Rugby Borough Council Anti-Fraud Bribery & Corruption Strategy

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Document History

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RUGBY BOROUGH COUNCIL

ANTI-FRAUD, BRIBERY & CORRUPTION STRATEGY

1   Introduction

1.1   Rugby Borough Council is committed to safeguarding public funds, assets and maintaining the highest standards of probity. In order to fulfil this commitment, the Council has a zero tolerance approach to fraud, bribery and corruption.

1.2   This document sets out the Council's strategy in relation to fraud, bribery and corruption and its commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds and assets.

1.3   The adoption of a formal strategy provides an opportunity to communicate to the community involved with the Council our absolute determination to deal with dishonesty, whether involving Councilors, employees, contractors or customers. It sets out the steps that the Council is taking to maintain and improve its defenses against fraud and misappropriation as well as targets against which we can measure our performance.

1.4   This strategy outlines how the Council manages the risk of fraud, bribery and corruption through existing governance structures, policies, procedures and control processes, and how these are to be augmented with a variety of proactive counter fraud measures that are intended to develop and embed a strong anti-fraud culture.

1.5   This strategy is not just concerned with reactive operational activity to detect and investigate fraud, bribery and corruption, but it also sets out the objectives for pro-active actions to deter and prevent fraud and corruption through the development of an anti-fraud and corruption culture and a strong system of internal controls and reviews.

1.6   Underpinning the approach adopted by the Council is the Fighting Fraud and Corruption Locally Strategy 2020 and the CIPFA Code of Practice on Managing the Risk of Fraud 2014, which underpins the following five key pillars as the foundations of an effective anti-fraud framework:

- **Govern:** Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organization.

- **Acknowledge:** Assessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that the organization has a robust anti-fraud response. Communicating the risks to those charged with governance.

- **Prevent:** Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture and communicating its activity and successes.

- **Pursue:** Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.

- **Protecting:** Recognising the harm that fraud can cause in the community. Protecting the Council and its residents from fraud.

1.7   All successful criminal and civil proceedings for fraud, bribery or corruption against suppliers, service providers or individuals, either within or external to the Council, will be publicised in accordance with the Council's Communication strategy.

1.8   This strategy and the various policies which support it will be reviewed periodically to ensure they remain current and satisfy best practice requirements.

2   How the Council Manages the Risk of Fraud & Corruption

Policies, Procedures and Codes

2.1   The Council has a duty to protect public money that it controls from loss due to dishonesty. It also has a duty to provide assurance to the local community and to other stakeholders that it is taking its responsibilities seriously.

2.2   The Council is committed to the maintenance of a robust framework of procedures and policies, which are designed to combine and act proactively as an effective deterrent to fraudulent activity and provide the means for reporting or detecting fraud, bribery or corruption.

2.3   The Council secures the protection and proper administration of public funds and assets through robust working methods and procedures, and by promoting an environment of openness, honesty and integrity in order to ensure the proper use and protection of public funds and assets.

2.4   The Council's governance framework provides a whole range of high-level component parts which contribute to the Council having an effective counter fraud strategy and governance structure.

Corporate Governance Framework

- A clear governance structure, for example:

  ➢ Council Constitution
  ➢ An established Audit and Ethics Committee
  ➢ An established Scrutiny Committee
  ➢ An External Audit regime
  ➢ An Internal Audit function

Corporate Governance Framework

- Clear written responsibilities, accountabilities, and standards, for example:
  - ➢ Codes of conduct for Members
  - ➢ Codes of conduct for Officers

- Sound procedures and controls, for example:
  - ➢ Financial Standing Orders
  - ➢ Contract Standing Orders
  - ➢ Declaration of interest and gifts and hospitality procedures for Members and Officers
  - ➢ Recruitment procedures
  - ➢ Disciplinary Procedure

- Procedures for reporting irregularities and concerns, for example:
  - ➢ Confidential Reporting Code [i] ("Whistleblowing" Policy)
  - ➢ Fraud Response Plan
  - ➢ Customer Feedback Policy (Complaints Procedures) available to the public

