

## WEST DUNBARTONSHIRE COUNCIL

### STRATEGY FOR THE PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

#### 1. INTRODUCTION

- 1.1 West Dunbartonshire Council aims to provide Best Value Services. The Council must therefore protect itself and the public from losses due to fraud & corruption.
- 1.2 The Council 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.
- 1.3 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Accounts Commission, HMIE , the Local Government Ombudsman, HM Customs & Excise and the Inland Revenue. These bodies are important in highlighting any areas where improvements can be made.

#### 2. DEFINITIONS

##### 2.1 Fraud

The Council regards Fraud as, "*The intentional distortion of financial statements or records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain. Fraud is a deliberate act by an individual or group of individuals and is, therefore, always intentional and dishonest*".

##### 2.2 Corruption

The Council regards Corruption as "*the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person*". In addition, this strategy covers "*the failure to disclose an interest in order to gain financial or other pecuniary gain*".

### 3. KEY ELEMENTS OF THE STRATEGY

#### 3.1 CULTURE

The Council aims to ensure that the culture of the organisation meets the expectations of the Committee on Standards in Public Life ( the Nolan Committee), and is committed to the seven Nolan principals of objectivity, openness, leadership, accountability, honesty, selflessness and integrity. The authority's culture therefore supports the opposition to fraud and corruption.

3.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone's responsibility and the Council encourages employees to raise any concerns using the Council's Policy on Confidential Reporting. Within this policy there are various options available to staff to assist and reassure them including the availability of a Whistleblowing Hotline. Although the name suggests this is a phone line, and indeed it is, there are many other options available to staff such as email, intranet messages etc. This facility is widely publicised throughout the Council.

3.3 Members of the public are encouraged to raise any concerns they may have using Corporate Complaints Procedure and, whilst not specifically aimed at the public, the Whistleblowing hotline can also be used.

3.4 The authority's elected members play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.

3.5 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
- damage to the environment
- deliberate concealment of any of the above.

3.6 The authority will ensure that any allegations received in any way, including by anonymous letters or phone calls not specifically through the Whistleblowing Hotline, will be taken seriously and investigated in an appropriate manner subject to the Council's Confidential Reporting Policy and the Business Irregularity Procedures .

- 3.7 The authority will deal firmly with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. 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.
- 3.8 When fraud or corruption have occurred because of a breakdown in the authority's systems or procedures, directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

## 4. PREVENTION

### **ELECTED MEMBERS**

#### **4.1 The Role of Elected Members**

- 4.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the authority from all forms of abuse. This is done through the anti-fraud and corruption strategy and compliance with the national code of conduct for members, the authority's financial regulations and standing orders and the relevant legislation.

### **EMPLOYEES**

#### **4.2 The Role of Managers**

- 4.2.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the authority's Corporate Employment guide, financial regulations and standing orders, 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 national code of conduct for local government employees through the induction process.
- 4.2.2 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 information in the Confidential Reporting Policy contained in the Corporate Employment Guide.
- 4.2.3 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.
- 4.2.4 The authority has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, police checks are undertaken on employees, as appropriate.

### **4.3 Responsibilities of Employees**

- 4.3.1 Each employee is governed in their work by the authority's standing orders and financial regulations and other codes of conduct and policies (health and safety, IT strategy, IT security). They are also governed by the Council's code of conduct for employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest.
- 4.3.2 In addition to paragraph 4.3.1, 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.
- 4.3.3 Any concerns an employee may have about a suspected irregularity should be raised through the Council's Confidential Reporting procedure

### **4.4 Conflicts of Interest**

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 made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

### **4.5 Role of Internal Audit**

Internal Audit is an independent function within the Corporate Services 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. Internal Audit investigate all cases of suspected irregularity in accordance with the Business Irregularities Procedure, except benefit fraud investigations (see below). They liase with management to recommend changes in procedures to prevent further losses to the authority.

### **4.6 The Role of the Benefits Investigation Team**

The benefits investigation team is responsible for all benefit fraud investigations. In cases where employees are involved, they will work with Internal Audit, Personnel and appropriate senior management to ensure that correct procedures are followed and that this strategy is adhered to.

### **4.7 The Role of External Audit**

Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. 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 external auditor has a responsibility to review the

authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

#### 4.8 **Co-operation with Others**

Internal Audit 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
- other Local Authorities
- Accounts Commission
- Benefits Agency
- government departments.

### 5. DETERRENCE

#### 5.1.1 **Prosecution**

The authority has a Housing & Council Tax Benefit Fraud Strategy. The strategy encompasses the public, elected members and employees. It is designed to clarify the authority's action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

#### 5.2 **Disciplinary Action**

5.2.1 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.

5.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud 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.

5.2.3 The Business Irregularities Procedures govern the manner in which all investigations are undertaken.

### 6. DETECTION AND INVESTIGATION

6.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their Audit Plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits.

- 6.2 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 6.3 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 requirements of the Human Rights Act 1998.
- 6.4 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator, as per paragraph 3.2 (the authority’s confidential reporting policy). This is essential to the strategy, and:  
ensures the consistent treatment of information regarding fraud and corruption  
facilitates a proper and thorough investigation by an experienced audit team
- 6.5 This process will apply to all the following areas:
- (a) fraud/corruption by elected members
  - (b) internal fraud/corruption
  - (c) other fraud/corruption by authority employees
- 6.6 Any decision to refer a matter to the police will be taken by the Chief Executive. The authority will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.
- 6.7 Depending on the nature of an allegation the Manager of Audit will normally work closely with the director concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 6.8 The authority’s Business Irregularities Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.

## 7. CONCLUSION

- 7.1 This strategy fully supports the Council’s desire to provide High Quality Best Value Services free from fraud and corruption.
- 7.2 The authority has in place a network of systems and procedures to assist it in dealing with fraud 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
- 7.4 This strategy will be regularly reviewed.