

DERBYSHIRE COUNTY COUNCIL**AUDIT COMMITTEE MEETING****26 September 2018****Report of the Assistant Director of Finance (Audit)****ANNUAL REVIEW OF THE COUNTY COUNCIL'S REGULATORY FRAMEWORK****1. Purpose of Report**

The Audit Committee has been designated by the Council as the committee charged with ensuring the on-going effectiveness of the Authority's overall governance arrangements.

This report updates Members on the continued effectiveness of the Council's Financial Regulations and Standing Orders, Anti Fraud and Anti Corruption Strategy, Fraud Response Plan, Whistleblowing – The Confidential Reporting Code and Codes of Conduct for Members and Employees.

2. Information & Analysis

Members have previously decided that officers should provide an annual report on:

- the continued relevance of these documents;
- the extent of any noted non-compliance with the requirements detailed which had been disclosed during the year;
- the need for any potential review or amendment of their contents; and
- those measures taken to ensure that the requirements contained within these regulations were made known to staff.

The Governance Group comprising of the Director of Finance & ICT, Director of Organisation Development and Policy, Assistant Director of Finance (Audit), Democratic and Registration Services Manager and chaired by the Director of Legal Services continues to conduct an on-going review of key systems and processes operated within the Council to ensure that they deliver effective Corporate Governance. A key part of that role is the Group's monitoring of the above policies to ensure their continued effectiveness.

There is a recognition that the Governance Group requires a greater profile across the Council. At present the work of the Governance Group is being undertaken as part of the Enterprising Council – Systems and Processes workstream chaired by the Director of Finance & ICT and supported by the Standards Committee in their capacity as custodian of the Council's constitution. The Director of Legal Services is undertaking significant work to ensure a refreshed Constitution is fit for purpose going forward. The Governance Group's role will be to ensure this vital framework is embedded and understood widely across the Council.

The Council's Financial Regulations and Standing Orders were last revised and approved by Council on 6 December 2017. Prior to approval there was wide ranging consultation with Cabinet Members, Audit Committee, Strategic Directors, Audit Services, Director of Finance & ICT, Director of Legal Services, finance colleagues and other interested parties as part of this review.

Financial Regulations identify at all points the underlying principles, the responsibilities of Members, Strategic Directors, the Director of Finance & ICT (Chief Financial Officer), the Director of Legal Services and of the Authority's auditors, both external and internal.

As part of a wide ranging assessment of Corporate Governance arrangements the provisions of Financial Regulations and Standing Orders, the separate Codes of Conduct for Members and Employees and the 'Whistleblowing – The Confidential Reporting Code' are to be reviewed.

The Anti Fraud and Anti Corruption Strategy and the supporting Fraud Response Plan have been reviewed to assess the arrangements regarding how the Council will respond to fraud and corruption. Proposed changes to these documents are identified at Appendix 1 and 2 respectively.

These key documents underpin the Council's governance framework and compliance will continue to be assessed by Audit Services as part of our work.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

A file held by the Assistant Director of Finance (Audit).

5. Officer's Recommendation

That the Committee note the:-

- 5.1 arrangements for the ongoing review of the Council's key systems and supporting policies;
- 5.2 proposed revisions to the Anti-Fraud and Anti-Corruption Strategy and Fraud Response Plan.

Carl Hardman
Assistant Director of Finance (Audit)

Anti-Fraud and Anti-Corruption Strategy

Version History

Version	Date	Detail	Author
1.0	September 2015	Revision of Strategy	Carl Hardman
<u>2.0</u>	<u>September 2015</u>	<u>Update of Strategy</u>	<u>Carl Hardman</u>

Foreword from the Leader of the Council and Chief Executive

We believe that the public is entitled to demand conduct of the highest standard and integrity, and our Members, employees, partners, contractors and suppliers are expected to conduct themselves in accordance with the highest standards of political, professional and personal conduct.

Good Corporate governance, protecting public services and public assets are key priorities for the Council and we will not tolerate fraud and corruption (including bribery) in all of its forms whether it is attempted on or from within the Authority. Money lost in this way cannot be spent on delivering those services critical to improving the lives of local people. We all have a part to play in eliminating fraud by recognising and maintaining the controls set out in this Strategy to protect us from fraud, and to remain vigilant to the many forms which fraud and corruption may take.

