

# **Anti-Fraud and Corruption Strategy**

**April 2019**

Adopted by Wren's Nest Primary Governing Body - May 2019

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# Dudley Metropolitan Borough Council

Dudley MBC ('The Council') is totally committed to create, maintain and promote an environment where fraud and corruption will not be tolerated. The Council operates a zero tolerance to fraud and corruption, all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established Council policies and using the full extent of the law. Action will be taken to recover any loss incurred by the Council, including property, assets or monies. In order to prevent and deter others, arrangements will be made to ensure that proven cases receive maximum publicity.

## 1. Foreword

- 1.1 A risk relating to fraud is detailed on the corporate risk register: *"The Council acknowledges that there is a risk of fraud across all areas of its operations and is working both internal and with external partners to prevent and reduce this risk."* The main mitigation against this risk is to ensure that the Fraud Action Plan is delivered and this is the responsibility of the Head of Audit Services.
- 1.2 In line with the objectives of the Council, this strategy aims to assist in setting the highest standards of governance, ethical behaviour and ensuring the efficient and effective use of its resources. References to the Council throughout this Strategy also include Schools where the Local Authority retains responsibility.
- 1.3 The Council is committed to protecting the public funds with which it has been entrusted. The aim of this Strategy is to mitigate against any losses due to fraud and corruption. The Council will ensure that resources are used for their intended purpose of providing vital services to the residents of the Borough. Adherence to this strategy will also ensure public confidence in the integrity and competence of the Council is maintained.
- 1.4 This strategy also aims to outline the Council's pro-active approach to combating fraud and corruption and will respond accordingly to the guidance issued by national anti-fraud organisations. The governance arrangements within the Council include the responsibility for countering the risk of fraud and corruption.
- 1.5 The Council expects all Members, governors and employees to assist with protecting the Council's resources and to conduct their affairs with integrity, honesty and transparency. To assist in the fulfilment of these responsibilities the Council has a Constitution which sets out the governance arrangements, and includes the Codes of Conduct for Members and employees, Contract Standing Orders and Financial Regulations.

- 1.6. There is an expectation that all individuals and organisations dealing with the Council, such as contractors and their sub-contractors, partners, external stakeholders, suppliers and users of Council services will act with honest, integrity and transparency. The Council expects all of its partners in both the private and public sectors to maintain good governance arrangements and to set high standards of probity, openness and transparency.
- 1.7 Whilst the Council has a framework of policies and controls for everyone to follow, there is also a requirement for Members and employees alike to promote a culture in which staff, suppliers, external stakeholders and the public recognise that fraud and corruption has no place in the borough of Dudley and furthermore will not be tolerated by the Council.
- 1.8 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 areas and roles:
- Chief Officer Finance and Legal Services;
  - Chief Executive;
  - Members;
  - Strategic Directors (and Chief Officers) and Head Teachers (and their managers);
  - Governors;
  - Employees;
  - Audit Services;
  - External Audit;
  - Audit and Standards Committee.
- 1.9 The Council already has a well established Whistleblowing Policy in operation, which is intended to encourage and enable employees and suppliers to raise serious concerns. This reporting policy is supported by a 24 hours a day fraud hotline, which is publicised to internal officers, members of the public and or suppliers. The reporting of a potential concern can be done via an online form, telephone or email, all of which are in operation 24 hours a day.
- 1.10 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, 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 (and where all appeals processes have been exhausted).

## 2. Definitions

2.1 In this policy statement, 'fraud and corruption' is intended to cover any instance whereby an individual(s) by their dishonest actions either attempts to or is successful in either:

- Making a gain for themselves or another, or
- Causing a loss to the Council or exposing the Council to the risk of loss, or
- Using their position to improperly influence decisions by dishonestly making false representations or failing to disclose to the Council information which they are under a legal duty to disclose.

2.2 Fraud typically involves misrepresenting or failing to declare true circumstances on official records and therefore concealing the truth.

Corruption typically involves giving or receiving of bribes for oneself or another with a view to influencing decisions.

2.3 Dealing with fraud effectively and efficiently is vitally important for the Council because:

- fraud wastes taxpayers' money, which means more money is spent than needs to be;
- fraud results in public money not going to the places that it is needed most; and
- fraud is a crime and should be treated and dealt with as such.

2.4 The Fraud Act 2006 created several new fraud offences:

- Fraud by false representation;
- Fraud by failing to disclose information;
- Fraud by abuse of position;
- Obtaining services dishonestly;
- Possessing, making and supplying articles for use in frauds.

