



Solihull Metropolitan Borough Council

Anti-Fraud and Corruption Policy and Strategy

April 2009

Approved by:
Cabinet Member for Resources

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ANTI-FRAUD AND CORRUPTION STRATEGY

Introduction

1. Solihull Council, along with all other private and public sector organisations, is at risk of fraud and corruption. The Council has a responsibility to ensure that this risk is minimised and ultimately protect the public funds it administers to provide good value services.

2. The Audit Commission defines fraud and corruption as:

Fraud: "the intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to conceal the misappropriation of assets or otherwise for gain".

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

3. The Fraud Act 2006 outlines three main fraud offences:

- ◆ false representation;
- ◆ failure to disclose information; and/or
- ◆ abuse of position with the intent to gain or cause loss or expose another to the risk of loss.

The Act also created four new offences of: -

- ◆ Possession of articles for use in fraud
- ◆ Making or supplying articles for use in fraud
- ◆ Obtaining services dishonestly
- ◆ Participating in fraudulent business

4. The CIPFA publication 'Managing the Risk of Fraud' is deemed best practice for Local Authorities and details actions to counter fraud and corruption. The Council will use this to identify any gaps in current anti fraud work and ensure continuous improvement in this area.

Solihull Council's Approach to Fraud and Corruption

The Council's Vision and Brand



5. Employees and Members have an ethical duty to promote integrity, honesty and accountability in all their actions. This strategy compliments the Council's Vision and Brand.
6. Good governance and an anti fraud culture links with the Council's customer outcome of 'Good Value Services'. By helping to reduce losses (either by fraud or error) and by having sound systems of internal control, maximum resources are available for Council services.
7. This Fraud Strategy is the Council's overarching document to promote an anti fraud and corruption culture. The overall policy statement gives a clear message to all stakeholders that Solihull Council takes the threat of fraud and corruption seriously and has a 'zero tolerance' approach.
8. The Constitution, codes of conduct for employees and Members, Financial Regulations, Rules for Contracts and other key documents detail acceptable conduct, behaviour and actions. These provide a governance framework for the Council and support the anti fraud culture.
9. The Fraud Response Plans included in this Strategy (Appendix A and B) gives information to managers and their staff about what action they should take if they suspect an irregularity.

Key Contacts

10. Further advice and guidance can be obtained by contacting the Internal Audit Team on 0121 704 6067 or antifraud@solihull.gov.uk.
11. Key contacts are

Steve Sparkes
Head of Internal Audit Services
0121 704 6282

Mandy Smith
Audit Manager
0121 704 6067

POLICY STATEMENT

Solihull Metropolitan Borough Council ANTI-FRAUD AND CORRUPTION POLICY STATEMENT

Solihull Council is committed to the principles of **good governance** and recognises the importance of operating in an **open** and **accountable** manner and demonstrating **high standards of conduct**. It requires all staff to act **honestly**, with **integrity** and to **safeguard the Public Purse**.

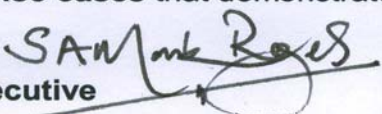
The Council will not accept any fraud or corruption and any case will be thoroughly investigated and dealt with.

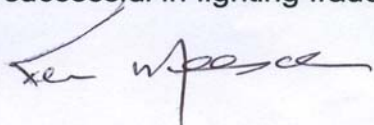
The Council is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level by:

- Creating an anti-fraud culture.
- Raising awareness of the impact of fraud both on the organisation and the individual
- Deterring fraud.
- Preventing fraud that can not be deterred
- Detecting fraud that can not be prevented.
- Formally investigating fraud.
- Applying sanctions against people who commit fraud.
- Seeking redress for frauds, overpayments and losses.

To achieve this the Council will:

- Promote an **anti-fraud culture**.
- Ensure that all Solihull Council stakeholders, including residents, employees, elected Members, Schools, partners, consultants, contractors and suppliers understand that **fraud is unacceptable**.
- Have **rules and procedures**, which all stakeholders should follow.
- Have **clear roles and responsibilities** in relation to fraud.
- **Share information** with other Authorities to deal with fraud and corruption locally and nationally, working within the law.
- **Increase awareness** of fraud and corruption through a programme of training and communication.
- Enable managers to identify and action **fraud and corruption risks**.
- Encourage and enable all stakeholders to **raise serious concerns**.
- Formally **investigate all allegations** of fraud and corruption.
- Proactively **review how we work** to minimise the risk of fraud.
- Apply **appropriate sanctions** such as disciplinary action, criminal proceedings and recovery of losses when necessary, working with other organisations to achieve this.
- **Publicise cases** that demonstrate the Council is successful in fighting fraud.