- Senior Officers of the Council with direct responsibility for tackling fraud, bribery, corruption and other irregularities
  - ➢ Chief Executive holding overall responsibility for the Council's fraud, bribery and corruption strategy
  - ➢ A Chief Officer Finance & Performance (s151 officer) with statutory responsibility for the oversight of all financial affairs
  - ➢ A Chief Officer for Legal and Governance (Monitoring Officer) with overall responsibility for the operation of the Confidential Reporting Code, Register of Interests, and the Gifts and Hospitality Register
  - ➢ A Corporate Assurance Manager with oversight over the annual programme of anti-fraud, bribery and corruption work

- A clear programme of anti-fraud, bribery and corruption work
  - ➢ Risk management and proactive prevention and detection work undertaken by the Corporate Assurance Team
  - ➢ Finance Business Partners conducting budget monitoring and sample testing of transactions

Corporate Governance Framework

- Anti-fraud, bribery and corruption training to Members and Officers

  ➢ Reactive investigations managed by the Corporate Assurance Team
  ➢ Participation in the National Fraud Initiative
  ➢ Training is provided on:
    ➢ Governance
    ➢ Anti-Fraud and Probity

- Engagement with key partners

  ➢ Membership of the National Anti-Fraud Network
  ➢ Membership of the CIPFA Fraud Network

2.5   These components provide a framework within which the Council operates. Having clear policies ensures clarity about both individual accountabilities and the appropriate approach to be taken during any investigation regarding suspected fraud, bribery or corruption which also contributes to the promotion of an anti-fraud culture.

2.6   Managers should ensure that all current Council corporate documents and policies are considered for fraud and corruption exposure as part of the periodic review of documents. Any future Council corporate documents will be subject to fraud exposure assessment.

2.7   Fraud exposure assessments of contracts with external providers will be reviewed on a regular basis at intervals to be determined by management.

Internal Control Systems

2.8   The Council has adopted a Constitution, incorporating contract procedure rules, financial procedure rules and various other 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.

2.9   The Chief Officer Finance and Performance 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 (England) 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
- division of responsibilities of those officers in relation to significant transactions

2.10   The Council's aim is to embed sound financial systems and procedures with appropriate, efficient, and effective, internal controls. Separation of duties should be considered as a fundamental control in systems, especially when involving significant financial transactions. An appropriate division of responsibilities is a key control in the prevention of impropriety.

2.11   Under the Council's Financial Procedure Rules, the Chief Officer Finance and Performance is 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 Corporate Assurance Team.

2.12   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.

2.13   This network of systems and procedures to assist in safeguarding public funds and assets against fraud, bribery 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.

2.14   Lessons learned reports will be produced whenever the Council has been subject to fraud in order that anti-fraud measures are improved following such an incident.

3   Identifying Fraud and Corruption Risks

3.1   The CIPFA Code of Practice on Managing the Risk of Fraud recommends that Councils evaluate their fraud exposure, in order to allocate resources to combat fraud more effectively. The Council evaluates its fraud exposure by a bi-annual fraud and bribery risk assessment of existing governance structures, policies, procedures and control processes within the Council which is carried out by the Corporate Assurance Team. The results of this risk assessment are used to inform a program of targeted proactive anti-fraud, bribery and corruption work to be conducted by the Corporate Assurance Team at the Council.

3.2   The risk of fraudulent and/or corrupt activity is included in the Council's risk management arrangements.   Where   appropriate,   specific   risks   of   fraud   are   recorded   on operational/departmental risk registers.

3.3   Fraud, bribery and corruption risks are also managed within the Council by Service Managers and Chief Officers, who are responsible for assessing the potential for fraud, bribery and corruption within their own Service's activities. Managers are best placed to monitor and evaluate the effectiveness of the Council's systems of internal control within their areas of responsibility by:

•   ensuring that internal controls to prevent fraud, bribery and corruption exist and are adequate; and
•   ensuring that controls, checks and supervision, associated with the operations for which they are responsible, operate in such a way as to prevent or detect fraudulent activity.

