

Selby District Council

Anti Fraud, Theft and Corruption Policy Statement

SELBY DISTRICT COUNCIL

ANTI-FRAUD, THEFT AND CORRUPTION POLICY STATEMENT

1. INTRODUCTION

1.1 The purpose of this document is to provide a clear statement of the Council's Anti-Fraud, Theft and Corruption policy.

2. AIMS AND SCOPE OF THIS POLICY

2.1 Selby District Council is determined to protect itself, its employees and the public from fraud, theft and corruption. In order to do this, the Council is committed to establishing and maintaining a strategy for the prevention and detection of fraud, theft and corruption and, where necessary, for pursuing allegations of fraud, theft and corruption.

2.2 This policy aims to:-

- a) provide an understanding of the Council's stance on fraud, theft and corruption in relation to the Council's activities, Members, employees and those undertaking the Council's business;
- b) provide mechanisms for concerns to be raised and dealt with confidentially; and
- c) encourage Members of the Council, employees and the public to feel confident in raising serious concerns and act upon concerns about practice;

2.3 There is a public expectation that people who work in, and on behalf of, public bodies such as local authorities, are expected to observe the highest principles of conduct in providing services and carrying out day to day activities for and on behalf of the community.

3. STATEMENT OF INTENT

3.1 Selby District Council aims to provide excellent public services and needs to ensure propriety and accountability in all matters. The Council is determined to protect itself, its employees and the public from fraud, theft and corruption and is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud, theft and corruption.

3.2 **In relation to fraud, theft and corruption, it is the Council's Policy to:-**

- **Positively encourage prevention**
- **Promote detection**
- **Investigate substantiated complaints**
- **Conduct confidential and fair investigations, when it is deemed necessary to do so**
- **Protect those who raise concerns in good faith**
- **Take all necessary and appropriate actions where evidence of fraud, theft or corruption comes to light.**

- 3.3 In relation to cases of fraud, theft and corruption where there is sufficient evidence, the Council will pursue prosecution in accordance with the Corporate Prosecution Policy.
- 3.4 The Council's expectation on propriety and accountability is that Members, employees and any other person acting on behalf of the Council will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 3.5 The Council also expects that individuals and organisations that it comes into contact with (eg suppliers, contractors, service providers, and applicants to the Council for regulatory approvals or for services or financial assistance), will act towards the Council with integrity and without thought or actions involving fraud, theft or corruption.
- 3.6 In support of this Policy, the Council has adopted and will maintain an Anti-Fraud, Theft and Corruption Strategy which provides a framework for:-
- Encouraging fraud deterrence and prevention
 - Raising awareness of fraud, theft and corruption and promoting a culture based on the prevention of fraud, theft and corruption
 - Performing investigations and facilitating recovery of losses
 - Invoking disciplinary proceedings and, where considered necessary, referral to Police
 - Monitoring, publishing and updating the Policy, Strategy and its related procedures and performance

4. WHAT IS MEANT BY “FRAUD, THEFT AND CORRUPTION”?

- 4.1 For the purposes of this Policy and the related Strategy, the expression “fraud, theft and corruption” is intended to cover a wide range of improper actions involving (a) **dishonesty** or the appearance of it, on the part of the perpetrator, **and** (b) **wrongful gain** to the perpetrator and/ or to a third party, and/or **wrongful loss** to the Council and/or to a third party. Most, but not all, of these improper actions will also be offences against the criminal law, making the perpetrator liable to prosecution. “Action” includes inaction on the part of someone who is under a duty to act, e.g an employee who is responsible for making entries in records showing who owes money to the Council. The words “dishonesty”, “gain” and “loss” are to be read and understood in a broad sense, as explained below.

“**Dishonesty**” covers a range of states of mind, extending from (a) certain knowledge that a statement is false or an action is wrongful, through (b) belief falling short of certainty to (c) recklessness, i.e realising that something could well be false or wrong but going ahead anyway, without first taking steps to check (so far as would have been reasonable in the circumstances). It also needs to be remembered that ignorance of the law is not a defence to any criminal charge. But subject to what is said above, this Policy and the Strategy are not directed against things done or statements made by anyone acting in good faith, even if those actions or statements turn out to have been incorrect.

“**Gain**” includes gain by avoiding loss or expense, e.g where somebody is not billed for a Council service which (s)he should be required to pay for. “**Loss**” to the Council includes not only loss of or damage to money or other property, but also damage to public confidence in the Council’s will to carry out its activities in accordance with the Principles of Public Life (as would inevitably be caused by the acceptance of inappropriate gifts etc).

4.2 **Fraud** has to do with the use of deception with the intention to obtain advantage for, or avoid obligation on, the deceiver or another person, and/or the intention to cause loss to the Council or a third party. There are numerous ways in which deception can be used for these purposes; it may involve, for example:-

- Falsification or alteration of accounting records or other documents
- Suppression or omission of the effects of transactions from records or documents
- Recording transactions which have no substance
- Willful misrepresentations of transactions or of the Council’s state of affairs.

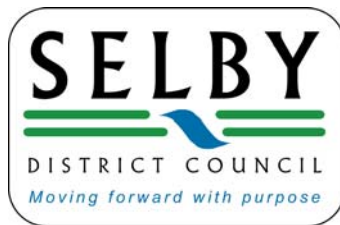
4.3 The primary meaning of **Theft** is dishonestly taking property belonging to another person, with the intention of permanently depriving that person of it. However, like the Theft Acts, this Policy and the related Strategy are directed against a wider range of wrongdoing. For the purposes of the Policy and Strategy “**theft**” has a broader meaning and also includes:- (a) unauthorised borrowing or use of vehicles or other equipment owned, leased or hired by the Council (b) criminal damage to any Council property (including leased or hired property) (c) unauthorised use, copying or retention of copyright material (including but not limited to documents, drawings, maps and computer software) of which the Council is either the copyright owner or a licensed user and (d) offences, similar to any of the foregoing, committed by an employee against third party-owned property while at work (including work away from Council premises).

