



**Report to:** Audit Governance and Improvement Review Committee  
**Date:** 26<sup>th</sup> March 2009  
**Subject:** Anti-Fraud and Corruption Strategy  
**Report of:** Executive Director of Business Support Services  
**Contact officer:** Martyn Kenyon 2550

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**Purpose / summary:** To request Member approval for the Council's updated Anti Fraud and Corruption Strategy

**Alternative options considered and reason for selecting the one recommended:** None – this is an integral part of the Council's governance arrangements

**Recommendation / decision:** Members approve the updated Anti Fraud and Corruption Strategy.

**Key Decision:** This report does not involve a key decision.

**Risks / Implications:**

Financial: None directly but the approach assists in minimising losses due to Fraud.

Staffing:

Policy:

Equal Opportunities - Has a None required

Diversity Impact Assessment been conducted?

Wards affected:

**Property – Does the proposal involve a reduction, addition or change to the Council's asset base or its occupation?**

No

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Legal Services confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **N/A**

Has the Service Director – Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council's budget? **N/A**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

\* delete which applicable

**For Cabinet reports only :**

Categorisation of the report:	<b>X</b>
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

Discussion	<b>X</b>
Decision	
Information	

**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer

Date

David Smith  
16<sup>th</sup> March 2009

# **Anti-Fraud & Corruption Strategy**

## **Introduction**

Organisations can potentially lose millions of pounds through fraud. Accountants KPMG have recently reported that in 2008, fraud cases in the courts reached £1.1bn, the second highest level in 21 years and that in the current economic climate this is expected to worsen. It is therefore essential that organisations are rigorous in re-enforcing their anti-fraud measures.

The Council's Corporate Framework provides a range of policies, procedures and codes which contribute to the Council having effective counter-fraud arrangements. The Anti-Fraud & Corruption Strategy which aims to keep losses due to fraud and corruption to an absolute minimum is a key element in promoting a strong ethical and counter fraud culture.

## **An Effective Anti-Fraud & Corruption Culture**

A self assessment of how the Council manages its fraud and corruption risk has been carried out against CIPFA's recently published Fraud Standards. This guidance is acknowledged good practice, is aligned to the approach of the National Fraud Strategic Authority, is endorsed by the Audit Commission and is considered as a benchmark in Comprehensive Area Assessments.

Wigan Council's counter fraud arrangements compare well against this best practice. In particular there is a clear remit to keep losses to fraud and corruption to an absolute minimum and this is supported at the highest levels of the Council. There are effective links between the development of anti-fraud policies and their execution, especially in relation to the prevention, detection and investigation of fraud. Counter fraud work is risk based and appropriately resourced. Where appropriate effective relationships have been developed with other organisations to prevent and fight fraud.

Nevertheless some areas for development have been identified from the self assessment. There is a need for a more formal programme of proactive work to promote awareness and consequences and so strengthen actions to deter and detect fraud. In addition mechanisms to enable real achievements in countering fraud to be measured are required so that the effectiveness of anti-fraud arrangements can be evaluated and reported.

Consequently the Anti-Fraud & Corruption Strategy has been updated to further develop the Council's counter fraud arrangements so that they comply with best practice and ensure that the management of fraud risk is firmly embedded within the culture of Wigan Council. A copy of the updated strategy incorporating an action plan to deliver this is attached at Appendix 1.

## **Supplementary Policies**

This self assessment and the updating of the Anti-Fraud & Corruption Strategy has implications for the supplementary fraud policies which support the strategy and in particular the Anti-Fraud & Corruption Policy Statement, the Whistleblowing Policy and the Fraud Prosecution Policy. The updated Whistleblowing Policy was reported previously and updates in respect of the remaining policies are attached at Appendices 2 and 3 respectively. For ease of reference, amendments are highlighted in red.

The Anti-Fraud & Corruption Policy Statement has been amended to reflect recent changes in key personnel within the Council so that references to key contacts remain current and appropriate. In addition appropriate definitions for fraud, corruption and theft have been added to enable the nature and scale of losses to be identified accurately. The statement has been expanded to include a section on the "Action the Council will Take" in response to reports of fraud. Finally for consistency with the Anti-Fraud & Corruption Strategy, references have been added to link the policy with the Council's Vision and to highlight the wider scope which applies to the work undertaken to counter fraud.

The Fraud Prosecution Policy has been revised to become the "Fraud Prosecution, Sanctions & Redress Policy". As the title suggests this policy has been extended to more clearly outline the Council's policy in respect of the application of sanctions and the redress that will be sought whenever an incident of fraud or corruption has been confirmed to have taken place. It also draws attention to the Council's commitment to publicise successful counter fraud work.

