

Review of Anti-Fraud, Bribery and Corruption Strategy

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 or Joanne Coadey, Head of Finance on 01743 260215.

1 Purpose of Report

This report requests the Committee to recommend that the Fire Authority re-affirm the Anti-Fraud, Bribery and Corruption Strategy (attached as an appendix), following the annual review conducted by officers.

2 Recommendations

The Committee is asked to consider the Anti-Fraud, Bribery and Corruption Strategy, attached as an appendix, and to recommend that the Fire Authority re-affirm the document (with or without amendment).

3 Background

At its meeting on 25 April 2005, the Fire Authority adopted an Anti-Fraud and Corruption Strategy (since amended to include references to bribery), which is designed to:

- Encourage prevention;
- Promote detection; and
- Identify a clear pathway for investigation.

The Strategy is reviewed annually by officers and the Audit and Performance Management Committee. Any amendments proposed are then taken to the Fire Authority for consideration.

4 Review

Your officers have now reviewed the Strategy and propose amendments, which highlight the responsibilities of both officers and Members in promoting an anti-fraud, bribery and corruption culture within the organisation.

In addition, a review of the Strategy has been completed by Internal Audit, who viewed the Strategy as 'Reasonable'. Recommendations following the audit have been incorporated as part of this review, and cover:

- Definitions of the main concepts of fraud, bribery, theft and corruption;
- Introduction of a Fraud Response Plan; and
- Inclusion of the Authority's zero tolerance approach to fraud, bribery and corruption, and its stance on recovery of monies lost.

A copy of the draft Strategy is attached as an appendix. Additions to be agreed are shown in bold italics and deletions struck through.

Following approval by the Fire Authority at its July meeting, the Strategy will be available for Members to view on the dedicated area of the Authority's website. It will also be brought to the attention of all employees on the Service's weekly newsletter.

The Strategy will be kept under review, and any changes required during the forthcoming year will be brought to the attention of the Committee

5 Financial Implications

There are no direct financial implications arising from this report.

6 Legal Comment

Although the Fire Authority is not legally required to have in place an Anti-Fraud, Bribery and Corruption Strategy, it is considered best practice to do so.

7 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

8 Appendix

Draft Anti-Fraud, Bribery and Corruption Strategy

9 Background Papers

There are no background papers associated with this report.

Anti-Fraud, Bribery and Corruption Strategy

Introduction

Shropshire and Wrekin Fire and Rescue Authority employs over 600 staff, and manages a revenue budget of over £21m per year. In administering its responsibilities, the Authority **has a zero tolerance approach to fraud, bribery and corruption**, whether it is attempted from inside or outside of the organisation. To this end, it is committed to an effective anti-fraud, bribery and corruption strategy designed to:

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

The key objectives of this Strategy are to minimise losses through fraud, bribery and corruption, and to embed further the management of fraud risk within the culture of the organisation.

This Strategy is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and to take effective action against any attempted or actual fraudulent act affecting the Authority:

- **Code of Conduct for Employees**
- **Members Code of Conduct**
- **Contract Standing Orders**
- **Financial Regulations**
- **Whistleblowing Policy**
- **Disciplinary Procedure**
- **Protocols on Gifts and Hospitality for Members and Staff**

What is Fraud, Bribery and Corruption?

Fraud is a crime and involves a deception, which is deliberate and intended to provide a direct or indirect personal gain, for example false expenses, exaggerated pay claims, altering accounting records, bogus invoices, forged cheques, fixing tender results, contract irregularities etc.

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial or regulatory advantage.

Corruption is the deliberate misuse of someone's position for direct or indirect personal gain, such as offering, giving, requesting or accepting a bribe or reward, which influences a person's actions or someone else's.

Theft is where a person steals cash or other property belonging to someone else with no intention of returning it.

Scope

It is expected that all officers (permanent and temporary) and Members of the Authority will lead by example, and ensure adherence to legal requirements, rules, procedures and practices.

The Authority also expects that the individuals and organisations that it comes into contact with (i.e. suppliers, contractors, service providers and consultants) will act towards the Authority with integrity and without thought or actions involving fraud, bribery or corruption.

Authority

The responsibility for an anti-fraud, bribery and corruption culture is the joint duty of those involved in giving political direction, determining policy and management. The Audit and Performance Management Committee is key in recommending that sufficient authority is given to anti-fraud, bribery and corruption activity. The Authority's management teams are responsible for ensuring a strong anti-fraud culture within their areas, and that staff accept their responsibility for preventing and detecting fraud, bribery and corruption.

In order for the Authority to deal effectively with suspected incidents of fraud, those responsible for investigating matters must be fully supported by all officers and Members.