Any concerns which are raised with us will be promptly investigated and the Council will take all appropriate action against the perpetrator where fraud or corruption is proven.

Further guidance is set out in detailed Policies which are available on the Council's website.

Cllr Barry Lewis
Leader of the Council

Emma Alexander
Head of Paid Service

Anti-Fraud and Anti-Corruption Strategy

1) Introduction

Derbyshire County Council is one of the largest organisations in the County, and in common with all public authorities the Council recognises the potentially significant risk which fraud and corruption (including bribery) pose to the achievement of its aims and objectives as any money lost cannot be used to deliver essential public services. Fraud and corruption threats may occur internally or externally.

The nature of fraud threats is subject to change and during recent years those attempted by organised crime networks, through the use of the Internet, computer systems or relating to purchasing and procurement have increased.

In administering its responsibilities the Council is set against fraud, corruption, bribery and theft in all its forms and is committed to an effective Anti-Fraud and Anti-Corruption Strategy which has been designed to: -

- * **encourage prevention;**
- * **promote detection; and**
- * **identify a clear pathway for investigation.**

The Council is committed to incorporating best practice approaches to fighting fraud and corruption and will review and revise the Strategy to ensure its resilience to these threats is maximised.

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, procedures and recommended practices and will remain vigilant to potential incidents.

The Council also expects that individuals and organisations (e.g. suppliers, contractors, partner bodies and members of the public) that it comes into contact with, will act towards the Authority with integrity and without thought or actions involving fraud or corruption. The Council also encourages such individuals and organisations to raise any concerns they may have at the earliest opportunity.

The Council is committed to investigating concerns thoroughly, promptly and confidentially. However, malicious or vexatious allegations will not be tolerated.

Where fraud or corruption are proven, the Council will take all appropriate action against the perpetrator(s) and will pursue all options available to recover any losses incurred including action under the Proceeds of Crime Act where appropriate.

The Council's Anti-Fraud and Anti-Corruption Strategy is based on a series of comprehensive and interrelated procedures which are designed to frustrate any attempted fraudulent or corrupt act. These cover: -

- * **Culture (Section 4)**
- * **Deter & Prevent (Section 5)**
- * **Detection & Investigation (Section 6)**
- * **Training (Section 7)**

The Authority is also aware of the high degree of ongoing external scrutiny of its affairs by a variety of agencies including: -

- * **The Local Government Ombudsman**
- * **The External Auditor**
- * **Central Government Departments/Parliamentary Committees**
- * **HM Revenue and Customs**
- * **The Department for Work and Pensions - Jobcentre Plus**

2) Aims and Objectives

- * Risk assess new and existing fraud and corruption threats;
- * Create a robust anti-fraud and anti-corruption culture within the Council;
- * Develop and maintain effective systems and procedures for the prevention and detection of fraudulent and corrupt activity;
- * Establish an effective response to suspected cases of fraud and corruption and ensure that all suspicions are properly and thoroughly investigated;
- * Take appropriate action to deal with proven fraudsters;
- * Pursue all forms of redress where losses occur.

3) Definitions of Fraud, Corruption, Bribery and Theft

Fraud

The Chartered Institute of Public Finance and Accountancy (Cipfa) defines fraud as “the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain”.

Fraud Act 2006

This Act establishes that fraud may be committed in the following ways:-

- * Fraud by false representation;
- * Fraud by failing to disclose information;
- * Fraud by abuse of position.

Corruption

The Cipfa publication ‘The Investigation of Fraud in the Public Sector’ defines corruption as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

Bribery

The Bribery Act 2010 establishes that an offence of bribery occurs when a person offers, gives or promises to give a financial or other advantage to another in exchange for improperly performing a relevant function or activity. Similarly, the offence of being bribed is defined as requesting, accepting or agreeing to accept such an advantage in exchange for improperly performing

such a function or activity. [The Act also creates an offence of failure by an organisation to prevent a bribe being paid for or on its behalf.](#)

Theft

The Theft Act 1968 states that “a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”.

