ANTI- FRAUD AND CORRUPTION STRATEGY

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1. Introduction

1.1   Bolton Council aims to provide quality services that provide value for money, whilst being fully accountable, honest and open in everything it does.

1.2   Any large organisation is at risk from fraud, corruption, theft, irregularity, improper use or misappropriation of its assets or resources.

1.3   This document sets out the Council's commitment to the prevention and detection of fraud and corruption and replaces the previous strategy. It summarises the responsibilities of members, management and employees and outlines the procedures to be followed where suspicion of irregularity is raised.

1.4   In relation to this Strategy, the term "Fraud and Corruption" includes, but is not limited to, bribery, false accounting, deception, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Such crimes can be committed by staff, Members, employees of other organisations or employers from whom the Council procures or might procure goods and services.

2. Policy Statement

2.1   The Council is committed to the prevention and detection of fraud and corruption. It is working to make sure that the opportunity for fraud and corruption is reduced to the lowest possible level. The Council aims to prevent fraud and corruption by:

- developing an anti-fraud and corruption culture to which everyone is committed;
- encouraging the reporting of reasonably held suspicions by operating a policy of openness;
- the existence of the Codes of Conduct for Members and Officers;
- designing and operating systems, procedures and policies which minimise the risk of fraud, etc;
- assessing, and reviewing, areas where the risk of fraud and corruption is greatest;
- assisting government bodies, where appropriate, in their investigations into fraud and corruption; and
- the operation of an effective Whistle blowing Policy

2.2   The Council will always seek to ensure that individuals who have acted, or who have attempted to act, fraudulently or corruptly are prosecuted and any proceeds of their actions are recovered.

2.3   It is important to recognise that fraudulent or corrupt activities do not have to directly result in financial loss to the Council. Actions which result in illegal gain to the individual can also be classed as fraudulent. Examples of this type of activity can include, for example, illegally obtaining money or property from service users, disclosure of confidential information, money laundering etc.

3.   Culture

3.1   The Council believes that a culture of honesty and openness is a key element in tackling fraud and corruption. This culture is enshrined in the existing Constitution. The Council has a :

- Codes of conduct for Members and officers
- Standing Orders
- Financial Regulations
- Contract procedure rules and financial procedure rules
- Accounting procedures and records
- Sound internal control systems
- An effective internal audit
- A disciplinary procedure
- A Prosecution Policy for Benefits Fraud
- A whistle blowing policy.
- A separate Housing Benefit Anti Fraud Strategy.
- A range of ICT security policies.
- Effective recruitment and selection procedures
- Fraud Response Plan
- Risk Planning
- Liaison with other organisations
- Anti-Money laundering Policy
- Training

3.2   Individual departments must also introduce their own measures which are designed to control their activities. These must include formal schemes of delegation, procedure manuals and a hierarchy of reporting arrangements, all of which are reviewed regularly and updated. All such measures must be linked to, and take account of, the requirements of:

- Corporate governance procedures;
- Risk management procedures;
- The control environment;
- Responsibilities under Section 151 of the Local Government Act 1972;
- Departmental and corporate annual governance statements.

- Comprehensive Area Assessment.

3.3   Managers must ensure that each employee has access to all rules and regulations and that appropriate training is provided where necessary.

3.4   Members, employees, consultants and others must make sure that they read and understand the rules and regulations that apply to them. This should be part of the induction process for new employees and Members.

4   An effective control environment

4.1   Weaknesses in the design and operation of systems and procedures can increase the risk of fraud or irregularities occurring. This is especially true where individuals recognise the weaknesses and seek to exploit them. All systems must, therefore, incorporate efficient, effective and well-documented controls. An effective control environment is dependent upon the overall attitude, awareness and actions of managers regarding internal controls.

4.2   The effective operation of internal controls is essential as a defence against fraudulent or corrupt practices. It is the responsibility of managers at all levels to make sure these controls are operating effectively by test checking and verifying work processed by the systems, and the individuals, under their control.