4.4 **Corruption** is, first and foremost, the name given to offences involving the giving and receipt of gifts or favours to a Council Member or employee, with a view to the giver (or a person related to or associated with the giver) obtaining more favourable treatment from the Council than (s)he is properly entitled to expect and receive; or to some other person (whose interests are in conflict with the giver) receiving less favourable treatment from the Council than is due. For the purposes of this Policy “**corruption**” is to be understood more widely; it also extends to:- (a) the receipt by a Member or employee of any gift or favour in circumstances which give rise to an **appearance** or to a **legal presumption** that the Member or employee is prepared to let his/her actions be improperly influenced, even when this cannot be proved to have led to any specific improper action; and (b) improper actions by a Member or employee which are undertaken for motives of personal gain to him/herself or to a related or associated person, or for motives of ill-will towards a person who will be affected by that action. Under the Prevention of Corruption Act 1916 a legal presumption arises when the giver of a gift or favour is seeking to enter into a contract with the Council; any Member, employee or other person acting for the Council who receives a gift or favour in such circumstances is taken to be acting corruptly unless (s)he can prove otherwise. Attention is also drawn to Section 117 of the Local Government Act 1972, under which it is an offence for any Council employee to accept, under colour of his/her office or employment, any fee or reward whatsoever other than his/her proper remuneration.

5. OTHER RELATED POLICIES

5.1 The Council’s Anti-Fraud, Theft and Corruption Policy is a central element in its Strategy for dealing with these issues. A number of other existing Council policies and/or codes of conduct contain provisions dealing with specific aspects of fraud, theft and corruption. These include:-

- a) Prosecutions Policy
- b) Benefit Fraud Strategy and Prosecution Policy
- c) Fraud Response Plan (Appendix C of the Anti-Fraud, Theft and Corruption Strategy)
- d) Whistle Blowing Policy
- e) Members' Code of Conduct
- f) Employee Code of Conduct



Selby District Council

Anti Fraud, Theft and Corruption Strategy

1. INTRODUCTION

- 1.1 The purpose of this document is to set out the Council's strategy for dealing with issues of fraud, theft and corruption across the Council.
- 1.2 This document is a corporate strategy applying to all of the Council's Members, employees and other organisations acting on behalf of the Council. It should be noted, however, that given the scale of the Council's Housing Benefit and Council Tax Benefit activities and the existence of a legislative framework specific to them, the Council has already produced and adopted a separate Anti-Fraud Policy and Strategy for that area.

2. AIMS AND SCOPE OF THIS STRATEGY

- 2.1 Selby District Council is determined to protect itself, its employees and the public from fraud, theft and corruption. In order to do this, the Council is committed to establishing and maintaining a strategy for the prevention and detection of fraud, theft and corruption and, where necessary, for pursuing allegations of fraud, theft and corruption.
- 2.2 Underlying the development of this Strategy are four fundamental elements:-
 - a) Prevention;
 - b) Deterrence;
 - c) Detection and Investigation; and
 - d) Action to secure punishment of offenders and recovery of losses.
- 2.3 Using these four fundamental elements, this Strategy aims to provide a framework for:-
 - Encouraging the deterrence and prevention of fraud, theft and corruption
 - Raising awareness of fraud, theft and corruption and promoting a culture based on the prevention of fraud, theft and corruption
 - Publicising, monitoring and updating the Anti-Fraud, Theft and Corruption Policy and its related procedures
 - Performing investigations and pursuing recovery of any loss to the Council
 - Invoking disciplinary proceedings and, where considered necessary, referral to Police or other outside agencies

3 FRAUD, THEFT AND CORRUPTION RESPONSE PLAN

- 3.1 The Council has developed a response plan to reports of suspicion of fraud, theft or corruption.
- 3.2 The flowcharts attached at Appendix C provide an outline of the procedures to be undertaken to allow for evidence gathering and collation of information which will allow initial decisions to be taken whilst ensuring that the evidence gathered will be admissible in any future criminal or civil action. Obviously each situation is different; therefore the guidance in the flowcharts will need consideration and review in relation to the actual circumstances of each case before action is taken.

4 DEFINITION OF FRAUD, THEFT AND CORRUPTION

4.1 For the purposes of this Strategy and the related Policy, the expression “fraud, theft and corruption” is intended to cover a wide range of improper actions involving:-

- (a) **dishonesty** or the appearance of it, on the part of the perpetrator, **and**
- (b) **wrongful gain** to the perpetrator and/ or to a third party, and/or **wrongful loss** to the Council and/or to a third party. Most, but not all, of these improper actions will also be offences against the criminal law, making the perpetrator liable to prosecution. “Action” includes inaction on the part of someone who is under a duty to act, e.g an employee who is responsible for making entries in records showing who owes money to the Council. The words “dishonesty”, “gain” and “loss” are to be read and understood in a broad sense, as explained below.

4.2 “**Dishonesty**” covers a range of states of mind, extending from:-

- (a) certain knowledge that a statement is false or an action is wrongful, through;
- (b) belief falling short of certainty to;
- (c) recklessness, i.e realising that something could well be false or wrong but going ahead anyway, without first taking steps to check (so far as would have been reasonable in the circumstances). It also needs to be remembered that ignorance of the law is not a defence to any criminal charge. But subject to what is said above, this Policy and the Strategy are not directed against things done or statements made by anyone acting in good faith, even if those actions or statements turn out to have been incorrect.

