



CASTLEREAGH BOROUGH COUNCIL

ANTI - FRAUD AND CORRUPTION POLICY

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1.0 INTRODUCTION

1.1 The Council requires its staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud and corruption is an ever present threat to these resources and must be the concern of all members of staff. The Council's general approach to corruption is adequately covered by the 'Code of Conduct for Local Government Employees', effective from 1 April 1998, and applicable to each employee. The following policy is an addendum to, rather than a substitute for, the Council's Code of Conduct and any other guidance incorporated in the Accounting Manual or Cash Procedures Manual used throughout various Council locations.

2.0 THE CONCEPT OF PROPRIETY

2.1 Propriety can be defined as the way in which public business should be conducted. To this end, the Nolan Committee in May 1997 looked at local government and the subsequent report identified the following seven principles:

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

2.2 These seven principles need to be adopted by holders of public office to maintain propriety. Failure to do so leaves the individual officer open to accusations of possible fraud/corruption.

3.0 FRAUD

3.1 There is no precise definition of fraud but a general description is any intentional misrepresentation of financial information.

3.2 Types of fraud include:

- Receipt of income (most common), i.e. retention and misappropriation of cash;
- False expense claims;
- Misuse of the purchases and payments system for personal gain;
- False wage and salary claims;
- Theft of equipment and stores;
- False accounting;
- Suppression of documents; and
- Misuse of computer.

4.0 CORRUPTION

4.1 A definition of corruption is the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the actions taken by an organisational member or officer.

4.2 Types of corruption include abuse in the following areas:

- Tendering, awarding of contracts;
- Settlement of contractors accounts/claims;
- Appointment and reward of consultants;
- Pecuniary interest of members and officers;
- Secondary employment of staff;
- Hospitality; and
- Disposal of assets.

5.0 RESPONSIBILITIES

5.1 Fraud and corruption flourishes where there are deficiencies in management control systems. It follows therefore that the primary responsibility for the prevention and detection lies with management. In particular, management is charged with taking all reasonable steps to limit the possibility of fraudulent and corrupt practices.

- 5.2 Specifically the Council, through the Chief Executive, is responsible for:
- Developing and maintaining effective controls to prevent fraud/corruption;
 - Carrying out vigorous and prompt investigations if fraud/corruption is suspected;
 - Taking appropriate legal and/or disciplinary action against supervisors where supervisory failure has contributed to the commission of the fraud/corruption.
- 5.3 Directors, Managers and Supervisors are responsible for:
- Identifying the risks to which systems and procedures are exposed;
 - Developing and maintaining effective controls to prevent and detect fraud and corruption; and
 - Ensuring that controls are being complied with.
- 5.4 Individual members of staff are responsible for:
- Acting with propriety in the use of official resources and in the handling and use of public funds, whether they are involved with cash or payments systems, receipts, or dealing with contractors or suppliers; and:
 - Reporting details immediately to their line manager or next most senior manager if they suspect that a fraud/corruption has been committed or see any suspicious acts or events.

6.0 ETHICS AND CONDUCT OF STAFF

- 6.1 Council staff owe a duty to their employer and to the public at large. As stewards of public funds, staff must have, and be seen to have, high standards of propriety in the exercise of their duties.

7.0 RESPONSIBILITIES OF INTERNAL AUDITORS

- 7.1 It is a management responsibility to determine the extent of internal control in the Council's systems, which should not depend on internal audit as a substitute for effective controls. Internal audit, as a service to the organisation, contributes to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness. Internal audit activity may lead to the strengthening of internal control as a result of management response.
- 7.2 It is a management responsibility to maintain the internal control system and to ensure that the Council's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.
- 7.3 The Internal Auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control which might permit the occurrence of such an event.
- 7.4 An internal auditor who discovers evidence of, or suspects, malpractice, should report firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action should be taken. Each case must, however, be brought to the attention of the Chief Executive.

8.0 PUBLIC SECTOR FRAUD – CAUSES OF CONCERN

- 8.1 It has been observed that certain movements within an organisation, or the introduction of a new work practice, or policy, can trigger certain people into committing fraud/corruption. Some of the causes of concern are:
- Changing culture;
 - Changing organisational structures;
 - Changing technology;
 - Lack of fraud/corruption consciousness in management.

9.0 PROCEDURES TO BE FOLLOWED IF FRAUD IS SUSPECTED OR DISCOVERED

9.1 If a member of staff suspects or discovers fraud/corruption as defined in the Policy Statement, the member of staff must immediately inform his/her supervisor. If the member of staff suspects that his/her immediate supervisor is involved in the fraud/corruption, then the next person in the chain of authority should be informed. It should be stressed that fraud/corruption is so serious that the officer's Director and the Chief Executive should be contacted and informed of suspicions or discovery.

9.2 The following is the procedure that should be followed:

- If a member of staff suspects or discovers fraud/corruption he/she must report the matter immediately to the employee's immediate supervisor or appropriate Senior Officer.
- The officer to whom the suspected fraud/corruption is reported will ensure that the matter is brought to the attention of the Director or Chief Executive.
- The Director of Finance should be notified of the suspected or discovered fraud/corruption.

9.3 The Director of Finance will inform the Chief Executive of the information he/she has received. It is the Chief Executive's decision as to whether the police are to be contacted at this stage of the process.

9.4 The person appointed by the Chief Executive will instigate a preliminary investigation and keep the Chief Executive and the Director of Finance informed of the progress of this investigation until the following information is to hand:

- The type of fraud/corruption;
- The cause of fraud/corruption;
- The means of discovery;
- The amount involved;
- The amount recovered;
- Period over which the fraud/corruption was committed;
- The date of the discovery;
- The rank/grade of the perpetrator of the fraud/corruption;
- The position that the perpetrator held;
- The action taken on discovery of the fraud/corruption;
- The action taken against the perpetrator; and

- The action taken to improve controls.
- 9.5 If the preliminary investigation identifies that a fraudulent or corrupt act may have been committed by an employee, then in accordance with the Council's Disciplinary Procedures, a Notification of Hearing will be issued to the employee. It will be at the subsequent hearing that the relevant disciplinary action (if any) will be decided on. (Please refer to the Disciplinary policy for further details).
- 9.6 The Chief Executive (or the Director of Finance if so directed) may then inform the Local Government Auditor and/or the police if necessary. The Local Government Auditor will decide, depending on the type and scope of the fraud/corruption, whether or not he/she should carry out a special audit of the area in which the fraud/corruption has been committed. The police may carry out their own investigation with a view to criminal proceedings.
- 9.7 The Director of Finance will, at the appropriate time, notify all cases of fraud to the Central Services Committee, at the conclusion of the process carried out by the Chief Executive.
- 9.8 The internal auditor will carry out a comprehensive review of the new procedures/system installed by the Director following the fraud/corruption and prepare a report for the Chief Executive and the Director of Finance. Any weaknesses in the new procedures/system will be highlighted in the report, together with recommendations to resolve them.

Appendix

MOTIVATION TO COMMIT FRAUD/CORRUPTION

Cases of fraud/corruption have been discovered, not because of any great in depth investigation, but rather because the perpetrators drew attention to themselves by their actions, behaviour and/or attitude. Some of the items to watch are:

- Perpetrator living beyond their means;
- Overwhelming desire for personal gain;
- High personal debts;
- Too close an association with customers;
- Extreme gambling habits;
- Undue family or peer pressure;
- A feeling that pay was not commensurate with responsibility;
- A 'wheeler-dealer' attitude;
- A strong desire to beat the system

Date Approved at Committee: to be confirmed