

Dudley MBC Anti – Fraud and Corruption Strategy

Approved by the Audit & Standards Committee April 2015

Dudley MBC is totally committed to creating and maintaining an environment where fraud and corruption will not be tolerated. The Council operates a zero tolerance on fraud and corruption, all instances will be investigated and the perpetrator[s] will be dealt with in accordance with established policies. Action will be taken to recover any property, assets or monies stolen from the Authority. Where appropriate arrangements will be made to ensure that the case receives maximum publicity to deter potential fraudsters.

1. Foreword

- 1.1 In line with the objectives of Dudley MBC this strategy aims to assist in setting high standards of governance, ethical behaviour and, ensuring the effective use of resources.
- 1.2 Dudley MBC is committed to protecting the public funds with which it has been entrusted. The aim of this strategy is to minimise any losses due to fraud and corruption, which will ensure that resources are used for their intended purpose of providing services to the citizens of Dudley. Adherence to the strategy will also ensure public confidence in the integrity and competence of the Council is maintained.
- 1.3 This Strategy also aims to outline the Council's pro-active approach to fraud and respond to the guidance issued by CIPFA and other national fraud bodies. As an organisation we take a pro-active stance on fraud. The governance arrangements within our council include the responsibility for countering the risk of fraud. Dudley MBC is committed to complying with the CIPFA "Code on Managing the Risk of Fraud".
- 1.4 The Council expects all members, governors and employees will assist in protecting resources and to conduct their affairs with integrity, honesty and openness. To assist in these responsibilities the Council has a Constitution which sets out the governance arrangements and includes Codes of Conduct for members and employees, Standing Orders and Financial Regulations.
- 1.5 There is an expectation that all individuals and organisations dealing with the council, such as contractors, partners, suppliers and users of council services will act with integrity. The council expects all its partners in both the private and public sectors to maintain sound governance arrangements and to set high standards of probity,

openness and integrity. All partners will be expected to comply with the Suppliers Code of Practice.

- 1.6 Whilst the Council has a framework of policies and controls for all to follow there is also a requirement for members and employees to promote a culture in which staff, suppliers and the public recognise that fraud and corruption has no place in Dudley and will not be tolerated.
- 1.7 Within this governance framework, members, governors and employees all have a part to play. This strategy seeks to clarify the responsibilities in relation to fraud and corruption within the following roles :-
 - a. Chief Officer Finance and Legal
 - b. Chief Executive
 - c. Members
 - d. Strategic Directors [and Chief Officers] & Head Teachers [and their managers]
 - e. Governors
 - f. Employees
 - g. Audit Services including Corporate Fraud
 - h. External Audit
 - i. Audit and Standards Committee
- 1.8 The Council already has a well-established Whistle Blowing Policy in operation, which is intended to encourage and enable employees and suppliers to raise serious concerns. This reporting policy is now supported by a fraud hotline, which is publicised to internal and external audiences. Reporting of any potential concerns can be done via an online form, telephone or email.
- 1.9 As a deterrent to others, the Council's general policy is to give maximum publicity to proven cases of fraud and corruption committed either against the Council, or by Council members or employees in their official capacity. A case would normally be considered proven if a person had been found guilty in criminal or civil proceedings or, an employee had been dismissed for gross misconduct [where no further appeals were available].

2. Definitions

- 2.1 In this policy statement, 'fraud and corruption' is intended to cover any attempt either :-
 - a. To dishonestly obtain cash, assets or other benefits; or
 - b. To improperly influence decisions.
- 2.2 Fraud typically involves distorting records to conceal misappropriation. Corruption typically involves giving or receiving bribes with a view to influencing decisions.

- 2.3 The Audit Commission defined fraud 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 of assets or otherwise for gain”.
- 2.4 The Fraud Act 2006 which came into effect on 15th January 2007 created a new general offence of fraud with three ways of committing it:
- Fraud by false representation
 - Fraud by failing to disclose information
 - Fraud by abuse of position

It also created new offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non-corporate traders.

- 2.5 The Audit Commission defined bribery and corruption as:-

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

The Bribery Act came into force in 2011.

- 2.3 Financial Regulations also require employees to notify management of any irregularity involving cash, materials or any other property of the council. In this document anything that fits that description should also be regarded as falling under the definition of ‘fraud or corruption’.

- 2.4 Examples of fraudulent or corrupt acts would include :-
- a. Submitting invoices for work not done.
 - b. Stealing cash and falsifying records
 - c. Falsifying or withholding information to obtain Council Tax Reduction
 - d. Using Council equipment without permission for private purposes.
 - e. Using Council materials for private purposes.
 - f. Falsifying hours worked.
 - g. Accepting gifts or hospitalities in exchange for placing work.

