



St Edmundsbury
BOROUGH COUNCIL

C81

Performance and Audit Scrutiny Committee 27 July 2011

Anti-Fraud and Anti-Corruption Strategy

SUMMARY

The Council is committed to high standards of corporate governance and has a number of related strategies and policies in place which are regularly updated and reviewed. These procedures include the Anti-Fraud and Anti-Corruption Strategy. The existing Anti-Fraud and Anti-Corruption Strategy was last updated in 2009 and needs to be kept under review in order to meet legal requirements and maintain the council's high standards of corporate governance.

Amendments to the Anti-Fraud and Anti-Corruption Strategy are proposed to reflect the implications of the Bribery Act 2010, which came into force on 1 July 2011.

PURPOSE OF THE REPORT

To advise Performance and Audit Scrutiny Committee of proposed amendments to the Anti-Fraud and Anti-Corruption Strategy to reflect the implications of the Bribery Act 2010.

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Performance and Audit Scrutiny Committee

27 July 2011

Anti-Fraud and Anti-Corruption Strategy

1. Recommendations

- 1.1 That the Performance and Audit Scrutiny Committee considers the draft revised Anti-Fraud and Anti-Corruption Strategy which has been updated to reflect the implications of the Bribery Act 2010, and recommends it for approval by Cabinet.

2. Purpose of Report

- 2.1 To advise Performance and Audit Scrutiny Committee of the draft revised Anti-Fraud and Anti-Corruption Strategy which has been updated to reflect the implications of the Bribery Act 2010.

3. Background

- 3.1 The Anti-Fraud and Anti-Corruption Strategy supports one of the key principles of good governance 'promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour'.

- 3.2 The proposed amendments to the strategy are made in response to the Bribery Act 2010, which has been developed to combat bribery in both the private and public sectors.

- 3.3 Bribery is an 'inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage'. The Bribery Act 2010 modernises the law on bribery and came into force on 1 July 2011. The key points of the new Act are:

- It deals only with bribery, not other forms of white collar crime;
- The organisation may be liable for failing to prevent a person from bribing on its behalf. There is however, a full defence if the organisation can show that it has adequate procedures in place to prevent bribery;
- Hospitality is not prohibited by the Act; and
- Facilitation payments (minor amounts paid to public officials to expedite routine business activities) are bribes under the Act, just as they were under the old law.

- 3.4 There are four offences under the Bribery Act 2010:

- Offences of bribing another person (i.e. giving, promising or offering a bribe);
- Offences related to being bribed (i.e. requesting, agreeing to receive or accepting a bribe);
- Bribery of a foreign public official; and
- Failure of an organisation to prevent bribery.

- 3.5 Internal Audit are currently undertaking a focussed review to determine current adherence to the requirements of the Bribery Act 2010, to ensure the council's procedures cover the following six principles:

- Risk assessment;
- Top level commitment;
- Due diligence;

- Clear, practical and accessible policies and procedures;
- Effective implementation; and
- Monitoring and review.

The outcome of this review will be reported to the Performance and Audit Scrutiny Committee in our next Annual Fraud Report in April 2012, or sooner if significant concerns are raised.

- 3.6 The Internal Audit Manager in his role of Acting Internal Audit Manager at Forest Heath District Council is also reviewing that council's Anti-Fraud Strategy in conjunction with their Legal Services Manager. This work is being carried out with a view to anti-fraud strategy alignment between the two authorities in accordance with the Shared Services – Protocol for Policy Development.

Sources of Further Information

The Bribery Act 2010 <http://www.legislation.gov.uk/ukpga/2010/23/contents>



St Edmundsbury
BOROUGH COUNCIL

Anti-Fraud and Anti-Corruption Strategy Statement

Foreword

St Edmundsbury Borough Council spends millions of pounds of public money each year on essential local services. It is essential that the council protects and preserves its ability to provide these services by ensuring that its assets are protected against all risks of loss and damage.

