

strategy

to help fight fraud and corruption



Anti-fraud & corruption

Strategy to help fight fraud and corruption

Foreword

Essex County Council has traditionally encountered low levels of fraud and corruption. We have been served for many years by dedicated and hardworking officers who have consistently demonstrated high levels of integrity and honesty. It is not by accident that public servants in this country are held in the highest esteem around the world for their personal and professional propriety.

However, despite these very high standards, we must never rest on our laurels. We take our responsibility as the guardian of public money extremely seriously and we know that increasingly we are being targeted by ever more sophisticated organised crime gangs. That is why it is important that we have in place clear and comprehensive anti-fraud and corruption policies.

We are one of the biggest organisations in the county and one of the largest local authorities in the country. We provide vital services to around 1.3 million people, have a turnover of more than two billion pounds a year and employ over 37,000 people. We pay pensions to a further 22,000 retired employees and manage property, investments and other assets worth billions of pounds.

We are determined that we will protect ourselves against fraud and corruption from within and outside the organisation. We have developed a strategy based on the 'seven principles of public life' as defined by the House of Commons committee on public life (the Nolan Committee).

Our main aim is to make it absolutely clear to everybody that we will not tolerate fraud or corruption. We expect anybody with any concern to report the matter immediately so we can investigate. We will make sure that we deal with these reports promptly. If a report is substantiated we will take effective and speedy action. In all cases, we will provide a clear explanation to anybody who raises concerns about our affairs.

We have designed the following strategy to fight fraud and corruption by encouraging prevention while also promoting detection. We also identify how we investigate suspected cases and the action we will take. The issues covered, which are explained more fully in the sections that follow, are:-

- culture;
- prevention;
- detection and investigation; and
- training.

A handwritten signature in black ink, reading "Hanny Field," with a comma at the end. The signature is written in a cursive style.

January 2010

Lord Hanningfield

Leader of the Council

Introduction

We are committed to an effective strategy to fight fraud and corruption.

The strategy is designed to:

- promote the prevention of fraud and corruption
- help people to detect fraud and corruption
- explain the procedures for investigating suspected cases; and
- explain what we will do if we identify cases of fraud or corruption.

Fraud is defined in the Audit Commission Fraud Audit Manual 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.’

Most actual and attempted fraud against local authorities is committed by people who do not work for the authority, usually by claiming grants and benefits to which they are not entitled.

Corruption is defined by the Audit Commission as:

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

Unlike fraud, corruption usually needs a council employee or councillor to take part.

We have a framework of written procedures and controls that sets out best practice and aims to reduce the risk of fraud and corruption. This supports the strategy to fight fraud and corruption, and includes:-

- Council Constitution;
- Financial Regulations;
- Procurement Rules and Procedures (for buying any items or services);
- Code of Conduct for Essex County Council Employees
- Code of conduct for Councillors; and
- Procedures and Guidance for Reporting Improper Conduct or Neglect of Duty.

We believe the best defence against fraud and corruption is to create a strong anti-fraud culture within the organisation. We promote the ‘seven principles of public life’ put forward by the Nolan Committee (you can find more details on this in Appendix A).

(Note: in all cases below the terms Head of Service and Chief Financial Officer have the meanings described in Financial Regulations.)

Culture

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

We expect all our staff and councillors to follow these principles and all legal rules, procedures and practices, and to protect our legitimate interests at all times.

We also expect that people and organisations we deal with will act with honesty towards us.

We would expect and encourage any person, whether or not they work for us, to tell us about any fraud or corruption they know about. There is advice on how to do this in Appendix B.

Any councillor or officer, and any person or organisation who falls short of these standards can be sure that we will take all necessary action to deal with the matter.

Prevention

Staff

Our staff are our first line of defence against most fraud and corruption. We expect and encourage them to be alert to the possibility of fraud or corruption and to tell us about any suspected cases.

Staff must work within:

- the Code of Conduct for Essex County Council Employees (which is made available to all employees);
- our regulatory framework including Financial Regulations and Procurement Rules and Procedures (for buying any item or service); and
- relevant codes of conduct including the standards of appropriate professional organisations and associations.

They must keep to section 117 of the Local Government Act 1972 and our Constitution, which says that they must tell us about any interests they have in any contracts relating to our affairs, similarly they must disclose any close personal relationships with both colleagues and external contractors (refer to the Code of Conduct for guidance). Employees must tell us about any fees or rewards that they are offered in their official capacity, other than their normal salary. In any event, fees or rewards should **not** be accepted without first ensuring compliance with the Code of Conduct for Essex County Council Employees.

One of our main preventative measures is to make sure that appropriate checks are made before we take on new members of staff. Heads of Service must follow the procedures in our recruitment and selection guidelines and code of practice. We must always undertake appropriate pre-employment checks (e.g. written references) before we can confirm any employment offers. We must treat temporary, contract and voluntary staff in the same way as permanent staff.