4.3 “**Gain**” includes gain by avoiding loss or expense, e.g where somebody is not billed for a Council service which (s)he should be required to pay for. “Loss” to the Council includes not only loss of or damage to money or other property, but also damage to public confidence in the Council’s will to carry out its activities in accordance with the Principles of Public Life (as would inevitably be caused by the acceptance of inappropriate gifts etc).

4.4 **Fraud** has to do with the use of deception with the intention to obtain advantage for, or avoid obligation on, the deceiver or another person, and/or the intention to cause loss to the Council or a third party. There are numerous ways in which deception can be used for these purposes; it may involve, for example:-

- Falsification or alteration of accounting records or other documents
- Suppression or omission of the effects of transactions from records or documents
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4.5 The primary meaning of **Theft** is dishonestly taking property belonging to another person, with the intention of permanently depriving that person of it. However, like the Theft Acts, this Policy and the related Strategy are directed against a wider range of wrongdoing. For the purposes of the Policy and Strategy “ theft” has a broader meaning and also includes:-

- (a) unauthorised borrowing or use of vehicles or other equipment owned, leased or hired by the Council;
- (b) criminal damage to any Council property (including leased or hired property);
- (c) unauthorised use, copying or retention of copyright material (including but not limited to documents, drawings, maps and computer software) of which the Council is either the copyright owner or a licensed user; and

(d) offences, similar to any of the foregoing, committed by an employee against third party-owned property while at work (including work away from Council premises).

4.6 **Corruption** is, first and foremost, the name given to offences involving the giving and receipt of gifts or favours to a Council Member or employee, with a view to the giver (or a person related to or associated with the giver) obtaining more favourable treatment from the Council than (s)he is properly entitled to expect and receive; or to some other person (whose interests are in conflict with the giver) receiving less favourable treatment from the Council than is due. For the purposes of this Policy "corruption" is to be understood more widely; it also extends to:-

(a) the receipt by a Member or employee of any gift or favour in circumstances which give rise to an **appearance** or to a **legal presumption** that the Member or employee is prepared to let his/her actions be improperly influenced, even when this cannot be proved to have led to any specific improper action; and

(b) improper actions by a Member or employee which are undertaken for motives of personal gain to him/herself or to a related or associated person, or for motives of ill-will towards a person who will be affected by that action. Under the Prevention of Corruption Act 1916 a legal presumption arises when the giver of a gift or favour is seeking to enter into a contract with the Council; any Member, employee or other person acting for the Council who receives a gift or favour in such circumstances is taken to be acting corruptly unless (s)he can prove otherwise. Attention is also drawn to Section 117 of the Local Government Act 1972, under which it is an offence for any Council employee to accept, under colour of his/her office or employment, any fee or reward whatsoever other than his/her proper remuneration.

5 ENCOURAGING THE PREVENTION OF FRAUD, THEFT AND CORRUPTION

Culture

5.1 Fundamental to the prevention of fraud, theft and corruption is that the culture of the organisation is such that fraud and/or corruption by any Member, employee or other person/body acting on behalf of the organisation is not tolerated. Key to this is that the culture and tone of the organisation should be firmly based on the seven Principles of Public Life, which are:-

- Objectivity
- Openness
- Leadership
- Accountability
- Honesty
- Selflessness
- Integrity

The Council is determined to promote and strengthen this culture.

5.2 The Council requires all individuals and organisations associated in whatever way with the Council to act with integrity and that Council Members and employees at all levels will lead by example on these matters.

5.3 The Council's Members and employees play an important part in creating, maintaining and promoting this culture. Both are encouraged to voice any serious concerns about any aspect of the Council's activities. The Council has a 'Whistle-blowing' Policy, which ensures any concerns raised will be properly investigated in a professional and confidential manner.

- 5.4 To supplement this, the Council will raise awareness of its stance against fraud, theft and corruption and thereby continue the development an anti fraud, theft and corruption culture by:-
- a) Promoting the Anti Fraud, Theft and Corruption Policy via internal communication, eg Intranet, Core Brief, Team Briefings;
 - b) Considering appointing a Member Champion on anti-fraud, theft and corruption issues;
 - c) Ensuring all current and new employees are provided with a copy of the Anti-Fraud, Theft and Corruption Policy and Strategy and are made aware of the procedures for raising concerns in respect of such issues
 - d) Publishing the Anti-Fraud, Theft and Corruption Policy and Strategy on the Council's Web site;
 - e) Providing training as necessary to Members and employees on the practical aspects of combating fraud, theft and corruption.

Role of Members

- 5.5 As elected representatives, all Members of the Council have a duty to all the citizens of the Selby District to ensure that the Council acts appropriately and uses its resources prudently and in accordance with the law. As such, Members are required to operate and adhere to, amongst other things:-
- a) legislation;
 - b) the Council's Code of Conduct for Members (which includes, for example, rules regarding relationships, personal interests, gifts and hospitality and confidentiality).
 - c) Other provisions in the Council's Constitution including Contract and Financial Procedure Rules
- 5.6 Members are required to declare specific information concerning their direct and indirect financial interests, and certain other interests, in the Register of Members' Interests. Members are responsible for keeping the Register up to date.