3. Chief Officer Finance and Legal

- 3.1. As the Council’s ‘responsible financial officer’ under Section 151 of the Local Government Act 1972, the Chief Officer Finance and Legal has overall responsibility for the proper conduct of the Council’s financial affairs.

- 3.2 More specifically, under the Accounts and Audit Regulations, he is required to ensure that the accounting control systems include :-
- a. "Measures to enable the prevention and detection of inaccuracies and fraud"
 - b. "Identification of the duties of officers dealing with financial transactions and the division of responsibilities of these officers in relation to significant transactions"
- 3.3 The above responsibilities are discharged through a whole framework of internal controls including: -
- a. Standing Orders
 - b. Financial Regulations
- All of which form part of the Council's Constitution. In addition, the Chief Officer Finance and Legal may prescribe more specific controls and procedures against fraud and corruption for individual systems.
- 3.4 Although the Chief Officer Finance and Legal is responsible for defining the system of internal controls to prevent/detect fraud and corruption, he is not directly responsible for its implementation, except in any other areas of the Council where he has direct line management responsibilities.
- 3.5 Under the Council's Financial Regulations, the Chief Officer Finance and Legal must be notified of any known or suspected irregularities in any financial procedure. This of course encompasses cases of fraud and corruption. He is then responsible for :-
- a. In consultation with the Strategic Director of Resources & Transformation and the Chief Officer/Head Teacher determining which cases should be referred to the police. [All cases where it appears a crime has been committed must be reported]. In the case of Members, the Chief Officer Finance and Legal will consult with the Chief Executive, Monitoring Officer and if appropriate the External Auditors.
 - b. Reporting serious losses over £10,000 to the Audit and Standards Committee as soon as practicable
 - c. Submitting an Annual Fraud Report to the Audit and Standards Committee
 - d. Reporting appropriate breaches of Financial Regulations to the Audit and Standards Committee.
- 3.6 The Chief Officer Finance and Legal is also responsible for taking any other appropriate action in order to recover losses e.g. reclaiming [former] employees' superannuation contributions.
- 3.6 The general policy of the Council is to pursue the recovery of losses as far as realistically possible.

- 3.7 Where, following an investigation into suspected fraud or corruption, a Strategic Director or Chief Officer decides not to instigate disciplinary proceedings; the Chief Officer Finance and Legal may refer the matter for consideration by the Chair of the Audit and Standards Committee in consultation with the Chief Executive, if he disagrees with that Strategic Director's or Chief Officers decision.
- 3.8 Under the Accounts and Audit Regulations, the Chief Officer Finance and Legal is responsible for maintaining 'an adequate and effective internal audit'. As part of that overall responsibility the Chief Officer Finance and Legal must assure himself that Audit Services adequately and effectively reviews the Council's controls against fraud and corruption.

Chief Executive

- 4.1 The Chief Executive must ensure that members receive appropriate training, guidance and advice on their responsibilities in relation to the prevention and detection of fraud and corruption.
- 4.2 The Chief Executive should periodically remind members and employees of their responsibility to comply with the requirements of their respective codes of conduct in the Council's constitution e.g. with regard to the declaration of interests, conflicts of interest etc.
- 4.3 Where the Chief Officer Finance and Legal disagrees with a decision of a Strategic Director's or Chief Officers decision not to instigate disciplinary proceedings in a case of fraud or corruption, he may refer the matter for consideration by the Chair of the Audit and Standards Committee in consultation with the Chief Executive. The Chief Executive must advise the Chair of the Audit and Standards Committee on what action she considers appropriate.

5. Members

- 5.1 Members should ensure that they understand and comply with requirements of the Members Code of Conduct [which forms part of the Council's Constitution]. Specific requirements relating to the prevention of fraud and corruption are concerned with :-
- a. Disclosure of interests
 - b. Registration of interests
 - c. Recording of gifts and hospitality
- 5.2 Members involved in planning decisions should familiarise themselves with the Code on Planning and comply with its requirements.
- 5.3 Members should ensure that they understand and comply with :-
- a. Those parts of Standing Orders and Financial Regulations which are relevant to their role
 - b. All other relevant parts of the Council's Constitution.

- 5.4 Where members are uncertain about any of their responsibilities in relation to the prevention and detection of fraud and corruption, either in general or in particular cases, they should seek advice from the Chief Executive or the Chief Officer Finance and Legal.
- 5.5 Under the Council's Financial Regulations Members must inform the Chief Officer Finance and Legal of any known or suspected regularities concerning cash, materials or any other property of the Council. This of course includes any instances of fraud or corruption. If these cases involve other members, they should also inform the Chair of the Audit & Standards Committee.
- 5.6 Members should not normally refer cases of known or suspected fraud or corruption directly to the police. Under the Council's Financial Regulations, this is the responsibility of the Chief Officer Finance and Legal in consultation with the Strategic Director of Resources and Transformation.