## **Recommendations**

Members are recommended to agree:

1. to the amendments in the updated Anti-Fraud & Corruption Strategy (Appendix 1)
2. to the key tasks outlined in the Anti-Fraud & Corruption Action Plan 2009/2012 which will contribute to the achievement of this strategy and improve the Council's arrangements in countering fraud and corruption. (Appendix 2)
3. to the amendments to the Anti-Fraud & Corruption Policy Statement (Appendix 3)
4. to the revised Fraud Prosecution, Sanctions & Redress Policy (Appendix 4)

## **WIGAN COUNCIL - ANTI-FRAUD & CORRUPTION STRATEGY**

### **1 Introduction**

- 1.1 This Anti-Fraud and Corruption Strategy links closely to the Council's Vision and supports the Council's values of openness, honesty and performing to the highest standards.
- 1.2 This document first outlines how the Council currently manages the risk of fraud and then reviews the Council's arrangements against the CIPFA Better Governance Forum's Red Book 2 "Managing the Risk of Fraud" as a basis for developing a counter fraud strategy which complies with best practice.
- 1.3 The guidance from CIPFA defines the following five key elements as foundations of an effective anti-fraud framework.
- Adopting the Right Strategy
  - Accurately Identifying the Risks
  - Creating and Maintaining a Strong Culture
  - Taking Action to Tackle the Problem
  - Defining Success
- 1.3 A detailed action plan is attached at Appendix 1 which highlights the key actions to be achieved over the next three years.

### **2 How the Council Manages the Risk of Fraud & Corruption**

#### **Policies, Procedures and Codes**

- 2.1 The Council's Corporate Framework provides a whole range of high level component parts, which contribute to the Council having an effective counter-fraud strategy, and some of the key ones include:-
- An Anti-Fraud & Corruption Policy Statement which emphasises the importance of probity to all concerned;
  - Member support;
  - Codes of conduct for Members and Officers;
  - "Whistleblowing" Policy, and Complaints Procedures;
  - Contracts Procedure Rules and Financial Procedure Rules;
  - Sound internal control systems, procedures and reliable records;
  - Effective internal audit;
  - Effective recruitment procedures;
  - The Council's Disciplinary Procedure;
  - Clear responsibilities, accountabilities and standards;
  - Induction and training.
- 2.2 These policies provide a framework within which the organisation operates. Having clear policies ensures clarity about individual accountabilities and the appropriate course of action in any given event. These policies not only ensure that a consistent and fair approach is taken during any investigations regarding suspected fraud or corruption but also contribute to the promotion of anti-fraud culture.

## Internal Control Systems

- 2.3 The Council has adopted a Constitution incorporating Contracts Procedure Rules, Financial Procedure Rules and various rules and codes of conduct that provide a requirement on officers, when dealing with the Council's affairs, to act in accordance with best practice.
- 2.4 The Service Director – Corporate Services has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs. In addition, under the Accounts & Audit Regulations 2003 as the "responsible financial officer", he is required to determine the accounting control systems which include:
- *"measures to enable the prevention and detection of inaccuracies and fraud,"*
  - *"identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions."*

The latter requirement is a key control in the prevention of impropriety.

- 2.5 The Council's aim is to have sound financial systems and procedures which incorporate efficient and effective internal controls. As part of the Strategy, the "separation of duties" should be considered as a fundamental control in systems, especially when involving significant transactions.
- 2.6 Under the Council's Financial Procedure Rules, chief officers are responsible for ensuring that adequate controls are in place. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the Council's Internal Audit Section.
- 2.7 As part of the Council's published Accounts each year, a formal statement is produced which describes the Internal Control Systems and provides an assessment of their effectiveness. This **Annual Governance Statement** is designed to provide assurance to external parties of the quality of the Council's governance arrangements and demonstrates effective stewardship of the public funds entrusted to the Council.
- 2.8 This network of systems and procedures to assist in the fight against fraud and corruption is well established and has been in place for many years. However the Council is determined to keep pace with future developments and therefore this strategy will build on the existing arrangements to ensure they remain current and comply with best practice.

## 3. Adopting the Right Strategy

- 3.1 Adopting the right strategy is a key element in effectively countering fraud and corruption. Wigan Council is committed to promoting a strong ethical and counter fraud culture. This anti fraud and corruption strategy is the mechanism for achieving this commitment and in particular, aims to reduce losses to fraud and corruption in all areas of the Council to an absolute minimum. It is intended to achieve this by complying with the best practice standards recommended by CIPFA's Better Governance Forum.

- 3.2 The strategy links closely to Council's Vision ***Building The Future Together*** which defines the following as values the Council aims to live up to
- Setting high standards
  - Open and honest
  - Leading by example
  - Focusing on performance
- 3.3 The strategy is not just concerned with operational activity to detect and investigate fraud and corruption, but also sets out objectives for pro-active actions to deter and prevent fraud and corruption through the development of an anti-fraud and corruption culture. Real achievements will be measured by specifying appropriate outcomes against which the effectiveness of the strategy can be assessed.
- 3.4 This strategy and the various policies which support it will be reviewed annually to ensure they remain current and satisfy best practice requirements.

