

# **Havant Borough Council Anti-Fraud and Corruption Policy**

The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside the Council.

## **Introduction**

In following best practice (CIPFA / SOLACE guidance on Corporate Governance) and managing its responsibilities, Havant Borough Council is determined to protect itself against fraud and corruption both from within the Council and from external sources. Havant Borough Council already has in place a Constitution, which sets out Codes of Conduct for both Councillors and Employees; a Whistle Blowing Policy; and Financial Regulations, which provide clarity about accountabilities of individuals, Councillors, staff, etc. The Anti-Fraud and Corruption Policy brings together these key elements. The Council is committed to an effective Anti-Fraud and Corruption Policy designed to:

- Promote an anti-fraud and corruption culture
- Ensure prevention
- Facilitate detection
- Identify a clear pathway for investigation and remedial action
- Encourage the application of sanctions where appropriate
- Maximise recovery

## **Key Message**

The Council's expectation of propriety and accountability is that Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. In all their work, they will adhere to the following General Principles of Conduct:-

### **Selflessness**

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

### **Honesty and Integrity**

Holders of public office should be truthful and must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards or benefits, holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias. This would cover such areas as making

appointments, awarding contracts, or recommending individuals for rewards or benefits.

### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

### **Personal Judgement**

Holders of public office may take account of the views of others, including in the case of Councillors their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

### **Respect for Others**

Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers, and its other employees.

### **Duty to Uphold the Law**

Holders of public office should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

### **Stewardship**

Holders of public office should do whatever they are able to do, to ensure that their authorities use their resources prudently and in accordance with the law.

### **Leadership**

Holders of public office should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence. They should also be willing to challenge poor behaviour wherever it occurs.

The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

### **Key Controls**

The key controls regarding the prevention of financial irregularities are that:

- (a) The Council has an effective anti-fraud and anti-corruption response plan and maintains a culture that will not tolerate fraud or corruption.

- (b) The Council has an effective anti-bribery policy and maintains a culture that will not tolerate bribery.
- (c) There are effective recruitment and selection procedures.
- (d) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt.
- (e) High standards of conduct are promoted amongst Councillors by the Governance Committee and all Councillors and staff act with integrity and lead by example.
- (f) A register of interests is maintained and any hospitality or gifts are recorded.
- (g) Whistle blowing procedures are in place and operate effectively.
- (h) Legislation, including the Public Interest Disclosure Act 1998 and the Regulation of Investigatory Powers Act 2000 (RIPA), is adhered to.
- (i) The Council has a policy for combating benefit fraud and error and maintains its profile in the community for tackling benefit fraud.
- (j) The Council maintains a Benefits Fraud Hotline.
- (k) The Chief Financial Officer is the focal point for promoting the anti-fraud message and the key point to refer concerns of fraudulent and/or corrupt activity

The Council will fully investigate any Councillor or Officer who appears to act outside these principles and will take appropriate action, which may involve criminal prosecution under legislation including, but not limited to, the Fraud Act 2006 and The Bribery Act 2010.

# Havant Borough Council Anti Fraud and Corruption Response Plan

This document provides details on how Havant Borough Council employees should respond to suspicion of fraud or corruption of any kind and raises awareness generally.

## 1. What Constitutes Fraud and Corruption?

- 1.1. In this document the term 'Fraud' is used to describe acts such as criminal deception, forgery, blackmail, corruption, theft, conspiracy, money laundering, false representation, concealment of material facts and collusion in any such matter.
- 1.2. For practical purposes fraud can be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.
- 1.3. Corruption covers the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of another person.
- 1.4. The Fraud Act 2006 states that the offence of Fraud can be committed in 3 ways:
  - Fraud by False Representation
    - (1) A person is in breach of this section if he/she:
      - (a) **dishonestly** makes a false representation; and
      - (b) **intends**, by making the representation:
        - (i) to make a gain for himself or another; or
        - (ii) to cause loss to another or to expose another to a risk of loss.
    - (2) A representation is false if:
      - (a) it is untrue or misleading; and
      - (b) the person making it knows that it is, or might be, untrue or misleading.
    - (3) "Representation" means any representation as to fact or law, including a representation as to the state of mind of:
      - (a) the person making the representation; or
      - (b) any other person.

