

Anti-Fraud and Corruption Policy



Internal Audit Division
January 2009

Anti-fraud and Corruption Policy

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Anti-Fraud and Corruption Policy

1. Introduction

- 1.1 We employ approximately 8,500 staff and have gross expenditure in the region of £935 million. As with other large organisations, the size and nature of our services puts us at risk of loss due to fraud and corruption both from within the council and outside it.
- 1.2 Camden adopted its approach to dealing with fraud and corruption in 1999. This has contributed to a reduction in and detection of a large number of frauds and irregularity. As a result Camden has achieved significant savings and recovery of funds which contributed to Camden achieving a '4' Star rating and reputation for sound financial control.
- 1.3 We are committed to making sure that the opportunity for fraud and corruption is reduced to the lowest possible risk. Where there is the possibility of fraud, corruption and other problems, we will deal with it in a firm and controlled manner.
- 1.4 An important part of this approach is an established anti-fraud and corruption strategy, which we use to advise and guide Members and staff on our approach to the serious issues of fraud and corruption. This document provides an overview of our approach in this matter and includes a 'Fraud Response Plan' which provides more detailed guidance on how to deal with fraud and corruption.
- 1.5 The main message is that we expect all Members, employees and workers (e.g. volunteers, consultants, agency staff, contractors) to be fair and honest, and to give us any help, information and support we need to deal with fraud and corruption.
- 1.6 The policy set out in this document covers the following areas:
 - Our written rules
 - Expected behaviour
 - Preventing fraud and corruption
 - Detecting and investigating fraud and corruption
 - Training

2. Our written rules

2.1 We have a number of procedures and rules to make sure that our financial, working and organisational procedures are properly controlled. These are an important part of our internal control process, and it is important that all members and staff know about them.

2.2 The most important of these are as follows.

- Constitution
- Standing Orders
- Financial Standing Orders
- Financial Regulations
- Officer Code of Conduct
- Member Code of Conduct
- IT Code of Conduct
- National Code of Local Government Conduct
- Money Laundering Policy
- Whistle blowing Guidelines

2.3 Individual departments have also introduced their own measures, which are designed to control their activities. Examples include schemes of delegation, accounting control procedures and procedural/operational manuals.

2.4 Managers must make sure that all staff have access to these rules and regulations and that staff receive suitable training.

2.5 Members and staff must make sure that they read and understand the rules and regulations that apply to them, and act in line with them. (Staff in this context relates to direct employees as well as other 'workers' e.g. volunteers, agency and contract staff, etc)

2.6 If anyone covered by this policy breaks these rules and regulations the Council may take formal action against them. This could include formal disciplinary action or legal action.

3. Expected behaviour

3.1 We expect all people and organisations that are in any way associated with us to be honest and fair in their dealings with us and our clients and customers. We expect our Members and employees to lead by example in these matters.

- 3.2 Our Code of Conduct sets out an approach to work that is both honest and fair. Employees must act in line with the code at all times.
- 3.3 Our employees have an important part to play in combating fraud and corruption and we will encourage our staff to warn us and provide information if they suspect a case of fraud. (for the purposes of this policy this is an all encompassing word which will also be taken to include, financial irregularity/misappropriated, corruption, etc). Guidance on reporting such matters is available in Appendix 1.
- 3.4 We will deal with all referrals fairly and confidentially and as far as possible we will not reveal the names of the people who reported the matter to us. However, confidentiality cannot be guaranteed, e.g. if an investigation leads to a prosecution and the person who reported the matter is required to give evidence in court. Section 6 below and the Council's Fraud Response Plan attached (*Appendix 1*) gives more advice on this issue for both managers and staff.
- 3.5 The Nolan Committee sets out the seven guiding principles that apply to people who serve the public. We have developed our working behaviour around these principles, attached as *Appendix 2*.
- 3.6 We expect our managers to deal firmly and quickly with anyone who is responsible for fraud or corruption. We may refer matters to the police if we suspect any criminal activity has taken place.

4. Preventing fraud and corruption

- 4.1 We believe that if we are to beat fraud and corruption, we must prevent it from happening in the first place. It is essential that we have clear rules and procedures, within which Members, employees, consultants and contractors can work. These include the main corporate rules, which are set out in Section 2.2 above.
- 4.2 We will regularly review and update our written rules.
- 4.3 Managers must make sure that suitable levels of internal checking are included in working procedures, particularly financial procedures. It is important that duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system.
- 4.4 Managers are responsible for ensuring that pre-employment checks appropriate to the nature of the post are carried out. These may include checks on: identity, qualifications, previous employment,

permission to work in the UK, credit status and CRB'. This applies to both temporary and permanent staff.

- 4.5 We are committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, we will be prepared to help and exchange information with other councils and organisations to deal with fraud.
- 4.6 This kind of work needs to be tightly controlled particularly in relation to data protection issues. The Internal Audit Division will work within the rules of the Data Protection Act (DPA) when providing help and exchanges of information.
- 4.7 We have confidential facilities available for people to give us information that may prevent fraud and corruption. These include telephone hotlines, which members of the public can use to give us information about specific services.

