

**Reason for this Report**

1. To inform the Standards & Ethic's Committee on changes made to the Anti-Fraud & Anti-Corruption Strategy.

**Background**

2. The Council's Whistle Blowing Policy, which makes reference to the Strategy, was recently updated and presented to the Standards & Ethics Committee. Consequently, it is timely to review this related strategy which was previously updated in June 2004.
3. The updated strategy has been considered by the Council's Independent Audit Committee who supported the document and will be reported to the Executive Business Meeting in April.

**Issues**

4. The Strategy (see Appendix A), provides Members and employees with guidance on the Purpose and Scope of the Strategy. It details the practices and procedures in place in relation to the Prevention, Detection and Reporting of suspected fraud or malpractice of Members or employees.
5. The Strategy provides officers with detailed procedures to follow to ensure a consistent approach is adhered to at all times, in accordance with Financial Procedure Rules, in connection with actioning any suspicions of fraud or financial impropriety.
6. The main changes made have been to clarify the responsibilities of those involved and the proper procedures to follow when undertaking an investigation.
7. The new documentation has been subject to consultation with Legal Services and Housing Benefit Management.

**Legal Implications**

8. There are no direct legal implications arising as a result of adoption of the Strategy. The Strategy does not form part of the Council's formal Policy Framework as defined in the Constitution and as such may be approved by the Executive.

## **Financial Implications**

9. There are no direct financial implications arising from this report.

## **RECOMMENDATIONS**

That the Standards & Ethics Committee notes the attached Strategy.

**CHRISTINE SALTER**  
**CHIEF FINANCIAL SERVICES OFFICER**  
**13 March 2007**

The following Appendix is attached:

Appendix A: Anti-Fraud & Anti-Corruption Strategy

## ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY

### 1 Introduction

- 1.1 Cardiff Council is one of the largest employers in Wales, delivering services to approximately 320,000 people, with a combined net revenue and capital budget of over £400 million a year and has assets, interests and annual transactions running into £billions. In administering its responsibilities in relation to fraud and corruption, whether it is attempted on the Council or from within it, the Council is committed to an effective Anti Fraud and Anti Corruption Strategy.
- 1.2 Whilst currently there is no legal definition of fraud, the Oxford dictionary of law defines fraud as: “a false representation by means of a statement or conduct made knowingly or recklessly in order to gain a material advantage”.
- 1.3 Corruption, however, does have a legal meaning: “when money or other consideration is paid, given to or received by a person in the employment of the Crown or of a Public Body by, or from, a person holding, or seeking to obtain a contract from the Crown, or Public Body such money or consideration shall be deemed to have been given, or received, corruptly unless the contrary is proved.” *Prevention of Corruption Act 1916*.
- 1.4 In managing its responsibilities the Council is determined to protect itself against fraud and corruption both from within the authority and from outside. The Council is committed to an effective ‘Anti-Fraud and Anti-Corruption Strategy’ designed to:
- communicate the strategy to stakeholders
  - encourage prevention
  - promote detection
  - identify a clear pathway for investigation
  - act as a deterrent against future fraud or corruption.
- 1.5 Cardiff Council has a member approved Prosecution Policy that deals with sanction action taken against persons that defraud the housing benefit and or council tax benefit schemes.

### 2. Purpose of the Strategy

- 2.1 The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption.
- 2.2 The Council’s expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach.
- 2.3 The Council also demands that individuals and organisations that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or corruption.

- 2.4 The Council's staff are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns associated with Council's activities, either currently or in the past. They can do this in the knowledge that such concerns will be treated in strict confidence and properly investigated.
- 2.5 The public can also be considered to be an important element in the Council's stance on fraud and corruption and are encouraged to raise concerns associated with Council activities. The public should be able to do so with assurance that these concerns will be professionally investigated in a confidential manner.
- 2.6 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including local taxpayers, service users, the media, the Wales Audit Office, Inland Revenue/Customs & Excise and various government departments and inspectorates.
- 2.7 The Council should have in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation or related responsibilities.
- 2.8 The Council is committed to the values of probity and accountability, but the determined perpetrator will always seek a way around the systems and procedures. It is therefore necessary for all managers to be aware of what is required in the event of being notified of a suspected fraud. This document sets out the process for staff that wish to notify any suspicions. It also sets out how the Council's officers should respond.

