

AUDIT PANEL			
Report Title	ANTI FRAUD AND CORRUPTION POLICY		
Key Decision	NO		Item No. 4
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES		
Class	Part 1	Date: 20 DECEMBER 2007	

## 1 Summary

This report advises members of the revised anti fraud and corruption policy and recommends that it be adopted.

## 2 Recommendations

Members are asked to formally approve the adoption of the revised Anti Fraud and Corruption Policy

## 3. Background

The Council has had an effective anti fraud and corruption policy for a number of years. However as part of a systematic programme for reviewing the adequacy and effectiveness of its current procedures and policies, the Anti Fraud and Corruption Policy has recently been reviewed and brought up to date. The policy has been presented to the Internal Control Board and their acceptance of the revised policy has been obtained. The revised Anti Fraud and Corruption Policy is attached as appendix one to this report.

Background Papers

None reported

## **Anti-Fraud and Corruption Policy**

### **Introduction:**

Fraud within the public sector is estimated to cost the taxpayer billions of pounds each year. Detected cases of fraud and corruption are on the increase and tackling public sector fraud is a major priority of the current government. Local authorities, which bear the brunt of losses through fraud, are now taking active steps to reduce and eliminate fraud at all levels within their organisations.

Lewisham Council has a zero tolerance to fraud and to this end the Council is committed to preventing fraud and corruption within all aspects of the Council's daily life, whether internal or external to its workings.

Lewisham is committed to establishing, and the Public has a right to expect, the highest standards of probity and conduct in the administration of the borough. To this end, the Council is determined to eradicate fraud, financial malpractice and any other irregularity, which may call into question the integrity of the Council's operations.





The London Borough of Lewisham will take all appropriate measures to prevent, deter, detect and remedy fraud and this policy document is a statement of the Council's anti-fraud strategy.

The policy will ensure that the Council, its Councillors and its officers conduct themselves so as to be beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated. Perpetrators can expect the Council to take a range of actions such as prosecution, disciplinary measures and restitution.

The aim is for Lewisham to be at the forefront of ensuring public probity in local administration and governance.

The Council has an Anti-Fraud and Corruption Team (AFACT) dedicated to the deterrence, prevention, detection and investigation of any fraud or irregularities within Council proceedings. In addition, the Council's Internal Audit Section undertake annual plans based upon risk assessment, aiding management in its responsibility to ensure robust systems and enhancing the effectiveness of internal control.

The Council expects




-  Only the highest standards from its members and employees;  
[Nolan principles](#);  
[Member Code of Conduct](#)  
[Employee Code of Conduct](#)
-  Managers to be responsible for ensuring that adequate controls, to minimise the risk of fraud, are in place;
-  Members and employees to report incidents of irregularity to AFACT;
-  Contractors to act with integrity and adhere to the Council's Anti-Fraud and Corruption Strategy and the [Code of Practice for Contractors](#).

### **Definition of Fraud and Corruption:**

#### **Fraud:**

Fraud is the illicit gaining of cash or other benefits by deception. The definition is wide-ranging but covers any actions by employees, Councillors, clients, partners, agents, consultants and contractors intended to misappropriate funds or other Council assets for personal gain.

The Fraud Act 2006 has placed the act of fraud into three categories:

-  Fraud by misrepresentation;
-  Fraud by failing to disclose information; and
-  Fraud by abuse of position.

**Corruption:**

The Audit Commission defines corruption as:

*'the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person'.*

The public is entitled to expect the highest standards of behaviour from all those employees, Councillors clients, partners, agents, consultants and contractors who work in local government. Conduct must never be influenced by improper motives. Councillors and employees should abide by the Seven Principles of Public Life, as recommended in the third report of the Committee on Standards in Public Life (The Nolan Committee).

The Council is seeking to develop and maintain an environment which makes fraud and corruption undesirable to contemplate and difficult to perpetrate. All practicable steps are being taken to minimise the risk and effect of fraud and corruption by its Councillors, employees, customers or clients. The need for appropriate controls is acknowledged, and the Council will seek to sustain such controls in the administrative, financial, operational and computer systems employed in the delivery of external and internal services and management.

**Councillors:** As elected representatives of the public, Councillors have a duty to be fair, honest and open in their roles. They are bound by legislation, the National Code of Local Government Conduct, the Council's Standing Orders, the Council's Code of Conduct and adopted policies and procedures.

