

CAERPHILLY COUNTY BOROUGH COUNCIL**FRAUD POSITION STATEMENT FOR 2014/15**

Caerphilly County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, members and senior officers are responsible for establishing a sound system of governance, and a framework for identifying and preventing fraud.

This document examines the Council's policy and commitment to the prevention and detection of fraud. In carrying out its functions and responsibilities, the Authority has always adopted a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability.

The Council is committed to dealing with fraud and corruption and deal equally with perpetrators from both inside and outside the Authority.

There are a number of controls and procedures in place which are based on corporately agreed policies and protocols which put the Council in a strong position. However, the profile of fraud on the corporate agenda may not be as high as it could be as staff deal with ever increasing demands.

Fraud and corruption are defined by the Audit Commission 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 personal gain”

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

A general offence of fraud is – “a dishonest act, where a perpetrator intends to make a gain, for them, or cause loss to another.”

1. Objectives

Although the Council recognises that it is impossible to prevent all theft, fraud and corruption, its processes and procedures are designed to operate in ways which make it difficult to commit, likely to be detected and then certain to be punished.

The generally accepted objectives of the Council's Anti-fraud and Corruption strategies are to: -

- Provide a clear statement of the Council's position on fraud and corruption
- Minimise the risk to the Council's assets and good name
- Promote a culture of integrity and accountability in members, employees and all those that the Council does business with
- Enhance existing procedures aimed at preventing, discouraging and detecting fraud and corruption and raise awareness of the risk of fraud and corruption being perpetrated against the Council.

2. Prevention

The Council operates within a framework of regulations, codes of conduct, systems and procedures which are designed to prevent fraud and corruption. However, its system of prevention includes the following strategy and policy documents: -

- Anti-fraud, Bribery and Corruption Policy
- Financial Regulations and Procedures
- Contract and Procurement procedures
- An Employee Code of Conduct
- Whistle-blowing Policy
- Anti-money Laundering Policy
- Human Resources Policies and Procedures
- Complaints Procedures
- A Members Code of Conduct

The following procedures and protocols are also in operation to prevent fraud and corruption and to enhance accountability to the public: -

- Police referrals in all appropriate cases
- Reporting of suspected irregularities to the Council's Section 151 Officer
- Insurance Section Monitoring
- Creditor Matching Exercises
- National Fraud Initiative Exercise
- Benefit Fraud Investigation through the Department for Works and Pensions (DWP) Single Fraud Investigation Service
- Creditors Section intelligence network
- Internal Audit protocols
- External Audit protocols

The systems of internal control in operation compliment and supplement the policies and procedures: -

Conflict of Interest

Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Effective segregation of duties ensures decisions made are seen to be based upon impartial advice and avoid questions about improper disclosures and bias.

- There are new procedures in place and extensive training of senior staff has been rolled out.
- Monitoring is now taking place regularly of all declarations of interest.
- Details are reported to members

Monitoring Officer

The Council's Monitoring Officer is responsible under Section 5 of the Local Government and Housing Act of 1989, to guard against illegality, impropriety and maladministration in the Council's affairs.

Director of Corporate Services and Section 151 Officer

The Director of Corporate Services has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs.

Members

As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse. Members are expected to comply with the national code of conduct, the Council's financial regulations, framework for identifying and preventing fraud and other relevant legislation. It is essential that all Members declare to the Monitoring Officer: -

- Any areas of conflict between their Council duties and any other areas of their personal or professional lives which the Monitoring Officer will record in a register of members interests
- Details of any hospitality or gifts received in connection with their public office will be recorded by the Monitoring Officer.

Managers

Managers at all levels are responsible for the communication and implementation of the policy framework in their area of work. They are responsible for ensuring that their employees are aware of the Council's Financial Regulations and procedural rules. The requirements of employees and the role of employers in the prevention and detection of fraud and corruption is not currently addressed as part of the induction process, but all new employees are given a copy of the Council's Code of Conduct for Employees.