Role of Management

- 5.7 Each Head of Service is responsible for the successful implementation of controls designed to prevent and/or detect fraud, theft and corruption within their Service.
- 5.8 As a minimum, each Head of Service will ensure that all current and new staff are aware of the Council's Anti Fraud, Theft and Corruption Policy and Strategy.
- 5.9 Managers at all levels are responsible for ensuring that their staff are aware of the Council's Constitution and at least have some understanding of Financial and Procurement Procedure Rules (so far as relevant to the duties of the particular employees concerned) and that the requirements of each are being met. They are also required to ensure that their staff are aware of their responsibilities for safeguarding the resources for which they are responsible and for reporting suspected irregularities.
- 5.10 Managers will also strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities and will also ensure that staff are aware of the mechanisms for reporting suspected fraud, theft and corruption.

Role of Employees

- 5.11 The Council's employees are expected to give the highest possible standard of service to the public and, where it is part of their duties, to provide appropriate advice to Members, fellow employees and members of the public with impartiality.

Selection and Training of Employees

- 5.12 The Council recognises that a key preventative measure to fraud, theft and corruption is to employ staff who have the highest standards of propriety and integrity. The Council strives to achieve this through effective recruitment and training policies and procedures. These include:-
- i) Obtaining written references prior to appointing staff, including those employed on a temporary contract basis;
 - ii) Undertaking Police checks for designated posts where the postholder may deal with vulnerable people or where the duties of the post require the highest level of propriety.
- 5.13 The Council acknowledges that effective training, guidance and supervision are fundamental to maintaining the skills of employees in order to reduce the risk of fraud, theft and corruption and to enable to employees to recognise areas of malpractice. The Council will continue to use the Joint Progress Reviews (JPR) Appraisal framework to identify employee development and training needs as a means of addressing this.

Employee Code of Conduct

- 5.14 Upon appointment all staff will be issued with the Employee Code of Conduct and will be required to sign a statement to the effect that this has been read and understood.
- 5.15 The Employee Code of Conduct details the minimum standards that should apply to all employees' own conduct in the Council's activities. The Code has the status of rules governing the conduct of Council employees and includes rules on relationships, personal interests, hospitality and confidentiality.

Statutory and Professional Obligations

- 5.16 In addition to the need to comply with the Council's own Employee Code of Conduct, Officers of the Council have to comply with the law (and in some cases with professional obligations).

Internal Audit

- 5.17 The Accounts and Audit Regulations 2003 require the Council to maintain an adequate and effective system of internal audit. Internal Audit Services independently review the adequacy, efficiency and effectiveness of internal controls within the Council's systems by undertaking a comprehensive programme of work targeted at key risk areas.
- 5.18 Any weaknesses in internal control systems will be reported by Internal Audit to management with proposed recommendations to address the issues raised. It is the responsibility of management to ensure that corrective action is taken as necessary. This independent review of systems and the implementation of agreed recommendations contribute to the prevention and detection of fraud, theft and corruption.

Effective Control Within Systems (with frequent monitoring)

5.19 The Council has in place systems and procedures, electronic or otherwise, which are intended to assist management in the prevention and detection of fraud. Similarly, there are Codes of Conduct, Regulations and Rules to ensure that financial, working and organisational procedures are properly controlled and adhered to. These include:-

- The Council's Standing Orders;
- Members Code of Conduct;
- Employees Code of Conduct;
- Contract Procedure Rules;
- Financial Procedure Rules; and
- Scheme of Delegation.

5.20 The adequacy and appropriateness of the Council's systems and procedures is independently monitored and assessed by External Audit and the control and operating systems by Internal Audit. Senior Management is committed to continuously reviewing and improving the systems for which it is responsible, both through their own self-assessments and by positive response to audit recommendations.

Information and Warnings

5.21 The Council will make available to all current and new employees, a copy of the Anti Fraud, Theft and Corruption Policy and Strategy. This will be part of the induction process in which employees will also be required to confirm receipt of the Employee Code of Conduct (see 5.14 above).

5.22 To complement this, briefing sessions will be held for employees in order to raise awareness of the implications of the Anti-Fraud, Theft and Corruption Policy and Strategy.

5.23 Copies of the Anti-Fraud, Theft and Corruption Policy and Strategy will also be posted on the Council's website.

6 DETERRING FRAUD, THEFT AND CORRUPTION

6.1 A key element of the Council's Anti-Fraud, theft and corruption Strategy is to ensure that an adequate framework is in place to deter fraud, theft and corruption. Developing the tone and culture of the organisation to not accept fraud, theft and corruption, as outlined in Section 5 above, is fundamental to deterrence. However, the following should also support deterrence.

Policy and Strategy Documents

6.2 Recognition of the Council's commitment to preventing fraud, theft and corruption is a key deterrent. In this respect, the Council has developed and will maintain an Anti Fraud, Theft and Corruption Policy, this Strategy document and related procedures in order to demonstrate the Council's commitment.

A Clear Commitment to take Disciplinary Action

- 6.3 Fraud, theft and corruption are serious offences against the Council and employees will face disciplinary action in accordance with the Council's Disciplinary Procedure if there is sufficient evidence that they have been involved in such activities. Disciplinary action will be taken in addition to criminal proceedings, unless special circumstances make this inappropriate in the particular case.

A Clear Commitment to take all appropriate legal action against Offenders

- 6.4 The Council will involve the Police to pursue the investigation and prosecution of offenders. This is designed to deter others from committing offences against the Council.
- 6.5 The decision as to whether to prosecute offenders will ultimately rest with the Police and the Crown Prosecution Service although the Council reserves the right to instigate proceedings if necessary.
- 6.6 In any event, the Council will ensure that whenever a criminal prosecution is being considered, any decision to issue court proceedings must take into account:-
- The Public Interest – Whether pursuing prosecution will be in the public interest
 - The Merits of Each Case-- and in particular whether the evidence is sufficient to make a conviction likely
 - Human Rights – in particular, all persons under suspicion will be treated fairly

Publicity

- 6.7 Where a case is referred to the Police for criminal proceedings, and is subsequently brought to court and the prosecution is successful, the Council will produce a press release that should encourage local newspapers to cover the story. It is intended that the resultant publicity should act as a deterrent to potential fraudsters.

