

CAERPHILLY COUNTY BOROUGH COUNCIL

ANTI FRAUD, BRIBERY AND CORRUPTION POLICY



1 INTRODUCTION

- 1.1 In carrying out its functions and responsibilities, the Authority adopts a culture of openness and fairness and expects that elected members and employees at all levels will adopt the highest standards of propriety and accountability. This is achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the Authority (e.g. suppliers/contractors). It is our policy to conduct all of our dealings in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.
- 1.2 The Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. We will uphold all laws relevant to countering bribery and corruption and we are bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct.
- 1.3 The Anti-Fraud, Bribery and Corruption Policy, however, will not compromise the Authority's equal opportunities policy or any obligations as an employer under the code of conduct for local government employees. Bribery and corruption are punishable for individuals by up to ten years' imprisonment and if we are found to have taken part in corruption we could face an unlimited fine and face damage to our reputation. We therefore take our legal responsibilities very seriously.
- 1.4 This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:

Culture	Section 2
Prevention	Section 3
Deterrence	Section 4
Detection and Investigation	Section 5
Awareness and Training	Section 6

- 1.5 The Authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Wales Audit Office, the Public Services Ombudsman for Wales, HM Revenue & Customs and other regulatory bodies. These bodies are important in highlighting any areas where improvements can be made.
- 1.6 Fraud, corruption and bribery are defined 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”.*

In addition, fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to mislead or misrepresent”.*

Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*

In addition, this policy covers *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*

Bribery – “a bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.”

2. CULTURE

- 2.1 The culture of the Authority is one of openness and the core values of fairness, trust and value support this. The Authority’s culture therefore supports the opposition to fraud and corruption.
- 2.2 The prevention/detection of fraud, bribery and corruption and the protection of the public purse are everyone’s responsibility. Bribery and corruption are punishable for individuals by up to ten years’ imprisonment and if you are found to have taken part in corruption you could face an unlimited fine.
- 2.3 The Authority’s elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding bribery, fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.
- 2.4 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- ◆ a criminal offence
 - ◆ a failure to comply with a statutory or legal obligation
 - ◆ improper unauthorised use of public or other funds
 - ◆ a miscarriage of justice
 - ◆ maladministration, misconduct or malpractice
 - ◆ endangering of an individual’s health and safety
 - ◆ deliberate concealment of any of the above.
- 2.5 The Authority will ensure that any allegations received in any way will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and Equality Act 2010. Anonymous letters or phone calls will be considered on their merit and dependent on the nature and seriousness of the allegation. The Council has a whistleblowing policy that sets out the Council’s approach to these types of allegations in more detail.
- 2.6 The Authority will deal firmly with those who defraud the Authority, or who are corrupt, or where there has been financial malpractice or bribery. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.7 When fraud, bribery, or corruption has occurred because of a breakdown in the Authority’s systems or procedures, the Director and Head of Service responsible will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

3 PREVENTION

3.1 ELECTED MEMBERS - The Role of Elected Members

- 3.1.1 As elected representatives, all members of the Authority have a duty to the Borough’s residents to protect the Authority from all forms of fraud, corruption and bribery.
- 3.1.2 This is met through the Anti-fraud, Bribery and Corruption Policy and compliance with the Council’s Code of Conduct for Members, the Authority’s Constitution, Financial Regulations, Standing Orders or Contracts and the relevant legislation, internal rules and regulations.

3.1.3 Elected members undertake to observe the Council's code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Monitoring Officer advises members of new legislative or procedural requirements.

3.1.4 The Council's Code of Conduct for Members is based upon the following 10 principles for conduct in public life:

- (i) Selflessness
- (ii) Honesty
- (iii) Integrity and propriety
- (iv) Stewardship
- (v) Duty to uphold the law
- (vi) Objectivity in decision making
- (vii) Equality and respect
- (viii) Openness
- (ix) Accountability
- (x) Leadership

3.2 **EMPLOYEES** - The Role of Managers

3.2.1 Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Authority's Policies and Procedures, Financial Regulations and Standing Orders for Contracts, and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Code of Conduct for Employees through the induction process.