2.5 The Bribery Act 2010 states:

A person is guilty of an offence if either they:

- offer, promise or give a financial or other advantage to another person AND intends the advantage to induce a person to perform improperly a relevant function or activity, or
- offer, promise or give a financial or other advantage to another person AND knows or believes that the acceptance or advantage would itself constitute the improper performance of a relevant function or activity.

It does not matter whether the person to whom the advantage is offered, promised or given is the same as the person who is to perform, or has performed the function or activity concerned.

2.6 Financial Regulations also require employees to notify management of any irregularity involving cash, assets, 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’.

2.7 Examples of fraudulent or corrupt acts would include, but are not limited to:

- Submitting invoices for work not done;
- Stealing cash, assets or materials;
- Providing false information;
- Failing to declare relevant changes that would have a material affect;
- Falsifying or withholding information to obtain Council discounts, allowances or services;
- Using Council equipment or materials without permission for private purposes;
- Falsifying hours worked or not working on designated duties;
- Falsely presenting yourself as sick at work;
- Accepting gifts or hospitalities in exchange for providing work or receiving work or to improperly change a decision.

### 3. Best Practice Guidance

3.1 This Strategy adheres to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to take responsibility and embed effective standards for countering fraud and corruption in their organisation in order to support good governance, furthermore demonstrate effective financial stewardship and strong public sector financial management. The Council has resolved to adopt the principles of the Code, of which the main elements are detailed below:

<b>Acknowledge</b>	The responsibility of elected Members and senior officers for countering fraud, bribery and corruption.
<b>Identify</b>	The fraud, bribery and corruption risks
<b>Develop</b>	An appropriate counter-fraud, bribery and anti-corruption strategy
<b>Provide</b>	Resources to implement the strategy
<b>Take Action</b>	In response to fraud, bribery and corruption

3.2 The five elements detailed above link to the three themes: Acknowledge, Prevent and Pursue, contained within the Local Government Fraud Strategy: Fighting Fraud Locally.

3.3 Audit Services undertake regular assessments against the Code of Practice for Managing the Risk of Fraud and Corruption and the Local Government Fraud Strategy: Fighting Fraud Locally.

#### **4. Chief Officer Finance and Legal Services**

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

4.2 More specifically, under the Accounts and Audit Regulations, the Chief Officer Finance and Legal Services is required to ensure that the accounting control systems include:

- Measures to enable the prevention and detection of inaccuracies and fraud;
- Identification of the duties of officers dealing with financial transactions and the division of responsibilities of these officers in relation to significant transactions.

4.3 The above responsibilities are discharged through a framework of internal controls including:

- Contract Standing Orders;
- Financial Regulations.

All of which form part of the Council's Constitution. In addition, the Chief Officer Finance and Legal Services may prescribe more specific controls and procedures against fraud and corruption for individual systems, or where additional or heightened risks have been identified.

4.4 Although the Chief Officer Finance and Legal Services is responsible for defining the system of internal controls to prevent and detect fraud and corruption, he is not directly responsible for its implementation, except areas of the Council where he/she has direct line management responsibilities.

4.5 Under the Council's Financial Regulations, the Chief Officer Finance and Legal Services or the Head of Audit Services must be notified of any known or suspected irregularities in any financial procedure. This encompasses cases of fraud and corruption. They are then responsible for:

- In consultation with Strategic Directors/Chief Officers/Head Teachers determining which cases should be referred for consideration of action through the Criminal courts (the institution of prosecution proceedings is the responsibility of the Lead for Law and Governance). All cases where it appears a crime has been committed must be reported. In cases whereby Members are suspected of wrongdoing, the Chief Officer Finance and Legal Services will consult with the Chief Executive, Monitoring Officer and if appropriate, the External Auditors.

- Submitting an Annual Fraud Report to Audit and Standards Committee.
- Reporting appropriate breaches of Financial Regulations to the Audit and Standards Committee.

4.6 The Chief Officer Finance and Legal Services is also responsible for taking any other appropriate action in order to recover losses, for example reclaiming former employees' superannuation contributions. The general policy of the Council is to pursue the recovery of losses as far as realistically possible.

4.7 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 Services may refer the matter for consideration to 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.