4) Culture

The Council has determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption. The Council does not, and will not, pay bribes or offer an improper inducement to anyone for any purposes, nor does it or will it, accept bribes or improper inducements or engage indirectly in or otherwise to encourage bribery.

There is an expectation and requirement that all individuals and organisations associated with the Council in any way will act with integrity and that Members and staff, at all levels, will lead by example in these matters. Under the Public Contract Regulations 2015¹⁰⁶ a company is automatically debarred from competing for public contracts where it is convicted of corruption, including bribery.

The Council's staff are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues, where they are associated with the Authority's activities. This they can do in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary a route, other than via the normal line manager, may be used to raise such concerns. Examples of such routes are:-

- * **The Audit Services Unit (Direct Line - 01629 538708);**
- * **The Director of Legal Services;**
- * **[The Chief Executive](#)/Strategic Directors and Directors.**

The Council has a Whistleblowing The Confidential Reporting Code and an Anti-Money Laundering Policy which set out how such matters will be dealt with.

Suppliers, contractors, partners and members of the public are also encouraged to report concerns through any of the above routes.

Senior Management are responsible for following up any allegation of fraud or corruption received and will do so, in accordance with the requirements of Financial Regulations [Appendix 3.2 a.16](#), by immediately informing the Assistant Director of Finance (Audit).

The investigating officer (usually a member of the Audit Services Unit) will:-

- Deal promptly with the matter;
- Record all evidence disclosed;

- Ensure that all such evidence is sound and adequately supported;
- Ensure the security of all evidence collected;
- Ensure that, where appropriate, adequate consideration is given to the need to liaise with any other agency (e.g. the Police;)
- Ensure that the Council's insurers are notified of the situation at the earliest opportunity;
- Report the outcome of any investigation promptly, in accordance with the requirements of the Council's Financial Regulations ([Appendix 3.2 a.7](#)), so that appropriate action may be taken on its findings (including the possible instigation of the Authority's Disciplinary Procedures)

Senior Management will deal swiftly and firmly with those who defraud the Council, or who are corrupt. The Authority should be considered as robust in dealing with financial malpractice.

There is, of course, a need to ensure that any investigation process is not misused and, therefore, any such abuse (e.g. the proven malicious raising of allegations known to be unfounded) may itself be dealt with as a disciplinary matter.

5) Deter and Prevent

The Council's first line of defence is to deter those who would commit fraud or corruption from an attack against the Council. The deterrence factor is maximised through:-

- * Prominent publication of the Council's robust stance against fraud and corruption;
- * Design and implementation of a fraud awareness programme to ensure the profile of fraud remains high amongst Members, staff, contractors, suppliers and partners;
- * Publication of the Council's successes in identifying and taking action against those who commit fraud;
- * [Use of a statement of non-involvement in serious and organised crime when procuring contracts.](#)

The Council participates in the National Fraud Initiative and in other national and regional counter-fraud networks and takes prompt action to deal with any counter fraud related intelligence and reports.

Members

All Members have a duty to protect the Council and public money from any acts of fraud and corruption. Members are required to operate within the:-

- * **Council's Constitution, Financial Regulations and Standing Orders;**
- * **Code of Conduct for Members;**
- * **Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.**

These matters are specifically brought to the attention of Members in the induction process and official Council diary, and include the declaration and registration with the Director of Legal Services of any potential area(s) of conflict between Members' County Council duties and responsibilities and any other areas of their professional or personal lives. Officers advise Members of new legislative or procedural requirements.

Chief ExecutiveHead of Paid Service

~~As the~~ The Head of Paid Service ~~the Chief Executive~~ has responsibility for the overall corporate management and leadership of all employees providing services across the Council.

Director of Finance & ICT

The Director of Finance & ICT is the Council's officer designated with the statutory responsibilities defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should: "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs". 'Proper administration' encompasses all aspects of local authority financial management including:

- * Compliance with the statutory requirements for accounting and internal audit;
- * Managing the financial affairs of the Council;
- * The proper exercise of a wide range of delegated powers both formal and informal;
- * The recognition of the fiduciary responsibility owed to local tax payers.

