



NEWCASTLE·UNDER·LYME  
BOROUGH COUNCIL

# **ANTI-FRAUD & ANTI-CORRUPTION FRAMEWORK**

**2016-17**

**NEWCASTLE UNDER LYME BOROUGH COUNCIL**

**ANTI-FRAUD AND ANTI-CORRUPTION  
FRAMEWORK**

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## **ANTI-FRAUD AND ANTI-CORRUPTION FRAMEWORK**

### **1.0 INTRODUCTION**

Theft, fraud, corruption and bribery are criminal offences. Newcastle Borough Council is committed to protect public funds and ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The Council has a zero tolerance of such offences and offenders.

In carrying out its functions and responsibilities the Council is fully committed to deterring theft, fraud, corruption and bribery whether it is attempted on or from within the Council; and is committed to an effective anti-fraud and corruption strategy designed to:-

- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
- enable any such acts to be **detected** at an early stage; and
- deal with any subsequent **investigations** in a prompt, thorough and professional manner.

### **2.0 OUR POLICY**

Newcastle Borough Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor will it accept bribes or improper inducements, or allow employees or elected members to do so.

Using a third party as a conduit to channel bribes to others is also a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery, nor does it wish to be associated with any organisation that does or has done so. Specifically, this extends to our agents, suppliers, contractors and partner organisations, whether such criminal conduct is associated with business on the Council's behalf or not.

Where there is evidence of theft, fraud, corruption and bribery, the Council will investigate the matter promptly, and will take all appropriate actions to deal with the perpetrators.

This includes, but is not confined to, taking disciplinary action against employees and elected members, and pursuing criminal prosecution on all possible occasions. The Council will not be deterred by threats of adverse publicity or to persons or property, and will publicise cases of successful legal action against perpetrators.

This policy can only be varied with the collective written agreement of the Chief Executive, the Section 151 Officer and the Monitoring Officer.

The Council and all elected members and employees will comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates.

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All employees and elected members must follow the policy, and do everything they can to support and promote it. In doing so, they may find the Nolan Principles a valuable aid – see Appendix A.

Different rules and procedures apply to benefits fraud. All cases of benefit fraud are now investigated by the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS).

There are also specific provisions for money laundering, because of the legal requirement to report this to the National Crime Agency in a closely-defined way.

### **3.0 OUR STRATEGY**

The Council's strategy for implementing its policy consists of five elements:

#### **1 Prevention:**

Rules and procedures that make it hard for wrongdoing to take place;

An open, honest culture (explicitly based on the Nolan Principles: see Appendix A) which encourages good behaviours and discourages bad practice;

#### **2 Detection:**

Systems that include strong internal checks;

Staff who are alert to the possibility of wrongdoing, and know how to respond to it to minimise losses and maximise the chance of effective action against the perpetrators;

A whistleblowing procedure that allows employees and others to report concerns about the Council;

#### **3 Investigation:**

A fraud response plan that sets out how the Council will address any suspected fraud professionally, fairly, efficiently and effectively;

#### **4 Recovery:**

The Council will recover losses from perpetrators where possible, and inform insurers under any relevant policy.

#### **5 Retribution:**

Procedures to act promptly and effectively to deal with all perpetrators

### **4.0 EXPECTED BEHAVIOUR**

Members and employees must lead by example, acting with integrity at all times and following all legal requirements, rules, procedures and good practice. The Nolan Principles (Appendix A) provide an excellent structure for all actions.

Members and employees must report suspected fraud, corruption or other irregularity **immediately** to the Audit Manager. The only exception is benefits fraud, which will be referred to the DWP and SFIS.

The Council expects all individuals and organisations (e.g. suppliers, contractors,

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service providers) with whom it comes into contact will act with integrity in all dealings with the Council. It will consider what actions are appropriate where they fail to do so, including cancelling contracts.

## **5.0 CULTURE**

All managers must promote an environment in which employees know and understand that dishonest acts will be detected and investigated. They must therefore:

- Always behave in line with the Nolan Principles.
- Participate in in-house training covering fraud, fraud detection and fraud prevention.
- Ensure staff understand that internal controls are designed and intended to prevent and detect fraud.
- Encourage staff to report suspected theft, fraud, corruption or money laundering directly to those responsible for investigation.
- Provide employees with an environment in which they can report suspicions of wrongdoing without fear of retribution.

The Internal Audit and Human Resources Sections will provide support to achieve this.

## **6.0 IDENTIFYING PROBLEMS**

The essence of many theft, fraud, corruption and bribery issues is that no-one recognises them happening. And it can be difficult to be vigilant and observant while being a good and supportive colleague.