3.4   Internal Audit undertakes independent assessments of the key risks and associated controls within systems across the Council.

4   Creating and Maintaining a Strong Anti-Fraud Culture

4.1   High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. 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.

4.2   The Council's endorsement of this Strategy sends a clear message that fraud against the Council will not be tolerated and, where reported or identified, will be dealt with in a professional and timely manner using all the necessary sanctions that are available. Through the creation and enhancement of a strong anti-fraud culture the Council aims to deter potential perpetrators from targeting its finances and services.

4.3   There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with high standards of probity, openness and integrity and that Council employees or its agent(s) at all levels will lead by example in these matters.

Members

4.4   The responsibility for an anti-fraud culture is the collective duty of all those involved in giving political direction, determining policy and management.

4.5   The Council expects its Councilors to lead by example at all times and to maintain the highest standards of probity, honesty, transparency, integrity and accountability in their role as Councilor.

4.6   The Council promotes and maintains high standards of Member conduct. Members are required to observe the Member's Code of Conduct. In particular, Members are required to operate within:

- Member's Code of Conduct
- Sections 94-96 of the Local Government Act 1972
- Local Authorities Members' Interest Regulations 1992 (SI 618)
- Council Procedure Rules

4.7   The Council has an Audit and Ethics Committee which has a key role in reviewing and ensuring that there are adequate arrangements in place to deal with fraud and corruption. This includes responsibility for approving and supporting this Strategy.

Officers of the Council

4.8   A successful anti-fraud culture is one where acts of fraud, bribery 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.

4.9   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 is referred to in all Contracts of Employment. Officers of the Council are also expected to follow any code of conduct related to their personal professional institute.

4.10   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.

Training

4.11   The Council recognises that the continuing success of this strategy will depend largely on the effectiveness of programmed fraud awareness training, communication and responsiveness of Officers throughout the Council.

4.12   To facilitate this, the Council provides brief induction training and further on-line and follow-up training for all Members and Officers. This applies particularly to those 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. Training is also provided for casual, temporary and agency staff, who may not be aware of the high standards of probity that are required in the public sector.

5   Adequate and Appropriate Resources

5.1   The Corporate Assurance Team are responsible for coordinating the investigation of fraud, bribery and corruption and are provided with access to the Council's employees, records, premises and other assets or resources as required.

5.2   Whilst the Corporate Assurance Team has an important role to play in the detection of fraud, it is not their sole responsibility but a shared responsibility with all Officers and members of the Council.

5.3   The Officers responsible for conducting anti-fraud, bribery and corruption work are trained and professionally accredited. This includes, where appropriate, relevant qualifications such as counter fraud accreditation training.

5.4   The level of counter fraud resource required is regularly reviewed in line with the annual fraud report, internal audit plan and in accordance with the risk management strategy.

5.5   An annual programme of anti-fraud, bribery and corruption work is conducted by the Corporate Assurance Team which reports to, and whose work is monitored by, the Audit and Ethics Committee.

The anti-fraud work is integrated within the annual programme of work undertaken by Internal Audit,

although there may be specific separate pieces of work as a result of the National Fraud Initiative data matches.

5.6   The Corporate Assurance Manager provides an independent opinion on the adequacy and effectiveness of the systems of governance, risk management and internal control based on the work undertaken during the year. Whilst it is not a primary function of Internal Audit to detect fraud, internal audit activity must evaluate the potential for the occurrence of fraud and how the council manages fraud risk.

Working with Others to Prevent and Fight Fraud

5.7   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 conducted in full compliance with the *Data Protection Act 2018* and with the National Fraud Initiative Code of Data Matching Practice 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, legal proceedings and disciplinary action may be taken that could lead to criminal convictions, civil recovery action and dismissal.

5.8   The Council will liaise where appropriate with outside organisations, including neighbouring councils, to encourage closer working, intelligence sharing and formalising joint working through the implementation of working protocols, subject to the use of appropriate legal gateways to sharing of information and resources.