Special arrangements will apply to employees who are responsible for cash handling or systems generating payments. Managers must ensure that relevant training is provided, and checks must be carried out to ensure that procedures are being followed.

The Council 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 integrity of potential employees, whether permanent, temporary or casual posts. This is carried out by obtaining two satisfactory references. However, the recruitment and selection procedure does not currently make specific reference to fraud.

Employees

The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. Police checks are undertaken on employees working with children or vulnerable adults. Each employee is governed by the Council's procedural rules and Financial Regulations and policies (Health & safety, I.T. and Security).

Employees must disclose any personal interest in contracts that have been, or are proposed to be, entered into by the Council. Policies prohibit the acceptance of fees, gifts or rewards other than by means of proper remuneration. Employees are also responsible for the safe keeping of council assets, and should always be aware of the possibility that fraud, corruption or theft exists and be able to share concerns with management.

Internal Audit

The Audit Service plays a vital role in ensuring that systems and procedures are in place to prevent and detect fraud. In addition:-

- The service plays a key role in the investigation of all cases of suspected irregularity, except benefit fraud investigations, in accordance with the requirements of the Human Rights Act 1998 and other legislation and staff will also liaise with management to recommend changes in procedures to prevent losses to the Council.
- Whilst undertaking audit assignments, Internal Auditors are always alert to the possibility or potential for fraud. Tests of systems and processes are targeted on areas considered "high risk."
- Checks are also carried out to identify any duplicate payments, with a view to recovering any overpayments made by the Council and to investigate the circumstances leading to the overpayment.

External Audit

Independent external audit is an essential safeguard in the stewardship of public money. The role is delivered through the carrying out of specific reviews that are designed to test the adequacy of the Authority's financial systems, and arrangements for preventing and detecting fraud and corruption. External Auditors are always alert to the possibility of fraud and irregularity.

National Fraud Initiative

The Authority participates in the National Fraud Initiative which is facilitated by the National Audit Office. Data held by various public sector organisations is cross matched with data held by the Council to identify anomalies for investigation. Internal Audit Services proactively facilitates this process and individual service areas carry out the investigative work.

Creditor Matches

Internal Audit undertakes its own creditor matching exercise using a proprietary I.T. package to identify payment anomalies on an ongoing basis. In addition, they and the Creditors Section have a well developed intelligence network that disseminates information on emerging risk areas.

Benefit Fraud

Benefit fraud has previously been dealt with by a dedicated team of officers specialising in the identification and investigation of this type of fraud. However, from February 2014 this team transferred to a newly established Single Fraud Investigation Service (SFIS) in the Department of Works and Pensions (DWP). The Council still has a responsibility to report cases of suspected fraud.

Council Tax Fraud

Council Tax fraud is dealt with proactively in the Benefits Section of C.C.B.C. If there is a benefit implication in any fraudulent case, it is passed onto the Department of Works and Pensions to deal with. Otherwise, Council Tax Reduction fraud is tackled by using preventive methods to stop Fraud and Error within the system before it happens. However, any fraudulent cases found would be robustly and thoroughly dealt with.

Insurance

The Insurance Section, within Corporate Finance, continues, on a case by case basis, to monitor claims being made against the council and works with the Council's insurers to ensure that any fraudulent claims are robustly and thoroughly dealt with.

Complaints

Complaints received via corporate procedures and those of an anonymous nature are reviewed to establish if a fraud is involved. Appropriate referrals are made to ensure investigations take place, where necessary.

3. Reporting Arrangements and Investigation

The Council expects all elected members and employees of the Council to report any concerns that they may have in respect of fraud and corruption. Members of the public are also encouraged to report concerns.