Culture

The Authority encourages a culture of honesty and opposition to fraud, bribery and corruption. Members and officers at all levels are expected to lead by example in ensuring adherence to established rules and procedures and to ensure that all procedures and practices are legally sound and honest.

The Authority's employees are an important element in its stance on fraud, bribery 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 activity.

The Authority's Brigade Order, "Reporting of Illegality and Malpractice (Whistleblowing)", gives details about the support and safeguards that are available to those, who do raise concerns.

Members of the public can also report concerns through the Authority's complaints procedure, external audit or the Local Government Ombudsman, or, where the conduct of Members is concerned, through the Fire Authority's Monitoring Officer.

The Authority participates in the National Fraud Initiative, the Audit Commission's bi-annual data matching exercise, which seeks to detect fraudulent payments from the public purse. In addition, the Authority proactively incorporates anti-fraud work into its Internal Audit plans.

Prevention

Staff

A key preventative measure in the fight against fraud, bribery 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. In this regard, temporary and casual staff should be treated in the same manner as permanent staff.

Once officers are recruited in accordance with Human Resources guidelines, they are expected to adhere to the Authority's procedures, practices and policies. Officers, who are members of professional bodies, must follow that body's Code of Conduct. Officers may also voluntarily register membership of other bodies. The Authority's Brigade Order on "Gifts and Hospitality" outlines the procedure to be followed by officers, if they are offered gifts or hospitality from a supplier or other stakeholder.

Members

Members are subject to the Authority's Code of Conduct. Any allegations of breach of the Code are dealt with by the Fire Authority's Monitoring Officer and may, in certain instances, be referred on to its Standards and Human Resources Committee. Members are also required to declare their interests in accordance with the law and with the provisions of the Code of Conduct.

A register of interests of Members is maintained by the Fire Authority's Monitoring Officer and is available for inspection by the public at Service Headquarters.

The register is also accessible on the Service's website at the following link:

<http://www.shropshirefire.gov.uk/managing-the-service/fra/members>
<http://www.shropshirefire.gov.uk/managing-service/fra-members>

The Fire Authority also has in place a detailed Protocols on Gifts and Hospitality for Members **and staff**.

The agenda for every meeting of the Authority includes an item on disclosable pecuniary interests, at which point Members must declare if they have an interest in any business to be considered at that meeting in accordance with statutory provisions. Having declared a disclosable pecuniary interest in an item, a Member must leave the meeting room, prior to commencement of the debate on that item.

Members are also required annually to declare any related party transactions.

Systems and Procedures

Financial regulations and standing orders relating to contracts and for the regulation of business are in place to ensure that Members and officers act in accordance with best practice, when dealing with the Authority's affairs. The Authority has a statutory duty under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs, and ensure that one of its officers has responsibility for the administration of these affairs. The Authority's designated Chief Finance Officer is the Treasurer. In the absence of the Treasurer the Head of Finance acts as the deputy section 151 officer.

The Authority has developed systems and procedures, which incorporate efficient and effective internal controls and which include adequate segregation of duties. The Treasurer is responsible for the operation and documentation of such systems. Their existence and appropriateness is independently reviewed and reported upon by Internal Audit Services at Shropshire Council.

Members and officers should avoid any situations where there is potential for a conflict of interest.

Reporting of Financial Malpractice

The Authority is committed to ensuring the prevention and detection of fraud, bribery and corruption, and will endeavour to investigate all potential occurrences in a prompt and timely manner.

In the event that an employee is concerned about suspected unlawful conduct, they should speak in the first instance to their line manager, or, if this is not appropriate, to a senior manager.

Senior management are responsible for following up any allegation of fraud, bribery or corruption received, and will be expected to deal with it urgently, referring it to the Treasurer, or, if this is not appropriate, to Internal Audit Services.

The Treasurer has statutory duties in relation to financial administration and stewardship on behalf of the Authority.

Section 114 of the Local Government Finance Act 1988 requires the Treasurer to report to the Authority, if one of its officers:

- has made, or is about to make, a decision, which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action, which has resulted or would result in a loss or deficiency to the Authority
- is about to make an unlawful entry in the Authority's accounts

~~Procedures are in place within Internal Audit Services to investigate any allegations presented to them. The Treasurer, together with the Authority's Internal Auditors, will:~~

- ~~• deal promptly with the matter~~
- ~~• record all evidence received~~
- ~~• ensure that evidence is sound and adequately supported~~
- ~~• ensure security of all evidence collected~~
- ~~• contact other agencies where necessary, e.g. the Police~~
- ~~• implement the Authority's disciplinary procedures, where appropriate~~

Outcomes

There are a number of possible outcomes to a fraud investigation.

