group Managers (Individually or Collectively)	To ensure that risk is managed effectively in each service area within the agreed corporate strategy	<ul style="list-style-type: none"> • Deal with any employee or member who is suspected of fraud, corruption or financial irregularity in accordance with the respective Code of Conduct and where relevant, the Discipline and Dismissal at work policy and procedures. • Report all fraud or corruption identified to the Group Manager - Investigation whether or not support is required to investigate the matter • Investigate any data matches relating to their service area, reporting any that are potential fraud or corruption to the Group Manager - Investigation • Respond to all audit reports in writing within a timetable agreed with the Head of Internal Audit detailing the action intended, to address any recommendations which could reduce the Council's exposure to fraud, (as required by Financial Procedure Rules)
All Employees	To manage risk effectively in their job	<ul style="list-style-type: none"> • Don't hold positions outside the Council which have the potential to conflict with their Council responsibilities • Bring to the attention of their manager any financial or non-financial interests that they consider could conflict with the Council's interests.
All Employees	To manage risk effectively in their job	<ul style="list-style-type: none"> • Be aware of the standards and requirements of the Council's Code of Conducts and all relevant legislation (as per the individual's Job Description)
Elected Members (Individually or collectively)	To oversee the effective management of risk within the Council	<ul style="list-style-type: none"> • Act with integrity at all times and to be totally honest and trustworthy by complying with all laws and regulations applicable to the Council's business • If unsure of the required standards, request guidance from the Chief Executive, Corporate Directors, Heads of Service, Group Managers or relevant line managers as applicable.

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APPENDIX 2: ROLES AND RESPONSIBILITIES

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES
		<ul style="list-style-type: none"> • Don't get involved in any decisions where your impartiality could be brought into question • Don't accept inducements, gifts or hospitality that could be seen as impacting on your impartiality. Report and record all gifts received • Report suspected fraud, corruption or other financial irregularity that could have an impact on the Council (as required by Financial Procedure Rules). Failure to do so could expose an individual to risk of subsequent disciplinary action. • Report the matter using the Council's Whistleblowing Policy if that is more appropriate.
Audit Committee	As above	<ul style="list-style-type: none"> • Provide independent assurance of the adequacy of the risk management framework and the associated control environment, which include both Whistleblowing and Anti Fraud and Corruption Policies • Provide independent scrutiny of the Council's financial and non financial performance to the extent that it affects its exposure to risk and weakens the control environment • Oversee the financial reporting process.
Cabinet	As above	<ul style="list-style-type: none"> • Approve fraud related policies and strategies once subject to challenge by the Audit Committee.
Head of Internal Audit in conjunction with the Group Manager - Investigations	To maintain robust anti fraud and corruption arrangements	<ul style="list-style-type: none"> • Update this policy, strategy and action plan annually as required • Obtain agreement for any amendments required to this document from the Head of Finance and Resources (the Section 151 Officer), the Corporate Management Team and the Audit Committee before it is submitted to Cabinet for approval • Report on the delivery of the Anti Fraud & Corruption Action Plan at least twice a year to the Corporate Management Team and the Audit Committee • Encourage the reporting of concerns by delivering a variety of awareness raising activities each year • Explore possibilities of joint working with partners in this area

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APPENDIX 2: ROLES AND RESPONSIBILITIES

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES
<p>Corporate Fraud Unit / Housing Benefit Investigation Team</p>	<p>To prevent and detect fraud and corruption including benefit fraud</p>	<ul style="list-style-type: none"> • Maintain the confidential report line • Maintain a log of all allegations made (excluding those relating to benefits), and report them to the Head of Finance and Resources (the Section 151 Officer) and the Head of Internal Audit • Investigate other suspected cases of fraud or corruption in accordance with documented procedures, with the support and or involvement of Internal Audit where appropriate • Comply with specific procedures, government guidelines and relevant legislation in the prevention and detection of benefit fraud • Maintain procedures that are consistent with the Department of Works & Pensions' (DWP) Housing and Council Tax Benefit Security Guidance. • Inform the Head of Paid Service (Chief Executive) and the Monitoring Officer (Head of Democratic Services) of any allegations that require investigation and the progress/outcome of such cases. • Report quarterly to the Corporate Management Team and the Audit Committee on the outcome of investigations undertaken.
<p>Internal Audit</p>	<p>To provide assurance as to whether the risk management (including those relating to the risk of fraud) arrangements are fit for purpose</p>	<ul style="list-style-type: none"> • Periodically provide an independent view of the robustness of the corporate approach to risk management and compliance therewith • Review and comment on the content and relevance of service risk registers in supporting the delivery of the service plan objectives when undertaking risk based audits • Review and appraise the adequacy, reliability and effectiveness of the Council's systems of internal control • Report recommendations to management, relating to weaknesses in internal controls, which could leave the Council open to fraud. • Inform the Head of Paid Service (Chief Executive) and the Monitoring Officer (Head of Democratic Services) of any allegations which require investigation and the progress/outcome of such cases.

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APPENDIX 2: ROLES AND RESPONSIBILITIES

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES
Risk Management Group	To share experiences on risk management and support the implementation of the strategy across the Council	<ul style="list-style-type: none"> • Comment on updates to the anti fraud and corruption policies, strategies and action plan • Contribute to its delivery • Share good practice on all aspects of risk management including that relating to embedding an anti fraud and corruption culture • Consider applications for in house data matching once the facility to do this has been established
Individual managers and the HR Services Recruitment Team	To apply proper recruitment practices	<ul style="list-style-type: none"> • Undertake proper checks to validate (wherever possible) references and information provided on the job application forms before making an offer of appointment.
Customers, contractors, suppliers and all other third parties		<ul style="list-style-type: none"> • Be honest in their dealings with the Council.