This anti-fraud and anti-corruption strategy applies to all of the council's activities and outlines the council's commitment to creating a culture of zero tolerance of fraud, theft and corruption (including bribery) and maintaining high ethical standards in its administration of public funds. The minimisation of losses to fraud, theft and corruption is essential and is part of our remit for ensuring that resources are used for their intended purpose that of providing services to the citizens of St Edmundsbury. The responsibility for controlling the risk of these losses resides at all levels of the organisation – it is not confined to Internal Audit but rests within all service areas of the council. Specifically having this strategy contributes to the achievement of the council's overall aim 'To improve the quality of life for everyone in St Edmundsbury in a cost effective and efficient manner'.

The council has traditionally encountered low levels of fraud and corruption. However, the risk of loss through fraud, theft or corruption both internally and externally, is recognised nationally as a part of business life that needs to be managed effectively. The council will ensure probity in local administration and governance by making sure that the opportunity for fraud, theft and corruption is reduced to the lowest possible risk with losses minimised and also taking positive action against all forms of fraud, theft and corruption.

The council requires that all personnel, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the council's resources for which they are responsible; and
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the council operates, in respect of the lawful and responsible conduct of activities.

1. Introduction

1.1 Why do we need a strategy?

- 1.1.1 The council's anti-fraud and anti-corruption strategy is based on a series of comprehensive and inter-related procedures, designed to fight fraud and corruption by encouraging prevention whilst also promoting detection. The strategy also identifies how we will investigate suspected cases and the action we will take against any attempted or actual fraudulent act affecting the council.

1.1.2 The purpose of this strategy is to outline the council's approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption, both internally and externally. It applies to:

- councillors
- employees at all levels and grades
- contractors/ suppliers
- partners
- consultants, agency and contracted staff
- service users
- volunteers

All parties above are expected to demonstrate integrity and honesty and offer assistance, where necessary.

1.2. Definition of fraud, theft, corruption and bribery

1.2.1 This strategy is designed to cover risks associated with fraud, theft and corruption (including bribery). These terms are defined below:

Fraud may 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 conceal the misappropriation (misuse) of assets or otherwise for gain.'(Audit Commission)

The Fraud Act 2006 describes the following three methods of committing fraud:

- fraud by misrepresentation
- fraud by failing to disclose information
- fraud by abuse of position

Theft may be defined as 'appropriating property belonging to another with the intention of permanently depriving the other of it'.

Corruption may be defined as 'the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately.' (Audit Commission)

Bribery is a form of corruption and may be defined as the offering of money or other incentives to persuade somebody to do something, especially something dishonest or illegal.

There are four key offences under the Bribery Act 2010:

- offences of bribing another person (i.e. giving, promising, or offering a bribe);
- offences relating to being bribed (i.e. requesting, agreeing to receive, or accepting a bribe);
- bribery of a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business; and

- failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation. (Note: the guidance states that a “commercial organisation” is any body formed in the United Kingdom and “it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.” The council is therefore a “commercial organisation”.

1.3. Scrutiny

1.3.1 The council is subject to both internal and external scrutiny of its affairs by a number of bodies and groups who have an interest in the authority's strategy to prevent fraud and corruption. These bodies and groups include:

- Local Government Ombudsman
- Audit Commission
- Standards Board for England
- Central Government Departments including HM Revenues and Customs, and the Department of Works and Pensions
- media
- members of the public and service users
- scrutiny committees of the council itself (Overview and Scrutiny Committee, Policy Development Committee and the Performance and Audit Scrutiny Committee)

Such scrutiny is welcomed by the council.