7 THE DETECTION OF FRAUD, THEFT AND CORRUPTION

- 7.1 The detection of fraud, theft and corruption may arise through a number of sources. It is therefore important that these are recognised and any concerns taken seriously.
- 7.2 It is expected that any Member or employee will report all actual or suspected fraud, theft and corruption and arrangements will be in place to allow any person from inside or outside the Council to express concerns easily, securely and anonymously if necessary.
- 7.3 An outline procedure to be followed by Members and employees who suspect fraud and/or corruption, is provided at Appendix A. Similarly, a procedure to be followed by members of the public who suspect fraud or corruption is provided at Appendix B.

Systems/Procedures Supporting the Detection of Fraud, theft and corruption

- 7.4 Potential areas which will be used to assist the detection of fraud, theft and corruption include:-
- a) Internal Control Systems and Procedures – Well devised and properly operated controls should be the primary reason for the detection of fraud, theft and corruption. As indicated above, it is the responsibility of management to ensure that Internal Control systems and procedures exist and are being adhered to;

- b) Budgetary Control Procedures – The budget-monitoring framework is sufficiently robust to provide a secondary back up to managers in detecting potential fraud. This could manifest itself in unusual spending patterns, unexpected income shortfalls or general budget overspends;
- c) Complaints – the Council has in place a Complaints Procedure. The recording and follow up of complaints, especially from service users, about services provided may help to uncover not just poor service provision but possibly fraud, theft and corruption
- d) Whistle Blowing Policy – The concerns (and rights of under the Public Interest Disclosure Act) of those Members or employees who use the Council’s Whistle Blowing Policy need to be properly recorded and investigated (see Section 8 below). Information from concerned third parties is a very important element in detection, especially of corruption, where formal controls can be made ineffective by collusion.
- e) Information from Other Public Bodies – This may take the form of specific individual referrals or by taking part on national schemes such as the National Fraud Initiative.
- f) Internal Audit Review – As indicated above Internal Audit are a key management tool for the prevention and detection of fraud, theft and corruption. Although Internal Audit does not have a responsibility to detect all frauds or instances of corruption that may be occurring, if during an audit their suspicions are aroused, these will be followed up accordingly.

Example of Potential Signs of Fraud, Theft and Corruption

7.5 Members and Employees need to be aware of the potential signs of fraud, theft and corruption. By way of example, there are a number of indicators that an employee may be acting fraudulently, including for example, employees who are:-

- Apparently living beyond their means
- Under financial pressure
- Exhibiting signs of stress or behaviour not in keeping with their usual conduct
- Not taking annual leave
- Refusing to allow another employee to be involved in their duties
- Attracting complaints from Members of the public
- Failing to apply an adequate system of internal control
- Having private discussions with contractors

7.6 It should be stressed that these are possible, not definitive, signs of fraud, theft and corruption and that employees may have genuine reasons to explain the scenarios set out above.

8 INVESTIGATION OF ALLEGATIONS OF FRAUD, THEFT AND CORRUPTION (and Recovery of Losses)

Investigation

7.1 Investigation into suspected fraudulent activity or corrupt practices will normally be undertaken by Internal Audit who will liaise as appropriate with the Chief Executive, the Head of Finance and Central Services, the Council’s Monitoring Officer, other Heads of Service and the Police.

- 7.2 The Council will ensure that only Internal Audit staff with appropriate training and experience are used to investigate cases of fraud, theft and corruption and that any such investigations are undertaken in a confidential manner.
- 7.3 Investigation methods will be appropriate to the concerns raised and will follow legal requirements and best practice. In particular, any investigation will have regard to the Regulation of Investigatory Powers Act (RIPA), the Police and Criminal Evidence Act (PACE) and the Human Rights Act.
- 7.4 Upon completion of the investigation, Internal Audit will produce a report to the Head of Finance and Central Services who, with the Chief Executive (or nominated Head of Service) and Monitoring Officer has joint responsibility for determining what further action to take.
- 7.5 The reporting procedure is essential as it ensures:-
- the consistent treatment of information regarding any suspected fraud and/or corruption;
 - an effective investigation by an experienced audit team;
 - the proper implementation of structured response to any suspected act of fraud and/or corruption;
 - that the investigation will be undertaken in accordance with the relevant legislation as indicated in 7.3 above.
- 7.6 Depending on the nature and anticipated extent of the allegations, Internal Auditors will normally work closely with management and other agencies such as the Police to ensure that the allegations and evidence are properly collected, investigated and reported upon.
- 7.7 As indicated elsewhere in the Strategy, the Council's Disciplinary Procedures will be used where the outcome of the audit investigations indicates improper behaviour regardless of whether this is or will be referred to the Police. Similarly, the Council will normally request the Police to charge offenders in where financial impropriety is discovered. The decision on impropriety is a matter for the Head of Finance and Central Services in consultation with the Monitoring Officer and the Chief Executive.

Follow Up

- 7.8 Most instances of fraud, theft and corruption highlight a lack of adequate internal control. It may be that the system was weak, that controls were bypassed or no controls existed.
- 7.9 The Council's expects that all Heads of Services (and their nominated managers) will respond to reports of the Internal Auditors and, where weaknesses in internal controls have been identified, take measures to put in place the necessary controls as are required.
- 7.10 The Council will normally seek to recover the losses incurred as result of fraud, theft and corruption; this will include taking appropriate legal action if necessary. Where the Council has suffered loss as a result of fraud, theft or corruption by an employee the Council may be entitled to have recourse to his/her accrued pension rights to make good the loss.
- 7.11 The Council's Insurance Officer (located in the Exchequer Function) should be informed as soon as possible of the loss. Where it is possible to do so, details of the case should be given together with some indication of the likely loss and what recovery action is being attempted. This information has to be passed to the Council's insurers promptly to keep open the possibility of making a claim.