The Director of Finance & ICT also maintains a head of profession role in respect of finance within the Authority and through this, exercises, amongst other things, a quality control on financial administration.

Director of Legal Services

As the Council's Monitoring Officer the Director of Legal Services is responsible for ensuring that all decisions made by the Council are within the law. The Monitoring Officer's key role is to promote and maintain high standards of conduct throughout the Council by contributing to the development of, enforcing and reporting appropriate governance arrangements including codes of conduct.

Audit Services

The Council's Audit Services Unit undertakes a review of the effectiveness of governance, internal control and risk management and works with Senior Management to recommend and implement suitable controls. The Unit plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. The Council's Audit Charter empowers the Unit to:

- * Have unrestricted access to all records, personnel (both Members and employees) and physical properties necessary for the purposes of Audit, however and wherever these are held;
- * Have access to records belonging to third parties such as contractors when required;
- * Require such information and explanations as are considered necessary for Audit purposes.

Senior Management

Managers at all levels are responsible for the communication and implementation of this Strategy. They are also responsible for ensuring that their employees are aware of the Council's Policies and Procedures, Financial Regulations and its control framework through a structured induction process and that the requirements of each are being met. Managers are expected to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.

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 honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's Recruitment and Selection Procedures contain appropriate safeguards in the form of written references, the verification of qualifications held and employment history. Disclosure and Barring Service (DBS) checks are undertaken for employees working with, or who may have contact with children or vulnerable adults.

Staff

Council employees are expected to comply, at all times, with the requirements of any Code(s) of Conduct related to their personal membership of any professional institute, and also to abide by the Authority's Code of Conduct for Employees. An approved Disciplinary Procedure is in place.

The role that staff are expected to play in the Authority's framework of internal control will feature in staff induction and re-induction procedures.

In line with the requirements of the Council's Fidelity Guarantee insurance policy, the attention of Senior Management should be triggered where staff regularly do not take annual leave, or, for example, where through sickness/vacancy levels, recognised checking mechanisms break down.

Employees are also reminded that under the Council's Standing Orders they must operate within Section 117 of the Local Government Act 1972 and declare any pecuniary interests in contracts relating to the Council, and should not accept any fees or rewards linked to their employment other than their proper remuneration.

Under the Bribery Act 2010 it is a criminal offence for an employee to request, receive, agree to receive, promise, offer or give any gift, loan, fee, reward or advantage for doing or not doing anything or showing favour or disfavour to any person in their official capacity.

Systems

The Council has Policies and Procedures including Financial Regulations in place which require staff, when dealing with the Authority's affairs, to act in accordance with statutory, regulatory and best practice requirements.

The Authority has developed, and is committed to continuing with, systems and procedures which incorporate efficient and effective internal controls and which include adequate separation of duties. It is required that all Strategic Directors and Directors in Departments ensure that such controls (including those within systems operating in a computerised environment) are properly maintained and documented. Their existence and appropriateness are independently monitored by the Council's Audit Services Unit.

External Auditors

Independent external audit is an essential safeguard regarding the stewardship of public money. [KPMGMazars](#) are currently the Council's external auditor and carry out work through specific reviews which are designed to test, amongst other things, the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption.

6) Detection and Investigation

The array of preventive systems, particularly internal control systems, within the Council has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is often the alertness of Members, staff or the public which enables detection to occur and the appropriate action to be initiated when there is evidence that fraud or corruption may be taking place.

However, despite the best efforts of Managers and auditors, frauds are discovered by chance or as the result of a 'tip off,' and, the County Council has put in place arrangements to enable such information to be properly dealt with. These are detailed within this Strategy at Section 4.

