

READING BOROUGH COUNCIL ANTI FRAUD AND CORRUPTION POLICY STATEMENT

Fraud and corruption against Reading Borough Council is unacceptable and will not be tolerated. The council is committed to combating fraud and corruption throughout its activities. In carrying out its functions and responsibilities Reading Borough Council has always adopted a culture of openness and fairness, and has expected that elected members and employees at all levels will adopt the highest levels of propriety and accountability. We are committed to making sure that the opportunity for fraud and corruption is reduced to the lowest possible risk

This statement is designed to integrate with and reinforce a key Council objective of ensuring our services are efficient and deliver value for money.

In order to deliver our Council's aims, it is necessary to maximise the available financial resources. Therefore this policy is designed to:

- Reduce losses to fraud and corruption to an absolute minimum
- Include all areas of the organisation and external stakeholders in seeking to tackle fraud and corruption wherever it is discovered.

Fraud and corruption is rare and not tolerated by the honest majority. As part of its strategic risk management process, the Council has to ensure that there is robust framework in place to mitigate the risk of fraud and corruption. Therefore, the Council's aim is to:

- Maintain and extend its 'zero-tolerance' culture to fraud and corruption
- Maintain its stance of providing a strong deterrent
- Prevent fraud and corruption by designing and reformulating policies and systems
- Continue to undertake the detection and investigation of fraud and corruption including aiming to apply sanctions and recovery procedures where it is identified.

To achieve these will involve:

1. The promotion of fraud awareness, through training and publicity, to embed a strong anti fraud culture amongst councillors, employees, contractors and members of the public that will encourage the recognition and reporting of fraudulent or corrupt activity.
2. Evaluation of current and future activities to identify and remove weaknesses that may allow fraud to take place
3. Working with external partners and other agencies to prevent or detect fraud and corruption

4. Provision of trained and qualified investigators to identify and act against fraudulent or corrupt activities

An annual report will be made to members that will include a review of fraudulent activity identified within or involving Reading Borough Council and will evaluate progress against the policy.

Signed..

Signed..

Director of Corporate Resources

Leader of the Council

ANTI FRAUD AND CORRUPTION POLICY

INTRODUCTION

Reading Borough Council is committed to ensuring that any exposure to risk of fraud, corruption and related abuses is reduced to the lowest possible level. The purpose of this policy statement is to explain Reading Borough Council policy of zero tolerance of fraud and corruption and to outline the key requirements that need to be complied with.

Reading Borough Council Audit Services has the key function of monitoring the effectiveness of internal controls in operation. This includes carrying out investigations into suspected cases of fraud or corruption. Fraud and corruption can be reported in a number of different ways that are outlined in the Fraud and Corruption Response Plan.

WHO IS COVERED

Who is this Policy for?

- RBC employees
- Councillors
- Service Users
- Managers Seconded to RBC
- Agency workers working for RBC
- Independent Consultants to RBC
- Contractors and suppliers of services to RBC
- Staff and committee members of organisations funded by the Council
- Staff and principals of partner organisations

CORPORATE FRAMEWORK AND CULTURE

The Council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:

- Codes of Conduct for members and officers
- Standing Orders and Financial Regulations

- Accounting procedures and records
- Register of Interests
- Sound internal control systems
- Effective internal audit provided by Audit Services
- Effective recruitment and selection procedures
- Disciplinary Procedure
- IT Security Policy
- Complaints Procedure
- Fraud and Corruption Response Plan
- Benefit Counter Fraud Prosecution and Sanction Policy
- Confidential Reporting (Whistle Blowing) Code
- The Regulation of Investigatory Powers Act (RIPA) Procedure
- Data Matching Policy (NFI)
- Induction Training and ongoing training support

WHAT IS COVERED

What does the Policy cover?

- What is Fraud and Corruption?
- Policy Statement
- Source of Advice and Guidance
- Roles and Responsibilities
- Deterrence
- Raising Fraud Awareness

WHAT IS FRAUD AND CORRUPTION

Fraud

The Fraud Act 2006 created a new single offence of fraud. This can be committed by three means:

- by false representation
- by failing to disclose information
- by abuse of position

The Act also created a number of other new offences including:

- Possession of articles for use in fraud
- Obtaining services dishonestly

Under the Fraud Act 2006, which came into effect on January 15th 2007, the new offence of fraud is based on evidence of dishonest conduct with the intention to make a gain or to cause a loss to another or to expose to a risk of loss. The maximum sentence for fraud is 10 years' imprisonment.

In law attempted fraud is treated as seriously as accomplished fraud.