- 7.12 Making claims under the Council's insurance arrangements in fraud, theft and corruption cases should be regarded as a "last resort", and only be instigated once all other avenues or recovery have been fully explored. Receipt by the Council of a payment from its insurers does not protect offenders from civil recovery proceedings, e.g. by the insurers.
- 7.13 In anyone under investigation offers money in settlement of any losses to the Council, it should be made clear that any monies offered will only be accepted:-
- without prejudice to any other action the Council may wish to take;
 - that acceptance is only in respect of losses (including any interest on loss) identified to date;
 - and that the Council reserves the right to seek recovery of any further losses that may come to light in the future.

PROCEDURES FOR DEALING WITH ALLEGATIONS OF FRAUD, THEFT AND CORRUPTION

- 8.1 Appendices A and B set out the procedures to be followed by employees and members of the public respectively when they suspect fraud, theft and corruption.
- 8.2 In order to show how these suspicions will be considered, the Council has developed an intended response plan to deal of suspicion of fraud or corruption. This is provided at Appendix C. Members will appreciate that each situation is different, therefore the guidance in the flowchart will need consideration and review in relation to the actual circumstances of each case before action is taken.

What an Employee of the Council should do if they suspect Fraud, Theft or Corruption

If you suspect fraud, theft or corruption is being committed within the Council or committed against the Council, you should follow the procedure below:-

1. Make an immediate note of your concern

Note all relevant details such as:-

- What was observed;
- Details of conversations;
- The date, time, name of parties involved;
- Any other details you consider relevant.

Above all, however, do not attempt to investigate the matter yourself.

2. Convey your suspicions either:-

a) To your Line Manager or Head of Service

When a Manager becomes aware of, or suspects, fraud or corruption, it must be immediately be reported to the Head of Service, the Chief Executive, the Council's Head of Finance and Central Services and the Council's Monitoring Officer. Upon receipt of such notification, these Officers shall take the necessary steps to pursue the allegation. This will usually include one or more of the following actions:-

- request Internal Audit to undertake an investigation into the matter;
- referral to the Police
- referral to the External Auditor

b) Follow the procedure outlined in the Council's Whistle blowing policy

The Council has a 'Whistle Blowing' Policy which provides protection for staff against harassment or victimisation where concerns have been raised in good faith.

If you suspect fraud, theft or corruption and wish to raise a concern in relation to these matters, follow the procedures set out in the 'Whistle Blowing' Policy where it is not possible to alert your line manager or Head of Service.

3. Deal with the matter promptly

If you suspect fraud, theft or corruption, deal with the matter promptly as a delay may cause the Council to suffer further financial losses.

The above demonstrates a number of ways in which your concerns can be raised within the Council. If you are not satisfied with the action taken, you may wish to take the matter outside the Council. The following are possible contact points:-

- A Member of the Council;
- The External Auditor;
- Other Regulatory Organisations, eg Local Ombudsman;
- Your own Solicitor;
- The Police.

If you do take the matter outside the Council, however, you need to ensure that you do not disclose confidential information or that disclosure is privileged in accordance with the Public Disclosure Act 1988.

What a Member of the Public/Outside Organisation Should Do if they Suspect Fraud, Theft or Corruption

1. Make an note immediately of you concern

Note all relevant details such as what was observed, details of conversations, the date, time and name of parties involved. Do not attempt to investigate the matter yourself.

2. Convey your suspicions in writing marked PRIVATE AND CONFIDENTIAL- TO BE OPENED BY ADDRESSEE ONLY to:-

The Chief Executive
Selby District Council
Civic Centre
Portholme Road
Selby
YO8 4SB

OR alternatively to:-

The Monitoring Officer
Selby District Council
Civic Centre
Portholme Road
Selby
YO8 4SB

3. If the suspected fraud relates Housing or Council Tax Benefit, notify your suspicions in writing marked PRIVATE AND CONFIDENTIAL- TO BE OPENED BY ADDRESSEE ONLY to:-

The Counter Fraud Unit
Selby District Council
Civic Centre
Portholme Road
Selby
YO8 4SB

Alternatively, telephone the Council's Counter Fraud Unit on 01757 292032 or 292290 in working hours or, if you just want to leave a message, ring the Fraud Hotline on 01757 292230.

The above demonstrate a number of ways in which your concerns can be raised confidentially to the Council. If you are not satisfied with the action taken, or you wish to contact someone other than the Officers above, you may wish to take the matter outside the Council. The following are possible contact points:-

- A Member of the Council;
- The External Auditor
- Other Regulatory Organisations, eg Local Ombudsmen
- Your own Solicitor
- The Police.