ANTI FRAUD AND CORRUPTION STRATEGY

APPENDIX 3: ACTION PLAN 2010/11

ACTION	RESPONSIBLE	BY	STATUS
<i>POLICIES, STRATEGIES AND THE SUPPORTING ACTION PLAN</i>			
Update the Anti Fraud & Corruption (AF&C), Whistleblowing and Money Laundering policies, strategies and the supporting action plan as required	Head of Internal Audit (HoIA)	Jan 2011	AF&C completed Sept 2010.
Investigate using IT software to record that staff have been made aware of and read relevant policies.	HoIA	Mar 2011	
Ensure Financial Regulations are consistent with the AF&C policy / strategy.	HoIA	Jan 2011	
Update the anti fraud and corruption arrangements as required to ensure they comply with good practice guidance	HoIA	Jan 2011	
Report regularly to Corporate Management Team (CMT) and the Audit Committee on the delivery of the strategies and action plan	HoIA	Each quarter	Reported Sept 2010
<i>AWARENESS RAISING / TRAINING</i>			
Assess whether the new staff induction process sufficiently covers the AF&C and Whistleblowing policies / strategies.	HoIA / Head of HR & Communications	Mar 2011	
Assess whether the new members' induction process sufficiently covers the AF&C and Whistleblowing policies / strategies.	Head of Democratic Services / HoIA	Mar 2011	
Deliver re-fresher training for money laundering and terrorist financing when the updated Money Laundering policy is approved.	HoIA / Group Manager - Investigations (GM-I)	Mar 2011	
Develop short case studies covering potential fraud, corruption or staff conduct issues with answers	HoIA, GM-I, CPBC Corporate Fraud Investigations Manager (CFIM)	Oct 2010	

ANTI FRAUD AND CORRUPTION STRATEGY

APPENDIX 3: ACTION PLAN 2010/11

ACTION	RESPONSIBLE	BY	STATUS
<p>Agree answers to case studies with Head of HR & Communications & Head of Democratic Services to ensure the behavioural standards being set are appropriate for the Council.</p> <p>Deliver to all teams / school teams</p>	Line Managers	Mar 2011	
<p>Develop and deliver a facilitated session covering fraud and corruption risks relating to procurement and contract management.</p> <p>Deliver to relevant teams</p>	HoIA, GM-I, CFIM (CPBC)	<p>Oct 2010</p> <p>Mar 2011</p>	
<p>Produce an article for the December 2010 publication that goes to all Council residents.</p>	GM-I, CFIM (CPBC)	Nov 2010	
<p>Produce bulletins relating to theft and fraud undertaken against the Council.</p> <p>Circulate to all staff to make them aware of what has happened and the steps required to mitigate the risk.</p>	HoIA, GM-I, CFIM (CPBC)	As required	
<p>Produce new posters and a leaflet designed to have more impact on the public / individuals.</p> <p>Circulate as widely as possible</p>	HoIA, GM-I, CFIM (CPBC)	Dec 2010	
<p>Produce a guide that summarises:</p> <ul style="list-style-type: none"> • the key, inherent fraud and corruption risks that are present within the activities that the Council undertakes • the key controls that need to be in place in order to prevent their occurrence. 	HoIA, GM-I, CFIM (CPBC)	Dec 2010	
<p>Develop an anti fraud and corruption intranet site.</p>	HoIA / IA Apprentice	Mar 2011	

ANTI FRAUD AND CORRUPTION STRATEGY

APPENDIX 3: ACTION PLAN 2010/11

ACTION	RESPONSIBLE	BY	STATUS
<i>SIGNIFICANT PARTNERS / CONTRACTORS</i>			
Monitor whether arrangements for communicating the Council's Whistleblowing policy to partners and significant contracts remains effective.	HoIA, Partnership Manager & Procurement Team	As required	
<i>PROACTIVE ANTI FRAUD & CORRUPTION WORK</i>			
Deliver a programme of proactive fraud and corruption work covering both general and housing benefit risks.	HoIA, GM-I, CFIM (CPBC)	Mar 2011	
<i>NATIONAL FRAUD INITIATIVE (NFI) & DATA MATCHING</i>			
Provide relevant data sets for matching as part of the Audit Commission's NFI exercise.	HoIA and CFIM (CPBC)	Oct 2010	
Allocate responsibility for investigating data matches received from the NFI exercise.	Various service departments	From Jan 2011	
Develop an in-house framework to support data matching across Council systems.	HoIA	Jan 2011	
Discuss the practical implementation issues of setting up a data warehouse with ICT	HoIA	Jan 2011	
Update the fair processing disclosure notice that is currently used by the Council. Ensure it is used on relevant documents, web sites etc.	HoIA	Jan 2011	
<i>REPORTING SUCCESS</i>			
Check whether records of losses recovered are kept so that the Council's success rate can be established. Ensure a recovery rate performance indicator is established and report on it periodically.	HoIA and GM-I	Mar 2011	

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APPENDIX 3: ACTION PLAN 2010/11

ACTION	RESPONSIBLE	BY	STATUS
<i>WORKING WITH PARTNERS</i>			
Contact Rochford District Council to see whether they still want to do some joint working in this area	HoIA	Oct 2010	
Populate the shared web site with relevant information and share with members of the Internal Audit Working Group	HoIA	Oct 2010	