In particular, Councillors are required to declare and register any pecuniary interest they may have in companies, charitable organisations, voluntary groups or other relevant organisations. They are required to abstain from any debate or vote which pertains to matters involving any such organisations in which they have an interest, and are required to leave the room during such debates.

All allegations of fraud and corruption involving Councillors will be investigated and treated equally, regardless of the perpetrator. The Police will be informed if appropriate and action will be taken in accordance with the National Code.

**Management:** It is the responsibility of all managers to ensure that there are appropriate and adequate controls in place within the systems for which they are responsible to minimise the risk of fraud. The Council expects that current recommended best practice would be followed at all times. Controls will be designed to deter, prevent and detect all forms of fraud and corruption and also identify a clear pathway for investigation.

**Employees:** All Council employees are bound by the Council's Code of Conduct and Disciplinary Code. Employees are also bound by the Council's Standing Orders, Financial Regulations, Financial Instructions and the Code of Practice for Receipt of Gifts & Hospitality, available from departmental Personnel Officers. In addition employees who are members of professional bodies will also be expected to abide by any codes of conduct and/or professional ethics issued by those bodies.

All allegations of fraud and corruption by employees will be thoroughly investigated. Employees found to have improperly benefited from the Council through offences of fraud, theft, serious financial malpractice, or of using their position for personal gain or the gain of others, will be subject to disciplinary action. Where an allegation of gross misconduct is proven, an employee may be summarily dismissed. The Council will also seek to prosecute all offenders and recover lost monies or assets.

Initiatives may be conducted from time to time to ensure the continued integrity of those employed by the Council.

**Contractors; Partners and Agents:** The Council expects all of its contractors, suppliers, agents, partner organisations and individuals, to act with honesty and integrity. Client officers will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and/or contracts include a clause to the effect that the contractor must abide by the Council's Fraud Policy and co-operate with fraud investigations by Council officers. The Council will seek to ensure that all its dealings will be conducted on the same basis and expects its Councillors and employees to lead by example.

Agency employees engaged by the Council are bound by the same rules as direct Council employees and are expected to uphold those principles contained in the Code of Conduct. Failure to do so will result in termination of their engagement.

**Clients and Claimants:** The Council has a responsibility to protect public funds, such as housing benefit, from fraudulent activity. All allegations of benefit fraud or other misuse of public funds by clients of the Council will be thoroughly investigated. Currently, allegations of housing and council tax benefit fraud are investigated by a Fraud Team. Allegations of student award fraud are investigated by the Student Awards Team. All other allegations of fraud by claimants and clients of the Council are investigated by the Special Investigations Team. The Council will seek to prosecute offenders and recover lost monies. Where a claimant is also an employee disciplinary action will be pursued.

**Systems:** Under the Local Government Act 1972, S151, each Council appoints an officer, at Lewisham the Executive Director of Resources, whose statutory duty is to ensure that proper arrangements are made to administer the Council's finances and financial systems. The Council acknowledges this role, supports the duties of the post and considers the Executive Director's advice on changes to systems of control, financial administration and associated rules and regulations.

The Council operates a system of managerial and financial control whereby the Executive Director of Resources has a formal responsibility for the finances of the Council, but in practice responsibility for financial control and administration is devolved to officers in directorates. Under the system of financial devolution, Heads of Resources represent the Executive Director of Resources in the directorates and also support other Executive Directors and Budget Holders in discharging their financial and budgetary responsibility.

The authority recognises that prevention is better than cure and all managers must ensure that as far as possible their systems are protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied to the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

## The Strategy:

### Prevention:

Lewisham Council is committed to the aim of removing all forms of fraud and corruption from the Public Sector and in particular the activities, operations and services where the Council is a stakeholder, this is achieved by maintaining and promoting:

- ✚ An anti-fraud culture – [AFACT Service Plan](#);
- ✚ Internal Audit's continued role in assessing systems and controls-[Internal Audit Plan](#);
- ✚ An awareness of fraud and corruption through a programme of employee and member training;
- ✚ The continued publicising of fraud issues and relevant Council policies;
- ✚ The publication of successful prosecutions;
- ✚ Council Policies which emphasise the role and responsibilities of the Employee, Manager and Member:
  - ✚ [Constitution](#);
  - ✚ [Financial Regulations](#);
  - ✚ [Financial Procedures](#);
  - ✚ [Members Code of Conduct](#);
  - ✚ [Employee Code of Conduct](#);
  - ✚ [Wired Workers](#);
  - ✚ [Whistleblowing](#);
  - ✚ [Gifts and Hospitality](#);
  - ✚ Contract of employment;
  - ✚ Relevant departmental manuals.
- ✚ Pre-employment vetting of all new employees, agency workers and consultants;
- ✚ Joint working with other Public Sector organisations and enforcement agencies (
- ✚ An Anti-Money Laundering Policy;
- ✚ The [Code of Practice for Contractors](#).