#### **4. Accurately Identifying the Risks**

- 4.1 The risk of fraudulent or corrupt activity is included in the Council's risk management arrangements. It is acknowledged that if the potential incidence and magnitude of fraud can be identified and measured, this will allow resources to combat fraud to be allocated more effectively. However whilst data to measure detected fraud may be readily available, and is often generated as part of the investigation, the measurement of undetected fraud is more difficult to achieve.
- 4.2 The strategy will seek to adopt appropriate definitions for fraud and develop a formal mechanism for measuring fraud and corruption levels and losses.

#### **5. Creating and Maintaining a Strong Culture**

- 5.1 High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. In promoting good governance standards the Council aims to create an anti-fraud culture and environment to deter those who may commit fraudulent and corrupt acts and encourage those who suspect such activity to report it promptly.

#### **Members**

- 5.2 The responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management.
- 5.3 The Council has a Standards Committee, which promotes and maintains high standards of member conduct and assists members to observe the code of conduct. In particular Members are required to operate within:
- National Code of Local Government Conduct;
  - Sections 94-96 of the Local Government Act 1972;
  - Local Authorities Members' Interest Regulations 1992 (SI 618);
  - Council Rules of Procedure.

- 5.4 These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members and are in each Member's Handbook; they include rules on the declaration and registration with the Chief Executive of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives.
- 5.5 The Audit, Governance and Improvement Review Committee, which is chaired by a Member from a non-ruling political group to provide some genuine independence, was established in 2006 . A key role of the Committee is to review and ensure that there are adequate arrangements in place to deal with fraud and corruption. This includes responsibility for approving and supporting this Anti-Fraud & Corruption Strategy.

### **Officers of the Council**

- 5.6 A successful anti-fraud culture is one where acts of fraud and corruption are widely recognised as unacceptable behaviour and Whistleblowing is perceived as public-spirited action. The Council has put in place a number of policies, procedures and other actions to promote an anti-fraud culture to the officers of the Council.
- 5.7 All officers must abide by the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. This Code forms part of the Employee Handbook and is referred to in all Contracts of Employment. Officers of the Council are expected to follow any code of conduct related to their personal Professional Institute. These requirements are emphasised within the Corporate Awareness programme which is run for all new employees. NB this programme has been interrupted due to the ongoing reorganisations and needs to be refreshed and resumed as soon as possible.
- 5.8 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.
- 5.9 Officers must comply with the Council's Contracts Procedure Rules which require that they operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out in the Council's Code of Conduct for Employees.
- 5.10 The Service Director – Borough Solicitor is the appointed Monitoring Officer in line with the Local Government Act 2000. As part of this role, the Service Director – Borough Solicitor has overall responsibility for the maintenance and operation of the Authority's Whistleblowing Policy.

### **Safe Recruitment**

- 5.11 A key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential officers, in terms of their propriety and integrity. In this regard, temporary staff should be treated in the same manner as permanent officers.
- 5.12 Officer recruitment should be in accordance with procedures laid down by the Head of Peoples Services. Whenever possible, written references should be obtained with

specific assurances regarding the known honesty and integrity of potential officers before formal employment offers are made.

- 5.13 A key action under this strategy is to review the effectiveness of propriety checking procedures to ensure the Council remains up to date with and implements best practice in this area.

## **Training**

- 5.14 The Council recognises that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training, communication and responsiveness of officers throughout the organisation.

- 5.15 To facilitate this, the Council supports the concept of full induction, training and follow-up training; this applies particularly to officers involved in internal control systems and financial and finance-related systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced, and to casual, temporary and agency staff, who may not be aware of the high standards of probity that are required in the public sector.

- 5.16 The review of the Council's internal control systems and the investigation of fraud and corruption centres on Internal Audit, apart from the investigation of fraudulent Housing Benefit claims which rest with Housing Benefits Investigation Team. Staff working to counter fraud and corruption are professionally accredited and keep abreast of new developments and legislation by regularly attending relevant training courses.

- 5.17 The officers involved in the review of internal control systems and investigative work are properly experienced and regularly trained. The training plans of Internal Audit and the Housing Benefits Investigation Team reflect this requirement.

- 5.18 The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work. A key priority therefore will be to conduct a programme to promote fraud awareness to appropriate groups of officers throughout the Council.

## **Combining with Others to Prevent and Fight Fraud**

- 5.19 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the Data Protection Act 1998 and with the Audit Commission's Code of Practice for National Fraud Initiative Data Matching Exercises, and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases disciplinary action could lead to dismissal.