2. Objectives of the strategy

2.1 St Edmundsbury Borough Council will not tolerate fraud and corruption. The council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does the council, or will the council, accept bribes or improper inducements. The council recognises that bribery, including using a third party as a conduit to channel bribes to others, is a criminal offence. The council does not, and will not, engage directly in or otherwise encourage bribery, and is committed to the prevention, deterrence and detection of bribery. This strategy sets out the zero-tolerance position held by the council on fraud and corruption. Its objectives are to:

- provide a clear statement of the council's position on fraud and corruption (including bribery);
- minimise the risk to the council's reputation and loss of its assets;
- promote a culture of integrity and accountability, in members, staff and all those the council does business with;
- deterring would-be fraudsters;
- encourage prevention;
- promote detection;
- professionally investigate detected fraud and corruption;

- apply sanctions against people who commit fraud and corruption;
 - seek redress for assets defrauded.
- 2.2 The intention is to achieve this by implementing the 'actions' guide published by the Chartered Institute of Public Finance and Accountancy (CIPFA) – Better Governance Forum, which helps organisations to understand the world of fraud and corruption. The guide states that the foundations of an effective anti-fraud framework comprise five key categories:
- adopting the right strategy;
 - accurately identifying the risks;
 - creating and maintaining a strong structure;
 - taking action to tackle the problem; and
 - defining success.
- 2.3 This strategy document outlines each of these categories and assesses how each of these will be delivered.

3. Adopting the right strategy

- 3.1 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. There will be no 'safe areas'; reducing losses to fraud and corruption will apply to all areas of the council. The council's anti-fraud and anti-corruption strategy is linked to the council's overall aim 'to improve the quality of life for everyone in St Edmundsbury in a cost effective and efficient manner' and describes outcomes against which to evaluate its effectiveness.
- 3.2 The council's governance arrangements contribute to this aim, as well as ensuring the highest standard of openness, probity and accountability in the use of public funds. As a council we recognise that fraud and corruption management is an integral part of good governance; as such this strategy is intended to mitigate the risk of fraud, theft and corruption which could prevent the council from achieving its objectives.
- 3.3 The council has adopted a code of governance which sets out the principles of good corporate governance in line with best practice. The council annually assesses its arrangements against the code and reports the results in the Annual Governance Statement, which is published with the Statement of Accounts.
- 3.4 The strategy has been written to meet current good practice as set out in the CIPFA Better Governance Forum guidance 'Managing the Risk of Fraud: actions to counter fraud and corruption', and also CIPFA's 'Model Anti-Bribery Policy and Procedures'.
- 3.5 The strategy has also been updated to reflect the changes introduced by the Fraud Act 2006 and the Bribery Act 2010.
- 3.6 Within the council there needs to be a clear understanding of the importance of the links between policy (the need to develop an anti-fraud and corruption

culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning where necessary policies and systems) and operational work (detection and investigation of fraud and corruption and the need to apply sanctions and recover losses where they are found).

- 3.7 There may be a temptation to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the council's focus clearly on outcomes (such as reduced losses) and not just activity (for example the number of investigations, prosecutions).

4. Accurately identifying the risks

- 4.1 Everyone involved with the council has an important role to play in the management of risks. We all want to reduce risks and hence eliminate unnecessary costs to our services.
- 4.2 Areas most commonly at risk from fraud, both internal and external, include those involving the handling of any asset of an attractive and portable nature. Typical high risk areas include cash, cheques, credit cards, contracts, income, payments, expense claims, housing benefits, loans, investments, payroll, grants and stores including fuel.
- 4.3 Within local authorities in general, areas where corrupt practices may be found may include, but are not limited to: the award of permissions and consents; job appointments, hospitality, interests of members and officers and secondary employment of staff which may influence their work for the council.
- 4.4 Levels of risk will need to be identified on an ongoing and regular basis and adequate procedures applied proportionately based on this ongoing risk assessment. Procedures regarding action to combat bribery will be based around a proportionate response to the six principles contained within the Bribery Act 2010 Guidance, which are as follows:

Proportionate procedures – an organisation's procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the organisation's activities. They are also clear, practical, accessible, effectively implemented and enforced.

Top level commitment – the top level management are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

Risk assessment – the organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

Due diligence – The organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or

will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

Communication (including training) – the organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

Monitoring and review – the organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

The council is committed to proportional implementation of these procedures.