As set out in the new Whistle-blowing Policy, employees are encouraged and expected to raise concerns they may have without fear of recrimination. These concerns will be treated in the strictest confidence and will be properly investigated. In the first instance an employee should approach their line manager. If they are unable to do this, they can approach the: -

- Head of Workforce and Organisational Development
- Interim Head of Legal and Monitoring Officer
- Acting Director of Corporate Services and Section 151 Officer

Any Senior Manager who has received information about any suspected fraud should report it immediately to the Section 151 Officer, who will inform the Monitoring Officer where appropriate.

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 statutory or legal obligations
- Improper unauthorised use of public or other funds
- A miscarriage of justice
- Maladministration, misconduct or malpractice
- Endangering of an individual's health and safety
- Damage to the environment
- Deliberate concealment of any of the above

The Council will ensure that any allegations received in any way, including anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner.

The investigating officers must: -

- Deal promptly with the matter
- Record all evidence received
- Ensure that the evidence is sound and adequately supported
- Report findings to the Section 151 Officer
- Liaise with the Police, as appropriate, with the agreement of the Chief Executive.
- Assist in any disciplinary proceedings

Senior Managers are expected to: -

- Co-operate fully with the Internal Auditors and the Police during any investigation
- Implement the disciplinary procedures where appropriate
- Speedily correct any weaknesses discovered in internal control
- Deal swiftly, fairly and firmly with those who offend against the Council

The reporting and investigation process must not be misused. Any abuse, such as raising malicious allegations, will be dealt with through the Council's disciplinary procedure.

When fraud or corruption have occurred because of a breakdown in the Council's systems or procedures, the Service Manager will ensure that appropriate improvements in systems and control are implemented to prevent a recurrence. Theft, fraud and corruption are serious offences against the Authority and employees will 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, but in a consistent manner, after consultation with the Chief Executive and/or the appropriate Service Manager and the Human Resources Manager. Members will face appropriate action if they are found to have been involved in theft, fraud, or corruption against the Authority.

4. Financial Regulations and Procedures

Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf.

The Regulations incorporate efficient and effective internal controls including the adequate separation of duties. Managers are responsible for ensuring that reasonable measures are in place to prevent fraud and corruption, and that such controls are properly maintained so that in the event of breach, any irregularity would be picked up promptly, so minimising the loss to the Council.

The Council will continue to develop and enhance its existing systems and procedures. The existence and effectiveness of these systems and controls is independently monitored by Internal Audit Services and the Council's External Auditors.

5. Awareness and Training

The continuing success of the Anti-fraud and Corruption strategy and its general credibility will depend largely on the effectiveness of staff throughout the Council.

To facilitate awareness, the Council supports the concept of full induction, training and follow-up training. This applies particularly to officers involved in internal control systems and financial related systems, to ensure that their responsibilities and duties are regularly highlighted and reinforced. It is also important that adequate training is provided to casual, temporary and agency staff, who may not be aware of the high standards of probity that are required of those who work in the public sector.

A leaflet on the Whistle-blowing Policy is distributed to employees and members on a yearly basis. Copies of this policy are available on the intranet.

6. Conclusion

The Council has in place a robust network of systems and procedures to assist in the fight against fraud and corruption. 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. Although experience to date would suggest that incidence of fraud are rare within the Authority, staff vigilance needs to be maintained as the risk remains and will do so for the foreseeable future.

The Authority will maintain a continuous review of all its systems and procedures through the audit process. However,

- There could be more coverage of fraud in employees' induction documentation.
- Fraud should be specifically included in recruitment policies, rather than just implied.
- Senior Managers understanding of the wide range/types of fraud needs to be strengthened. This will impact on the reporting requirements and make the statistical evidence more accurate.
- The package of policies aimed at fraud prevention should be more regularly reviewed to ensure that they remain relevant and deal with new or emerging issues.
- The Financial regulations requirement to report all suspected irregularities needs to be communicated to senior staff more regularly.

(The next Fraud Position Statement will be in line with the "Code of Practice on Managing the Risk of Fraud and Corruption" recently issued by C.I.P.F.A.)