5. Whistleblowing

- 5.1 The decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing a duty to the public and to the organisation.
- 5.2 Camden will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith. Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary, capability, redeployment or redundancy procedures that already affect you.
- 5.3 We maintain a 'whistleblowers' hotline for staff. The hotline is managed by an independent external organisation 'Expolink' to provide staff with a confidential 'protected' means of reporting suspicious activity. You can contact Expolink on **0800 374199**.
- 5.4 Details of 'hotline' and whistleblowing facilities are widely published to Members, staff and the public and all information we receive in this way is investigated and dealt with.
- 5.5 Concerns that are expressed anonymously will be considered however factors taken into account when deciding on appropriate investigation action would include: -
 - The seriousness of the issues raised
 - The credibility of the concern

- The likelihood of confirming the allegation from attributable sources
- 5.6 If you make an allegation in good faith, but it is not confirmed by the investigations, no action will be taken against you. However, if during the investigation it is found that you made an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.
- 5.7 Further information regarding malicious/frivolous allegations and victimisation of a whistleblower is available in the Council's Disciplinary Policy.

6. Detecting and investigating fraud and corruption

- 6.1 This section in conjunction with our Fraud Response Plan (*Appendix 1*).
- 6.2 Under our Code of Conduct and Financial Regulations employees must report any suspected cases of fraud and corruption to the appropriate manager, or, if necessary, directly to the Head of Internal Audit & Investigations. Reporting cases in this way is essential to the Anti-Fraud and Corruption Strategy and makes sure that:
- Suspected cases of fraud and corruption are investigated properly;
 - The fraud response plan is carried out properly;
 - There is a standard process for dealing with all suspected cases of fraud/corruption and money laundering;
 - There is a corporate process for dealing with surveillance activity; and
 - Individuals and the Council's interests are protected.
- 6.3 The Head of Internal Audit & Investigations will work with managers and where appropriate the Chief Executive to decide on the type and course of the investigation. This will include referring cases to the police where necessary. We will press for prosecution of offenders.
- 6.4 If we refer cases to the police, we may also take action under the Council's Disciplinary Policy & Procedure although the Head of Internal Audit & Investigations will advise in these cases.
- 6.5 Should surveillance be considered necessary during the course of an investigation this must be conducted in line with the Regulation of Investigatory Powers Act 2000 (RIPA) and the Council's corporate policy which is available on the intranet. Failure to follow this policy

could have severe consequences for the Council and only officers trained in this specialist area of investigations should carry out this role. The Head of Internal Audit and Investigations is responsible for maintaining the Council's corporate system regarding RIPA authorisations.

- 6.6 We will take all steps available to us to recover any monies misappropriated from the Council.
- 6.7 We will communicate the outcomes of our investigations via internal newsletters and in the press if appropriate.
- 6.8 The External Auditor also has powers to investigate fraud and corruption.

7. Suspicions of Money Laundering

- 7.1 This section should be read in conjunction with the Council's Money Laundering Policy.
- 7.2 All employees have a clear obligation under the Terrorism Act 2000, the Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2003 to report suspicions of money laundering and there can be severe penalties for individuals who fail to act in accordance with the legislation.
- 7.3 Employees must report any suspicions of money laundering to the Money Laundering Reporting Officer (MLRO). Reporting suspicions in this way is essential to ensure that:
 - Suspected instances of money laundering are investigated properly
 - There is a standard process for dealing with suspected cases of money laundering
 - Individuals and the Council's interests are protected
- 7.4 The MLRO will ensure that legislative requirements for investigating and reporting suspicions of money laundering are followed.
- 7.5 It is essential that employees do not do anything that could result in the suspect being alerted (known as 'tipping off') to the fact there is a suspicion regarding their activity or that the matter has been reported.

8. Training

- 8.1 We understand that the key to introducing a successful anti-fraud culture and making sure it continues to apply depends on programmed training and the way all our employees respond.
- 8.2 We support the principle of providing training for our employees who are involved in, or managing, internal control systems, to make sure that their responsibilities and duties are regularly reviewed and reinforced.
- 8.3 We are also committed to training and developing our staff who are involved in investigating fraud and corruption, and we will provide suitable training.

9. Conclusion

- 9.1 We are committed to tackling fraud and corruption whenever it happens. Our response will be effective and organised and will rely on the principles included in this document.
- 9.2 This policy supersedes the Anti-fraud and Corruption Strategy published in July 1999 and will take immediate effect. We will continue to review our rules and procedures and will make sure that this document is regularly reviewed to ensure it remains effective.

London Borough of Camden

Fraud Response Plan

1. Introduction

- 1.1 It is important that we do all we can to prevent and detect fraud to make sure that we can provide services to our clients honestly and efficiently.
- 1.2 Our Anti-Fraud and Corruption Strategy document sets out the principles we are committed to in relation to preventing, reporting, detecting and managing fraud/corruption and money laundering.
- 1.3 The Audit Commission has produced guidelines, which tell employees and managers what they must do if they suspect fraud/corruption and money laundering. These guidelines have been incorporated into our own fraud response plan.