- 4.5 The risk of safeguarding the council's monetary and physical assets is seen as a significant risk to the council and is included on the Corporate Risk Register and so is subject to normal corporate monitoring and review arrangements. The Corporate Risk Register links to the council's corporate priorities through Service Plans, requiring managers to identify mitigating actions for risks and to keep these under review.
- 4.6 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, the council can gain knowledge of where it is necessary to strengthen or introduce systems.
- 4.7 Both Internal Audit and the Anglia Revenues Partnership Fraud Team, on behalf of the council, carry out proactive counter fraud and corruption work, based on an assessment of risk.

5. Creating and maintaining a strong structure

5.1. Authority

- 5.1.1 Responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management.
- 5.1.2 The council's management team are responsible for ensuring a strong fraud culture exists within the council, in particular, to promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to appropriate officers. In addition, they should ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
- 5.1.3 It is also the responsibility of all members and staff to have regard for the risk of fraud and corruption, both external and internal, when carrying out their duties, recognising that such a risk, if uncontrolled, can result in a drain on resources that could better be directed to front line service provision and to achieving the council's priorities.

5.2 Culture

- 5.2.1 The council recognises that a sound anti-fraud culture is essential if a strong control framework is to be adhered to and that its councillors and staff play a key role in achieving a 'zero tolerance' culture towards fraud and corruption.

5.3 Conduct

- 5.3.1 The council expects all councillors and staff to demonstrate the highest standards of openness, propriety and integrity and to lead by example in adhering to legally sound and honest procedures and practices, including the council's constitution, Financial Procedure Rules and codes of conduct. The council also expects that individuals and organisations in their dealings with the council will act honestly.
- 5.3.2 The council takes a robust approach to any signs of fraud, corruption or financial malpractice and senior management are expected to deal swiftly, firmly and fairly with those who defraud or seek to defraud the council in any way.

5.4 Whistleblowing Guide

- 5.4.1 The council's Whistleblowing Guide encourages staff, councillors and others closely involved with us (including contractors, suppliers and partner organisations) to raise concerns regarding fraud and corruption involving anyone within, or connected with, the council. They can do this in the knowledge that, wherever possible, such concerns will be treated in confidence and properly investigated. If necessary a reporting route other than the normal line manager may be used to raise such issues, including:
- Head of Service
 - Corporate Director
 - Chief Executive Officer
 - Head of Legal and Democratic Services
 - Audit Manager
 - Trade Union Representative
- 5.4.2 If they feel unable to report suspicions to anyone within the council they are advised to contact either the Audit Commission (www.audit-commission.gov.uk) or Public Concern at Work (www.pcaaw.co.uk), an independent charity that provides advice and support to employees wishing to express concern about fraud or other serious malpractice. Concerns relating to the conduct of councillors can be reported to the Standards Board for England (www.standardsforengland.gov.uk).
- 5.4.3 Members of the public are also encouraged to report concerns through any of the above routes, through the council's complaints procedure or by contacting an elected member. Issues can also be raised directly with the external auditors at any time.

- 5.4.4 In all cases where there is cause to suspect fraud or corruption the corporate directors are responsible for immediately reporting such to the Chief Executive Officer and the Chief Finance Officer who will determine the form of any investigation. Persons who defraud the council will be dealt with swiftly and firmly.
- 5.4.5 The council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith. Any abuse of the process, however, by the raising of unfounded and malicious allegations by a member of staff would be considered a serious disciplinary matter. Members who knowingly make false allegations in respect of fraud and corruption may bring the council into disrepute and be subject to investigation and sanction by the Standards Board.

5.5 Benefits fraud

- 5.5.1 The council is responsible for the payment of housing and council tax benefit within the St Edmundsbury area. This function is provided through our participation with a number of other councils in the Anglia Revenues Partnership. We have a duty to minimise the scope for benefits fraud and protect public funds by ensuring that benefits are only delivered to those with a true entitlement to them. The council maintains a separate policy relating to benefits fraud which is supported by the Anglia Revenues Partnership.