Council employees are required under Financial Regulations to report all suspected irregularities to the Assistant Director of Finance (Audit). Prompt reporting of such a situation is essential to the Anti-Fraud and Anti-Corruption Strategy and:-

- * **Ensures the consistent treatment of all information concerning potential fraud or corruption;**

- * **Facilitates effective, objective and professional investigation by an experienced Audit team;**
- * **Ensures the proper implementation of a fraud response investigation plan.**

Dependent upon the nature and the anticipated extent of the alleged irregularities the Audit Services Unit will normally work closely with Management to ensure that all allegations and evidence are properly investigated, assessed and reported upon.

The Council's Disciplinary Procedures will be implemented where the outcome of an investigation indicates improper behaviour. Theft, fraud and corruption are serious offences which may constitute gross misconduct against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities.

The Council will normally wish the Police to be made aware of, and to independently investigate and prosecute, offenders where financial impropriety is suspected or discovered. Referral to the Police is a matter for the appropriate Strategic Director~~Chief Executive~~, after consultation with the Director of Legal Services, Director of Finance & ICT, ~~relevant Strategic Director(s)/Director(s)~~ and the Assistant Director of Finance (Audit) under the Council's agreed procedure.

7) Training

The Council recognises that the continuing success of its Anti-Fraud and Anti-Corruption Strategy, and its general credibility, will largely depend upon the effectiveness of programmed training and responsiveness of staff throughout the organisation.

To facilitate this, the Council supports the concept of induction and re-induction training for Members, and, particularly for staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

Staff who ignore such training and/or guidance may face the possibility of disciplinary action.

The investigation of alleged fraud and/or corruption centres on the Council's Audit Services Unit. It is therefore essential that staff involved in this work should also be effectively and regularly trained. The training plans of Audit Services staff will reflect this requirement.

8) Conclusion

The Council has in place a clear network of systems and procedures to assist it in implementing safeguards against fraud, corruption, bribery and theft. It is

determined that these arrangements will keep pace with any future developments in both preventive and detection techniques relating to fraudulent or corrupt activity that may affect its operation.

To demonstrate this commitment the Council maintains a continuous overview of such arrangements through its Audit Committee, Director of Finance [& ICT](#), Financial Regulations and [Financial Procedures](#), Standing Orders and Audit activities.

This Strategy statement will be subject to ongoing review to ensure its continued currency.

Fraud Response Plan

Version History			
Version	Date	Detail	Author
1.0	September 2015	Production of Plan	Carl Hardman
2.0	September 2018	Update of Plan	Carl Hardman

1) Introduction

The Council's Anti-Fraud and Anti-Corruption Strategy makes it clear that the Authority will not tolerate fraud and corruption. Wherever there are genuine suspicions, Members and staff are encouraged to raise their concerns at the earliest opportunity.

This Fraud Response Plan provides guidance to Members and staff on the procedures that should be followed where a fraud is suspected or discovered. It should be read in conjunction with the Anti-Fraud and Anti-Corruption Strategy and the Council's Whistleblowing The Confidential Reporting Code. A summary of this Plan is attached as a flowchart at Appendix A.

All staff should be aware that malicious or vexatious allegations will not be tolerated and may be dealt with as a disciplinary matter.

2) Discovery

There are a number of ways in which fraud or corruption may come to light:

- Discoveries by Members, Managers or other employees, usually arising from internal controls not being applied or from suspicions;
- Specific fraud detection exercises such as data matching or analytical review;
- A "tip-off" from a Member, employee, supplier, contractor, partner or member of the public;
- Routine systems Audit reviews or specific checks on high risk areas.

The scope of suspected fraud may range from internal incidents e.g. involving petty cash, employee claims for travelling expenses or overtime, to those affecting external organisations e.g. suppliers submitting fictitious or duplicate invoices. A list of common examples of fraud is attached as Appendix B.

3) Action To Be Taken When Suspicion Arises

Employees

Managers should create an environment where employees feel able to approach them with any concerns or suspicions of fraud or corruption. If an employee feels unable to discuss their concerns with their line Manager they may approach the Strategic Director, Director or Senior Manager in their Department. Where these routes are inappropriate employees may contact the Director of Legal Services but must inform the Assistant Director of Finance (Audit) if fraud or financial irregularity is suspected in accordance with the requirements of Financial Regulations. These discussions must ensure confidentiality is maintained at all times as the initial suspicions may be unfounded or the perpetrator may be alerted to the suspicions.