Corruption

Under the Prevention of Corruption Act 1906 it is an offence to accept any gift or consideration as an inducement or reward for:

- Doing (or not doing) anything in an official capacity; or
- Showing favour (or disfavour) to anyone in an official capacity

Also under this act any money, gift, or consideration (including hospitality) received from a person or organisation holding or seeking to obtain a contract from Reading Borough Council may be deemed by the courts to have been received corruptly unless it can be proved otherwise.

Data Protection

Reading Borough Council is custodian of much data and information and also treats its responsibilities in respect of the Data Protection Act 1998 and Computer Misuse Act 1990 very seriously where staff access or attempt to access information held in Reading Borough Council records and systems for use other than for Reading Borough Council business purposes.

POLICY STATEMENT

Reading Borough Council is committed to preventing fraud and corruption, and fostering an anti-fraud culture. Reading Borough Council achieves this by:

- Maintaining effective controls to prevent fraud
- Ensuring that when fraud occurs a rigorous investigation is undertaken
- Taking appropriate disciplinary and legal action where it is warranted
- Reviewing its internal controls to prevent frauds recurring and to apply lessons learnt

The policy covers both internal and external fraud committed against Reading Borough Council.

Reading Borough Council requires everyone employed by it at all times to act with honesty and integrity and to safeguard the public resources and assets for which they are responsible. Any fraudulent use of resources and assets, whether by Reading Borough Council employees or third parties, will not be tolerated. Employees must not accept gifts, hospitality or benefits in kind that could lead to a perception of a conflict of interest and/or of impropriety.

All cases of fraud, or attempted fraud against Reading Borough Council are reported immediately in accordance with the Response Procedure. Each is thoroughly and promptly investigated and where wrongdoing is established, appropriate legal and disciplinary sanctions are exercised.

Reading Borough Council Anti-Fraud Policy should be read in conjunction with:

- Code of Conduct
- Reading Borough Council Statements on Mission and Values
- Whistleblowing Policy
- Council Standing Orders and Financial Regulations
- Reading Borough Council Fraud and Corruption Response Plan
- Manager and Employee guidelines for reporting fraud

ADVICE AND GUIDANCE

Reporting

It is the responsibility of Directors, Heads of Service and managers to maintain good control systems and procedures, and ensure that all staff comply with the instructions contained herein.

Investigations are carried out in response to referrals of potential fraud. In addition proactive exercises target services areas identified as being at a high risk from fraud. Data from different sources available within the Council may be matched as an effective way to identify potential fraud and error. This is done in compliance with the standards laid down by the Audit Commission for data matching.

In accordance with Financial Regulations Directorates shall report to Audit all suspected irregularities that could be instances of fraud. This is essential to our approach to fraud and corruption and ensures:

- Consistent treatment of information regarding fraud and corruption
- Proper investigation by an independent and experienced audit team
- The optimum protection of the Council's interests

When information relating to fraud or corruption is obtained it is reviewed and subject to a risk assessment. Some are followed up with a full investigation; others are better dealt with as management issues. Where appropriate departments shall:

- Report allegations swiftly and follow the guidance provided
- Where appropriate, contact other agencies, e.g. Police
- report to senior management, and where appropriate, support the Council's disciplinary procedures

Depending on the nature and anticipated extent of the information obtained, Audit Services will normally work closely with:

- Directorate Management
- Human Resources
- Legal Services
- Other agencies, such as the Police and the Department for Work and Pensions

This is to ensure that all allegations and evidence are properly investigated and reported upon, and that where appropriate, losses are recovered for the Council. Where appropriate this will include the use of Proceeds of Crime legislation.

The Council's Confidential Reporting (Whistle Blowing) Code provides a clear path for individuals to raise concerns of malpractice in any aspects of the Council's work, without the fear of recrimination or victimisation. The Council will take appropriate action to protect any individual who has raised

a concern in good faith. The Code deals with the reporting of fraud or alleged fraud through formal channels, whether this is through Directorate Management, the Head of legal Services or Chief Auditor. The Code also covers making disclosures to external bodies if there is an unsatisfactory outcome to a disclosure made internally.

Where fraud is found to have taken place with the involvement of a Council employee the Council disciplinary procedure will be invoked.

Where financial impropriety is discovered relating to employees, members, or grant aided external organisations, the matter may be referred to the police in accordance with the Fraud and Corruption Reporting Procedure. The Chief Auditor, in consultation with s151 Officer, Legal Services and Human Resources, will make any such decision. Referral to the police will not necessarily prohibit action under the disciplinary procedure.

The Council's External Auditor, the Audit Commission, also has powers to independently investigate fraud and corruption.