6. Taking action to tackle the problem

6.1 Deterrence

- 6.1.1 The best deterrent is a clear framework of processes and responsibilities which make fraud and corruption hard to perpetrate and will be likely to expose fraud and corruption at the earliest opportunity. **Annex A** summarises all the related policies and documents in the council that support the anti-fraud and anti-corruption culture of the organisation, a number of which are referred to in this strategy.
- 6.1.2 The risk of fraud cannot be dealt with in isolation. Management of the risk of fraud is a key aspect of corporate governance and it is essential that all St Edmundsbury Borough Council members and officers should have a level of understanding of the council's anti-fraud and anti-corruption strategy. However, some individuals and groups have specific leadership roles or responsibility and these are identified in **Annex B**.
- 6.1.3 The council will promote and develop a strong anti-fraud culture, raise awareness and provide information on all aspects of its anti-fraud work.
- 6.1.4 All successful prosecutions of fraud and corruption will be publicised, which should give a strong warning to any person contemplating acting dishonestly against the best interests of the council.

6.2. Prevention

The role of employees

- 6.2.1 A key preventative measure in countering fraud and corruption exists within the recruitment process where, as far as possible, the previous record of potential employees (including temporary and contract staff), in terms of their propriety and integrity, can be established.
- 6.2.2 The recruitment of employees should be in accordance with procedures prescribed by the Chief Executive's Directorate and in particular with the requirement to obtain written references regarding, amongst other things, the known honesty and integrity of potential staff before employment offers are confirmed.
- 6.2.3 Staff are expected to abide by the council's Code of Conduct for Employees which sets out the council's requirements regarding personal conduct. In addition staff who are members of professional bodies are expected to follow any code of conduct issued by their professional institute.
- 6.2.4 The council's Code of Conduct for Employees also refers to the requirement that officers must operate within the Local Government Act 1972 (section 117). The Act requires that officers must give, as soon as is practical, written notice of the fact that they have a pecuniary interest either directly or indirectly in any contract in which the council is concerned. In addition they must not as an employee accept any fee or reward whatsoever other than their proper remuneration. Gifts and hospitality should only be accepted in accordance with the council's guidelines within the Code of Conduct for Employees.
- 6.2.5 All staff shall be made aware of and expected to adhere to any internal control system designed to prevent or detect fraud and corruption. All staff are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager and the Internal Audit Manager.

The role of councillors

- 6.2.6 Councillors are required to operate within the council's constitution, including the Councillors' Code of Conduct.
- 6.2.7 Councillors agree to observe the code of conduct and register interests specified in the code with the Monitoring Officer.
- 6.2.8 The council has established a Standards Committee which is responsible for promoting and maintaining high standards of conduct by councillors and co-opted members.

The maintenance of systems against fraud and corruption

- 6.2.9 The Chief Finance Officer, as the responsible financial officer, has a statutory responsibility under section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations, to make arrangements for the proper administration of the council's financial affairs. The council's constitution, Financial Procedure Rules and Contract Procedure Rules assist in the discharge of this responsibility. There is also a requirement to maintain an adequate and effective internal audit section. The Anglia Revenues Partnership Fraud Team investigate benefit fraud on behalf of the council.
- 6.2.10 The council has developed and will continue to operate and update systems and procedures, which incorporate efficient and effective internal controls and which include adequate separation of duties to ensure that errors or impropriety are prevented. Corporate directors and heads of service are required to ensure that such controls, including those in a computerised environment (including any new systems implemented) are properly maintained. Their relevance, existence and effectiveness is independently monitored and assessed by internal audit and also our external auditors.