Employees should not contact the Police directly regarding suspicions. The Assistant Director of Finance (Audit) will consider whether to contact the Police informally at an early stage in the investigation. Formal referral to the Police is a matter for the ~~Chief Executive~~appropriate Strategic Director, after consultation with the ~~relevant Strategic Director(s)/Director(s)~~, Director of Legal Services, Director of Finance & ICT and the Assistant Director of Finance (Audit) under the Council's agreed procedure.

Employees may choose to report their concerns anonymously or they may request anonymity. While total anonymity cannot be absolutely guaranteed, every effort will be made not to reveal the names of those who pass on information.

Managers

Managers should listen to the concerns raised by employees regarding fraud or corruption and treat them seriously and sensitively.

Managers should gather as much information as possible from the employee and any notes or evidence that is readily available to support the allegation. This information should be held securely to ensure evidence is not destroyed or lost. Under no circumstances should Managers attempt to investigate the matter themselves or covertly obtain further evidence as this may adversely affect any internal investigation or Police enquiry.

Managers should then immediately contact the Assistant Director of Finance (Audit) in accordance with the requirements of Financial Regulations.

Members

Where there is suspicion that a Member may be involved in a fraudulent or corrupt activity, Managers should report the matter directly to the Director of Legal Services and the Assistant Director of Finance (Audit). The Monitoring Officer will consult with the ~~Chief Executive~~Head of Paid Service to determine whether the matter should be reported to the relevant political group leader.

4) Investigation

The Council's Disciplinary Procedure recognises the need for the Audit investigation and consideration of potential disciplinary action to be separate in order to maintain the independence of both actions and to ensure compliance with the requirements of Financial Regulations. The Procedure provides for the following:-

- Audit investigation;
- Management investigation;
- Joint investigation.

On receipt of a report relating to theft, fraud, loss or irregularity the Assistant Director of Finance (Audit) will discuss with the relevant Strategic

Director/Director whether any joint investigation is required and, if so, how it should progress.

The objective of any investigation is to prove or disprove the initial suspicion or allegations by obtaining and thoroughly evaluating all material evidence in order to establish the facts and pertinent circumstances. Where those suspicions or allegations are well founded, the investigation must be able to:-

- identify all those involved;
- support its findings with the production of all relevant evidence;
- give the employee(s) the opportunity to respond to the allegation(s), and
- present evidence in an appropriate form for consideration by Senior Management.

It will be necessary to consider at an early stage, and to keep under review, whether it is necessary to suspend any employee(s) in order to preserve the integrity of any unsecured evidence and to prevent any influence which they may bring to bear on other employees or associates. It is important to note that suspension ~~as a neutral act~~ does not constitute disciplinary action and does not itself imply any presumption of guilt on the part of the employee.

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Where an investigation proceeds it is important to ensure that prompt action is taken to ensure that:-

- facts, evidence and explanations are obtained whilst events are current;
- on-going losses due to fraud are minimised;
- the cost to the Council of suspended employees is minimised;
- the Council's robust stance against fraud and corruption is clearly demonstrated.

Audit Reports dealing with the findings from investigations into fraud, corruption and other irregularities will be dealt with in accordance with Financial Regulations and issued to the ~~appropriate Chief Executive~~ Strategic Director(s). At the same time, copies of the Report will be issued, in confidence, to the ~~relevant Strategic Director(s)~~, Director of Finance & ICT and Director of Legal Services each of whom will be instructed to take no action on the contents of the Report at that time.

Within two working days of the issue of the Audit Report, a meeting will be convened ~~by the Chief Executive~~ to formally consider the Report's contents and to determine the appropriate course of action to be taken (i.e. relative to the consideration of the need to suspend an officer(s) from duty, and/or whether to instigate disciplinary action and/or referral to the Chief Constable for further consideration where there is a potential criminal offence).

The ~~Chief Executive~~ Strategic Director's decision will be confirmed in writing by the Director of Legal Services to the ~~relevant Strategic Director(s)~~, Director of Finance & ICT and Assistant Director of Finance (Audit).