6 Strategic Directors, Chief Officers, Head Teachers & and managers to whom they delegate these responsibilities

[This section includes the Chief Executive and Chief Officer Finance and Legal]

- 6.1 Strategic Directors, Chief Officers and Head Teachers are responsible for preventing and detecting fraud and corruption in their services by maintaining effective control systems and ensuring that staff adhere to them. They are also responsible for ensuring they have considered the risk of fraud in their activities. Appropriate entries should be made in their Risk Register including mitigating actions to help prevent and detect fraud.
- 6.2 Specifically, they must ensure that :-
- a. The framework of internal controls set out in the Council's Constitution including Standing Orders, and Financial Regulations are observed.
 - b. Any other controls required by the Chief Officer Finance and Legal are fully implemented [this includes but is not limited to recommendations made by Audit Services].

In addition they should put into operation whatever other controls they consider necessary to prevent/detect fraud and corruption in the activities for which they are responsible, including partnerships. In doing so, they should take account of the recommendations and advice of Audit Services, External Audit and the Risk Management and Insurance Section.

- 6.3 They must ensure that staff are fully conversant with :-
- a. Those parts of Standing Orders and Financial Regulations which are relevant to their jobs.
 - b. The requirements of the Employee's Code of Conduct in the Constitution e.g. in relation to declarations of interest.
 - c. Any other relevant parts of the Constitution.

They should ensure that staff receive appropriate training in these matters and also, particularly in areas of high risk of fraud and corruption, general training in fraud awareness.

- 6.4 A key preventative measure against fraud and corruption is the appointment of staff of known good character. Strategic Directors, Chief Officers and Head Teachers should therefore ensure that :-
- a. References testifying to the honesty and integrity of potential employees are obtained before a person is appointed;
 - b. Check that qualifications are legitimately held;
 - c. In appropriate cases, checks are made with the Disclosure and Barring Service [DBS] and/or Independent Safeguarding Authority as appropriate;
 - d. Ensure that potential employees have the right to work in the United Kingdom.

- 6.5 Under Financial Regulations Strategic Directors, Chief Officers and Head Teachers who suspect that an irregularity involving cash, materials or any other property of the Council may have occurred must inform their Strategic Director or Chief Officer who must inform the Head of Audit Services or the Chief Officer Finance and Legal. This includes cases of fraud and corruption.

- 6.6 Strategic Directors, Chief Officers and Head Teachers should not notify the police of cases of fraud and corruption. This is the responsibility of the Chief Officer Finance and Legal, in consultation with the Strategic Director of Resources and Transformation and relevant Strategic Director, Chief Officer and/or Head Teacher.

[N.B. There is an exception where the circumstances clearly indicate that losses have resulted from forced entry. In that case, the police should be notified directly and the Risk Management and Insurance Section who should notify Audit Services if it is considered that there may have been weaknesses in security arrangements.]

- 6.7 Strategic Directors, Chief Officers and Head Teachers should not authorise any investigation of fraud or corruption, or make suspects aware that they are under suspicion, without the prior agreement of the Head of Audit Services [or authorised deputy]. In particular they should not undertake any surveillance of a suspect unless it has been considered in the light of the Council's RIPA [Regulation of Investigatory Powers Act] guidelines.

- 6.8 Where it is agreed with the Head of Audit Services that an investigation into fraud or corruption should be undertaken by staff in a Service Directorate or School, no final decision on whether to proceed with disciplinary action should be taken until Audit Services has had the opportunity to review the investigation and undertake any further work they consider necessary.
- 6.9 Strategic Directors and Chief Officers are responsible for ensuring that information relating to their services produced by the bi-annual National Fraud Initiative is thoroughly investigated.
- 6.10 Strategic Directors and Chief Officers are responsible for ensuring they have satisfactory arrangements in place for the prevention, detection and investigation of fraud in specialist areas such as council tax and housing tenancy

7 Governors

- 7.1 All governors should familiarise themselves with the governors code of conduct, and ensure they comply with its requirements.
- 7.2 Governors need to ensure they are aware of their responsibilities in relation to the prevention and detection of fraud and corruption and how to respond should they suspect any irregularity. These duties and responsibilities are outlined in the governor's handbook.

8 Employees

- 8.1 All employees should familiarise themselves with the Employee's Code of Conduct [which forms part of the Council's Constitution] and ensure they comply with its requirements. Specific requirements relating to the prevention and detection of fraud and corruption include :-
- a. Declaration of relationships with contractor.
 - b. Relationships with applicants for employment.
 - c. Personal interests in conflict with the Council's interests.
 - d. The separation of duties in tendering.
 - e. Giving/receiving gifts.
 - f. Giving /receiving hospitality.