- (4) A representation may be express or implied.
- (5) For the purposes of this section a representation may be regarded as made if it (or anything implying it) is submitted in any form to any system or device designed to receive, convey or respond to communications (with or without human intervention).
  - Fraud by failing to disclose information
    - A person is in breach of this section if he or she: **Dishonestly** fails to disclose to another person information which he/she is under legal duty to disclose and **Intends**, by failing to disclose the information, to make a gain for himself or another, or cause loss to another or to expose another to a risk of loss.
  - Fraud by abuse of position
    - A person is in breach of this section if he/she: **Occupies a position** in which he/she is expected to safeguard, or not to act against, the financial interests of another person and **dishonestly** abuses that position and **Intends**, by means of the abuse of that position to make a gain for himself or another or to cause loss to another or to expose another to a risk of loss. Note: A person may be regarded as having abused their position even though their conduct consisted of an omission rather than an act.

1.5 The Bribery Act 2010 specifically addresses the issues arising from corrupt practices such as the offering, giving, soliciting or acceptance of an inducement or reward. Please see the link to this below for the Councils Anti-Bribery Act Policy:

## 2. **How the Anti Fraud and Corruption Response Plan fits into the overall Council approach on Corporate Governance**

2.1. The Anti Fraud and Corruption Response Plan aims to give staff and Councillors more information about the prevention and detection of fraud and how the Council deals with fraud when it is discovered.

2.2. Well-framed internal regulations usually play a passive yet vital role in preventing or substantially reducing fraud. The Council's Financial Regulations serve this purpose. In addition the Council has several policies and procedures which cover non-financial anti-fraud measures such as recruitment, conduct and discipline. The Code of Conduct sets out the local standards expected by the Council.

- Employees will maintain conduct of the highest standard such that public confidence in their integrity is sustained.
- Local codes of practice will be developed to cover the official conduct and the obligations of employees and employers.

2.3. The Council also has a Whistle Blowing Policy, which aims to provide avenues for staff to raise concerns without fear of reprisals or victimisation,

and a policy for combating benefit fraud and error which specifically relates to Housing Benefit and Council Tax Benefit fraud.

- 2.4. The Council's Benefit Investigation Team will investigate benefit related matters. The Chief Financial Officer will instruct Internal Audit to investigate other Council related matters.

### **3. Detection**

- 3.1. The array of preventative systems, particularly internal control systems within the Council, help to provide indicators of, and help to deter, any fraudulent activity. Where fraudulent activity is suspected, this will normally be investigated by Internal Audit. It is not Internal Audit's responsibility to detect fraud; the role of Internal Audit is to check the adequacy of the controls within systems. However, the assessment of the risk of fraud is routinely taken into account in planning all internal audits.
- 3.2. It is the responsibility of Executive Directors, Executive Heads of Service and their managers to prevent and detect fraud and corruption. However, it is often the alertness of staff, Councillors and the public to the possibility of fraud and corruption which leads to detection. This allows appropriate action to be taken when there is evidence that fraud or corruption may have been committed or is in progress.
- 3.3. Allegations can be a key source in the detection of fraud. The Council treats all allegations and complaints seriously and is committed to investigate all such matters.
- 3.4. The Council's Whistle Blowing Policy allows employees and Councillors to raise any concerns they may have in confidence and anonymously should they so wish.

#### **Employees**

- 3.5. On suspicion of Fraudulent Activity:

DO:

- Make an immediate note of your concerns.
- Convey your suspicions to someone with the appropriate authority and experience e.g. your manager, provided they are not implicated, or the Chief Financial Officer/Monitoring Officer
- Retain any evidence you may have secured.

DON'T:

- Do nothing.
- Be afraid of raising your concerns.
- Approach or accuse any individual directly.
- Try to investigate the matter yourself.

- Convey your suspicions to anyone other than those with the proper authority.