Signed... 
Chief Executive

Signed... 
Leader

ROLES AND RESPONSIBILITIES

12. The Council recognises that the successful implementation of an anti-fraud and corruption culture is dependent on the commitment and involvement of Members, senior and other levels of management, all employees, workers and stakeholders in the wider community. Specific responsibilities are detailed below. Collectively these actions promote an anti fraud culture and minimise the Council's exposure to the risk of fraud and corruption.

Members

13. Members have a duty to protect the Council and public money from any act of fraud or corruption. Members discharge their duty by complying with the Code of Conduct for Members and the Constitution.
14. Each Member signs to evidence that they have been trained in and understood the Code of Conduct for Members when they take office. Conduct and ethical matters are specifically raised during their induction, including the need to declare relevant interests.
15. There is an established Standards Committee, which considers and takes action in relation to complaints received about Members conduct.
16. Members play an active part in ensuring good corporate governance and a commitment to and support of the Council's approach to anti fraud and corruption. They provide a key link to the residents of the Borough and have a wider role in promoting the Council's ethics and values within the community.

Audit Committee

17. The Audit Committee's Terms of Reference outline their responsibility to "*monitor Council policies on the anti-fraud and anti-corruption strategy*". The Audit Committee also has a responsibility to monitor and, where necessary, challenge the Authority's risk management processes, including the management of identified fraud risks.
18. Members of the Audit Committee receive regular updates from the Head of Internal Audit Services in relation to fraud cases and the action taken.
19. Members of the Audit Committee challenge management where significant risks are identified in Internal Audit reports.

Chief Executive

20. The Chief Executive is responsible for leading and promoting the Council's ethical agenda.

Section 151 Officer

21. The Council's appointed Section 151 Officer is responsible for the proper administration of the Council's financial affairs. They have a duty to notify the Chief Executive if the Authority, one of its committees or one of its officers has taken, or is about to take, an unlawful action which has or would result in a loss to the Authority.
22. The Section 151 Officer authorises Internal Audit to 'examine financial and non-financial records and to inspect stores, assets and cash balances of the Council and its partner organisations' and requires employees 'to provide the Internal Auditor with information or explanations that they may need to effectively perform their duties.

Monitoring Officer

23. The Monitoring Officer is entrusted with ensuring that all decisions that the Council makes are within the law. The Monitoring Officer also has a key role in promoting and maintaining high standards of conduct amongst Members of the authority, through supporting Members of the Council to help them to follow the Code of Conduct and the Council's other rules and procedures.

Directors (including Headteachers and Governors)

24. Directors are responsible for promoting and implementing this Strategy. The Authority's Financial Regulations state that Directors:
 - ◆ should ensure that any members of staff with a financial responsibility are made aware of the standards expected and this will be reflected in the Council's performance management framework.
 - ◆ are responsible for the maintenance of adequate systems of internal control.
 - ◆ should notify Internal Audit immediately of any disciplinary matter or any loss or irregularity, including those affecting cash, stores or other property of the Council. Notification can be either informally or via the Council's Whistleblowing Policy.
25. Directors should encourage employees to raise any concerns they may have about fraud or corruption, in line with the Council's Whistleblowing Policy.
26. Each Director signs an Annual Governance Statement (Internal Control Statement for schools) relating to their service area, which includes actions taken to reduce fraud and corruption. This forms part of the Council's Annual Governance Statement.

Managers (including school staff)

27. Managers are responsible for the identification, analysis and prioritising of risk, including fraud risk, in their service areas. Risks must be managed in line with the Council's Risk Management Statement of Required Practice (SORP 6). A generic fraud risk register, covering all main risk areas within the Council, is available on the Authority's risk management system, GRACE, to assist this process.

28. Managers must have sufficient controls in place to safeguard assets and reduce losses through error or fraud and corruption.
29. Managers should ensure that employees and other workers, e.g. agency staff and volunteers, are aware of and regularly reminded about the Council's anti fraud and corruption policies and procedures. Managers should also promote the Council's Whistleblowing policy.

