

## **FRAUD AND CORRUPTION RESPONSE PLAN**

### **Introduction**

This Plan forms part of the Council's overall Anti-Fraud and Corruption Strategy. It outlines the way in which we will respond to:

- Suspected or apparent irregularities affecting resources belonging to or administered by the Council; and
- Fraud, corruption or dishonesty in dealings with the Council or its property.

### **CORPORATE POLICY**

The Council has adopted an Anti-Fraud & Corruption Strategy in which it sets out its overall policy in respect to fraud and corruption. This clearly states 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.

The Council has also adopted a Whistle blowing Policy giving staff a mechanism for reporting suspicions of fraud and corruption in the Council's activities. Although this policy protects whistleblowers from victimisation, disciplinary action may be taken against staff if it is found that they have acted frivolously, maliciously, or for personal gain.

The Anti-Fraud & Corruption Strategy and Whistle Blowing are available for viewing or download from the Council's web site.

### **ROLES AND RESPONSIBILITIES**

#### **Staff**

The Council's Anti-Fraud & Corruption Strategy requires all staff to report any suspicions of theft, fraud or corruption to enable a proper investigation into the circumstances to be undertaken. If a member of staff does not feel comfortable speaking to their line manager, the Strategy incorporates a list of both internal and external contacts that they may wish to refer their concerns to.

#### **Line and other Managers**

If you suspect a fraud

- Encourage staff/public or service user to air suspicion
- Note details
- Evaluate objectively and if any doubt then seek advice

- Advise appropriate person - talk to Chief Auditor or member of Audit Services
- Respond promptly

### **Do Not**

- Ignore
- Be afraid to seek advice or assistance
- Approach or accuse individuals directly
- Try to investigate the matter yourself
- Convey your suspicions to others who are not charged with the responsibility to investigate

### **Schools**

Schools' Financial Regulations require that any matters that involve or are thought to involve fraud, financial irregularity, or corruption should be brought to the attention of the Head of Finance. Under no circumstances should Head Teachers or Governors attempt to question staff or gather evidence themselves.

### **Members**

All Council Members have a duty under the Council's Members' Code of Conduct and the Anti-Fraud & Corruption Strategy to report any instances of improper conduct. The Strategy incorporates a list of both internal and external contacts that they may wish to refer their concerns to.

### **Chief Auditor**

The Chief Auditor has delegated responsibility for the investigation of all alleged instances of financial irregularity within the Council's activities. Where appropriate he/she will inform third parties such as the Council's external auditor and the Police with respect to any investigations that are being undertaken.

The Chief Auditor will document all reported suspicions, including those dismissed as minor or otherwise not investigated, on an Investigation Assessment form. The form will detail conclusions reached and decisions taken.

The Chief Auditor is responsible for ensuring that procedures are in place for the compilation of proper audit investigation files including accurate notes of any interviews undertaken and copies of all working papers compiled during the conduct of the investigation.

### **Head of Housing Benefit Anti Fraud Team**

The Head of Housing Benefit Anti Fraud Team has responsibility for all referrals in respect of Housing Benefit and Council Tax fraud and will work alongside the Chief Auditor in any case where investigations concern claims for, or receipt of, Housing or Council Tax Benefit.

### **Head of Human Resources**

The Head of Human Resources has responsibility for the preparation and updating of capability and disciplinary procedural guidance to be followed by all those involved in the conduct of investigations and hearings.

The Head of Human Resources has responsibility for the preparation and periodic revision of the Council's Whistle Blowing Policy as a guide for staff wishing to report suspicions of theft, fraud or corruption and the monitoring of the operation of the policy to ensure that suspicions are acted upon and staff is not subjected to victimisation as a result of their actions.

The Head of Human Resources will advise those involved in investigations in matters of employment law, organisational policy and other procedural matters as necessary.

### **Monitoring Officer**

The Monitoring Officer has a role to play in providing policies, advice and specific actions in relation to Member misconduct under the provisions of the Local Government Act 2000.

The Standards Committee has separate Procedures for Local Investigations and Determinations of Misconduct Allegations to be followed when an Ethical Standards Officer of the Standards Board for England refers an allegation of misconduct to the Council's Monitoring Officer for local investigation.

### **Director of Corporate Resources (section 151 Officer)**

Under the Council's Constitution the Director of Corporate Resources has overall responsibility for the maintenance of an adequate and effective internal audit function and the development and maintenance of an anti-fraud and corruption policy. The Director has in turn delegated the responsibility for all aspects of anti-fraud and corruption work to the Chief Auditor.

## **KEY STEPS IN FRAUD RESPONSE**

### **Initial action**

The Chief Auditor will assess the need for an investigation and decide whether the allegations/concerns warrant the utilisation of Internal Audit resources to determine whether they can be substantiated.

A Senior Auditor will normally be responsible for managing the conduct of an investigation including the gathering of evidence and the interviewing of witnesses, under the overall direction of the Chief Auditor.

Internal auditors have statutory defined powers of investigation granted to them by the Accounts and Audit Regulations 2003 (amended 2006). The Council's Constitution (including its Financial Regulations) and the Internal Audit Charter give effect to this legislation. Internal Audit staff have the authority to require and receive from staff or Members, any documents, information, answers and explanations they consider relevant to the matter under investigation.