It is important that the Authority uses the results of Audit investigations into fraud, theft or misuse of money, materials or equipment or other irregularities to improve governance, control and risk management frameworks in order that opportunities for similar events to recur in the future are reduced.

Consequently in those instances where the Audit investigation has identified a significant breakdown within the management control framework, an Audit Controls Report will be produced for consideration by those officers present at the meeting to discuss the Audit Report. Such Controls Reports may be available when the Audit Report relating to the investigation is discussed or the Controls Report may be produced and discussed later in order that any action arising from the investigation is not delayed.

In certain instances it may be appropriate to widen the circulation list for the Audit Controls Report to ensure that actions can be discussed and assigned to the appropriate officer(s) within the Authority to ensure that Audit recommendations are implemented. Such officers may include the Director of Human Resources for employment related matters, the Director of Property Services in respect of the management of property and the Director of Transformation where IT related issues are raised.

5) Referral to Police

Where it is decided that the matter should be referred to the Chief Constable, to consider potential criminal investigation, this will be undertaken directly by the Assistant Director of Finance (Audit) who will specifically request the Chief Constable to confirm whether or not continuing with the Authority's disciplinary process would prejudice any potential Police investigation. Normally any criminal investigation will not preclude the Authority from taking disciplinary action.

The Council must be prepared to supply all original documents and information gathered as part of the investigation to the Police. Such evidential material should be held securely before formal handover.

6) Disciplinary Procedure

Where the results of the Audit investigation warrant referral for disciplinary action this will be initiated by the responsible Strategic Director(s). This decision will also be notified to the Director of [Human Resources Organisation Development and Policy](#) in order that appropriate support may be provided to the Strategic Director(s).

7) Redress and Follow Up

Wherever possible the Audit Report will quantify the extent of any losses incurred by the Council. At the meeting chaired by the [appropriate Strategic Director/Chief Executive](#) and attended by the [relevant Strategic Director\(s\)](#),

Director of Finance & ICT, Director of Legal Services and Assistant Director of Finance (Audit) to discuss the Audit Report all options available to seek recovery of the losses will be considered.