CHART 1 - REPORTING FRAUD

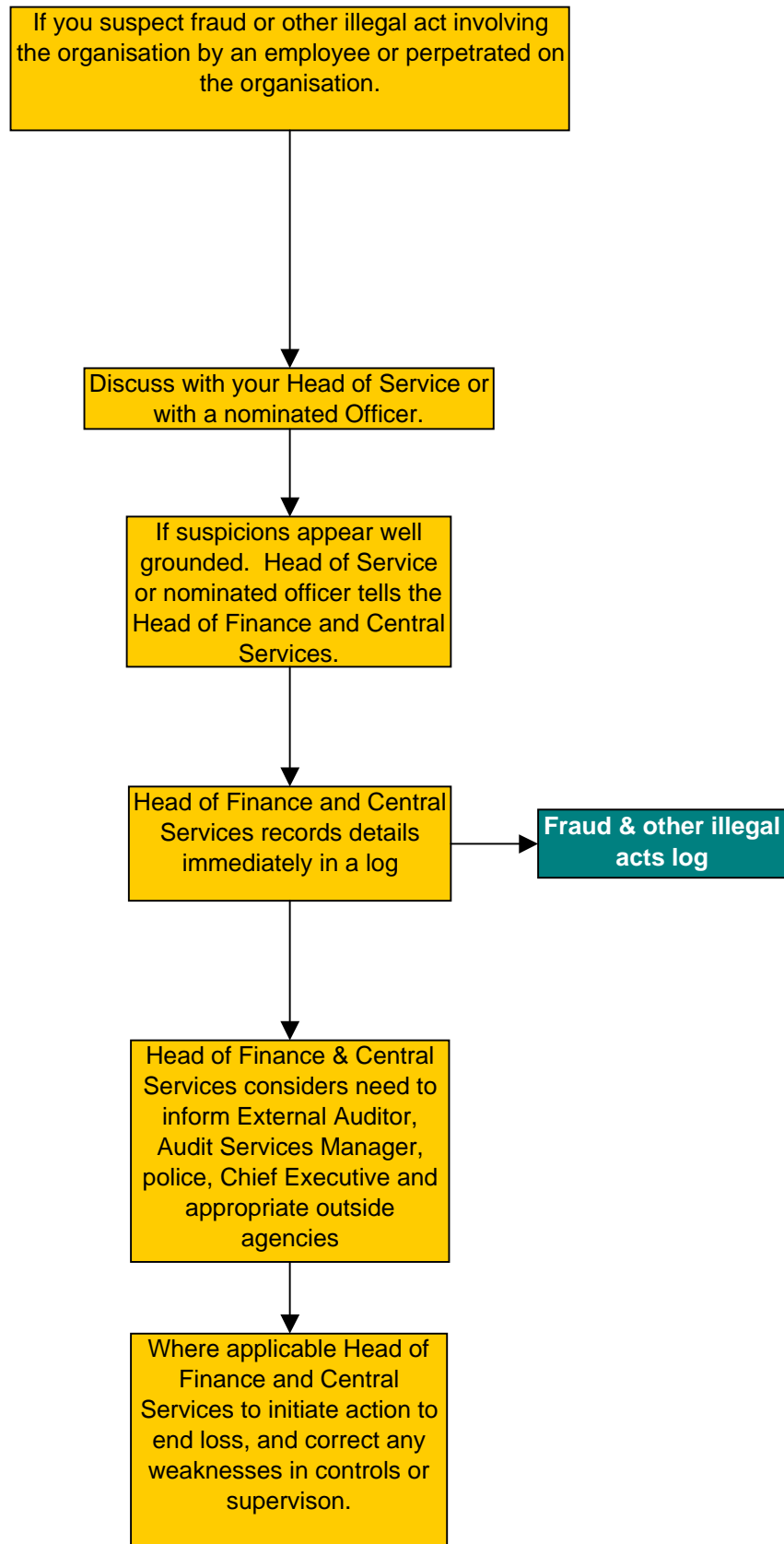


CHART 2 - MANAGING THE INVESTIGATION

