

Anti Fraud and Corruption Strategy and Sanction Policy

An outline of how the Council views and
deals with Fraud and Corruption.



**London Borough
of Hounslow**

London Borough of Hounslow
Anti-Fraud and Corruption Strategy

PART 1: ANTI-FRAUD AND CORRUPTION

Introduction

1. This document sets out the Council's policy and strategy in relation to fraud and corruption. It has the full support of the Council's Audit Committee and Corporate Leadership Team.
2. The Council takes its responsibilities to protect the public purse very seriously and is committed to the highest standards of openness and accountability in order to ensure the proper use and protection of public funds and assets.
3. To fulfil the Council's corporate strategy we need to maximise financial resources available to us. In order to do this we must reduce fraud and misappropriation to a minimum.
4. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and prosecution.
5. Our strategy is based upon four key themes: Prevention, Detection, Sanction/Redress and Deterrence. These themes exist within the overall context of an Anti-Fraud Culture promoted by the Council through its leaders, governance arrangements and general approach to fraud and corruption.
6. This Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements incorporated in the Council's Constitution, namely;
 - Members Code of Conduct;
 - Officers Code of Conduct;
 - Whistle-blowing Policy;
 - Financial Procedure Rules; and
 - Procurement Procedure Rules and Contract Regulations

What is Fraud?

7. The **Fraud Act 2006** details the legal definitions of fraud, and is used for the criminal prosecution of fraud offences. The Council also deals with fraud in non-criminal matters.
8. For the purposes of this Strategy fraud defined as: A dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the borough or the wider national community.

9. The definition covers various offences including: deception, forgery, theft, misappropriation, collusion and misrepresentation. Although use in this context is not intended to limit the full use of the Fraud Act 2006 in the investigation and prosecution, by the Council, of any offences.

What is Corruption?

10. Corruption is the offering or acceptance of inducements designed to influence official action or decision-making. These inducements can take many forms including cash, holidays, event tickets, meals, etc.
11. The **Bribery Act 2010** received Royal Assent on 8 April 2010 and laid out more formally what could be considered an offence, it includes:
 - a. Offering a bribe;
 - b. Being bribed; and
 - c. A corporate offence of failure to prevent bribery.
12. It will however, be a defence if an organisation has 'adequate procedures' in place to prevent bribery. This highlights the need for organisations to 'Do the right thing'.

What is Theft?

13. The **Theft Act 1968** details the legal definition of theft. For the purposes of this Strategy theft is defined as the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles, data, etc.
14. Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or members whilst on Council property.

What is Financial Malpractice/Irregularity?

15. This term is used to describe any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements. They do not have to result in personal gain.

Corporate Responsibilities

16. The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and fraud hotline bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.
17. The endorsement of this strategy sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified will be dealt with in a professional and timely manner using any

sanction available. In addition restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong Anti-Fraud Culture the Council aims to deter potential perpetrators from targeting its finances and services.

18. Within the corporate framework there are a number of facets that exist to protect the Council against fraud. These include;

- The Constitution, Financial Regulations, Standing orders and the Scheme of Delegation;
- An established Audit Committee;
- An established Standards Committee and an adopted code of conduct for Members;
- Statutory responsibility for the oversight of all financial and legal affairs;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures - recruitment checks and CRB where appropriate and a detailed staff Code of Conduct;
- Internal controls regularly reviewed and annually certificated by managers;
- Periodic checks by Internal Audit;
- A confidential reporting code (Whistle-blowing procedure);
- A Complaints procedure available to the public;
- An External Audit;
- A Corporate Anti-Fraud Team working alongside Internal Audit;
- Participation in the National Fraud Initiative, and membership to the National Anti Fraud Network; and
- A webpage dedicated to fraud prevention offering advice to residents.

19. The Internal Audit Team and the Corporate Anti Fraud Team work side by side to provide the Council's system audit and fraud investigation functions. They employ a multi-disciplinary approach that includes pro-active work determined by a formal risk assessment. In addition the team are free to work with other agencies in pursuance of the Council's anti-fraud aims.

20. We will seek to promote an anti-fraud culture across the community by publicising the impact of fraud on the community. We will also seek to assist our partners and stakeholders to understand and reduce the threats of fraud. Furthermore we will seek to deter fraudsters through specific publicity and general campaigns.

Prevention

21. The Council recognises that fraud and corruption are costly, both in terms of financial losses and reputational risk. The prevention of fraud is therefore a key objective of the authority and fundamental roles and responsibilities are outlined below.

Councillor Responsibilities

22. The Council's Members lead by example at all times maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct, available on the Council's internet and intranet sites.
23. Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value.

Manager Responsibilities

24. Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertake independent assessments of the key risks and associated controls within systems across the Council.
25. Managers will ensure that all staff receive training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
26. Managers are required to report all instances of suspected, reported or detected fraud to the Head of Audit, who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation. Any subsequent investigation will normally be a joint exercise between local management and the Corporate Anti-Fraud Team.

Employee Responsibilities

27. Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The Officers' Code of Conduct explains the requirement for

all staff to be vigilant and describes how they should raise any concerns they may have.

28. The Code requires that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to the Head of Service or independently to the Head of Audit.
29. Through its Whistle-blowing Policy the Council provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the Council's policies to senior managers, or the Audit team. The policy offers employees and councillors protection from recrimination and allows them anonymity if they so choose.

Contractor Responsibilities

30. The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. Contractors or their employees should report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager.