### Deterrence:

#### Prosecution:

The Council has the right to refer attempted or actual cases of theft, fraud or corruption, by members of the public, clients, elected members, employees, agency workers, partners, consultants and contractors for criminal prosecution.

For Housing and Council Tax Benefit fraudsters the Council has the right to prosecute, give an official caution or issue an Administration Penalty.

In all cases where fraud and corruption are found recovery action will be taken to ensure monies are recovered wherever possible.

The Council will seek to optimise the publicity opportunities associated with it's anti-fraud and corruption activity.

The Council will seek to make use of the asset recovery provisions of the Proceeds of Crime Act 2002.

#### Disciplinary Action:

Employees found to be involved in theft, fraud or corruption will face disciplinary action, but may also be prosecuted, depending upon the circumstances of the case.

Elected members will face appropriate action if found to be involved in theft, fraud or corruption against the authority. Prosecution may be considered depending upon the circumstances of the case. All cases will be referred to the Council's Monitoring Officer for referral to the Standards Board.

### Detection and Investigation:

#### Data Matching:

The Council pro-actively uses all data matches from such sources as the National Fraud Initiative (NFI) and the Housing Benefit Matching Service (HBMS).

#### **Referrals:**

Referrals are received from many sources, some of these are listed:

- ✚ Internal Audit;
- ✚ Managers;
- ✚ Officers;
- ✚ AFACT hotline;
- ✚ Anonymous letters;
- ✚ Whistleblowing Policy.

#### **Investigation of Fraud and Irregularity:**

The Anti-Fraud and Corruption Team investigates all fraud and irregularity reported to the Council. All members of AFACT are accredited counter fraud officers. The Team encompasses Special Investigations, Housing Tenancy Investigations and Benefit Investigations. See [AFACT Service Plan](#).

The Team undertakes all investigations in accordance with the requirements of the following legislation:

- ✚ Human Rights Act 1998,
- ✚ Data Protection Act 1998,
- ✚ Criminal Procedures and Investigation Act 1996,
- ✚ Regulation of Investigatory Powers Act 2000,
- ✚ Police and Criminal Evidence Act 1984,
- ✚ Internal Procedures as appropriate.

The Team liaises with external bodies such as:

- ✚ Police,
- ✚ Standards Board <http://www.standardsboard.co.uk>
- ✚ Audit Commission <http://www.audit-commission.gov.uk>
- ✚ Department for Works and Pensions [www.dwp.gov.uk](http://www.dwp.gov.uk)
- ✚ Immigration and Nationality Directorate
- ✚ HM Revenues and Customs
- ✚ Other local authorities and Public Bodies

The Team liaise with other enforcement teams within the Council, such as:

- ✚ Trading Standards;
- ✚ Environment Health.

## **Report a fraud or irregularity:**

#### **Internal referrals:**

Please raise your concerns with your line manager or their line manager. If you are unable to do this please contact the AFACT Manager directly on **0208 314 7909** or in her absence the Special Investigations Manager on **0208 314 9348**. All referrals will be treated confidentially.

#### **External Referrals:**

If you wish to report a fraud please download Report a Fraud form [here](#).

Alternatively please contact the

**Fraud Hotline no: 0800 0850119**

Or

**Email AFACT on ‘[reportfraud@leiwsham.gov.uk](mailto:reportfraud@leiwsham.gov.uk)’.**

Or

**Write to the  
AFACT Manager  
Room 8, Lewisham Town Hall,  
Catford SE6 4RU**

All referrals are treated confidentially,

## **Conclusion:**

Lewisham Council is committed to an anti-fraud culture, it expects the highest standards from all Members, Officers, Agency Workers, Consultants and Contractors.

However, the prevention and detection of fraud and corruption is everyone's responsibility, therefore we must ALL