4.3   All Directors are responsible for ensuring that the control environment in their departments is effective. Each Director, as part of his or her Departmental annual governance statement, is required to:

- Set out any problem or risk areas which they feel could compromise the effectiveness of the department's control environment;
- Verify that controls are both operational and effective;
- Maintain effective procedures which take account of emerging and changing risks as well as providing effective risk management.

5   The Role of Councillors

5.1   As elected representatives, all Members have a duty to actively prevent any form of fraud or corruption, and follow their code of conduct to ensure high standards are maintained in the way they undertake their duties.

5.2   Executive Members have additional responsibilities in matters affecting corporate governance. Most of these duties are set out in

legislation e.g. the Accounts and Audit Regulations 2003 (amended 2006)

6   The Role of the Audit Committee

6.1   The Audit Committee has been given the task of managing and monitoring the regulatory framework of the Council. To this end the Committee will regularly review the Anti Fraud and Corruption Strategy and ensure that any matters arising from the implementation of this Strategy are properly investigated.

7   The Role of Management

7.1   The Director of Corporate Resources has a duty, under Section 151 of the Local Government Act 1972, to ensure that there are proper arrangements in place to administer the Council's financial affairs. This includes maintaining an adequate and effective internal audit service to carry out its agreed role (See section 10 below), as set out in the Financial Regulations.

7.2   The role of management in relation to fraud and corruption is set out as follows:

- under the Council's Scheme of Delegation, the devolving of responsibility to managers ensures that the culture is in place that staffs are aware of, and trained in the operation of the Council's measures to prevent and detect fraud and corruption etc.
- managers carry out checks on a regular basis to see that procedures are being followed.

7.3   Under the provisions of the Local Government and Housing Act 1989 Councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of Council decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive) or the Section 151 officer. In Bolton the Monitoring Officer is the Director of Legal and Democratic Services.

8   Employees of the Council

8.1   All officers must follow the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. Officers of the Council are expected to follow the code of conduct related to their personal professional body. The Council has in place disciplinary procedures for all categories of employee. Any breach of conduct will be dealt with under these procedures and may result in dismissal.

8.2   Officers must disclose any personal interests in procurement transactions relating to the Council to the relevant departmental head. These interests, details of which need to be kept in a register which is regularly updated, are not limited to direct interests in, for example, companies who deal with the Council. Any interest relating to a transaction should be disclosed. Examples include:

- "gifts" received from prospective contractors;
- Invitations to functions paid for by 3rd parties
- Any relationships with employees of those wishing to do business with the Council or may have an interest in Council matters.

9   Use of information systems

9.1   Fraudulent or corrupt acts can be committed more easily if management information systems are not controlled and monitored effectively. All employees and members must meet the requirements of the Council's ICT Policy and the Corporate E-Mail, Internet Security and Facsimile Policy, in relation to the proper and secure use of ICT equipment and the data held on computers.

10   Role of Internal Audit

10.1   Managers are responsible for maintaining internal control systems and making sure the Council's resources are properly applied in the manner and on the activities intended. Internal Auditors play a major role in ensuring that satisfactory control arrangements exist and are working as management intended.

10.2   The existence of an effective Internal Audit is a prime deterrent for fraud and corruption. This is achieved through the analysis of potential fraud areas and the risks associated with them, efficient and effective coverage of all risk areas and the preparation and delivery of an Audit Plan.

10.3   Internal Audit liaises closely with the Council's External Auditors on the levels of risk within the Authority, reviewing fraud prevention and detection processes put in place by management.

11   Role of External Audit

11.1   External Auditors appointed by the Audit Commission no longer have specific responsibility for examining the Council's arrangements for the prevention, detection and investigation of fraud and corruption. However, as external audit retain responsibility for commenting on the effectiveness of the Council's overall governance arrangements, the Council will make sure that

these arrangements are regularly reviewed and tested and are operational at all times.

12   Housing Benefit Fraud

12.1   The major portion of local authority fraud is the fraudulent claiming of housing benefit/council tax benefit. When administering the payment of benefit, the Benefits Service has a specific responsibility to prevent and detect benefit fraud. The service is accountable to the Secretary of State and the Audit Commission. The Benefits Service in Bolton has its own anti-fraud strategy which is reviewed every year.