All Employees (including teaching and non-teaching schools staff)

30. All employees must operate the systems of internal control established by management.
31. Employees must comply with the Employee Code of Conduct and the Authority's Constitution (including Financial Regulations and Rules for Contracts), as well as any other policies and procedures that relate to their role and responsibilities, e.g. declarations of interests, gifts and hospitality.
32. Employees can raise any concerns in line with the Council's Whistleblowing Policy.
33. Employees must be aware that any theft, fraud or corruption against the Council, e.g. employee Benefit fraud, is classed as gross misconduct under the disciplinary process.

Partners

34. The Authority's Partners should ensure that there are adequate arrangements in place to minimise fraud and corruption and protect the public funds they are spending on behalf of the Council.
35. All Partners have a duty to report any suspected fraud or corruption that relates to Council funds to the Head of Internal Audit Services.

Internal Audit

36. The Head of Internal Audit Services is the Council's lead officer for anti fraud and corruption work and will co-ordinate the Council's activities in this area.
37. Internal Audit have a dedicated resource to investigate fraud and lead managers hold the CIPFA Certificate in Investigative Practice (CCIP).
38. The Internal Audit plan provides time for reactive investigative work as well as proactive reviews. This includes the reviewing of relevant policies to ensure anti fraud measures are considered.
39. Internal Audit investigate fraud, corruption and other irregularities, where appropriate. The service also plays a key role in the prevention and detection of fraud and corruption, in line with Financial Regulations and the Internal Audit Strategy. They test Council systems and procedures to ensure they are adequate and recommend actions to enhance these processes and procedures.

40. Allegations are investigated in line with the Authority's disciplinary procedures. Depending on the nature of the allegation, the Head of Internal Audit Services, in conjunction with senior management, may decide to refer the case directly to the Police.
41. Internal Audit contributes to deterring fraud by working with other Local Authorities, the police and professional bodies. This ensures the Council's anti fraud arrangements are in line with current best practice.
42. The Authority participates in the National Fraud Initiative (NFI), which the Audit Commissions runs every two years. This is a computerised data matching exercise, designed to detect fraud in public bodies. The Authority also participates in local and regional data matching. Internal Audit is the Authority's key contact for the National Fraud Initiative and all local data matching exercises and as such they will work closely with relevant managers to ensure all data subjects (e.g. staff) are notified that their data will be shared for these exercises.
43. Internal Audit work with partners to share information and encourage participation in data matching and other anti fraud measures.
44. During fraud investigations, Internal Audit will liaise with the Police, as necessary. If there is sufficient evidence to support criminal charges, they will work with the Police to prosecute. This action may run parallel to disciplinary action.
45. Internal Audit recommends sanctions such as disciplinary or civil action, depending on the circumstances. They inform HRE of any misconduct issues and work closely with HRE when disciplinary action is taken. Where civil action is appropriate, Internal Audit will liaise with Legal Services to ensure all options are pursued to recover amounts lost through fraud or corruption (e.g. the use of Proceeds of Crime legislation).
46. Internal Audit provides fraud awareness training across the Authority. This includes ethical behaviour and the Whistleblowing policy. They provide an anti fraud hotline (0800 028 8535) and an email address (antifraud@solihull.gov.uk). These details can be found on the Internal Audit Intranet site and also the Solihull Internet site to encourage issues to be raised.
47. They publicise proven fraud and errors and will liaise with the Communications Division to ensure fraud cases are publicised promptly. Where they receive notifications of possible regional / national frauds, scams or alerts these will be communicated to staff and managers.
48. Internal Audit will report frauds to the Audit Committee and External Audit as appropriate.