2. Definitions

Fraud:

The Fraud Act 2006 created an offence of fraud which can be committed in three separate ways: -

(i) by false representation

A fraud will be committed if a person dishonestly makes a false representation to another and when doing so intends to make a gain or cause loss (or a risk of loss) to another.

(ii) by failing to disclose information

A fraud will be committed if a person dishonestly fails to disclose information to another where there is a legal obligation to do so.

(iii) by abuse of position

A person will commit fraud by abuse of position if: he occupies a position in which he is expected to safeguard, or not act against, the financial interests of another person; he dishonestly abuses that position; and in doing so intends to make a gain or cause loss.

Corruption:

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

Money Laundering:

As defined in the Proceeds of Crime Act 2002 (POCA):

“Concealing, disguising, converting, transferring criminal property or removing it from the UK;

Entering into or becoming concerned in an arrangement which you know or should reasonably suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person; and

Acquiring, using or possessing criminal property.”

3. Procedures for reporting suspected fraud and corruption

3.1 We rely on our staff to help us to prevent and detect fraud and corruption or suspicions of money laundering. It is often members of staff who are in a position to spot any possible cases of fraud/corruption and money laundering at an early stage.

3.2 We require staff to tell us if they suspect fraud/corruption and money laundering. Paragraph 32.1 of the Financial Regulations says:

“If any employee of the Council knows of or suspects any losses or irregularity involving staff, cash, assets or other financial matter, they must inform the Head of Internal Audit & Investigations immediately”.

3.3 We have specific reporting lines for fraud. You should first report the matter to your line manager. If this is not appropriate, you should inform the Head of Internal Audit & Investigations.

3.4 We also have a ‘whistleblowers’ telephone hotline, run for us by an independent organisation, so the people who call can be protected and remain anonymous. You can phone the whistleblower’s hotline if you have information about a suspected case of fraud, but you do not want to follow the normal reporting procedures.

3.5 The action that you take when you first find out about a suspected case of fraud or money laundering might be vital to the success of any investigation that follows, so it is important that your actions are in line with the information given in this document.

4. Action by employees

4.1 If you suspect fraud, corruption or money laundering anywhere within the council, you should do the following:

- (i) Write down your concerns immediately. Make a note of all relevant details, such as what was said in phone or other conversations, the date, the time and the names of anyone involved.
- (ii) In cases of suspect fraud or corruption, report the matter immediately to your line manager, or the Head of Internal Audit & Investigations. Give that officer any notes you have made or any evidence you have gathered. Don't tell anyone else about your suspicions.
- (iii) In cases of suspected money laundering, immediately advise the Head of Internal Audit & Investigations who is the Council's designated Money Laundering Reporting Officer (MLRO).
- (iv) Help Internal Audit or authorised organisations in any investigation.

4.3 Under no circumstances should you try to carry out an investigation yourself without first consulting the Head of Internal Audit and Investigations first. This may damage any Internal Audit or criminal enquiry.

5. Action by managers

5.1 If you find out about suspected fraud, corruption or money laundering in your work area, you should do the following:

- (i) Listens to the concerns of your staff and treat every report you receive seriously and sensitively. Do not ridicule suspicions raised by staff.
- (ii) Make sure that all staff concerns are given a fair hearing. You should also reassure staff that they will not suffer victimisation because they have told you of their suspicions.
- (iii) Get as much information as possible from the member of staff, including any notes and any evidence they have that may support the allegation. Do not interfere with any evidence and make sure it is kept in a safe place.

- (iv) Assess whether the suspicions are justified before you take the matter further.
- 5.2 **Do not** try to carry out an investigation yourself without consultation with Internal Audit first. This may damage any Internal Audit or criminal enquiry.
- 5.3 Report the matter immediately to the Head of Internal Audit & Investigations. Do not tell anyone else about your suspicions.
- 5.4 Help Internal Audit or authorised organisations/individuals in any investigation.

6. Internal Audit

- 6.1 Internal Audit is normally the appropriate unit to investigate cases of suspected fraud or corruption, so it is important that every case of suspected fraud is reported to the Head of Internal Audit & Investigations.
- 6.2 We will investigate all referrals received although if anonymous referrals are received they are much harder to pursue so we would encourage anyone with concerns to refer the matter directly to the Head of Internal Audit & Investigations if they do not feel they can raise the matter with their manager.
- 6.3 The Head of Internal Audit & Investigations will decide how any enquiry will be carried out, and whether we need to tell outside organisations such as the police.
- 6.4 Experienced audit staff will manage fraud and corruption investigations. Any investigation Internal Audit carries out will be in line with the Audit Commission's Guidelines, Code of Practice and relevant legislation.
- 6.5 The Head of Internal Audit & Investigations will tell the managers of the appropriate department the results of any investigation, and advise them what action they need to take.
- 6.6 If appropriate feedback will also be provided to the person who initially raised the concerns.

The Seven Principles of Public Life

Selflessness

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

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 their performance of the official duties.

Objectivity

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

Accountability

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

Openness

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

Honesty

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

Leadership

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

Note

These principles are a direct extract from the Nolan Committee report