5.20 With the increase in recent years of frauds perpetrated against a variety of public bodies, which usually involve fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include:

- Police Forces and Fraud Squads
- Greater Manchester Association of Treasurers
- Greater Manchester Fraud Investigation Group
- Audit Commission and External Auditor
- Universities and Colleges
- Student Loans Company
- HM Immigration Office
- Department for Works and Pensions
- National Anti Fraud Network

## **6. Taking Action to Tackle the Problem**

### **Deterrence**

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:-

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity – e.g., publicising the Whistleblowing arrangements, clause in contracts, statements on benefits claim forms, publications etc.;
- Acting robustly and decisively when fraud and corruption are suspected and proven – e.g., the termination of contracts, dismissal, prosecution etc.;
- Taking action to effect the maximum recoveries for the Council – e.g. through agreement, Court action, penalties, insurance etc.;
- The Council's Media Communications Manager will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Authority. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.
- Having sound internal control systems, that still allow for innovation, but at the same time do not provide the opportunity for fraud and corruption.
- The operation and advertising of a fraud hotline in the Housing Benefits section.

### **Prevention**

6.2 Managers across the Council have an important role to play in the prevention of fraud and corruption. Managers need to understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk. To this end, Internal Audit and the Council's Risk Management Strategy endeavour to provide appropriate advice to managers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work.

6.3 The Internal Audit Plan includes a programme of work based on key risk areas as identified under the Council's risk management arrangements. This programme of work is not restricted solely to the investigation of detected fraud but also includes anti-fraud assurance work intended to deter and prevent fraud. Anti-fraud assurance work will represent an area of ongoing development and represents a key priority for the Anti-Fraud & Corruption Strategy.

## **Detection**

6.4 It is the responsibility of chief officers and their managers to prevent and detect fraud and corruption.

6.5 In addition, Internal Audit and External Audit will liaise closely and implement a cyclical programme of audits which will test for fraud and corruption. The Council also participates in the biennial National Fraud Initiative and detects certain types of fraud by this means.

6.6 However, despite the best efforts of managers and auditors, many frauds are discovered by chance or "tip-off". It is often the alertness of employees and the public that enables detection to occur.

6.7 The Anti-Fraud & Corruption Policy Statement provides a clear path for raising concerns and facilitating "tip-offs", and the fraud-response arrangements, outlined in the Strategy, enable such information or allegations to be properly dealt with. The Council's Whistleblowing Policy also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.

6.8 The Council's Whistleblowing arrangements will be reviewed against best practice from Public Concern at Work and updated accordingly. This will include testing staff confidence in the Whistleblowing arrangements and ensuring that the policy is communicated to and accessible to all employees and contractors. In addition the arrangements for members of the public to raise fraud concerns will be reviewed.

## **Investigation**

6.9 Senior management are responsible for following up any allegation of fraud or corruption that they receive and are required to inform the Internal Audit Section, of all suspected irregularities. The investigating officer, in consultation with Internal Audit, will:-

- deal promptly and confidentially with the matter;
- record all evidence that has been received;
- ensure that evidence is sound and adequately supported;
- make secure all of the evidence that has been collected, including electronic evidence;
- where appropriate, contact other agencies, e.g. Police;
- when appropriate, arrange for the notification of the Council's insurers;
- report to senior management, and where appropriate, recommend that management take disciplinary action in accordance with the Council's Disciplinary Procedures, and make any necessary revisions to systems and procedures to ensure that similar frauds do not recur.

- 6.10 Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Strategy and ensures:-
- consistent treatment of information regarding fraud and corruption;
  - proper investigation by an independent and experienced audit team;
  - the proper implementation of a fraud response investigation plan;
  - the optimum protection of the Council's interests.
- 6.11 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management, personnel, legal etc., and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.
- 6.12 The Council's disciplinary procedures will be used where the outcome of the Audit investigation indicates improper behaviour. "Reasonable belief" is sufficient ground for dismissal, rather than absolute proof as in a court of law.
- 6.13 The Council's External Auditor, the Audit Commission, also has powers to independently investigate fraud and corruption, and the Council can use this service too.
- 6.14 Where a fraud has occurred, management will need to take action to ensure that any control weaknesses which provided the opportunity for this are addressed. Where appropriate control weaknesses will be identified by the investigation. Any lessons learnt will be disseminated to all relevant sections. Whilst generally this is the current practice a key action will be to make this a formal conclusion to any investigation.

### **Sanctions and Redress**

- 6.15 Where financial impropriety is discovered, whether perpetrated by officers, Members or organisations (e.g. suppliers, contractors, and service providers) the Council deal with, the presumption is that the Police will be called in. The Crown Prosecution Service determine whether or not a prosecution will be pursued. Referral to the Police is a matter for the Service Director – Corporate Services and the relevant Chief Officer. Various officers will be consulted during investigations and the Service Director – Corporate Services and the Service Director – Borough Solicitor will be kept informed of referrals to the Police.
- 6.16 Referral to the Police will not inhibit action under the Council's Disciplinary Procedures. Serious cases of fraud or corruption would represent gross misconduct and consequently the officer may be liable to dismissal.
- 6.17 The Chief Executive and Service Director – Borough Solicitor, acting as Monitoring Officer, will advise on the course of action to be taken in relation to Members.
- 6.18 Suspected financial impropriety by any organisation the Council deals with, will be the subject of an investigation. If proven, this could result, for example, in the termination of an individual contract and may result in prosecution.