Income & Awards Division

49. The role of Awards Team is to administer the Housing and Council Tax Benefit scheme on behalf of the Department of Work and Pensions. They have a responsibility for the following:
 - ◆ To pay Housing and Council Tax Benefit in line with legislation
 - ◆ Secure the gateway to Housing and Council Tax Benefit by having sound processes in place to verify evidence used to support an application.
 - ◆ Investigate Housing and Council Tax Benefit fraud

50. The Awards Team has a detailed Housing Benefit Anti Fraud Procedure, which provides guidance on Benefit investigation processes.
51. There is a dedicated team of Benefit Fraud investigators and they work closely with other Authorities and agencies to reduce Benefit fraud.
52. They provide a freephone Benefit Fraud Hotline number (0800 085 3896) and encourage the reporting of allegations or suspicions of Benefit fraud.
53. The Authority's strict requirement to repay fraudulently obtained monies is also a major deterrent to fraud, and may be additional to any other Benefit fraud sanctions that are applied. The Awards Team have formal Sanction and Prosecution Guidance relating to Benefit fraud and the sanctions they can apply, i.e. Formal Caution; Administration Penalty; Overpayment Recovery and Civil Recovery Action; or Prosecution.
54. The Awards Team liaise with the Communications Division to ensure fraud cases are publicised promptly.
55. Internal Audit and the Awards Team will work together to undertake proactive work in the area of Benefit fraud and will liaise regularly with management and report details to the Audit Committee.

Public Protection Division

56. The Public Protection Division covers Trading Standards, Environmental Health, Licensing and Home Check services. It provides advice to the public and to business across the full range of public protection issues. These include licences, misleading adverts, business fraud such as food adulteration, car "clocking" and rogue traders. In ensuring legal compliance and fair trading they ensure fraud is detected and dealt with.
57. Initial first line advice to consumers is provided by Consumer Direct. The Civil Enforcement and Education Team provide further investigation and in-depth advice across the full range of consumer issues, ensuring that especially the vulnerable are not defrauded of their rights. This Team provides intelligence to law enforcement teams both internally and externally.
58. The Scambusters Team deals with large scale fraudulent activity across the West Midlands, linking with other enforcement bodies both regionally and nationally.

Legal Services

59. Legal Services provide advice and support during fraud investigations and any subsequent civil action taken to recover losses.
60. Legal Services are responsible for maintaining details of authorisations under the Regulation of Investigatory Powers Act 2000 (RIPA), where surveillance of persons is intended. RIPA guidance is available on the Legal Services Intranet website.
61. Legal Services have a legal duty to report all potential money laundering activity to the Money Laundering Reporting Officer for investigation.

Money Laundering Reporting Officer

62. The Council's nominated Money Laundering Reporting Officer (MLRO) will review all reported money laundering allegations and decide whether the transaction / circumstances are suspicious and whether to make a report to the Serious Organised Crime Agency. There is no clear definition of what constitutes suspicion and the MLRO will apply common sense in making their decision.
63. The MLRO will review the Money Laundering policy and communicate this policy to relevant staff.
64. Employees with professional qualifications, e.g. solicitors and accountants, have an ethical duty to report any suspected money laundering activities to the MLRO.

Human Resources (HR)

65. HR maintain and promote the Employee Code of Conduct and related policies and procedures.
66. They have a responsibility to ensure effective 'gateway' controls are in place for the recruitment of new employees, including pre-employment checks and relevant Criminal Record Bureau (CRB) checks.
67. HR will inform the Head of Internal Audit Services of all disciplinary issues, financial or otherwise and will work together with Internal Audit to improve controls and ensure the effectiveness of disciplinary action.

Complaints Manager

68. The Complaints Manager will notify Internal Audit of any potential fraud issues identified from complaints received.

Corporate Procurement Manager

69. The Corporate Procurement Manager has a responsibility to maintain and monitor compliance with the Authority's Rules for Contract.
70. Each contract includes a section outlining each party's responsibilities and action to take regarding fraud and corruption.
71. The Corporate Procurement Manager will work with Internal Audit to ensure effective anti-fraud and corruption processes are in place for contracting. The Corporate Procurement Manager will inform the Head of Internal Audit Services of any potential fraud or corruption relating to the letting and monitoring of contracts, or non-compliance with Rules for Contract.

External Audit

72. The work of the Authority's External Auditors includes an assessment of the standards of financial conduct and the prevention and detection of fraud and corruption. This is a key part of the Council's governance arrangements and they will liaise with relevant officers to assess evidence available to support these arrangements.
73. External Audit require details of any frauds over £10,000. These details are reported by either Internal Audit or the Income and Awards Team.

Appendix A: FRAUD RESPONSE PLAN

It is important that Managers and employees know what to do in the event of a loss, fraud or corruption, so that prompt action can be taken. This Plan provides guidance to assist staff and to help ensure effective and timely action is taken.