In all cases of irregularity that come to light, the following factors will be considered to inform the follow up action to be taken:

- Nature of the wrongdoing
- History and background of the wrongdoing
- Position held by the employee and other parties involved
- Duration of the irregularity
- Loss or potential loss involved
- Voluntary disclosure and or how the wrongdoing came to light
- Exposure to ongoing financial and operational risks
- Personal factors

After a thorough investigation, Reading Borough Council will take disciplinary and/or legal action in all cases if this is warranted. Reading Borough Council policy generally in relation to proven or suspected fraud and corruption, whether perpetrated by staff or people outside the organisation, is that the case will be referred to the police as soon as the available information indicates a case of fraud. Reading Borough Council will co-operate fully with police enquiries. Attempts will be made to recover any losses resulting from the fraud.

Reading Borough Council has prepared a Fraud and Corruption Response Plan to act as a checklist of actions and there is guidance offered to staff and management on salient issues.

Advice and Guidance on the application of Reading Borough Council policy on Anti-Fraud and Corruption is available from the Chief Auditor.

It should also be noted that the Council has adopted a separate policy and framework in respect of:

- benefit fraud (i.e. housing benefit, council tax benefit and other state benefits) - Allegations relating to benefit fraud are consequently subject to this separate framework.
- money laundering - as part of the Money Laundering Regulations 2003 and its commitment to high standards of honesty and integrity, it is a requirement of the Council to report to the Police any incidents where any of its Councillors or employees, when working on Council business, know or suspect money laundering activity is taking place. Suspicions or knowledge of this nature should be reported as outlined in the Council's policy and procedures regarding Proceeds of Crime / Anti Money Laundering Arrangements.

CONTACTS

To report a fraud or seek advice about a situation that may constitute fraudulent behaviour contact the following:

Chief Auditor

Contact can be made via phone call, email or in person. Employees can refer matters under the protection of the whistle blowing policy internally or can make a referral anonymously through a dedicated help line run externally.

Head of Housing Benefit Anti Fraud Team

Should be contacted where matters concerning Housing Benefit or Council Tax are involved.

Head of Human Resources

Should be contacted with regard to advice on personal issues and to ensure that proper procedures are followed regarding the council's disciplinary procedures.

ROLES AND RESPONSIBILITIES

Employees of the Council

The Council recognises that staff are often the first line of defence in preventing fraud. An important preventative measure in that fight is the effective recruitment of staff.

Staff recruitment both full time, casual, agency and consultants will be undertaken in accordance with the Council's policies for Recruitment and Selection. Managers should be aware that the verification of qualifications and explanation of past employment history are important in preventing and detecting fraudulent applications for employment.

All staff must abide by the Council's Code of Conduct for Employees, which sets out requirements on personal conduct. All staff are expected to follow the codes of conduct laid down by their respective professional institutes.

Financial Regulations place responsibility for fraud prevention on all employees. Staff should therefore be alert and alerted to the possibility of fraud and to report any concerns. The council has a policy on what managers and staff should do in the light of a fraud being discovered. The Council also has a confidential reporting 'Whistle blowing Policy' in place to assist employees in reporting concerns about fraud and other issues without fear of reprisal.

The Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution, in accordance with the Fraud and Corruption Response Plan. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.

Under the Council's Standing Orders, staff must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Council, or the non-acceptance of any fees, gifts, hospitality or any other rewards, other than their proper remuneration. These requirements are set out in the Council's Code of Conduct for Employees.

Managers

Responsibilities of Corporate Directors and Heads of Service (Financial Regulations Constitution)

Ensuring general compliance with Contract Standing Orders and other Financial Regulations

- Report irregularities **promptly**
- Pending investigation take steps to prevent further losses and secure records and documentation against removal or alteration
- Meet expectation of Authority that lead by example in adherence to legal requirements, rules, procedures and practices
- Instigate disciplinary procedures if audit investigation indicates improper behaviour
- Maintain a Directorate register of interests
- Ensure that organisational structure provides an appropriate segregation of duties to provide adequate internal controls

In respect of this policy they should also ensure:

- Communication and implementation of above strategy
- Employee awareness of procedural guidelines, Financial Regulations, Standing Orders in respect of general business as well as any written operational procedures
- Employee awareness of codes of conduct
- Create environment where staff can approach them with concerns and be able to advise best route (e.g. be aware that there is an anonymous whistle blowing route)
- Ensure relevant training is provided
- Ensure suitable level of checking included in working procedures
- Ensure recruitment interviews ascertain references and qualifications are suitable for the job

Councillors

Members are required to operate within:

- National Code of Local Government Conduct
- Sections 94-96 of the Local Government Act 1972
- Local Authorities Members' Interest Regulations 1992 (SI 618); SI 1996/121.5
- Council Standing Orders

These matters and other guidance are specifically brought to the attention of members at the induction course for new members and are in each member's handbook. They include rules on the declaration and registration with the Chief Executive of potential areas of conflict between members'

Council duties and responsibilities, and any other areas of their personal or professional lives.