### **Managers**

- 3.6. There are some common sense guidelines issued by the Audit Commission that managers should apply in all cases where fraud or corruption is suspected in the workplace.

#### DO:

- Be responsive to staff concerns.
- Note details.
- Evaluate the allegation objectively.
- Deal with the matter promptly if you feel your concerns are warranted.
- Advise the Chief Financial Officer/Monitoring Officer immediately.
- Take all complaints seriously.

#### DON'T:

- Ridicule or trivialise suspicions raised by staff.
- Approach or accuse any individuals directly.
- Try to investigate the matter yourself.
- Convey your suspicions to anyone other than those with the proper authority.

## **4. Reporting Suspicions Procedure**

- 4.1. Council employees and Councillors should report to the Chief Financial Officer/Monitoring Officer any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviour by Council employees, Councillors or by others. This includes reporting of any instances of suspected money laundering.
- 4.2. Internal Audit monitor instances of financial irregularities within the Council as a whole, and report certain details to external bodies. It also has a duty to ensure that appropriate investigations are carried out. For this reason Financial Regulations require the immediate notification of a suspected or actual irregularity to the Chief Financial Officer/Monitoring Officer. A maliciously false complaint may result in disciplinary proceedings being taken.
- 4.3. Management has the responsibility for ensuring that reasonable measures are taken to prevent fraud and corruption. Staff will usually report suspicions first to their manager. The following are a list of steps that can be taken by staff:

### **Step One**

We hope that you will feel able to raise your concern openly with your manager. This may be done orally or, if you prefer, in writing.

## Step Two

If you feel unable to raise the matter with your manager for whatever reason, or if you think the concern has not been properly addressed, please raise it with a senior manager in your area or one of the following officers:

Monitoring Officer  
Chief Financial Officer

## Step Three

If you still have a concern, or feel that the matter is so serious that it cannot be dealt with through steps One and Two, then please raise it with:

Chief Executive  
Executive Directors  
Chief Internal Auditor

These people have been given special responsibility and training in dealing with whistle blowing concerns and in particular the Public Interest Disclosure Act 1998.

- 4.4. There is a genuine need for staff to be able to voice their concerns in confidence. The Council aims to provide such a facility through the Whistle Blowing policy. However, it is not trying to encourage staff to spy on colleagues or to create an acrimonious environment of suspicion and counter-claim.
  - 4.5. Personal visits can be made to Chief Financial Officer or Monitoring Officer and discussions will be conducted in an appropriate meeting room.
  - 4.6. If the suspicion is related to Housing Benefit or Council Tax Benefit then it should be reported to the Benefit Investigation Team (see Strategy for Combating Benefit Fraud and Error). Your information will be treated seriously and will not be considered too insignificant or in any other way unimportant, and will be investigated fully. Again all information received is treated in the strictest confidence.
  - 4.7. On suspecting fraud or theft, try to avoid touching anything in the area where funds or data were located; seal the area, and notify IT if appropriate, don't attempt to examine records or any remaining funds. Then contact the Chief Financial Officer or Monitoring Officer or the Benefit Investigation Team or use the Council's Whistle Blowing Policy.
  - 4.8. The Council will do all it can to recover monies or assets misappropriated by employees or others as a result of dishonest behaviour. (See Section 7 on Recovery of Losses).
- 5. Investigation**