- 6.19 In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. If the fraudster is an employee, the loss may be recovered from any monies due to the individual on termination of employment. In the event of the fraudster being a member of the Greater Manchester Pension Fund, the Council may be able to recover the loss from the employee's accrued benefits in the Scheme.
- 6.20 In the event of the Council receiving a request for a reference in respect of an employee who has been dismissed as a result of a fraud/irregularity investigation, the Head of Peoples Services should be contacted for guidance regarding the wording of any reference provided.

## **7. Defining Success**

- 7.1 Success will be measured by focusing on the real outcomes achieved from the key actions outlined in this strategy. The outcomes to be measured will include the following
- awareness levels
  - reports of suspicions
  - successful investigations
  - sanctions applied
  - financial losses recovered and where appropriate financial savings
- 7.2 Performance targets and the achievements against these desired outcomes, and the actions taken to minimise future cases of fraud, will be contained in annual fraud report to the Audit, Governance & Improvement Review Committee.

## ANTI-FRAUD &amp; CORRUPTION STRATEGY ACTION PLAN – 2009/2012

Ref	Ref to Red Book 2	Action	Deadline
1.	1.1	Review the Anti-Fraud & Corruption Strategy against best practice requirements as recommended in CIPFA Better Governance Forum's Red Book 2 "Managing the Risk of Fraud".	March 2009
2.	1.1, 3.2	Ensure that the updated Anti-Fraud & Corruption Strategy is approved by BMG and the Audit, Governance & Improvement Review Committee.	March 2009
3.	1.3, 2.2, 3.2, 4.8 and 4.26	Update the supplementary fraud policies to consistently support the Anti-Fraud & Corruption Strategy and submit to BMG and the Audit, Governance & Improvement Review Committee for approval. <ul style="list-style-type: none"> <li>• Whistleblowing Policy</li> <li>• Anti-Fraud &amp; Corruption Policy Statement</li> <li>• Fraud Prosecution, Sanctions &amp; Redress Policy</li> <li>• Benefit Fraud Prosecution Policy</li> </ul>	February 2009 March 2009 March 2009 June 2009
4.	1.4, 1.5, 4.1, 4.2, 4.4, 4.8 and 4.20	Produce a detailed and risk based Annual Fraud Plan which includes both reactive and proactive assurance work and defines required outcomes in terms of increased confidence and a reduction in losses.	April 2009
5.	1.6, 3.2	Ensure that the Council's commitment to countering fraud and corruption is explicitly stated in the Annual Governance Statement.	June 2009
6.	2.2	Develop a formal mechanism for measuring fraud and corruption losses.	March 2010
7.	3.8	Include a cyclical review of recruitment procedures in Annual Fraud Plan.	April 2009
8.	3.9, 3.10 and 3.11	Confirm the adequacy of agreements with external bodies in respect of counter fraud arrangements.	March 2011

## ANTI-FRAUD &amp; CORRUPTION STRATEGY ACTION PLAN – 2009/2012

Ref	Ref to Red Book 2	Action	Deadline
9.	4.2 and 4.8	Undertake an interactive fraud awareness workshop programme. Ensure anti-fraud and corruption awareness is included within the induction process for Members and new employees	September 2009
10.	4.5 and 4.10	Canvass employees via the bi-annual Employee Survey to assess fraud and counter fraud awareness levels.	March 2011
11.	1.5, 4.9, 4.21, 4.25, 4.29, 4.31, 4.33 and 4.34	Undertake annual reviews of sanctions levied, redress obtained and the effectiveness of investigations and fraud assurance work. Formally report findings in the form of an Annual Fraud Report to the Audit, Governance & Improvement Review Committee.	March 2010
12.	4.9	Identify appropriate mechanisms for publicising proven cases of fraud and corruption and highlighting the relevant outcomes and redress.	March 2009
13.	4.15	Ensure that the Whistleblowing Policy is readily accessible to employees, members, contractors and members of the public.	September 2009
14.	4.16	Examine the potential for the development of Computer Assisted Audit Techniques and data mining practices to supplement National Fraud Initiative exercises.	March 2012
15.	4.3, 5.1 and 5.2	Define appropriate outcomes and set targets against which these outcomes can be measured and reported. Outcomes will include <ul style="list-style-type: none"> <li>• Awareness</li> <li>• Reports of suspicions</li> <li>• Sanctions applied</li> <li>• Recoveries</li> </ul>	March 2010