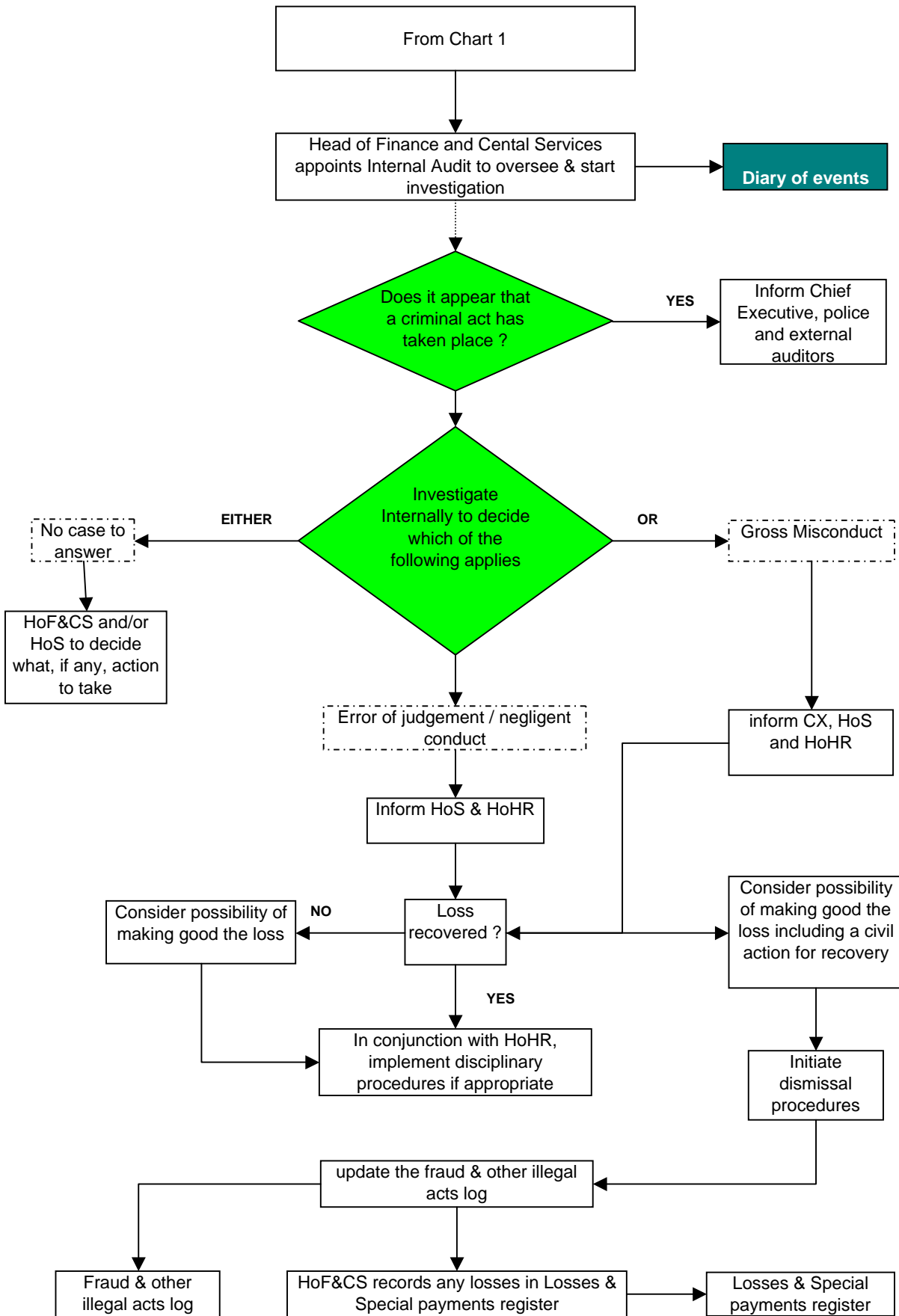


CHART 3 - GATHERING EVIDENCE

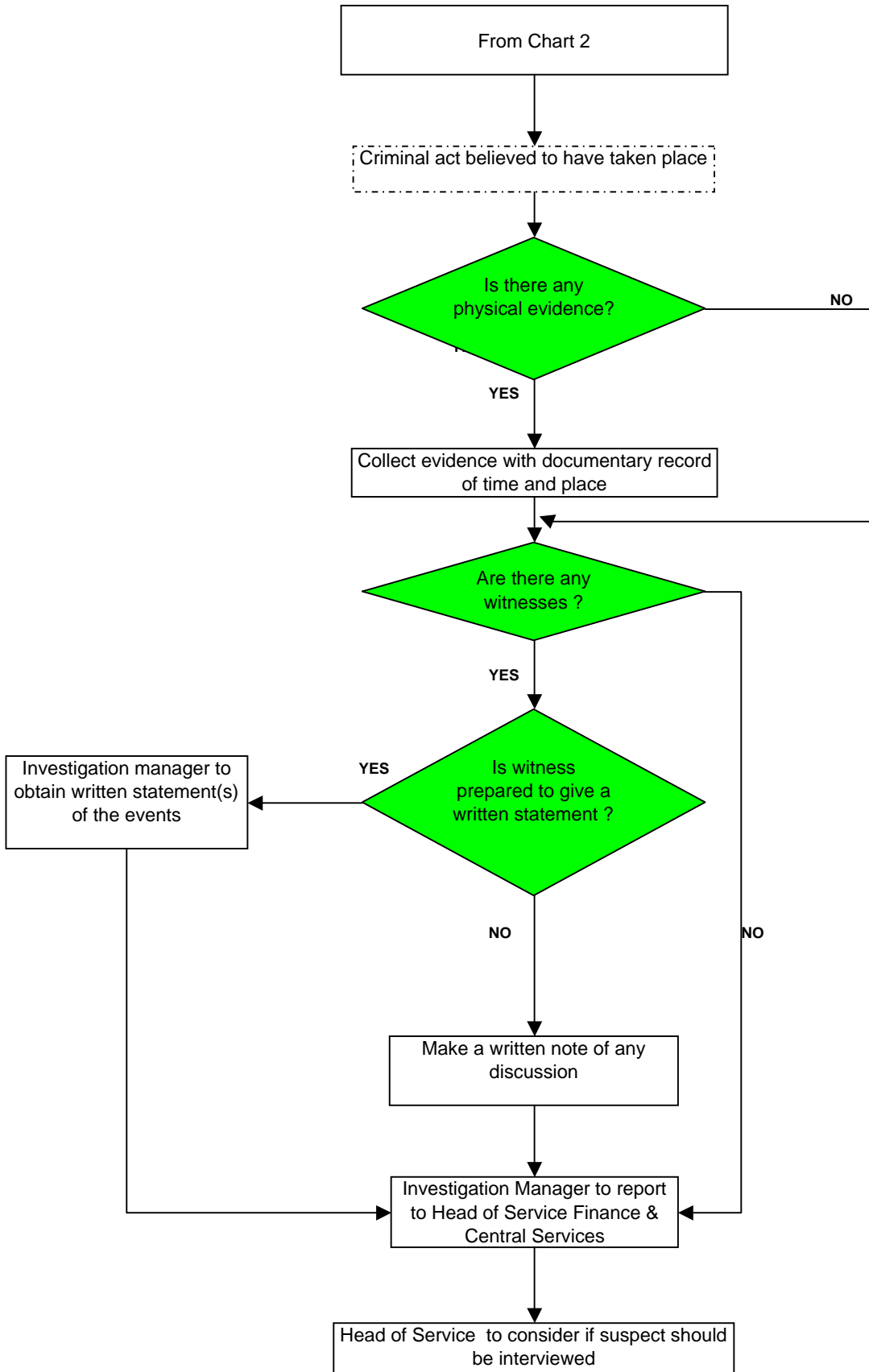


CHART 4 - INTERVIEW PROCEDURE