Councillors

Councillors must work within:

- the National Code of Local Government Conduct;
- sections 94 to 97 of the Local Government Act 1972;
- Local Authorities Members' Interest Regulations; and
- our regulatory framework, including the Constitution, Financial Regulations and Procurement Rules and Procedures.

We will tell councillors of their responsibilities at the induction course for new councillors, remind them of their responsibilities and update them on developments regularly. Details are also in the Councillor's Handbook. The details include rules on declaring and registering any possible areas of conflict between an elected councillor's County Council duties and responsibilities and any other area of their personal or professional life.

Others

We expect all people and organisations to act honestly in their dealings with us. We will check contractors' and suppliers' references, as well as carrying out suitable financial checks.

We welcome the help of a variety of people and organisations including:

- the public, local business community and media;
- our suppliers, contractors, consultants and service providers;

- the external auditor appointed by the Audit Commission, who must make sure that we have good arrangements in place to prevent and detect fraud and corruption;
- central government departments and parliamentary committees, external service inspectorates, including the local government ombudsman;
- HM Revenue & Customs;
- Essex Police; and
- Department for Work and Pensions.

We have links with other organisations to help our fight against fraud and corruption. We have arrangements to improve how information is exchanged between us and other agencies. This network includes:

- Essex Police – Serious & Organised Crime Directorate;
- Eastern Fraud Forum
- CIPFA Better Governance Forum
- the Society of County Treasurers;
- networks of heads of internal audit;
- the Audit Commission and external auditors; and
- the National Fraud Initiative data matching.

Our control systems

We have set up control systems designed to protect us and reduce the risk of fraud and corruption. There are more details in Appendix C. Our controls are contained in the Constitution, Financial Regulations and Procurement Rules and Procedures, supported by guidance, such as that to budget holders. These must be followed at all times.

If there are any problems, we have suitable disciplinary procedures and rules for all types of employees and councillors.

Detecting and Investigating

All Heads of Service and other managers must try to prevent and detect fraud and corruption. This is achieved by maintaining good control systems within the organisation, and ensuring people work within them. Also, the Internal Audit service (part of Finance Directorate) carries out work specifically aimed at detecting fraud and corruption.

We expect all our employees, councillors, partners and associates to give us information if they suspect fraud or corruption. We recognise that management checks, accidents, tip offs and whistle blowing often uncover fraud. We have arrangements to deal with such information. It is the alertness of employees and the public that allows us to detect fraud and we will always take action where we find evidence of fraud or corruption. Appendix B gives more details on whistle blowing.

Senior officers in the service that has been affected by suspected fraud or corruption are responsible for the initial enquiries, in such circumstances it is imperative that they refer to the guidance *'Fraud Response Plan for Managers'*. They may choose to request the assistance of Internal Audit, who have a dedicated Counter Fraud Team with specialist skills and experience in investigating fraud. In any event, **the Head of Internal Audit & Risk Management must be told about any suspected irregularity immediately it becomes apparent** and may decide to investigate further if necessary. Senior officers will also get the advice of Human Resources staff if there is likely to be disciplinary action. In cases of gross misconduct, the employee will be dismissed. We expect quick and firm action against anyone who defrauds us.

The investigation will be carried out to make sure that:

- all allegations and evidence are properly investigated and reported upon;
- we report all cases of fraud to the Audit Commission according to their procedures; and
- we recover, as far as possible, any loss we have suffered as a result of the fraud.

The external auditor also has powers to investigate fraud and corruption either independently or at our request.

Where we discover theft, fraud or corruption the matter may be referred to the police for further investigation and possible prosecution. The Head of Internal Audit & Risk Management in consultation, where appropriate, with the relevant Head of Service, and/or the Head of Law & Administration and/or the Director for Human Resources will advise whether any matter should be referred to the police for further investigation. We will not tolerate fraud or corruption.

If we suspect that an offence of money laundering may have taken place the Head of Law & Administration (as our Money Laundering Responsible Officer) may refer the matter to the National Criminal Intelligence Service. Our Anti-Money Laundering Policy sets out our procedures in greater detail.

Training

The success of this strategy depends mainly on the effectiveness of our training programmes and the commitment of our staff and members to an anti-fraud culture.

We support induction training and staff appraisal and development. All staff and councillors, and especially those involved in internal control systems, need to understand their responsibilities and duties in regard to preventing and reporting fraud and corruption.

It will be important to regularly highlight and reinforce each employee's role in this area.

Conclusion

We have a network of systems and procedures to help us fight fraud and corruption. We will make sure those arrangements stay up to date.

Internal Audit will monitor the success of this strategy and report to the Chief Financial Officer and the Audit Committee as to how well the strategy is working and about any proposed changes to it.

Appendix A - The seven principles of public life

1. Selflessness

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

2. Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

3. Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4. Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever public scrutiny is appropriate to their office.

5. Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give clear reasons for their decisions and restrict information only when the wider public interest clearly demands it.

6. Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

7. Leadership

Holders of public office should promote and support these principles by leadership and example.

Appendix B - Whistle blowing

We expect all our employees, councillors, partners and associates to give us information if they suspect fraud or corruption. This is often known as whistle blowing. Our Whistle blowing Policy can be found on the 'Working Here' site on the intranet (click on the link 'Support at work').

We will treat all information or concerns seriously and in strict confidence. If anyone feels unable to speak to their line manager or the officer directly responsible for the area they are concerned about, they can contact any of the following:

- Cajetan Chukwulozie - Head of Internal Audit & Risk Management (phone: 01245 431100 or ednet 21100)
- Peter Tanton – Counter Fraud Manager (phone: 01245 431146 or ednet 21146 mobile 07827976421)
- Joanna Killian - Chief Executive (phone: 01245 430014 or ednet 20014), or the relevant Head of Service
- Nick Bell – Director of Finance as our Monitoring Officer (phone: 01245 430413 or ednet 20413).
- Louise Wishart – Audit Commission as our appointed external auditors (phone 0844 7983006 or email l-wishart@audit-commission.gov.uk)

Members of the public can also get in touch with us via the above contacts if they suspect theft, fraud or corruption. The Head of Internal Audit & Risk Management should be advised of any such referrals received via the service area complaints procedure.

If anyone feels unable to raise their concerns in any of the above ways, they may want to phone Public Concern at Work on 020 7404 6609 (web site www.pcaw.co.uk), who are a registered charity whose services are free and strictly confidential.

Senior managers are responsible for following up any allegation of fraud and corruption they receive. They will do this by using agreed procedures contained in the Audit Commission leaflet,

“What Should You Do If You Suspect Fraud or Corruption?” Managers may ask Internal Audit to help them investigate cases of suspected fraud and corruption. This service has a dedicated Counter Fraud Team who are experienced in such investigations.

We expect senior managers to deal quickly and firmly with anyone who defrauds us. We will take firm action in cases involving fraud or corruption. We will refer instances of theft, fraud or corruption to the police if this is appropriate.

Appendix C - Control Arrangements

We have developed systems and procedures that include effective and efficient controls. These are designed to achieve clarity and accountability. One important control is giving people separate duties. This prevents any one person having too great an influence over any transaction. Our controls are designed so that even if a fraud happens, we will find it quickly and identify who is responsible. We regularly review the effectiveness and appropriateness of these controls, including an independent review by Internal Audit.

The Chief Financial Officer has legal responsibilities under section 151 of the Local Government Act 1972, sections 112 and 114 of the Local Government Act 1988 and the Accounts and Audit Regulations 2003 (SI 533 2003). These include:

- making sure our financial affairs are dealt with properly and that we keep to Financial Regulations and Procurement Rules and Procedures;
- making sure that we maintain and promote effective financial instructions and accounting guidance;
- maintaining an effective internal audit; and
- reporting to members and to the external auditor any illegal spending by our councillors, officers or contractors.

We have produced Financial Regulations and Procurement Rules and Procedures that outline best practice. Our Financial Regulations say that we must:

- have approval from the Chief Financial Officer of all financial systems and procedures (FR 2.8.vii); and
- carry out all financial, accounting and procurement procedures under these regulations and standards. Everyone must keep to these standards (FR 1.1). If anybody does not, you must report this to Chief Financial Officer (FR 1.4).

Heads of Service must ensure that all their staff are aware of the content of Financial Regulations and other regulatory documents and that they comply with them (FR 1.6).

In line with section 5 of the Local Government and Housing Act 1989, the Deputy County Solicitor has been named as the Council's monitoring officer. The monitoring officer must tell members of the Council if, at anytime he feels that any proposal, decision or omission by the Council, or any of our committees, subcommittees or officers constitutes breaking the law or may lead to our breaking the law or to maladministration. In doing this he has to consult with the Head of Corporate Finance where financial issues are involved.

The Deputy County Solicitor has also been nominated as the Council's Money Laundering Responsible Officer (MLRO). The MLRO will, with the help of the Head of Internal Audit, assess reports of money laundering received from Council staff and will, where appropriate, forward these to the National Criminal Intelligence Service. Our Anti-Money Laundering Policy sets out our arrangements in greater detail.

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You can contact us in a number of ways:

By telephone:

Cajetan Chukwulozie - Head of Internal Audit & Risk Management - 01245 431100 or ednet 21100

Peter Tanton – Counter Fraud Manager - 01245 431146 or ednet 21146, mobile 07827976421

By email:

cajetan.chukwulozie@essex.gov.uk

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By Fax: 01245 430590

By post:

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**The information contained in this booklet
is available in alternative formats: large print,
Braille, audio tape or disk.**

Please call 08457 430 430