## WIGAN COUNCIL

### ANTI-FRAUD & CORRUPTION POLICY STATEMENT

#### **1 Introduction**

- 1.1 Wigan Council is determined to maintain its reputation as an Authority which will not tolerate fraud, corruption or abuse of position for personal gain, wherever it may be found in any area of Council activity. .
- 1.2 The purpose of this Policy Statement is to set out for members and officers of Wigan Council the main principles for countering fraud and corruption. The policy links closely to the Council's Vision and supports the Council's values of openness, honesty and performing to the highest standards.
- 1.3 The Policy statement includes:-
  - the scope;
  - the culture and the stance against fraud and corruption;
  - how to raise concerns and report financial malpractice;
  - the principle of having a Council anti-fraud & corruption strategy;
  - the responsible officer.
- 1.4 Elected Members, and officers, should play a key role in counter-fraud initiatives. This includes providing a corporate framework within which counter-fraud arrangements will flourish, and the promotion of an anti-fraud culture across the whole of the Council. This should provide a sound defence against internal and external abuse of public funds.
- 1.5 This Statement also reflects the principles of the Nolan Committee.
- 1.6 Part of the External Auditor's statutory duties are to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.

#### **2. Definition of Fraud & Corruption**

- 2.1 The Chartered Institute of Public Finance and Accountancy (Cipfa) defines Fraud as the

*“intentional distortion of financial statements or other records by persons internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain.”*

The Fraud Act 2006 further defines fraud in three classes

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position

2.2 Cipfa defines Corruption as the

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

2.3 The Theft Act 1968 defines theft as

*“a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”*

### **3 Scope**

3.1 The Policy Statement applies to elected members, co-opted members of committees, and all officers (full time, part time, temporary and casual) who work for the Council. The term "officer" includes all types of employees of the Council.

3.2 With regard to others who provide services for the Council, the Nolan Committee reiterated a fundamental principle in its report on the “Standards of Conduct in Local Government” 1997, which was:-

“Where a citizen receives a service which is paid for wholly or in part by the taxpayer, then the government or local authority must retain appropriate responsibility for safeguarding the interests of both the user and taxpayer regardless of the status of the service provider.”

3.3 Therefore, the Council expects that individuals and organisations (e.g. partners, suppliers, contractors, and service providers) that it deals with will act with integrity and without thought or actions involving fraud and corruption. Where relevant, the Council will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption; evidence of such acts are most likely to lead to a termination of the particular contract and may lead to prosecution.

3.4 The Anti-Fraud & Corruption Policy Statement and Strategy are commended to the Council's Partner organisations and to schools' governing bodies, with the expectation that they will be applied either wholly or as the basis for their own local version.

### **4 Culture and Stance Against Fraud & Corruption**

4.1 Responsibility for an anti-fraud culture is the joint duty of all those involved in giving political direction, determining policy and management. The strategy should be directed against fraud and corruption whether it is attempted against the Council from outside or from within its own workforce.

4.2 The Council expects that Members and officers at all levels will lead by example in ensuring adherence to legal requirements, contracts procedure rules, financial procedure rules, codes of conduct and best (professional) practice.

4.3 As part of this culture, the Council will provide clear routes by which concerns can be raised by both Members and officers, and those outside who are providing, using or paying for public services.

- 4.4 Senior Management is expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Council, including Members, senior management and governors, will be robust in dealing with financial malpractice.
- 4.5 The Council also has in place two Committees whose monitoring roles are relevant, and include independent members who are neither Councillors nor Officers:
- The Standards Committee, which sets and monitors standards of conduct.
  - The Audit, Governance and Improvement Review Committee, which ensures that adequate arrangements are established and operating to deal with situations of suspected or actual wrongdoing, fraud and corruption.

## 5 Raising Concerns

- 5.1 Although this document specifically refers to fraud and corruption, it equally applies to any forms of malpractice that can reduce public confidence in the Council and its services, and may also include acts committed outside of official duties but which impact upon the Council's trust in the individual concerned. Examples may include, the criminal acts of theft of "property", which includes all assets and cash; false accounting; obtaining by deception; pecuniary advantage by deception; computer abuse and computer crime. Also, it includes bribery and corruption. Officers and Members can be exposed to a number of "pressures", from contractors, landlords, the public etc. to act in a particular way in a particular case; this may involve "favouritism" regarding the access to all kinds of services and benefits (e.g. grants, awards, benefits, council housing, or gaining contracts, planning permission, etc.).
- 5.2 Members and officers are an important element in the Council's stance on fraud and corruption, and they are positively encouraged and expected to raise any concerns that they may have on these issues where they are associated with the Council's activity.
- 5.3 Officers should normally raise concerns through their immediate manager, however it is recognised that they may feel inhibited in certain circumstances. In this case, officers and members should contact one of the Council's Statutory Officers, either the Chief Executive, the Service Director – Corporate Services or Service Director – Borough Solicitor. The Council's "**Whistleblowing**" Policy gives further guidance on how to raise concerns and it gives details about the support and safeguards that are available to those that do raise concerns.