- 5.1. Investigation into suspected fraudulent activity will normally be carried out by Internal Audit who will liaise as appropriate with the Chief Executive, Monitoring Officer, Chief Financial Officer and Executive Directors or any other relevant officers and the Police.
- 5.2. All referrals are treated in the strictest confidence, treated seriously, fully investigated and the outcome will normally be reported to the informant.
- 5.3. On receiving information from a member of staff, a preliminary interview to determine whether an investigation is warranted will be conducted.
- 5.4. Where the criminal law appears to have been broken, an Executive Director will, with the agreement of one of the Statutory Officers refer, the case to the Police and continue to assist them throughout their investigation. The Police or the Council may bring a prosecution. Where an apparent irregularity arises between an employee and a third party the wishes of the third party concerning police involvement will be carefully considered. Normally police involvement should only arise if that party is prepared to agree to it, but there may be occasions when the employer considers that it is obliged to involve the Police.
- 5.5. In carrying out such work, strict working practices are required to be followed, which include full observation of authorisations and protocols put in place to ensure that any actions are carried out both fairly and lawfully, safeguarding the rights of privacy owed to the individual. This is governed by legislation including:
  - Data Protection Act (1998)
  - Human Rights Act (1998)
  - Regulation of Investigatory Powers Act (2000) (RIPA)
  - Freedom of Information Act (2000)
  - Criminal Procedures and Investigations Act (1996)
- 5.6. In all cases of misuse reported where covert surveillance may be needed, an application will be made either under the Council's own monitoring procedures or if appropriate under RIPA showing the extent of any adverse impact in conducting covert monitoring, and ensuring that this is properly considered and justified by the benefit to the Council. In such cases, any decision to go ahead with the exercise is subject to the independent authorisation under the Council's surveillance procedures or, in the case of RIPA, a Magistrate, and is strictly time limited. A central file is kept of all RIPA authorisations as required by the Act.
- 5.7. Internal Audit staff have a role in monitoring the activities of employees in the event of any allegations of impropriety where it is alleged. This could involve the covert monitoring of activities using electronic surveillance equipment or the monitoring/interception of electronic communications (e.g. e-mail, Internet, telephone usage). Monitoring is a recognised component of the employment relationship and this is well publicised within the Council's ICT Security and

Conduct policy regarding the acceptable use of its electronic and ICT systems. Clear warning is given that any unacceptable use or breach of policy may result in disciplinary action being taken against the person responsible.

5.8. Managers of the Council will also:

- Co-operate fully with Internal Audit and the Police during any investigation.
- Implement the Council's Disciplinary Procedure, where appropriate.
- Take prompt action to remedy any weaknesses discovered in internal control procedures.
- Deal swiftly, fairly and firmly with those who offend against the Council.

5.9. Where the suspicion involves a Councillor the Monitoring Officer will be notified immediately.

## **6. Prevention**

6.1. There are many ways of preventing fraud and corruption. The Council has adopted preventative measures as follows.

6.2. An adequate and effective internal audit service is provided to carry out an on-going review of financial and other systems in use and to test those systems for weaknesses in internal controls. In carrying out this work Internal Audit will have regard to the relative risk associated with particular systems as agreed with the Council's external auditor.

6.3. The Council's Recruitment and Selection procedure requires that references should always be taken up when recruiting candidates externally. This is intended to prevent people with a history of dishonest behaviour being employed by the Council in positions of trust. Human Resources check qualification certificates with the issuing bodies for key posts in the Council to ensure validity. Human Resources will also carry out Disclosure Barring Service (DBS) checks where appropriate in accordance with the Council's policies. Managers check references and prospective employees' right to work in the UK.

6.4. Employees who hold professional, trade or other qualifications are expected to comply with codes of conduct issued by the organisations of which they are members.

6.5. The Council aims to be an organisation that actively supports an anti-fraud culture through its policies and procedures, by supporting them and actively advocating them to staff/colleagues.

6.6. Before designing a system or making a decision, consider the risks to the Council and how to minimise or control the risk. (Internal Audit provides this advice when carrying out an audit assignment and can assist if you are changing systems).