Internal Audit staff will interview any persons making an allegation and notes will be taken at the time of the interview. Auditors will consult management in the employing directorate to obtain an understanding of the internal controls and procedures in operation. During the course of the investigation Internal Audit will normally keep management updated with the progress of the investigation.

### **Referral to the Police**

Investigations will try to establish at an early stage whether it appears that a criminal offence has taken place. This will shape the manner in which the investigation is handled and determine the likely outcome and course of action.

Where initial investigations point to the likelihood of fraud or corruption and subject to consultations with the Head of Human Resources and the section 151 Officer, the Police will be contacted with a view to determining whether they wish to conduct their own criminal investigation. Where the Police decide to take action Internal Audit will liaise closely with them to ensure that there is no possibility of internal investigation work compromising the criminal investigation.

### **Suspension from duty**

There may be a need to suspend a member of staff from duty if an investigation might be impeded by their presence at work or if the allegations are sufficiently serious to warrant potential dismissal if proven. Suspension in these circumstances is not a form of disciplinary action and does not indicate that the Council has pre-judged the case. Its purpose is to remove an individual from their workplace to allow a full and fair

investigation of the circumstances to take place unhindered. Suspension will ensure that evidence is not tampered with and will also prevent any undue influence by an individual on the course of the investigation.

Where the subject of the investigation has not been alerted to management's concerns and their suspension would frustrate the objective of the investigation then suspension will usually occur after the investigation has determined whether any allegation/concerns were substantiated. The employing directorate should not do anything to alert the subject of the investigation unless it is with the agreement of the Senior Auditor managing the investigation or where the actions of an individual make it necessary to do so.

### **Covert investigatory techniques**

It may be necessary during an investigation to carry out directed surveillance (the covert observation of individuals/premises) or use a covert human intelligence source (the establishment of a relationship with an individual for the purpose of secretly using that relationship to obtain information). In such cases the Regulation of Investigatory Powers Act 2000 will be considered and observed. The necessary authorisation required under the Act will be sought from the designated officer(s) in the Council in order to ensure that any activities undertaken are not in contravention of Human Rights legislation.

If the correct procedures are not followed, the courts may disallow evidence, a complaint of maladministration could be made to the Ombudsman, and/or the Council could be ordered to pay compensation. Such action would not, of course, promote the good reputation of the Borough Council and will, undoubtedly, be the subject of adverse press and media interest. It is essential, therefore, that you seek advice from the Chief Auditor, Head of Human Resources or the Head of Legal Services before carrying out any form of surveillance.

### **Physical evidence**

The Senior Auditor will take control of any assets, documents, records and correspondence that may be relevant to the investigation. Physical evidence will be either secured on site or removed and retained by Internal Audit for examination. Where it is necessary to remove property for audit purposes, a Retention of Property form detailing all records taken away from the premises will be completed and a copy given to management.

### **Electronic evidence**

If the Senior Auditor suspects that computers or storage media may contain information pertinent to the investigation then in consultation with the Information Security Officer and Northgate Information Services (NIS) these computers or media will be quarantined and evidentially sound copies created for analysis.

## **Formal investigatory interviews**

It is usually necessary to require staff members who are under investigation to attend a formal investigatory interview. Anyone accused of fraud or corruption will be given a full and fair opportunity to answer the case against them before any audit report is written about them and presented to management.

Regardless of whether the staff member under suspicion has been suspended or not, a letter will be sent inviting them to interview. A minimum period of 5 working days will be allowed before the date of the interview to allow adequate preparation. The individual being interviewed will also be given the opportunity to have a trade union representative or fellow employee (although not any other member of staff subject to investigation) present in an observational role.

A Senior Auditor supported by another auditor will usually carry out interviews. Contemporaneous notes will be made of all that is said. It will be emphasised that the meeting is not a disciplinary hearing but a fact-finding exercise. The individual being interviewed will also be advised that they are free to ask for the interview to be adjourned at any time.

This type of interview will not normally take place under caution. If, as the interview proceeds, the answers given make it clear that the interviewee has committed a criminal act, the interview will either be terminated immediately and Police advice sought or the interview will continue only after a caution has been issued.

Once the interview is over, the individual concerned will be given the opportunity to read the written record and both the interviewer and interviewee will sign each page in acknowledgement of its accuracy. The individual who was interviewed will be given the option of receiving a photocopy of the handwritten sheets or the typed-up interview notes for their own reference.

## **Outcome of investigations**

Internal Audit will produce and issue an investigation report that provides management with their findings and recommendations. It is management's responsibility to take further action. Any report produced will also be incorporated in a report to the next available meeting of the CCEA Panel.

If disciplinary action is warranted then the Council's Capability and Disciplinary Procedures will be invoked at the earliest opportunity. This includes the appointment of an Investigating Officer and a Nominated Officer to hear the evidence and make the final decision in the case. Capability and disciplinary procedures will normally begin after an audit report has been issued.

Audit investigations into the conduct of Members will be reported on to the Council's Monitoring Officer who will determine what further action to take.

Any weaknesses in the system of controls will be identified in the audit report and recommendations will be made advising management as to how the controls can be improved to prevent any recurrence of fraud or corruption.

The Council will seek to recover any financial loss through the appropriate mechanism. This may involve either civil or criminal proceedings where it is cost effective to do so, the recovery from salary or accumulated pension benefits of staff.