## 6 Action the Council Will Take

- 6.1 All concerns will be treated in confidence and will be investigated promptly and fully in a professional manner. It should be noted that an allegation does not mean the individual person or company is guilty of any wrong-doing, and so they will not be treated as such until the case is proven.
- 6.2 If fraud or corruption has taken place, the Council will, in appropriate cases
- prosecute the individual(s) or refer the case to the police
  - take appropriate disciplinary action where it involves an employee and this may lead to dismissal
  - refer the case to the Standards Board of England where it involves a Councillor
  - pursue recovery for any financial loss
  - where appropriate the results of any action taken, including prosecutions will be reported in the media.

6.3 There is, of course, a need to ensure that the investigation process is not misused, therefore, any internal abuse, such as raising malicious or vexatious allegations, may be dealt with as a disciplinary matter.

## **7 Anti-Fraud & Corruption Strategy**

7.1 This Policy Statement also forms an important part of the Anti-Fraud & Corruption Strategy by setting out the tone, culture and expectations of the Council, as part of the corporate framework.

7.2 The Strategy is concerned with both operational activity to detect and investigate fraud and corruption and also pro-active actions to deter and prevent fraud and corruption through the development of an anti-fraud and corruption culture.

## **8 The Responsible Officer**

8.1 Under Section 151 of the Local Government Act 1972 and The Accounts and Audit Regulations, the "Responsible Financial Officer" (i.e. the Service Director – Corporate Services) is responsible for ensuring that the Council has control systems and measures in place "to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records". An Anti-Fraud & Corruption Policy Statement and Strategy helps towards discharging part of this responsibility.

8.2 Also, under The Accounts and Audit Regulations, Wigan Council has delegated to the Service Director – Corporate Services, the responsibility for maintaining "an adequate and effective system of internal audit of the Council's accounting records and its systems of internal control in accordance with proper practices in relation to internal control", together with the statutory right of access to documents, records, information and explanations considered necessary for that purpose.

8.3 Accordingly, the Service Director – Corporate Services will:-

- take overall responsibility for the maintenance and operation of this Policy;
- promote awareness of the principles and practices it contains;
- maintain records of financial malpractice, including concerns and allegations received, matters arising from audits, investigations and evidence and the outcomes;
- report as necessary to the Council.

## WIGAN COUNCIL

**Fraud Prosecution, Sanctions & Redress Policy****1. Introduction**

As outlined in the Anti-Fraud Policy Statement, the Council is committed to protecting the public funds it administers through its actions in respect of the investigation, detection and prevention of fraud and corruption. Seeking prosecutions or other appropriate sanctions and/or redress is an essential element of this.

This policy statement is intended to provide broad guidance to Council officers involved in the detection and investigation of fraud and ensure that the decision to sanction/prosecute can be justified as fair, reasonable and consistent. In particular this will enable officers to determine the appropriate course of action to be taken based on the contents of the “*Criteria To Be Assessed When Considering The Prosecution Of Offenders*” policy statement. This will be supplemented by subsequent addenda as approved by the Service Director – Corporate Services.

At the conclusion of all investigations, where it is considered that appropriate evidence exists to sustain a prosecution, the Council will consider the appropriateness of the following actions. However, the decision to prosecute or take other action will be taken by the relevant Chief Officer in consultation with the Service Director – Corporate Services and the Service Director – Borough Solicitor.

**2. Prosecutions****2.1 No Action Other Than Recovery**

If the offence is under £1,500, and :-

- the offender meets the circumstances detailed at points (b), (c), or (e) within the Council's approved “Criteria To Be Assessed When Considering The Prosecution Of Offenders” policy statement, and
- the offender did not collude with any other person, and
- the offender has not previously committed any related offence,

***the Council is satisfied that, in most cases, it is not in the public interest to take any form of action (other than recovery of the financial gain) in respect of offenders whose circumstances and/or actions meet the above criteria.***

**2.2 Criminal Prosecution**

If the offence is over £1,500, and the following criteria apply

- the offender does not meet the circumstances detailed at points (b), (c), or (e) within the Council's approved “Criteria To Be Assessed When Considering The Prosecution Of Offenders” policy statement, and
- the offence does not accord with the criteria for alternative action as detailed above

***the Council is satisfied that, in most cases, it is appropriate that the offender and other persons directly involved in the offence are prosecuted.***

It is acknowledged that certain cases will not relate directly to either of the above categories. However, ***each case will be considered on its own individual merits in accordance with the***

**Council's approved "Criteria To Be Assessed When Considering The Prosecution Of Offenders" policy statement** and appropriate action taken.

All cases involving prosecution referrals will be reported on a six-monthly basis to the Audit, Governance & Improvement Review Committee by the Head of Audit & Risk Management. In addition, to comply with Audit Commission stipulations, all cases in excess of £1,000 will be reported to the Commission annually with the Fraud and Corruption returns.