In the best organisations, there is a very open culture, in which every employee, at every level, welcomes challenge and curiosity. The most junior staff can ask the most senior why they are doing things in a particular way, and the senior colleague willingly explains because this encourages engagement and learning throughout the organisation.

Appendix 2 gives a number of common fraud indicators. None of them prove wrongdoing – though all are cause for managerial concern. An employee who never takes a holiday may be concealing fraud: but, equally, they may be struggling with parts of their job, and desperately need support.

Therefore, managers finding any of these behaviours should be concerned, and should probe the issues – but they should not assume that fraud or corruption are involved. There may simply be problems to work on and resolve.

Again, in the best organisations, managers treasure their employees, and work hard to support them and enable them to do their jobs and develop themselves to their fullest potential.

## **7.0 REPORTING SUSPICIONS**

If any employee suspects that theft, fraud, corruption or bribery are happening within the Council, or in any activity where the Council has a leading role or responsibility, they should report their suspicions, either to their line manager or through the Council's Whistleblowing Procedure.

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Managers should report all such cases to the Audit Manager, and accept advice on the steps to take over the suspicions in accordance with the fraud response plan.

## **8.0 INVESTIGATION**

All investigations will be carried out in accordance with the Fraud Response Plan, unless they relate to Benefits fraud or money laundering, in which case these will be dealt with in accordance the specific guidance that relates specifically to these areas of work.

## **9.0 IMPLEMENTING THIS FRAMEWORK**

The Chief Executive is ultimately responsible for preventing and detecting theft, fraud, and corruption.

The Corporate Governance Working Group, led by the Section 151 Officer is responsible for developing, reviewing and maintaining an anti-fraud and corruption policy, and for advising on effective internal controls to prevent wrongdoing.

The Chief Executive, Executive Directors and Heads of Service must ensure that all staff follow this strategy, supported by the Council's Internal Audit and Human Resources functions.

The Audit Manager will report on compliance to the Audit and Risk Committee.

All managers are responsible for preventing and detecting fraud. They must, with support from Internal Audit and Human Resources, ensure that they operate effective mechanisms in their area of control to:

- Prevent theft, fraud and corruption
- Promote employee awareness (All staff have a responsibility to prevent, detect and report on any fraud or suspected fraud)
- Assess the risk of fraud
- Take prompt action in line with the Fraud Response Plan when they suspect or are alerted to possible theft, fraud or corruption

There are a number of policies already in place within the Council for preventing, detecting, managing and reporting theft, fraud and corrupt conduct; these include but are not limited to:

- Codes of Conduct for employees and members
  - Contract Procedures
  - Financial Regulations
  - Registers of Interests, Gifts and Hospitality
  - Disciplinary Rules and Procedures
  - The Whistle-blowing Policy
  - Fraud Response Plan
  - Procurement Strategy
  - Risk Management Strategy
  - Recruitment procedures (pre-employment vetting, references, etc)
  - Anti-Money Laundering Policy
  - Information Security Management Policies
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Copies of all the policies listed above are available on the Councils intranet under the A-Z of strategies and policies.

## **10 REVIEW AND DEVELOPMENT OF THIS FRAMEWORK**

It is important to keep this framework up-to-date with developments in the law and professional practice. The Audit Manager will review this every two years, and report this to the Audit and Risk Committee.

Should any urgent need arise that requires updates to the existing framework then, this will be conducted promptly rather than at the end of the 2 year period.

Policy reviewed March 2016.

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## **Appendix A – Nolan Principles**

### **The seven principles of public life;**

#### **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

#### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### **Leadership**

Holders of public office should promote and support these principles by leadership and example.

*These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.*

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## **Appendix B – Possible indicators of Fraud**

Listed below are a number of common fraud indicators. None of them prove wrongdoing – though all are cause for managerial concern;

- unusual employee behaviour (e.g. a supervisor who opens all incoming mail, refusal to comply with normal rules and practices, fails to take leave, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regular long hours working, job dissatisfaction/ unhappy employee, secretiveness or defensiveness),
  - Key documents missing (e.g. invoices, contracts),
  - Inadequate or no segregation of duties,
  - Absence of controls and audit trails,
  - Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation),
  - Excessive variations to budgets or contracts,
  - Bank and ledger reconciliations are not maintained or cannot be balanced,
  - Excessive movements of cash or transactions between accounts,
  - Numerous adjustments or exceptions,
  - duplicate payments or large payments to individuals,
  - Unauthorised changes to systems or work practices,
  - lack of rotation of duties,
  - Policies not being followed,
  - Post Office boxes as shipping addresses,
  - Lowest tenders or quotes passed over with minimal explanation recorded,
  - splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval,
  - Vague specifications,
  - Excessive hours worked by key staff, and
  - lack of common sense controls such as changing passwords frequently, requiring two signatures on cheques or restricting access to sensitive areas.
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