3.2.2 Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures they must refer to the appropriate Policies and Procedures.

3.2.3 Special arrangements may apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the benefits system or council tax. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed.

3.2.4 The Authority recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Authority's equal opportunities policy will be adhered to during this process.

3.2.5 The Authority has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held and employment history. Disclosure and Barring Service (DBS) checks are undertaken for employees and Elected Members working with or having direct contact with children or vulnerable adults.

3.2.6 The aims of vetting people before employment are;

- ◆ To ensure recruitment of the best person for the job
- ◆ To discourage dishonest people from applying for jobs
- ◆ To make sure that all staff are honest
- ◆ To show that the Council has taken all reasonable steps to prevent fraud

3.3 **EMPLOYEES** - Responsibilities of Employees

- 3.3.1 Each employee is governed in their work by the Authority's Standing Orders for Contracts and Financial Regulations and other codes of conduct and policies (health and safety, IT strategy, IT security). They are also governed by the code of conduct for local government employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Authority or will be provided by their manager. [N.B. Section 117 of the Local Government Act 1972 prohibits the acceptance of fees, gifts or rewards; other than by way of proper remuneration from the Council, or otherwise where this has been specifically authorised by a Director and where it has been recorded in the hospitality register maintained by the Directorate.]
- 3.3.2 In addition to paragraph 3.3.1, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Authority. These will be included in induction training and procedure manuals. In some areas, specific training maybe required or professional responsibilities require staff to keep themselves updated in their area of work; employees in these areas are required to ensure that they are aware of the specific relevance of this to their work.
- 3.3.3 Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named below. Workers who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 3.3.4 Concerns must be raised, in the first instance, directly with the supervisor/ manager, or, if necessary, anonymously (by letter or phone), and via other routes, in accordance with the Authority's Whistleblowing Policy which includes:
- ◆ Heads of Service, Directors, the Authority's Monitoring Officer, the S.151 Officer or the Head of Human Resources and Organisational Development.
 - ◆ Alternatively additional concerns can be raised via the independent charity, Public Concern at Work.
- 3.3.5 Under the Code of Conduct, members have specific obligations to uphold the law, in relation to stewardship of the Council's assets and for integrity in matters of claiming expenses, and of gifts and hospitality. Our zero-tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners at the outset of our relationship with them and as appropriate thereafter.

3.3.6 Any allegations of benefit fraud are to be referred to the Department of Work & Pensions for investigation.

3.4 **Conflicts of Interest**

3.4.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions are made, and are seen to be made, based upon impartial advice and avoid questions about improper disclosure of confidential information.

3.5 **Official Guidance**

3.5.1 In addition to Financial Regulations and Standing Orders for Contracts, service areas will have their own procedures to prevent and detect fraud. Where audit reports, both internal and external, recommend

methods to minimise losses to the Authority, managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

3.6 Role of Internal Audit

3.6.1 Internal Audit Services is within the Head of Corporate Finance's responsibility and it plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Head of Corporate Finance and S.151 Officer must be informed of all cases of suspected irregularity, in accordance with the requirements of the Council's Financial Regulations. Internal Audit Services role is to assist management in ensuring that a comprehensive investigation is undertaken and that changes in procedures are implemented to prevent further losses to the Authority, except for benefit fraud investigations which are undertaken by the DWP.

3.6.2 Internal Audit Services has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- ◆ police
- ◆ county, unitary and district groups
- ◆ the Councils external audit provider
- ◆ Wales Audit Office
- ◆ government departments.

3.7 The Role of External Audit

3.8.1 Independent external audit is an essential safeguard in the stewardship of public money. The external auditor has a responsibility to review the Authority's arrangements to prevent and detect fraud and irregularity, and the arrangements designed to limit the opportunity for corrupt practices. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The Council participates in the National Fraud Initiative which is designed to cross match data obtained from a number of sources to highlight areas where there is potential fraudulent activity which are subsequently investigated.