### **3. Scope of the Strategy**

- 3.1 This strategy covers the procedures relating to the prevention, detection and investigation of any alleged fraud, corruption or financial impropriety. It is based on a series of comprehensive and interrelated procedures designed to frustrate any attempted fraudulent or corrupt act.
- 3.2 This strategy is aimed to allow all Officers and Members of the Council an opportunity to raise any concerns that they may have in relation to possible fraud and corruption and provide them with guidance as to the process to adopt, where they have such concerns.
- 3.3 The strategy is closely linked to the Council's [Whistle blowing](#) Policy which provides staff with an opportunity to raise issues and concerns they may have for **other than** those where there is suspicion of fraud or financial impropriety.
- 3.4 This strategy includes members of the public who are encouraged to report any suspicion of fraud, corruption or financial impropriety so that it can be properly investigated.

### **4. Prevention**

- 4.1 A major deterrent in the prevention of fraud or corruption is the implementation of robust systems of internal control. Senior management must ensure that controls are in place within all their systems that reduce the risk of fraud or corruption and as new systems are developed and introduced, ensure that internal controls are prioritised.

- 4.2 In this respect both the work of Internal and External Audit provide support to management by undertaking independent assessment and evaluation of internal controls. It is important therefore, that management do have regard to and respond to all audit recommendations looking to improve the internal control environment.
- 4.3 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff in terms of their propriety and integrity. Staff recruitment is, therefore, required to be in accordance with procedures laid down by the Council. In particular, written references regarding known honesty and integrity of potential staff must be obtained before employment offers are confirmed. Where appropriate Criminal records bureau (CRB) checks will also be undertaken before appointments are confirmed.
- 4.4 Council employees are expected to follow any Code of Conduct relating to their personal, professional qualifications and also to abide by the Council's [Employee Code of Conduct](#) and the role that appropriate staff are expected to play in the Council's framework of internal control will be featured in staff induction procedures.
- 4.5 Members are required to adhere to the Council's [Member's Code of Conduct](#).
- 4.6 All Members and employees of the Council are required to register acceptance of gifts or hospitality, above a certain threshold, which are in any way related to the performance of their duties in relation to the Council. (Further advice on this issue is contained in document [1.CM.070](#)).
- 4.7 Employees are reminded that they must operate within Section 117 of the Local Government Act 1972 regarding the requirement to disclose any pecuniary interests in contracts relating to the Council and not to accept, under colour of their office or employment, any fee or reward whatsoever other than their proper remuneration.
- 4.8 The Council also has in place [Financial Procedure Rules](#) and Contracts Procedure Rules [Contract Procedure Rules](#) which must be adhered to at all times and procedures in place, underpinning these, which must be followed.

## 5. Detection

- 5.1 It is important that there are ways of detecting fraud when it happens. Most systems will have controls to measure the throughput of transactions and provide management reports for monitoring as a means of identifying suspected fraud.
- 5.2 The work of both Internal and External Audit will be primarily to ensure controls are imbedded into systems as a prevention measure, but as part of their work around compliance etc. they will be proactively looking at where there are increased risks of fraud or financial impropriety and reporting where any suspicions arise.
- 5.3 In more recent times, extensive use is being made of data matching to detect fraud, comparing data sets between systems to identify discrepancies, which may be as a direct result of fraudulent activity. The Council, through the Investigation Team in Internal Audit, undertakes a number of such data matching exercises e.g the National Fraud Initiative every 2 years.
- 5.4 It is also often the alertness of staff and the public that enables detection to occur and the appropriate action to take place, when there is evidence that fraud or corruption has occurred.

5.5 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with service area management, other agencies and, as appropriate, the police, to ensure that all allegations and evidence are properly investigated and reported upon.

## **6. Reporting a Suspected Fraud or Financial Impropriety**

6.1 Suspected fraud can be notified in a number of ways but in all cases it is important that staff and/or the public feel confident to report their concerns and are clear of the means by which they are able to do so.

6.2 The Council can be expected to deal swiftly and thoroughly with any member of staff who attempts to defraud the Council or who is corrupt. The Council should be considered as robust in dealing with financial malpractice.

6.3 Members of the public and service users should be encouraged to report concerns through appropriate channels eg. the internet.