The Council has in place an Overview and Scrutiny process. Its remit includes the review of decisions and actions undertaken by the Council. Any matter arising from this process, in which fraud is suspected, can be referred to Audit Services for independent investigation.

The Council has established a Standards Committee, which has independent representatives within its membership, to examine issues of misconduct by members.

The Council's Corporate, Community and External Affairs (CCEA) Scrutiny Panel has included within its rules of governance a responsibility to review the effectiveness of internal audit including work in respect of fraud.

The Local Government Act 2000 requires all members to give a written undertaking to comply with Anti-fraud and corruption policy the Code of Conduct, if they are to remain on the Council.

Working with Others

There are a variety of arrangements in place, which facilitate the regular exchange of information between the Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators such as internal auditors, trading standards officers, housing benefits investigators etc.

The Council subscribes to the National Anti-Fraud Network (NAFN). NAFN provides access to information relating to fraud within the public sector. Fraud intelligence is collated and circulated to members, and information services to assist in the more effective investigation of fraud are available.

As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored across the Authority and beyond. This enables information and intelligence to be generated, which is a recognised means of preventing fraud and corruption. The Council participates in the National Fraud Initiative (NFI). This is recognised as an important tool in the prevention and detection of fraud. The Audit Commission has drawn up a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.

There are a number of ways in which Audit can be contacted to report concerns of fraud and corruption, all of which are outlined in the Fraud and Corruption Reporting Plan.

PREVENTION

The Council seeks to build an environment where fraud will not be tolerated and as part of this it is vital that basic controls that form part of the internal control system are observed such as:

Documented Policies and Procedures

Staff trained and fully aware of their duties

Ensuring there are internal checks within the system (e.g. reconciliation) and that where possible the work of one person is verified by another.

Ensure there is an audit trail for all transactions (written or electronic record of actions taken and by whom)

Rotation of duties where possible

For grant claims, timesheets, expense claims etc.

- Ensure there are clear guidance notes for completion of returns
- Ensure full details of the claimant are provided
- Ensure full supporting documentation is present
- Ensure clear terms and conditions
- Clear warnings for non disclosure of material facts

For cash handling, ensure that two people are involved in the process.

Good management reporting (financial monitoring/budgets & performance indicators)

DETERRENCE

There are a number of ways in which we deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside or outside of the Council, and these include :

- Publicising the fact the Council is firmly set against fraud and corruption and states this at every appropriate opportunity, e.g. statements in contracts, on claim forms, and in public literature.
- Acting robustly and decisively when fraud and corruption is suspected and proven, e.g. the termination of contracts, the dismissal and/or prosecution of offenders.

- Taking action to effect the maximum recoveries for the Council, e.g. through agreement, court action, penalties, insurance, superannuation etc. Where appropriate the Proceeds of Crime Act will be used to maximise the penalty suffered by the fraudster, and the level of recovery by the Council.
- Having sound internal control systems that allow the council to achieve its objectives and deliver services whilst minimising the opportunity for fraud and corruption.
- It is the responsibility of Directors to communicate the Anti-Fraud and Corruption Policy to their staff and to promote a greater awareness of fraud within their Service areas.
- The council maintaining registers of interests and encouraging staff to declare potential conflicts of interest, hospitality received etc.

RAISING FRAUD AWARENESS

The Council recognises that the success and credibility of its Anti-Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. Every opportunity will be taken to bring it to the attention of staff, members and other stakeholders The Policy will also be shown on the Council's web page and be available on the Intranet.

The Fraud Awareness Strategy sets out our actions to raise the levels of fraud awareness amongst employees, Council Members and stakeholders. Specifically awareness is raised by a combination of face to face awareness sessions, publications about general and specific fraud issues, and a variety of electronic media including guidance on the Council's website and Intranet. An Annual Staff Fraud Awareness survey is undertaken and the results are publicised and there is an annual report made to the Council's Management Team and to the CCEA Panel.

The Council supports the concept of induction training to raise awareness of fraud, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

The officers involved in the review of internal control systems and investigative work will be properly and regularly trained. The training plans of Audit Services will reflect this requirement.

Audit offers tailored programmes in Fraud Awareness, to promote the Anti-Fraud and Corruption Policy and to give guidance on fraud prevention and detection. In its regular newsletters Audit publicise fraud related issues as well as giving details of the outcomes of some of its investigations. These newsletters are periodically displayed on the Intranet.