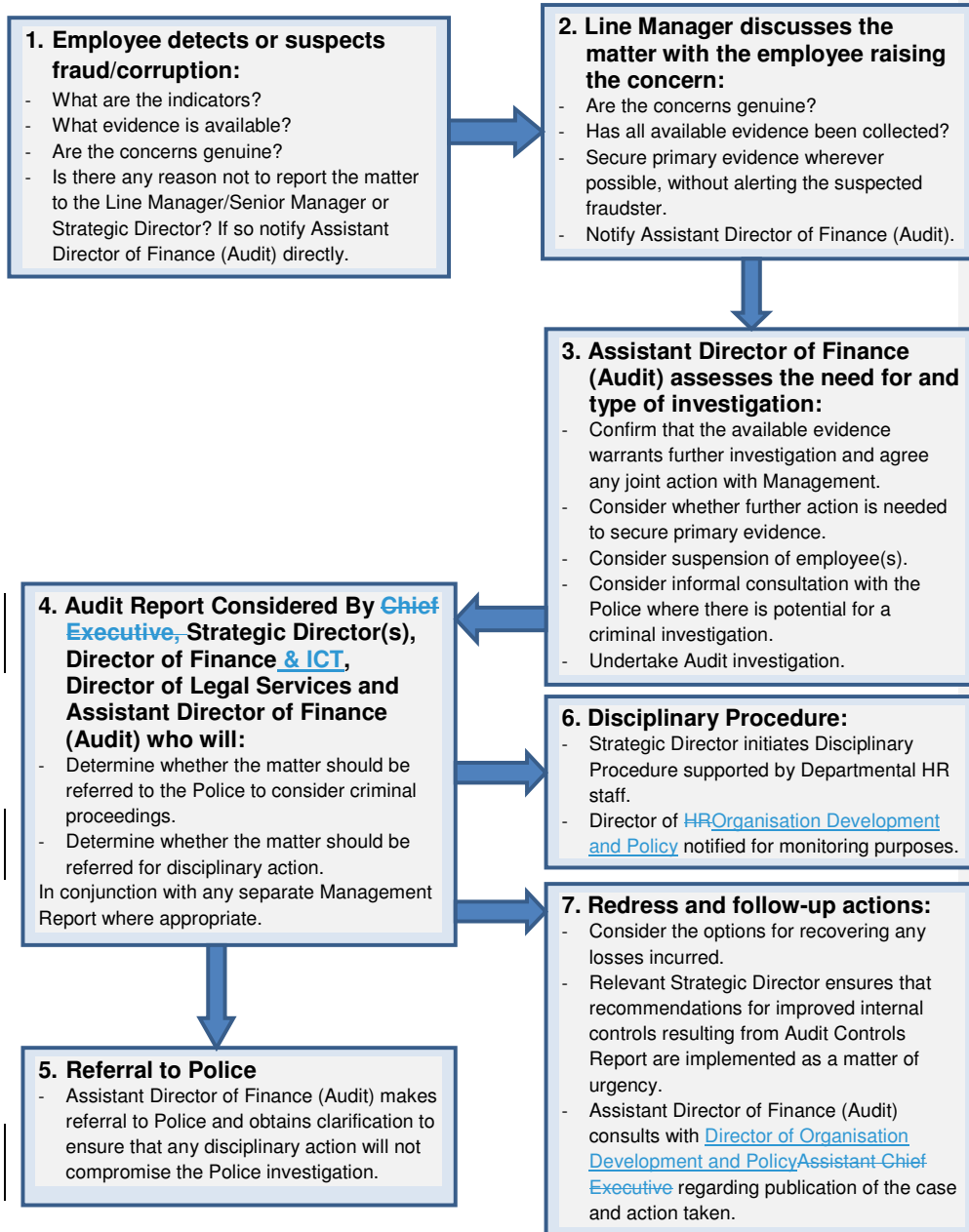
Where the Police do not accept the case, or the Crown Prosecution Service do not initiate a criminal prosecution, the Director of Legal Services should advise on the prospects for recovering losses through the civil court. The Council should seek to recover costs in addition to any losses.

The relevant Strategic Director(s) will be responsible for implementing the recommendations made for improved controls where an Audit Controls Report is issued. These recommendations will be set out in an Action Plan identifying officers responsible for implementing actions and associated completion dates. The Assistant Director of Finance (Audit) may initiate a follow-up Audit of the relevant areas to ensure the revised procedures are operating effectively.

The Assistant Director of Finance (Audit) will consult with the [Director of Organisation Development and Policy](#) ~~Assistant Chief Executive~~ regarding the content and timing for communicating the outcome of the investigation to staff and to the wider public, as considered appropriate.

The Assistant Director of Finance (Audit) will advise and update the Audit Committee on suspected and actual fraud cases as part of routine reporting arrangements. This will include the extent of losses, key outcomes, recoveries achieved and procedural improvements implemented.

Appendix A



PUBLIC Appendix B

There are many ways in which fraud may be initiated against the Council and these could be carried out by employees or people from outside the Authority. The most common of these include:-

Fraud from internal sources

- Theft of cash, stocks, property or other assets and attempts to disguise this;
- Over claiming of allowances and expenses;
- Claiming for overtime not worked;
- Selling waste, scrap and obsolete products belonging to the Council;
- “Ghost” employees on the payroll;
- Forging signatures or altering amounts on documents;
- Writing off debts which are recoverable;
- Preferring a supplier or contractor in return for a reward;
- [Operating a private business using Council assets;](#)
- [Undeclared personal relationships with suppliers;](#)
- [Deliberate mismanagement of procurement processes](#)
- [Provision of false documentation to secure employment.](#)

Fraud from external sources

- Invoices submitted for goods or services not delivered or submitting multiple invoices for the same goods and services;
- Claiming for expenses not incurred, or claiming the same expenses multiple times;
- Changing bank details for existing suppliers or contractors;
- Collusive bidding;
- False compensation and insurance claims;
- Interception of and changes to Council cheques;
- Bribing Members or employees.