### ***Cardiff Council Employees***

6.4 Under [Financial Procedure Rules](#), Corporate Directors and Chief Officers are required to immediately notify the Audit & Risk Manager whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of the functions of the Authority (Financial Procedure Rules - Para 2.21).

6.5 If an employee discovers a suspected fraud then they should firstly report the matter as soon as is practicable to their line manager. Line managers should attempt to establish as many details as possible (by discussion with the notifying officer only) and should complete the fraud referral form [general referral form](#) (ref. 4.F.AU.001D) on the Intranet Site and forward this to Financial Services, Internal Audit, Investigation Team. The referral may also be emailed to: [fraud@cardiff.gov.uk](mailto:fraud@cardiff.gov.uk) or sent in the post to the Internal Audit Section, Financial Services, County Hall, Atlantic Wharf, Cardiff CF10 4UW.

6.6 The overall responsibility for investigating suspected fraud or financial impropriety rests with management and as the employing department, service area management should assign responsibility for the investigation to a senior officer within their own service area (an Investigating Officer). The Chief Financial Services Officer in her capacity as Section 151 Officer does, however, have overall financial stewardship throughout the Council and the aim of Internal Audit being alerted to all suspected financial impropriety is so they can provide the CFO with assurance that a proper investigation is undertaken.

6.7 If the concern relates to the employee's line manager, the notifying officer may consider reporting their concerns direct to the Audit & Risk Manager, the Chief Financial Services Officer or the Chief Executive.

6.8 Any person who suspects any fraud or financial impropriety has a responsibility to report this and if in doubt, should contact Internal Audit for advice. All referrals will be considered, but officers must not abuse the process by raising unfounded malicious allegations.

6.9 Every effort should be made to protect the interest of any person who honestly reports a suspicion of fraud or corruption to try to ensure they do not receive any adverse treatment as a consequence of making such a report.

- 6.10 Where the circumstances suggest a criminal offence has been, or is about to be committed, then consideration should be given to referring the matter immediately to the police. Internal Audit can advise on this and need to be informed where this is being considered, at the earliest opportunity. In such circumstance, the Council's policy on [Referrals for Police](#) should be followed.

### ***Members of the Public***

- 6.11 Members of the public wishing to report suspicions of a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of the functions of the Authority should in the first instance refer to the Fraud web page of the Council's [internet site](#), at [www.cardiff.gov.uk](http://www.cardiff.gov.uk) (Your Council/Council Finance/Fraud).
- 6.12 The website contains an online [referral form](#) which may be completed by members of the public to report their suspicions.
- 6.13 Alternatively the Internal Audit Investigation team may be contacted via email: [fraud@cardiff.gov.uk](mailto:fraud@cardiff.gov.uk) or telephone: 029 2087 2284 or sent in the post to the Internal Audit Section, Financial Services, County Hall, Atlantic Wharf, Cardiff CF10 4UW.
- 6.14 Where the suspicion relates to state benefit fraud, members of the public are encouraged to contact the manned fraud hotline: telephone: 0800 328 6340.

### ***Council Members***

- 6.15 Any suspicions relating to fraud or financial impropriety concerning Members should be referred to the Chief Legal & Democratic Services Officer (Monitoring Officer), County Hall, Atlantic Wharf, Cardiff, CF10 4UW, who will decide appropriate action in accordance with the Member's Code of Conduct.

## **7. Investigation**

### ***Cardiff Council Employees***

- 7.1 The Internal Audit Investigation Team consists of professionally trained investigators who are available to advise and support any Investigating Officer in all aspects of investigation. This team have a responsibility to provide assurance to the Section 151 Officer that all suspicions of fraud and financial impropriety are dealt with in an effective, efficient and consistent manner and it is important they work closely with the Investigating Officer in all cases.
- 7.2 Once the Audit & Risk Manager has been notified of a suspected fraud or financial impropriety (in accordance with Financial Procedure Rules), a member of the Audit Investigation team will discuss the matter with the person / Manager who made the referral or service area Investigation Officer, if appointed by then.
- 7.3 The extent to which the Investigations team are involvement will be discussed and normally the service area will take responsibility for leading the investigation, supported by a member of the Audit Investigation team. Where this is the case, it is important that Audit are kept fully informed throughout the investigatory process.