12.2   To help ensure that the recommendations of the BFI are complied with and the value of fraud is reduced the Council:
- Has set up a Benefits Investigation Unit;
- Uses the DWP benefit fraud hotline;
- Has produced a member approved Prosecutions Policy;
- Has adopted the Verification Framework Scheme;
- Is part of the National Fraud Initiative

13   The Role of the Public

13.1   Members of the public, organisations, contractors and suppliers should be encouraged to raise any issues that concern them regarding possible fraudulent, corrupt or other illegal acts, through whichever channel they consider appropriate.

13.2   In the event that complaints against the Council from external bodies cannot be resolved informally the Council has a formal complaints procedure. Allegations received by anonymous letters or telephone calls must be treated seriously and investigated in an appropriate manner in accordance with the Council's Whistle blowing policy.

14   Detection and Investigation

14.1   This should be read in conjunction with the Fraud Response Plan. The Head of Internal Audit and Risk will work with managers to decide on the most appropriate course of action in each case.

15   Prosecution

15.1   The Council has adopted a protocol on sanctions and prosecution relating to all types of fraud. In respect of housing and council tax benefit, this is in line with guidance issued by the Department of Works and Pensions.

15.2   All cases of fraud/corruption, or attempted fraud/corruption, will be reported to the police.

16   Disciplinary Procedures

16.1   Fraud and corruption are serious offences against the authority and Employees may face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action may be taken in addition to criminal proceedings, depending on the circumstances of each individual case. The Council will ensure that all officers involved in disciplinary cases have a good understanding of the procedures to be adopted. The existence of a well-defined disciplinary procedure is a deterrent to employees contemplating fraud or corruption.

17   Awareness and training

17.1   The Authority recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and the awareness of elected members and employees throughout the Authority. A training programme is being drawn up. This will include:

- Fraud awareness training as part of the corporate induction course;
- Periodic use of the Council's Team Briefs to share fraud related news with Members and staff;
- Ad hoc training related to matters arising from, for example, risk registers, the Annual Governance Statement; reports from Internal Audit, external audit and other review bodies;
- Awareness of relevant and changing legislation.

18   Liaison with other Agencies

18.1   The Audit Commission has highlighted the importance of high levels of co-operation and report between the various agencies involved in the prevention and detection of fraud and corruption in the public sector. Named contacts have been established to ensure immediate access and assistance with a speedy investigation. In accordance with data protection and human rights regulations, the authority maintains links with, and shares information with certain organisations including:

- Audit Commission

- Greater Manchester Police

- CIPFA national and regional audit groups

- Greater Manchester Chief Internal Auditor Group

- National Anti-Fraud Network

- HM Immigration Office

- DWP

- The Benefits Agency

19 Risk Planning

19.1 The identification and assessment of risks requires the following:

- effective communication across the Council:

- meaningful and timely management information as part of key performance indicators and reported at Executive level:

- honesty, openness, perception and imagination required to produce 'intelligence' about the Council;

- the consideration of internal and external resources to help identify and critique threats/risks;

- the identification of risks as both generic (IT, HR, Finance etc) and organisation specific (i.e. specialist or unique activity areas, external/3rd party funding sources etc);

19.2 The Council requires each department to include a consideration of the risk of corporate/internal fraud and corruption within their risk identification process. This will provide a basis in which to quantify the level of existing fraud risk within the Council.

19.3 Information from the risk identification process is used by internal audit to identify areas of specific concern and these feed into the annual internal audit plan.

19.4 The Council has always prided itself on setting and maintaining high standards and a culture of openness and transparency, with core values of fairness, trust and value. This strategy fully supports the Council's desire to maintain an honest Authority, free from fraud and corruption.

19.5 The Authority has in place a network of systems and procedures to assist it in dealing with fraud and corruption, when it occurs. It is determined that these arrangements will keep pace with any future

developments in techniques both to prevent and detect fraudulent or corrupt activity that may affect its operation.

19.6   The Council will maintain a continuous review of all these systems and procedures through its internal audit arrangements.

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20   Review:

20.1   This strategy will be reviewed annually by the Audit Committee as part of the review of the Annual Governance Statement