- ***Criminal prosecution***
- ***Disciplinary action***
- ***Recovery through civil or criminal proceedings***
- ***Weakness in systems of controls***

Full details of outcomes are set out within the Fraud Response Plan below.

~~Following an investigation, the outcomes and findings of the investigation will be used to strengthen management processes and systems already in place, to ensure that any potential reoccurrences of fraud, bribery or corruption are minimised.~~

Conclusion

This Strategy demonstrates that Shropshire and Wrekin Fire and Rescue Authority has systems and procedures in place to assist in the fight against fraud, bribery and corruption.

The Strategy will be brought to the attention of all employees and Members, and will be reviewed regularly **at least annually by the Audit and Performance Management Committee**, to ensure that its contents remain up-to-date.

Fraud Response Plan

The Fire Authority has a zero tolerance approach to fraud, bribery and corruption, whether it is attempted from inside or outside of the organisation.

This Response Plan is part of the Authority's Anti-Fraud , Bribery and Corruption Strategy, and gives advice and information to employees and Members about what to look for, and how to act, if fraud or corruption is suspected.

Fraud might happen in the following areas:

Invoices for services

- **Claiming for services not performed**
- **Claiming for a higher level of service from that performed**
- **Claiming for a service that has been provided to an employee on a personal basis**

Travel and expense claims

- **False journey claimed / same journey claimed twice**
- **Mileage inflated**
- **Excessive or inappropriate expenses claimed**
- **Two employees claiming for a journey taken together**
- **Altering documentation to disguise theft of cash**

Petty cash

- **Reimbursement sought for receipted but inappropriate expenditure**
- **Vouchers or receipts submitted but no expenditure made**

Payroll

- **'Ghost' employees introduced onto the payroll system, the salary being paid to the perpetrator**
- **Hours worked overstated – misuse of flexible working or overtime systems**
- **Changing employee pay rates or hours without authorisation**

Ordering

- **Goods ordered for personal use or from a specific supplier in return for some form of benefit**
- **Goods ordered from own, relatives' or friends' businesses**
- **Accepting a lower number of items than ordered, but certifying an invoice for a higher number**
- **Creating / certifying false invoices, for which no order has been raised**

Stocks and assets

- **Using a computer, fax or telephone for running a private business or for other private purposes**
- **Using a franking machine for personal mail**

Claims for damages

- **Personal injury claims falsely alleged as work related or wrongly inflated**
- **Claims for damage to personal effects falsely alleged as work related or wrongly inflated**
- **Sick pay / loss of earnings / claims falsely alleged as work related or wrongly inflated.**

The following controls should be in place to prevent and detect fraud:

- **Procedures should be documented and staff trained in their use.**
- **Managers should ensure compliance with those procedures.**
- **Duties should be segregated between staff, to avoid a single employee being solely responsible for the initiation to the completion of a task.**
- **An independent check should be made to verify calculations and documentation of employees, i.e. travel claims should be checked by managers.**
- **Unused parts of claim forms should be crossed through, to ensure that no additions are made following approval.**
- **Cash holdings should be minimised, and cash and cheques banked regularly.**
- **Budget statements and any associated trends should be reviewed.**

If you suspect fraud, you should speak in the first instance to your line manager, or, if this is not appropriate, to a senior manager.

Senior management are then responsible for following up any allegation, and will be expected to deal with it urgently, referring to the Treasurer, or if this is not appropriate, to Internal Audit Services.

Procedures are in place within Internal Audit Services to investigate any allegations presented to them. The Treasurer, together with Internal Audit Services, will:

- **Deal promptly with the matter**
- **Record all evidence received**
- **Ensure that evidence is sound and adequately supported**
- **Ensure security of all evidence collected**
- **Contact other agencies where necessary, e.g. the Police**
- **Implement the Authority's disciplinary procedures, where appropriate.**

There are a number of possible outcomes to a fraud investigation.

- **Criminal prosecution**
The Treasurer, in consultation with the appropriate manager and Internal Audit Services, will authorise the referral to the Police for investigation.

- **Disciplinary action**
At the end of the investigation, Internal Audit Services will produce an investigation report. If this involves an employee and fraud is proven, the likely outcome will be dismissal. If fraud is not proven, there may still be matters, which need to be considered under the Fire Authority's disciplinary procedures.
- **Recovery through civil or criminal proceedings**
We will seek to recover all losses, subject to legal advice and where it is cost effective to do so. We will recover any loss caused by an employee through salary, pension or insurance.
- **Weakness in systems of controls**
An action plan will be produced to address any system or management weaknesses and to reduce the risk of fraud and error in the future.