- 6.7. Ensure that no one single person controls an operation from start to finish or can carry out an income or purchasing transaction on their own (separation of duties).
- 6.8. Systems design needs to be effective and efficient. Staff must understand their responsibilities for control where the system is relying on that control as a prevention measure and the monitoring of the adherence to this.
- 6.9. Responsibilities should be clearly set out and allocated to individual senior managers. It is important that management at all levels within the Council is alert to potential problems in their work area and that adequate and effective safeguards are in place to prevent financial irregularities. However, managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity will be picked up promptly and any loss to the Council minimised.
- 6.10. Specific preventive fraud advice can be given and often is when your service is audited. Make the most of your audit by drawing attention to areas of risk or concern. If your service requires additional assistance because you are changing your working practices Internal Audit will be pleased to assist in giving fraud prevention advice. Please contact Internal Audit through your Executive Director or Executive Head of Service.
- 6.11. The Councillors' Code of Conduct similarly sets out a recommended standard of conduct in carrying out their duties together with requirements to disclose details of Pecuniary Interests. The Council has in place a Governance Committee that promotes and maintains high standards of Councillor conduct and assists Councillors to observe the Code of Conduct.
- 6.12. The Constitution provides for executive decisions to be made in an open and accountable manner.
- 6.13. Financial Regulations prescribe the minimum standards for financial controls that must be in place within all processes in all Groups of the Council.
- 6.14. It is the responsibility of each Executive Director and Executive Head of Service to ensure that employees are aware of the measures set out above, that their clusters comply with them and that sound financial controls do exist within their financial systems and procedures.
- 6.15. Executive Directors and Executive Heads of Service should also ensure that guidelines, rules or other written procedures exist and are complied with for specific activities at risk from fraud and corruption.
- 6.16. Each employee and Councillor is responsible for observing these rules and codes. This will go a long way to preventing and detecting improper practice.

## **7. Recovery of Losses**

- 7.1. The Council will seek to recover the losses incurred as a result of fraud and corruption.
- 7.2. Management must inform the Council's Insurance Officer as soon as possible of any potential loss. Details of the case should also be given together with an indication of what recovery action is being attempted.
- 7.3. If anyone under investigation offers money in settlement of any losses to the Council, it should be made clear that any monies offered will be accepted on the following terms:
  - Without prejudice to any other action the Council may wish to take.
  - That acceptance is only in respect of losses identified to date.
  - The Council reserves the right to seek recovery of any further losses that may come to light in the future.
- 7.4. Claims under the Council's insurance arrangements in fraud and corruption cases should be regarded as the "last resort", and will only be instigated once all other avenues of recovery have been fully explored.

## **8. Fraud Awareness**

- 8.1. What motivates a person to commit a fraudulent act is not always easy to determine. Experience and surveys carried out of known frauds show that motivation falls into the following categories:
  - Personal financial problems.
  - A corporate ethos that is conducive to corruption ("everyone else is doing it – so I can" syndrome).
  - Rivalry or co-operation problems caused by malice or low staff morale.
  - Staff feeling they are under-rewarded.
  - Egotistical reasons - staff who want to beat the system.
  - Peer pressure.
  - Strong religious or political beliefs.
- 8.2. Opportunity can be created by all or some of the following circumstances:
  - Changes in systems (procedures, computers, location etc.).
  - Changes in personnel (new management, new staff).
  - A position of trust.
  - The ability to carry out a transaction from start to finish with no other intervention or accountability (e.g. being able to make a payment, cancel a debt etc).
  - Lack of audit trail - there is no trace of who committed a fraud.
  - An organisational culture that does not support accountability and control.

## **9. Training**

- 9.1. The Council recognises that the success and credibility of its Anti-Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. To this end, details of the Policy will be made available and publicised to all Councillors and all staff and will be referred to in the e-induction module or alternative induction training. It is both managers' and individuals' responsibility to ensure that their knowledge of the policies and procedures is refreshed as necessary.
- 9.2. The Council supports the concept of induction training, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. Those who do not comply with such training requirements may be subject to disciplinary procedures.
- 9.3. The officers involved in the review of internal control systems and investigative work should be thoroughly and regularly trained. The training plans of Internal Audit will reflect this requirement.
- 9.4. It is the responsibility of senior managers to communicate the Anti Fraud and Corruption Policy to their staff and to promote a greater awareness of the possibility of fraud within their services.

## **10. Conclusion**

- 10.1. The Council will maintain a continuous overview of these arrangements and, through the Chief Financial Officer, will ensure in particular a regular review of Financial Regulations, Financial Management and Audit Arrangements.
- 10.2. This Policy Statement will also be subject to regular review at least once every three years.