- 7.4 In certain circumstances it may be agreed that a member of the Audit Investigation team may take the lead role in relation to the investigation e.g. where surveillance is required, as this can only be approved within Internal Audit and only trained officers are able to undertake such surveillance activity. Where the leading role is taken by a member of the Audit Investigation team they will keep the investigating officer or service area management informed of progress on a regular basis.
- 7.5 Where agreement cannot be reached on the extent of the Audit Investigation team involvement, the Audit & Risk Manager will have the final decision.
- 7.6 Following an assessment of the case, where it is decided further investigation is not viable then this will be agreed between the member of the Audit Investigation team and the Investigating Officer or Manager who made the referral. The officer who raised the initial concern will be notified with the reason why the matter is not being pursued.
- 7.7 Investigations into the conduct of officers will be in accordance with the disciplinary [investigations policy](#) and procedure.
- 7.8 If at any time there is a suspicion or an allegation that a serious crime may have been committed (or is about to be committed) the Service Area, in conjunction with the Audit Investigation Team, should immediately report the matter to the Police.
- 7.9 Throughout all investigations the Investigating Officer will retain material obtained as part of the investigation which may be relevant to the investigation. This includes not only material coming into the possession of the investigator (such as documents seized) but also material generated by him (such as interview records).
- 7.10 The Investigating Officer will ensure that interviews are conducted and statements taken in the right manner. In particular, that the relevant Council policy and procedures are followed.
- 7.11 The Audit & Risk Manager is the delegated officer under this Strategy, with authority to approve surveillance which may be undertaken to establish if the allegations are founded. Strict regulations apply to surveillance and guidance should be sought.
- 7.12 The Council's [Disciplinary Procedures](#) will be used where the outcome of the Investigation indicates any fraud, corruption or financial malpractice.
- 7.13 At all stages of an investigation the Service Area and or investigating officers should seek advice from Human Resources to ensure compliance with relevant policies and procedures.

### ***Members of the Public***

- 7.14 All referrals from members of the public relating to fraud or financial impropriety will be investigated by the Internal Audit Investigation team. This team consists of professionally trained Investigators who follow standard methodology in accordance with an Investigator's Code of Practice.

### ***Council Members***

- 7.15 The Chief Legal and Democratic Services Officer (Monitoring Officer), in liaison with the Audit & Risk Manager, will arrange for appropriate investigation of any referrals, in accordance with the Member's Code of Conduct.

## **8. Summary**

- 8.1 The Council recognises that the continuing success of its Anti Fraud and Anti Corruption Strategy and its general credibility will depend largely on the responsiveness of staff throughout the organisation.
- 8.2 To facilitate this, the Council supports the concept of induction and training for all staff, with more specific training for staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The Internal Audit Section also provides fraud awareness training to service areas where it is considered that there are higher risks of fraud and/or financial impropriety.
- 8.3 Managers need to ensure internal controls are robust within their systems as a means of preventing fraud and the work of auditors will be planned with a view to prevention of any fraud or corruption within the organisation and may help to detect this. It is important that Managers act on the recommendations from their Auditors and where financial impropriety has occurred that they review the internal control environment in an effort to minimise future risk.
- 8.4 Corporate Directors and Chief Officers are required to immediately notify the Internal Audit & Risk Manager whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of the functions of the Authority (Financial Procedure Rules). Engagement with trained specialists in investigations provides an assurance of good practice in relation to investigations and should help to achieve a consistent approach.
- 8.5 Corporate Directors and Chief Officers are required to ensure that staff for whom they have a responsibility are aware of the need to comply with the Rules, Regulations and Codes of Conduct of the Council. Staff, in turn, are required to act lawfully and honestly in connection with Council business. Staff who do not comply or are found to have acted unlawfully or dishonestly must be aware that this will lead to disciplinary action against them.
- 8.6 The public also have a role to play in bringing to the attention of the Authority, any concerns they have in relation to financial impropriety in connection with Council services. The Council need to ensure a thorough and professional investigation of those concerns is undertaken.

## **9. Contact Audit**

- 9.1 Initial contact on any matters relating to investigations should be with David Hexter, Group Auditor (Investigations), Tel: 2087 2284, alternatively, contact Derek King, Audit & Risk Manager, Tel: 2087 2248. Further guidance relating to referrals for fraud can be found on the Council's internet site at [www.cardiff.gov.uk](http://www.cardiff.gov.uk) (Your Council/Council Finance/Fraud).