4.8 Under the Accounts and Audit Regulations 2015, the Chief Officer Finance and Legal Services is responsible for undertaking 'an effective internal audit'. As part of that overall responsibility the Chief Officer Finance and Legal Services must ensure that Audit Services adequately and effectively reviews the Council's controls against fraud and corruption and implement new or additional controls where appropriate.

## **5. Chief Executive**

5.1 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.

5.2 The Chief Executive should periodically remind Members and employees of their responsibility to comply with the requirements of the respective Codes of Conduct in the Council's Constitution, for example with regard to declaration of interests, conflicts of interest etc.

5.3 Where the Chief Officer Finance and Legal Services disagrees with a decision of a Strategic Director or Chief Officer to not instigate disciplinary proceedings in a case of fraud or corruption, he may refer the matter for consideration to 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 they consider appropriate.

## **6. Members**

6.1 Members should ensure that they understand and comply with the 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:

- Disclosure of interests;
- Registration of interests;
- Recording of gifts and hospitality.



- 6.2 Members involved in planning decisions should familiarise themselves with the Code of Practice for Members and Officers dealing with Planning Matters and comply with its requirements.
- 6.3 Members should ensure that they understand and comply with :
- Those parts of Contract Standing Orders and Financial Regulations which are relevant to their role;
  - All other parts of the Council's Constitution which are relevant to their role.
- 6.4 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 Services.
- 6.5 Under the Council's Financial Regulations Members must inform the Chief Officer Finance and Legal Services or Head of Audit Services of any known or suspected regularities concerning cash, assets, materials or any other property or resource of the Council. This includes any suspected instances of fraud or corruption. If these cases involve other Members, they should also inform the Chair of the Audit & Standards Committee.
- 6.6 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 Lead for Law and Governance in consultation with the Chief Officer Finance and Legal Services and the appropriate Strategic Director/Chief Officer/Head Teacher.

## **7 Strategic Directors, Chief Officers, Head Teachers (of LEA schools) and managers to whom they delegate these responsibilities (This section includes the Chief Executive and Chief Officer Finance and Legal Services)**

- 7.1 Strategic Directors, Chief Officers and Head Teachers are responsible for preventing and detecting fraud and corruption for the areas they are responsible for by implementing and maintaining effective control systems and ensuring that staff, including casual, temporary, full-time, part-time, consultants or similar 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 respective Risk Registers including mitigating actions to help prevent and detect fraud.
- 7.2 Specifically, they must ensure that:
- The framework of internal controls set out in the Council's Constitution including Contract Standing Orders and Financial Regulations are observed;
  - Any other controls required by the Chief Officer Finance and

Legal Services are fully implemented, this includes but is not limited to actions raised by Audit Services, External Audit and the Risk Management and Insurance Team.

7.3 They must ensure that staff are fully conversant with:

- Those parts of Contract Standing Orders and Financial Regulations which are relevant to their jobs and roles.
- The requirements of the Employees' Code of Conduct in the Constitution, for example in relation to declarations of interest.
- Any other relevant parts of the Constitution, statutory or mandatory instructions and known good practice.

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

7.4 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:

- References testifying to the honesty and integrity of potential employees are obtained before a person is appointed.
- Check that qualifications are legitimately held.
- In appropriate cases, checks are made with the Disclosure and Barring Service (DBS) and/or Independent Safeguarding Authority as appropriate.
- Ensure that potential employees have the right to work in the United Kingdom.

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

7.6 Strategic Directors, Chief Officers and Head Teachers should **not** directly notify the police of cases of suspected fraud and corruption. This is the responsibility of the Lead for Law and Governance in consultation with the Chief Officer Finance and Legal Services and the appropriate Strategic Director/Chief Officer and/or Head Teacher. The Lead for Law and Governance is also responsible for the instigation of prosecution proceedings undertaken by the Council.

(NB/ There is an exception where the circumstances clearly indicate that losses have resulted from forced entry. In this case, the police should be notified directly and the Risk Management and Insurance Team should notify Audit Services if it is considered that there may have been weaknesses in security arrangements).

- 7.7 Strategic Directors, Chief Officers and Head Teachers should not authorise any investigation of suspected 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 covert surveillance of a suspect unless it has been considered in accordance of the Council's RIPA (Regulation of Investigatory Powers Act) guidelines.
- 7.8 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 or criminal action should be taken until Audit Services has had the opportunity to review the investigation and undertake or request any further work they consider necessary.
- 7.9 Strategic Directors and Chief Officers are responsible for ensuring that information/matches produced as part of the National Fraud Initiative relating to their respective service areas are thoroughly investigated.
- 7.10 Strategic Directors, Chief Officers and Head Teachers are responsible for ensuring they have satisfactory arrangements in place for the prevention, detection and investigation of fraud in their respective service areas.