Internal Audit and Corporate Anti Fraud Team Responsibilities

31. As part of the Council's system of internal control the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
32. The Council's Section 151 officer is responsible for delegating the provision of an anti-fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.
33. The Head of Audit will receive and review notifications of all frauds reported within the Council, monitoring all investigations, whether undertaken by the Corporate Anti Fraud Team or local management.
34. The Corporate Fraud Manager is responsible for making appropriate arrangements to co-ordinate the Council work on the Audit Commission's National Fraud Initiatives and to undertake internal data matching across council systems.
35. The Head of Audit is responsible for monitoring to ensure that appropriate investigations are undertaken in accordance with the Whistle Blowing Policy.
36. The Head of Audit will advise Directors of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.

37. The Head of Audit is responsible for reporting to and liaising with the local police on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

General Public - Responsibilities

38. The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.
39. The public are made aware of the Corporate Anti Fraud Team's hotline, which is supported by on-line report forms, an investigation mailbox and appropriate media campaigns including handouts and posters. The contact numbers/ addresses are secure and all referrals are treated professionally and in confidence.

The telephone numbers/email addresses to make reports to are:

General Fraud and Corruption Issues

Internal Audit: 020 8583 2379,

Corporate Anti Fraud Team: 020 8583 2368
Fraud@Hounslow.gov.uk

PART 2: SANCTION POLICY

Introduction

1. The Council's Anti-Fraud Policy and Strategy sets out the Council's aims and objectives with regard to tackling fraud and corruption. It states that we will take appropriate action against any individual or organisation that defrauds, or attempts to defraud the Council.
2. The use of sanctions will be governed by this Policy. Its principles will apply equally to any fraud against the Council or against funds for which the Council has responsibility.
3. The objectives of this Policy are:
 - a. To ensure sanctions are imposed in a just and consistent manner;
 - b. That they are applied in an effective and cost efficient manner; and
 - c. To ensure that the sanction decision making process is robust and transparent.
4. The sanction decision will have regard at all times to the Council's anti-fraud Strategy objectives, the individual circumstances of each person involved and the overall impact of the punishment to both the individual and the community.
5. A range of sanctions are available to the Council. These include disciplinary action, civil proceedings, criminal proceedings, formal cautions and administrative penalties. In some cases more than one form of sanction will be appropriate.

Prosecution

6. One option available to the Council is criminal prosecution. It is recognised that this is a serious step to take and the decision to refer cases for prosecution will not be taken lightly.
7. The prosecuting body will take the ultimate decision on prosecution. In some cases this will be the Council, in others the Crown Prosecution Service or DWP Solicitor. We will utilise the Police in cases where their additional powers are required to secure evidence or recovery of funds or where the matter cannot be pursued in-house.
8. Investigations into suspected fraud will be conducted in a professional manner in accordance with the relevant statutory provisions including the Police and Criminal Evidence Act 1984 (PACE), the Criminal Procedure and Investigations Act 1996 (CPIA), the Human Rights Act 1998 and the Regulation of Investigatory Powers Act 2000 (RIPA).

9. Each case will be considered on its own facts and merits. Investigators will be fair, independent and objective and be free from political or other views or discrimination. They will not be affected by improper or undue pressure from any source.
10. Where necessary, the Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs, UK Borders Agency other Local Authorities and departments within the Council.
11. In appropriate cases, the prosecution arm of the Department for Work and Pensions will be utilised for cases involving joint investigations involving Local Authority and DWP benefits.

Evidential Stage Test

12. Evidence gathered will be examined in the first instance by the investigating officer and the manager. When both are satisfied that it is appropriate to prosecute the case file will be passed on to either the Council's legal team, the DWP Solicitor or the Crown Prosecution Service via the police.

Public interest test

13. A prosecution will usually take place unless the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour, or unless the prosecutor is satisfied that the public interest may be properly served, in the first instance, by offering the offender the opportunity to have the matter dealt with by an out-of-court disposal.
14. The more serious the offence or the offender's record of criminal behaviour, the more likely it is that a prosecution will be required in the public interest. Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction.

Formal Cautions

15. A formal caution is an oral warning given in certain circumstances to a person who has committed an offence.
16. There are three pre-conditions, which must be satisfied if a matter is to be dealt with by formal caution:-
 - a. There is sufficient evidence to bring a prosecution;
 - b. The offender admits his or her guilt; and
 - c. The person being cautioned agrees to accept it.
17. Details of formal cautions are recorded by the Council, those issued for benefit offences are also recorded by the Department for Work and Pensions on a national database. A senior officer of the Council will administer the caution.

18. A formal caution is a meaningful penalty and deterrent for those persons who commit low scale fraud against the Council where criminal proceedings are not a first option. If the formal caution is not accepted the matter will be referred for prosecution.

Administrative Penalties

19. In the event of a housing benefit or Council tax offence a further sanction is available in the form of an Administrative Penalty. An Administrative Penalty is a type of fine currently calculated at 30% of the amount of the overpayment that occurred due to the offence and is paid on top of the overpayment amount.
20. When the Council offers an Administrative Penalty officers will:
- a. Explain details of the penalty; and
 - b. Ask if the person wishes to accept it.
21. If the financial penalty is not accepted then the matter will be referred for prosecution.

Recompense and Restitution

22. In all cases where a loss has been incurred by the Council due to fraudulent activity, theft, corruption or any other financial misconduct we will seek to recover that loss and where appropriate the cost of the investigation and interest. In all cases of fraud the Council will take steps to recover the overpaid benefit.

Member and Officer Fraud and Corruption

23. All cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by members or officers will be dealt with in accordance with this policy as well as the Disciplinary Policy and the Members Code of Conduct.

PART 3: FURTHER INFORMATION

Head of Internal Audit

Tel: 020 8583 2379

Corporate Fraud Manager

Tel: 020 8583 2368

Fraud@Hounslow.gov.uk

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