Partnership with outside agencies

- 6.2.11 Arrangements are in place and continue to develop and encourage the exchange of information between the council and other agencies on national and local fraud and corruption activity in relation to local authorities. These include such bodies as:
- The police
 - Audit Commission
 - Professional bodies – including the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Revenues Rating and Valuation (IRRV)
 - Central government including the Department of Works and Pensions and HM Revenues and Customs
 - Ombudsman's Office
 - Home Office
 - Association of Council Secretaries and Solicitors
 - Suffolk Chief Financial Officers Association (SCFOA)
 - Suffolk Working Audit Partnership.
 - National Anti-Fraud Network (NAFN)
 - National Fraud Authority
- 6.2.12 These arrangements provide a valuable means of combating potential fraud. On a national scale such collaboration has been very successful in identifying and reducing the risk of external fraud particularly in the area of Housing Benefits through computer data matching techniques.
- 6.2.13 With regard to the National Fraud Initiative (NFI) exercise and data matching techniques generally, the council has adopted the Audit Commission's Code of Data Matching Practice. All employees on the council's payroll have been advised of data matching exercises and of their rights under the data protection legislation. In addition, data matching 'warnings' are included on

stationery such as Benefit Claim forms and Council Tax bills and review forms.

Role of Internal Audit

- 6.2.14 Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors should, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud or corruption may have been occurring. At the request of management, Internal Audit may also be asked to investigate suspected fraud or corruption.

Role of external audit

- 6.2.15 Part of the external auditor's statutory duties is to check that the council has adequate arrangements in place for the prevention and detection of fraud and corruption.

6.3 Detection

- 6.3.1 Whilst the range of preventative measures and internal control systems employed by the council should provide indicators of any fraudulent activity, it is often the alertness of staff and the public to such indicators that enables detection to occur and the appropriate action to take place.
- 6.3.2 Despite the best efforts of managers and auditors many frauds are discovered by chance or from information received and the council has in place arrangements to enable such information to be properly dealt with as set out in Financial Procedure Rules and the Whistleblowing Guide.
- 6.3.3 Employees are required by the Financial Procedure Rules to report all suspected irregularities to the Chief Executive Officer and Chief Finance Officer. The Code of Conduct for Employees also advises them to report any aspect of the provision of a service or behaviour of a colleague which might, if more widely known, bring the council into disrepute. It is also the case that any employee who believes or suspects that a conflict with this strategy has occurred, or may occur in the future, must raise their concerns as soon as possible.
- 6.3.4 Members of the public are encouraged to report genuine concerns through the appropriate channels. The council has a formal complaints procedure, which can deal with a wide range of issues including allegations of fraud and corruption. Alternatively the complaints can be taken directly to the independent Local Government Ombudsman or the Standards Board for England.
- 6.3.5 The council will treat any financial malpractice very seriously. The council will deal swiftly and firmly with those who are involved in fraudulent or corrupt acts.

6.4 Investigation

- 6.4.1 In order to ensure a proper and consistent response to any reported suspicion of fraud or corruption, the investigation of irregularities is carried out in accordance with the requirements of Financial Procedure Rules. The Chief Executive Officer and Chief Finance Officer should be informed of any suspected fraud or irregularity and they will determine what steps they consider necessary by way of investigation and report. The matter may be referred immediately to the police. Alternatively they may request that the Internal Audit section undertake an investigation with any subsequent report being issued to the Chief Executive Officer, Chief Finance Officer, the relevant corporate director, the Monitoring Officer and the Head of Human Resources and Organisational Development.
- 6.4.2 Depending on the nature and anticipated extent of any allegations or irregularities the investigators will normally work closely with management and other appropriate agencies to ensure a timely and complete investigation and report.
- 6.4.3 Where it is found that irregularity has occurred or is occurring the Chief Executive Officer will decide the course of action to be taken. The council's presumption is that the Police will, in normal circumstances, be involved. The Crown Prosecution Service determine whether a prosecution will be pursued.
- 6.4.4 The council's disciplinary procedures will also be used where the outcome of any investigation indicates improper behaviour whether or not it has been referred to the Police.
- 6.4.5 On occasions the council's external auditors may also carry out investigations into suspected fraud or corruption and will do so in accordance with their established procedures.
- 6.4.6 If there is suspicion that an offence of money laundering may have taken place the Money Laundering Reporting Officer (Internal Audit Manager) may refer the matter to the Serious Organised Crime Agency.
- 6.4.7 Suspected housing benefit fraud is subject to investigation by the Anglia Revenues Partnership's Fraud Team in accordance with the fraud policy. Their work may lead to prosecutions being taken against offenders.
- 6.4.8 It is a requirement of the Audit Commission that they are informed of all acts of fraud and/or corruption exceeding £10,000 in value. The Internal Audit Section will co-ordinate the completion of the appropriate documentation, which will be sent to the Audit Commission.