4. **DETERRENCE**

4.1 Prosecution

4.1.1 There may be no choice about prosecution. The Criminal Law Act 1967, section 4 creates an offence of assisting offenders by committing any act without lawful authority or reasonable excuse which would impede the apprehension or prosecution of any person whom a person knows or believes to be guilty of an arrestable offence.

4.2 Disciplinary Action

4.2.1 Theft, fraud, bribery and corruption are serious offences against the Authority and employees may face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case.

4.2.2 Members will face appropriate action if they are found to have been involved in theft, fraud, bribery or corruption against the Authority. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. The Code of

Conduct, and regulations made by the National Assembly, govern the obligation to report a criminal offence and the way in which that may be dealt with as a breach of the Code.

4.3 Publicity

- 4.3.1 The Council will optimise the publicity opportunities associated with anti-fraud, bribery and corruption activity within the Authority.
- 4.3.2 In all cases where financial loss to the Authority has occurred, the Authority will seek to recover the loss and will in, appropriate circumstances, advertise the fact.
- 4.3.3 All anti-fraud, bribery and corruption activities, including the update of this policy, will be publicised in order to make the employees and the public aware of the Authority's commitment to taking action on fraud and corruption when it occurs.
- 4.3.4 Reports will be made to the Audit Committee in respect of initiatives undertaken to counter fraud, bribery and corruption.

5. **DETECTION AND INVESTIGATION**

- 5.1 Internal Audit Services plays an important role in the detection of fraud, bribery and corruption. Included in their Audit Plan are reviews of systems financial controls, which include specific fraud, bribery and corruption tests.
- 5.2 In addition to internal audit, there are numerous systems controls in place to deter fraud, bribery and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with, in accordance with the Council's Whistleblowing Policy and relevant legislation.
- 5.4 All suspected irregularities are required to be reported (verbally or in writing) in line with the Council's Financial Regulations and / or the "Whistleblowing Policy". This is essential to any anti-fraud, bribery and corruption strategy, and ensures the consistent treatment of information regarding fraud and corruption.
- 5.5 This process will apply to all the following areas:
 - a) internal fraud/bribery/corruption
 - b) other fraud/bribery/corruption by Authority employees
 - c) fraud/bribery/corruption by elected members
 - d) fraud by contractors or contractors' employees
 - e) external fraud (the public).
- 5.6 Cases under c), d) and e) would normally be referred directly to the Council's External Auditor, Ombudsman or the police.
- 5.7 Any decision to refer a matter to the police will be taken by the Head of Corporate Finance and S.151 Officer in consultation with the Chief Executive, Director/Head of Service, Head of Legal Services and Monitoring Officer and the Head of Human Resources & Organisational Development. The Authority will normally make the police aware of and investigate independently where financial impropriety is suspected.
- 5.8 Depending on the nature of an allegation the Internal Auditor Manager will normally work closely with the relevant Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon, and the necessary system improvements made to prevent any recurrence.

- 5.9 The Authority's disciplinary policy and procedures will be used to facilitate any further investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.2.2 will cover Members.

6. AWARENESS AND TRAINING

- 6.1 The Authority recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the Authority.
- 6.2 To facilitate this, positive and appropriate provision has been made via induction for members and new employees, and, additionally for employees, via their development plans where appropriate, for the specific post held. This may include specialist training for certain elected members and employees.
- 6.3 Full copies of the "Whistleblowing Policy", the "Anti Money Laundering Policy" and the "Anti-Fraud, Bribery and Corruption Policy" are posted on the Council's intranet and website (www.caerphilly.gov.uk).

7. CONCLUSIONS

- 7.1 The Authority has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This strategy fully supports the Authority's desire to maintain an honest Authority, free from fraud, bribery and corruption.
- 7.2 The Authority has in place a network of systems and procedures to assist it in dealing with fraud, bribery and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Authority will maintain a continuous review of all these systems and procedures through Internal Audit Services.
- 7.4 This policy will be reviewed periodically.