The Council are committed to ensure that prompt and effective action can be taken to:

- ◆ prevent the (further) loss of funds or other assets where fraud has occurred.
- ◆ maximise the recovery of losses.
- ◆ identify the perpetrator and maximise the success of any disciplinary or legal action taken.
- ◆ reduce any adverse impact on service delivery.
- ◆ publicise our successful actions.
- ◆ identify any learning points that can be used to reduce the risk of future fraud.

What do you do if you suspect an irregularity?

Alert your line manager, unless you think it may be your line manager involved, then you should contact the **Head of Internal Audit Services, Steve Sparkes** on 0121 704 6282 or **Audit Manager, Mandy Smith** on 021 704 6067. You can do this confidentially and it will be handled in line with the 'Whistleblowing Policy'.

If it is a member of your staff and where it is appropriate to do so, discreet initial enquiries may be promptly made to determine if there is an irregularity.

The Head of Internal Audit Services **must be informed** as soon as there is evidence of irregularity, outlining:

- ◆ the evidence gathered.
- ◆ the actions taken in respect of the employee (e.g. suspension) or any other action taken to prevent further loss.

Internal Audit will:

- ◆ Liaise with relevant management and Human Resources.
- ◆ Conduct the investigation promptly, with due regard to compliance with legislation around interviewing and surveillance.
- ◆ Record all evidence received, ensuring that it is sound and adequately supported.
- ◆ Maintain written records of all fact-finding meetings.
- ◆ Ensure that evidence is held securely with appropriate restriction to access (both manual and electronic documentation).
- ◆ Where appropriate, contact other enforcement agencies.
- ◆ Advise on action to be taken, e.g. notifying insurance.

Managers must not:

- ◆ Undertake their own investigation as this could compromise any disciplinary or criminal action.
- ◆ Undertake covert surveillance as this could breach legislation.
- ◆ Conduct interviews with any suspect or potential witness. This is important, as in certain circumstances criminal proceedings may be compromised. Where there is evidence of a suspected criminal act, interviews will be undertaken by the Police.

Appendix A: FRAUD RESPONSE PLAN (schools staff)

It is important that Headteachers, Governors and employees (teaching and non-teaching) know what to do in the event of a loss, fraud or corruption, so that prompt action can be taken. This Plan provides guidance to assist staff and to help ensure effective and timely action is taken.

The Council are committed to ensure that prompt and effective action can be taken to:

- ◆ prevent the (further) loss of funds or other assets where fraud has occurred.
- ◆ maximise the recovery of losses.
- ◆ identify the perpetrator and maximise the success of any disciplinary or legal action taken.
- ◆ reduce any adverse impact on service delivery.
- ◆ publicise our successful actions.
- ◆ identify any learning points that can be used to reduce the risk of future fraud.

What do you do if you suspect an irregularity?

Alert your Headteacher or Chair of Governors, unless you think it may be your Headteacher or Chair of Governors involved, then you should contact the **Head of Internal Audit Services, Steve Sparkes** on 0121 704 6282 or **Audit Manager, Mandy Smith** on 021 704 6067. You can do this confidentially and it will be handled in line with the 'Whistleblowing Policy'.

If it is a member of your staff and where it is appropriate to do so, discreet initial enquiries may be promptly made to determine if there is an irregularity.

The Head of Internal Audit Services **must be informed** as soon as there is evidence of irregularity, outlining:

- ◆ the evidence gathered.
- ◆ the actions taken in respect of the employee (e.g. suspension) or any other action taken to prevent further loss.

Internal Audit will:

- ◆ Liaise with relevant management and Human Resources.
- ◆ Conduct the investigation promptly, with due regard to compliance with legislation around interviewing and surveillance.
- ◆ Record all evidence received, ensuring that it is sound and adequately supported.
- ◆ Maintain written records of all fact-finding meetings.
- ◆ Ensure that evidence is held securely with appropriate restriction to access (both manual and electronic documentation).
- ◆ Where appropriate, contact other enforcement agencies.
- ◆ Advise on action to be taken, e.g. notifying insurance.

Headteachers must not:

- ◆ Undertake their own investigation as this could compromise any disciplinary or criminal action.
- ◆ Undertake covert surveillance as this could breach legislation.
- ◆ Conduct interviews with any suspect or potential witness. This is important, as in certain circumstances criminal proceedings may be compromised. Where there is evidence of a suspected criminal act, interviews will be undertaken by the Police.