6.5 Sanctions and redress

- 6.5.1 Wherever possible the following actions will be taken where investigation supports suspicions of fraudulent or corrupt activity:
- Appropriate disciplinary action will be taken in accordance with the council's disciplinary procedures.

- Criminal proceedings will be brought whenever appropriate, should the Crown Prosecution Service decide a prosecution can be pursued.
 - Civil proceedings will be brought to recover lost assets whenever appropriate.
- 6.5.2 Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body) will also be used wherever appropriate.
- 6.5.3 Sanctions applied in relation to cases of Housing and Council Tax Benefits Fraud will be applied in accordance with the Fraud and Prosecutions Policy. Options include formal cautions, administrative penalties and prosecution.

6.6 Training and awareness

- 6.6.1 The council recognises that the success of this strategy and its general credibility will depend to a large degree on the awareness and responsiveness of employees and members to this strategy statement.
- 6.6.2 To facilitate this, the council supports the training of appropriate staff in the prevention, detection and investigation of fraud and corruption, including induction training whether provided through e-learning or other means.
- 6.6.3 Ongoing support, advice and guidance, for example on best practice development in preventing fraud and corruption, will be provided by Internal Audit.
- 6.6.4 A copy of this strategy is available on the council's intranet and St Edmundsbury Borough Council's website.

7. Defining success

- 7.1 The success of this strategy will be measured by focusing on the outcomes achieved from the actions outlined within this document. The outcomes to be measured will include:
- awareness levels
 - reports of suspicions
 - successful investigations
 - sanctions applied
 - financial losses recovered and where appropriate financial savings.
- 7.2 The achievements against these outcomes, and the actions taken to minimise future cases of fraud, will be documented in the Internal Audit Manager's annual internal audit report to the Performance and Audit Scrutiny Committee.

8. Conclusion

- 8.1 St Edmundsbury Borough Council is committed to tackling fraud and corruption. It has in place a network of systems and procedures to assist in preventing fraud and corruption and hence protect public funds and assets. The council's response to cases of suspected fraud or irregularity will be organised and effective and based on the principles included in this strategy.
- 8.2 In order to try and stay one step ahead of the fraud to which the council could be exposed, it is necessary for the council to remain aware of national developments and to strengthen systems and procedures where appropriate. This will ensure this strategy remains effective and in compliance with legislation and is up to date with developments in best practice.
- 8.3 Key sources of information that will be used to inform the continuous improvement of this strategy will be participation in the NFI exercise, Audit Commission publications (receipt of newsletters), HM Treasury publications (in particular, the Annual Fraud Reports), Anti-Fraud Network (ongoing e-mail alerts) and the Suffolk Audit Working Partnership (exchange of information on recent cases of frauds and scams within Suffolk).
- 8.4 Any significant and necessary changes to this Strategy will be reported to the Performance and Audit Scrutiny Committee.
- 8.5 Any questions about this Strategy can be directed to the Internal Audit Manager.

Adopted by the Council on 28 April 1998
Revised May 2009 by the Internal Audit Manager
Reviewed March 2011 by the Internal Audit Manager
Revised July 2011 by the Internal Audit Manager

Annex A – Overview of Anti-Fraud and Anti-Corruption Procedural and Regulatory Framework