In addition, staff are expected to observe any Code of Conduct laid down by any professional body to which they belong, where membership is necessary or relevant to their job with the Council.

- 8.2 All employees should familiarise themselves with :-
- a. Those parts of Standing Orders and Financial Regulations which are relevant to their job
 - b. Any other relevant parts of the Council's Constitution.

Employees should ensure that they comply with all relevant requirements. In case of doubt about which requirements are relevant to them, or how these requirements apply, they should seek guidance from their managers.

- 8.3 Under Financial Regulations, an employee who suspects that an irregularity involving cash, materials or any other property of the Council may have occurred must inform their Strategic Director, Chief Officer or Head Teacher. This includes any instances of fraud or corruption. Normally employees should notify the Chief Officer Finance and Legal of such cases through the management in their own section. However, if an employee has concerns about raising the matter with their own Strategic Director, Chief Officer or Head Teacher, the Council's Whistle Blowing Policy sets out how it can be reported to a number of other contacts, anonymously if necessary.

Employees must also inform their manager of any illegality, impropriety, breach of procedure or serious deficiency in the provision of service.

9 Audit Services [including Corporate Fraud]

- 9.1 Management, not Audit Services, are primarily responsible for the prevention of fraud and corruption. Audit Services main role is to independently review how effectively management are managing and controlling their risks, including the risks of fraud and corruption.
- 9.2 The Head of Audit Services must ensure that the resources that Audit Services apply to fraud and corruption work are appropriate to the risks and are used effectively.
- 9.3 Where Audit Services find that controls against fraud and corruption are inadequate in principle or ineffective in practice, they must report this to management together with recommendations on how the situation can be improved.
- 9.4 Where cases of known or suspected fraud have been identified, the Head of Audit Services in consultation with management in the relevant section is responsible for deciding who should investigate them, whether :-
- a. Audit Services
 - b. Staff in the section
 - c. Other
 - d. A combination of the above
- 9.5 Where, an investigation into fraud and corruption has not been conducted by Audit Services, they must have the opportunity to review that investigation before any final decision on disciplinary proceedings is made and to request or conduct any further work which they consider necessary.

[NB This would not apply to any case which had been reported directly to External Audit and which they had decided to investigate themselves].

- 9.6 Audit Services is responsible for coordinating and overseeing :-
- a. The processing of data received through the bi-annual data matching exercise, the National Fraud Initiative
 - b. Other data matching exercises for the prevention of fraud
 - c. Corporate Fraud Group
 - d. Fraud Investigators Group
 - e. Maintaining a Fraud Action Plan and Fraud Response Plan
 - f. Benchmarking counter fraud practices against best practice guidance
- 9.7 Audit Services is also responsible for liaising with External Audit on any significant cases of fraud and corruption.
- 9.8 Audit Services will also co-ordinate the promotion of fraud awareness and associated control topics across the Council using a variety of methods including seminars and other training resources.
- 9.9 Audit Services may review the operation of any other Fraud Team as part of its programme of planned audits, but it has no responsibility for investigating cases of fraud or corruption relating to Council Tax fraud. The only exception to this is where there is a possibility that Revenue Service staff may themselves be implicated in the fraud or corruption. In such cases the Chief Officer Finance and Legal, in consultation with the Head of Audit Services must decide how such cases are to be investigated.
- 9.10 In any case involving a member of Corporate Board the Head of Audit Services will liaise with the Chief Executive or if appropriate, the Leader of the Council.

10 External Audit

- 10.1 As part of their statutory responsibilities, External Audit must determine whether the Council has adequate arrangements for standards of financial conduct and preventing and detecting fraud and corruption.
- 10.2 Where information about known or suspected fraud or corruption at the Council is supplied to External Audit, they may decide to investigate and report on the matter themselves.

11 The Audit and Standards Committee

- 11.1 Under the Council's Constitution the Audit and Standards Committee is responsible for overseeing :-
- a. The proper administration of financial affairs, under Section 151 of the Local Government Act 1972 [this of course includes proper arrangements for the prevention and detection of fraud].
 - b. Internal and external audit arrangements, [again this would include effective arrangements for the audit of controls to prevent and detect fraud or corruption]

- c. The adoption or revision of the Members' Code of Conduct.
- d. Any monitoring of the operation of the Members' Code of Conduct

- 11.2 Under the Council's Financial Regulations, the Chief Officer Finance and Legal must report appropriate breaches of Financial Regulations to the Audit and Standards Committee. The Committee must determine what action, or further action, should be taken in such cases.
- 11.3 The Chief Officer Finance and Legal will also submit details of significant frauds to the Audit and Standards Committee, as well as an Annual Fraud Report .