6   Tacking Action to Tackle Fraud and Corruption

Deterrence

6.1   There are a number of methods which the Council uses 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 will not tolerate fraud, bribery and corruption and will state this at every appropriate opportunity – e.g. publicising the whistleblowing arrangements, clause in contracts, statements on claim forms, publications etc.

- Acting robustly and decisively when fraud, bribery 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 communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. 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 minimise the opportunity for fraud and corruption.

Prevention

6.2   Managers across the Council have an important role to play in the prevention of fraud, bribery and corruption. They are responsible for assessing the potential for fraud, bribery and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk.

6.3   The Corporate Assurance Team will provide appropriate advice, as and when appropriate, to managers to ensure they are fully aware of the requirement to give sufficient emphasis to the preventative aspects of fraud and corruption work.

6.4   The Internal Audit Plan and programme of anti-fraud, bribery and corruption work conducted by the Corporate Assurance Team includes 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 proactive assurance work intended to detect, deter and prevent fraud.

Detection, Whistleblowing and Reporting Fraud

6.5   The Anti-Fraud, Bribery & Corruption Response Plan provides a clear pathway for raising concerns and facilitating "tip-offs" of allegations of fraud, bribery or corruption, and the fraud-response arrangements outlined in that document enable such information or allegations to be dealt with accordingly.

6.6   The Council's Confidential Reporting Code (Whistleblowing Policy) also gives advice on how to raise a concern and the safeguards and support that are available to those who raise concerns.

6.7   The Monitoring Officer has overall responsibility for the maintenance and operation of the Council's Confidential Reporting Code (Whistleblowing Policy), Register of Interests, and the Gifts and Hospitality Register.

6.8   All Officers and Members of the Council are encouraged to use the whistleblowing procedures to report any allegations of fraud, bribery and corruption against the Council. Further information on raising a genuine concern under the whistleblowing procedures can be found in the Confidential Reporting Code.

6.9   The Council's whistleblowing arrangements will be reviewed on a regular basis 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

6.10   Investigations into allegations of fraud, bribery or corruption are supervised by the Corporate Assurance Team, which is led by the Corporate Assurance Manager. All Members and Officers of the Council are required to report all suspected irregularities or allegations involving fraud, bribery or corruption to the Corporate Assurance Team who will then inform the s151 officer (Chief Officer Finance & Performance).

6.11   The central reporting of suspected irregularities and allegations of fraud, bribery and corruption to the Corporate Assurance Team is essential to the Strategy and ensures:
- consistent treatment of information regarding fraud, bribery and corruption

- proper investigation by an independent and experienced person

- that system and procedural weaknesses are promptly identified and addressed

- proper implementation of a fraud response investigation plan

- optimum protection of the Council's interests

6.12   Depending on the nature and anticipated extent of the allegations, the Corporate Assurance Team 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.

6.13   The Council's disciplinary procedures will be used where the outcome of the investigation indicates improper behaviour.

6.14   Where a fraud has occurred, action will be taken by management to ensure that any control weaknesses which provided the opportunity for the fraud to occur are addressed. Any lessons learnt will be disseminated to all relevant departments within the Council.

Sanctions and Redress

6.15   Where financial impropriety is discovered, whether perpetrated by Officers, Members or third-party organisations (e.g. suppliers, contractors, and service providers), the Council will consider appropriate action.

6.16   Referral to the Police is a matter for the Chief Executive and the s151 officer (the Crown Prosecution Service determines whether or not a prosecution will be pursued).

6.17   Referral to the Police will not inhibit action under the Council's Disciplinary Procedures. Cases of fraud or corruption may represent gross misconduct and consequently the Officer may be liable for dismissal.

6.18   The Chief Executive, Monitoring Officer, and Legal team will advise on the course of action to be taken in relation to Members.

6.19   Suspected financial impropriety by any organisation which has caused the Council to be a victim of fraud, bribery or corruption 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.

6.20   In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. In the case of an employee, the loss may be recovered from any monies due to the individual on termination of employment.

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 demonstrated at the end of completed training
- reports of suspicions
- successful investigations
- sanctions applied
- financial losses recovered and where appropriate financial savings

7.2   Achievements against these desired outcomes, and the actions taken to minimise future cases of fraud, will be contained in an annual fraud report, and periodic updates to the Audit and Ethics Committee.