### **3. Other Sanctions**

Any case of fraud and/or corruption involving Council officers will be further considered by departmental management to allow the initiation of disciplinary procedures. Disciplinary action will also be considered, in accordance with Section.10.2 of the Council's Corporate Code Of Conduct for Employees, where an employee is subject to a prosecution being brought by an external body such as DWP or the Police.

There may be occasions when it is considered necessary to inform the Police (for consideration for prosecution) of the outcome of disciplinary procedures involving actions which undermine public confidence in the conduct of the Council's business and thereby damages its reputation, for example:-

- Child Abuse
- Racial/Sexual Harassment
- Assault (verbal or physical)
- Corrupt or Improper practices

It should be noted that there are separate arrangements in place to manage, monitor and report the listed examples. These are in addition to the above reporting.

### **4. Redress**

Where fraud or corruption has taken place the Council will seek redress. This will include appropriate financial recompense for the assets lost or defrauded. The methods of redress which will be considered and pursued include but are not limited to the following.

- Charges on property
- Third party (Garnishee Order)
- Attachment of earnings
- Freezing Injunctions
- Insurance Claims (Fidelity Guarantee)
- Pursuing debts via legal proceedings
- Confiscation orders
- Compensation
- Recovery via Proceeds of Crime Act arrangements
- Restitution Orders

### **5. Publicity**

Publicity is an important tool in the prevention of fraud as it highlights the Council's commitment to a zero fraud tolerance and it can also act as a deterrent. Therefore where appropriate the results of any action taken, including prosecutions will be reported in the media.



## **Criteria To Be Assessed When Considering The Prosecution Of Offenders**

When considering the Council's responsibility to prosecute the following factors will be taken into account by the Investigating Officer. The factors are aimed at directing prosecutions on those who have:-

- obtained significant fraudulent payments
- carried out long duration, systematic, and carefully prepared frauds
- previously committed fraud within the Council
- no personal circumstances likely to be offered in mitigation
- abused their position of trust within the Council (employees)

The factors are not mutually exclusive but their assessment is aimed at providing a consistent, correct, and reasonable approach to determine the prevailing criteria to progress a prosecution by the Council. The factors should determine whether the two essential prosecution elements are valid, viz.:-

***Is there sufficient admissible evidence to justify bringing a prosecution ?  
and  
Is the prosecution in the public interest ?***

### **(a) Financial Limit (The Amount Of Money Obtained And The Duration Of The Offence)**

Careful consideration would have to be given to commencing a prosecution where the amount of the fraudulent activity has not resulted in 'significant financial gain' to the claimant, i.e. the amount of the fraudulent financial gain is less than the cost of proceedings.

Where there is no significant financial gain a prosecution could still be considered if it is felt that the fraud was a deliberate attempt to gain money by deception (if, for example, the fraud has been discovered after a relatively short space of time and a significant financial gain has not yet occurred), or in the case of a persistent offender or any other case where prosecution would be warranted.

An initial financial guideline figure of £1,500 has been established as the minimum amount at which the Council would refer a case for prosecution.

### **(b) Physical/Mental Factors (The Suspects Physical And Mental Condition (including age))**

Consideration must be given in deciding when to prosecute if it is considered that significant personal or mental problems may have contributed to the reasons for committing the offence. In addition, due consideration should be given where there is any evidence to suggest that the claimant or partner or a third party (e.g. a child) would be severely affected by our action. Obvious examples include acute medical conditions, mental health, and age, or any case where it appears that health would be affected detrimentally.

It is essential when considering the above issues that an appropriate impartial opinion as to the claimant's physical and/or mental condition is obtained.

### **(c) Voluntary Disclosure**

It may not be appropriate to prosecute those whose disclosure (of their own free will) identifies a fraud of which the Council was unaware. However, this would be dependent on agreement to repay all sums obtained within a timescale established by the Council.

### **(d) Any Previous Incidence Of Fraud**

Any form of previous fraudulent activity within the Council should form part of the overall "prosecution assessment", this is regardless of any previous offences that did not result in prosecution.

### **(e) Social Factors**

If it is considered that there has been a failure to declare the correct circumstances that resulted in the offence, due to significant extenuating social or financial factors, these should be fully evaluated.

### **(f) How Clear The Evidence Is**

Substantive evidence is essential to progress any conviction. Proceedings should not be sought if there is any doubt that the required evidence is not available. It must be clearly evident that the fraudulent act was actually committed, that it was committed in the full knowledge of the Council's regulations and that it was committed with the clear and deliberate intention to obtain money by deception.

### **(g) Failure In Investigation**

If the investigation has not been conducted in accordance with agreed Council procedures a prosecution should not be progressed.

If the investigation is flawed in any way or there has been any unacceptable delay in the course of enquiries careful consideration should be given as to whether the case would be of sufficient standard to be considered for referral to court.

### **(h) Failure In Council Administration**

Full account must be taken of remiss administration or fault on the part of the Council that has contributed to and resulted in fraudulent activities.