Document	Purpose
The constitution	<ul style="list-style-type: none"> • Sets out how the council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.
Financial Procedure Rules	<ul style="list-style-type: none"> • Details the council's expectation of propriety and accountability. • Key controls that are in place to prevent financial irregularities. • Documents responsibilities.
Contract Procedure Rules	<ul style="list-style-type: none"> • Provides the framework within which the council may procure works, supplies and services.
Code of Corporate Governance	<ul style="list-style-type: none"> • Framework by which the council is accountable to its users, stakeholders and the wider community. • Sets out and describes the way in which the council carries out its functions through its members and employees and the procedures and processes by which it undertakes its work.
Whistleblowing Guide	<ul style="list-style-type: none"> • Sets culture of honesty. • Stipulates action that will be taken on allegations of impropriety. • Gives overview of mechanism to prevent and detect irregularity. • Provides an overview of arrangements to investigate irregularities.
Benefits Fraud and Prosecution Policy	<ul style="list-style-type: none"> • Sets council's attitude to benefit fraud. • Gives overview of mechanism to prevent and detect fraud. • Gives overview of arrangements to investigate potential fraud. • Defines the penalties and action that can be taken.
Enforcement Policy	<ul style="list-style-type: none"> • Defines the principles that the council will follow when taking enforcement / regulatory decisions. • Defines the types of surveillance, what Regulation of Investigatory Powers Act (RIPA) does and does not do and general information on RIPA.

Document	Purpose
Members Code of Conduct	<ul style="list-style-type: none"> • Defines the standards of personal behaviour of councillors. • Ensures that elected councillors are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
Code of Conduct for Employees	<ul style="list-style-type: none"> • Define the standards of personal behaviour of employees. • Ensure that employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
Registers of interests and register of gifts and hospitality for both councillors and staff	<ul style="list-style-type: none"> • All councillors and officers are required to disclose relevant interests and gifts and hospitality, with information provided in declarations recorded in registers.
Guidelines on Gifts and Hospitality	<ul style="list-style-type: none"> • Provide guidance on the need to record offers of gifts and hospitality.
Anti-Money Laundering Policy	<ul style="list-style-type: none"> • Provides guidance on legal and regulatory requirements which relate to money laundering and how they affect both the council as an organisation and staff themselves.
Complaints Guidance	<ul style="list-style-type: none"> • How complaints can be made. • What to do if a complaint is received. • How to proceed with a formal complaint.
Disciplinary and Capability Policy and Procedures	<ul style="list-style-type: none"> • Internal employment issues raised by the employee.

Annex B - Roles and responsibilities

	Specific responsibilities
Council members and Chief Executive Officer	To support and promote an anti-fraud culture but collectively the council, with the Chief Executive Officer, is ultimately accountable for the effectiveness of the council's arrangements for preventing, detecting and investigating fraud and corruption.
Corporate directors and heads of service	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Chief Executive Officer and Chief Finance Officer. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Head of Legal and Democratic Services / Head of HR and Organisational Development	To advise councillors and officers on ethical issues, probity, and standards, to ensure that the council operates within the law and statutory codes of conduct.
Chief Finance Officer	To advise on financial standards to be adopted by the council. To ensure that financial systems incorporate strong measures to reduce the risk of fraud / identify possible irregularities.
Internal Audit Manager	To be responsible for developing and implementing the anti fraud and anti corruption strategy and investigating any issues reported under this strategy. To ensure that all suspected or reported irregularities are dealt with professionally and that action is identified to improve controls and reduce the risk of recurrence. To provide assurance that fraud risks are being managed. To provide advice on managing fraud risk and design of controls.
All employees	To comply with council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management and to Internal Audit taking advantage, if necessary, of the Whistle Blowing Guide.
Money laundering reporting officer (Internal Audit Manager)	To be responsible for anti-money laundering measures within the organisation, assessment of any suspected cases of money laundering, and if appropriate reporting such cases to the Serious Organised Crime Agency.
Public, partners, suppliers, contractors and consultants	To be aware of the possibility of fraud and corruption against the council and report any genuine concerns / suspicions.
Performance and Audit Scrutiny Committee	To monitor compliance with the council's policies and consider the effectiveness of the council's anti-fraud arrangements.
Standards Committee	Promoting and maintaining high standards of conduct by councillors in accordance with their code of conduct.
Audit Commission	Reviews the adequacy of the council's arrangements for the prevention and detection of fraud, corruption and theft.