Annex A – Glossary

Annual Governance Statement
The Annual Governance Statement is a statutory requirement of the Accounts and Audit (England) Regulations. It is the platform to formally state an opinion on the systems of internal control including the arrangements for the management of risk with recommendations given for future improvements to the systems.

Anti-Fraud, Bribery and Response Plans
The Fraud Response Plan sets out how to report allegations of fraud, bribery and corruption, and how they are dealt with.

Audit and Ethics Committee
The Audit & Ethics Committee oversees the environment of internal control, risk management and anti-fraud and corruption arrangements within the Council. They consider the Annual Governance Statement and Annual Statement of Accounts and quarterly reports from Internal and External Audit to ensure the effectiveness of this environment.

Bribery
Bribery is offering something of value for the purpose of influencing the action of a person when they are undertaking their public or legal duties.

Chief Officer Finance & Performance
See S151 Officer.

Corporate Assurance Manager
The Corporate Assurance Manager reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit & Ethics Committee via the Annual Governance Statement.

Corporate Assurance Team
A dedicated Internal Audit with fraud capability for delivery of an annual programme of proactive and reactive anti-fraud, bribery and corruption work

Chief Officers
Chief Officers are the senior managers of the Council.

CIPFA
The Chartered Institute of Public Finance and Accountancy

Corruption
Improper and usually unlawful conduct intended to secure a benefit for oneself or another.

Council
Rugby Borough Council

Crown Prosecution Service
The CPS is the principal prosecuting authority in England and Wales. In addition to prosecuting cases at court, the CPS is responsible for advising the police on cases for possible prosecution and reviewing the case evidence

Chief Executive
Head of Paid Service for the Council with overall responsibility for tackling fraud, bribery and corruption at the Council. This role is held by Mannie Ketley.

External Audit
External audit is an annual independent examination designed to form an opinion on the state of the Council's financial management and its published annual accounts. The external auditors provide assurance to residents and councillors that the Council's finances are soundly managed and the annual accounts present a true and fair view of the Council's income and expenditure assets.

Financial Standing Orders
Financial Regulations provide the framework for managing the Council's financial affairs, provide clarity about the financial accountabilities of individuals and set out overarching financial responsibilities of the statutory s151 officer.

Fraud and Corruption
When these terms are used in conjunction, their definition can include acts such as abuse of position, bribery, collusion, concealment of material facts, conspiracy, deception, embezzlement, extortion, false representation, failing to disclose information to the Council, forgery, giving or accepting of an advantage, misappropriation or theft.

Internal Audit
Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.

Internal Audit Plan
This is a work plan developed annually by Internal Audit which sets out a schedule of audits used to provide assurance to the Council on the effectiveness of internal controls.

Internal Controls
Processes tailored to the Council's structure, work, delegation of authority rules, people and management information systems, which are designed to help the Council accomplish specific goals or objectives, such as preventing fraud, bribery or corruption.

Irregularity
An irregularity is a breach of a convention or normal procedure.

Money Laundering
The process by which proceeds of crime or terrorism funds are legitimised. It relates to both the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods.

Monitoring Officer
The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and the Local Government Act 2000. The role is further defined in the Council's Constitution. Currently this role is held by the Chief Officer Legal & Governance.

National Fraud Initiative
Exercises which match electronic data within and between public sector bodies and systems to help public bodies prevent and detect fraud and overpayments.

Public Concern at Work
Public Concern at Work is an independent authority on whistleblowing. It provides free help to prospective whistle blowers and advice on whistleblowing laws.

Section 151 Officer
As required by the Local Government Act 1972, the Section 151 Officer is nominated to take responsibility for making arrangements for the proper administration of a local authority's financial affairs including advising on anti-fraud and corruption strategies and measures. The Council's Section 151 Officer is the Chief Officer Finance & Performance.

Separation of Duties
An internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task.

Strategy
This Anti-Fraud, Bribery and Corruption Strategy document.