## **8 Governors**

- 8.1 All Governors should familiarise themselves with the Governor's Code of Conduct, and ensure they comply with its requirements.
- 8.2 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.

## **9 Employees**

- 9.1 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 but are not limited to:
- Declaration of relationships with a contractor(s) and or external stakeholders where a conflict may be present.
  - Relationships with applicants for employment.
  - Personal interests in conflict with the Council's interests.
  - The separation of duties in tendering.
  - Giving/receiving gifts.
  - Giving /receiving hospitality.

In addition, employees are expected to observe any Code of Conduct or requirements stipulated by any professional body to which they belong,

accredited by or affiliated to or where membership or standards are necessary or relevant to their role within the Council.

9.2 All employees should familiarise themselves with :

- Those parts of Contract Standing Orders and Financial Regulations which are relevant to their role.
- Any other relevant parts of the Council's Constitution, statutory or mandatory instruction or known good practice.

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 may apply, they should seek guidance from their managers.

9.3 Under Financial Regulations, an employee who suspects that an irregularity involving cash, assets, 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 Services or Head of Audit Services of such cases through their own management. However, if an employee has concerns about raising the matter with their own Strategic Director, Chief Officer or Head Teacher, the Council's Whistleblowing Policy sets out how it can be reported to a number of other contacts, anonymously if necessary.

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

## **10 Audit Services**

10.1 Service area management, not Audit Services, are primarily responsible for the prevention and detection of fraud and corruption. Audit Services has two main roles:

- To independently review how effectively management are managing and controlling their risks, including the risks of fraud and corruption.
- To develop and implement a Fraud Action Plan to prevent and detect fraud, together with the investigation and resolution of detected fraud cases.

10.2 The Head of Audit Services must ensure that appropriate Audit Services resources are deployed effectively and efficiently to combat fraud and corruption in conjunction with known risks

10.3 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 actions on how the situation can be improved.

10.4 Where cases of known or suspected fraud or corruption have been identified, the Head of Audit Services in consultation with management in the relevant service area is responsible for deciding who should investigate them, whether:

- Audit Services.
- Staff in the service area.
- Other.
- A combination of the above.

10.5 Where an investigation into fraud and/or corruption has not been conducted by Audit Services, then Audit Services must have the opportunity to review that investigation before any final decision on disciplinary or criminal proceedings is made, and also 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 or the Police where they have agreed undertake the investigation themselves).

10.6 Audit Services is responsible for co-ordinating and overseeing the Council's Anti-Fraud and Corruption Strategy and Fraud Action Plan which will aim to prevent, detect, investigate and resolve fraud and corruption.

10.7 Audit Services is also responsible for liaising with External Audit on any significant cases of fraud and corruption.

10.8 Audit Services will co-ordinate the promotion of fraud awareness and associated control topics across the Council using a variety of methods including but not limited to seminars, newsletters and training including on-line awareness courses.

10.9 Audit Services may review the operation of any other Fraud Team as part of its programme of planned audits or by ad-hoc arrangement.

10.10 In any case which involves a member of Corporate Board, the Head of Audit Services will liaise with the Chief Executive or if appropriate, the Leader of the Council.

## 11 **External Audit**

11.1 As part of their statutory responsibilities, External Audit must determine whether the Council has adequate arrangements in place for standards of financial conduct and preventing and detecting fraud and corruption.

11.2 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.

## **12 Audit and Standards Committee**

12.1 Under the Council's Constitution the Audit and Standards Committee is responsible for overseeing:

- The proper administration of financial affairs under Section 151 of the Local Government Act 1972 (this includes proper arrangements for the prevention, detection, investigation and resolution of fraud or corruption).
- Internal and external audit arrangements (again this would include effective arrangements for the audit of controls to prevent, detect, investigate and resolve fraud or corruption).
- The adoption or revision of the Members' Code of Conduct.
- Any monitoring of the operation of the Members' Code of Conduct.
- The Chief Officer Finance and Legal Services will submit an Annual Fraud Report and a Fraud Action Plan to the Audit and Standards Committee.

## **13 Review**

13.1 The Strategy will be reviewed on an annual basis to ensure it remains compliant with good practice, public sector standards and continues to meet the needs of Dudley Council.