

INTERNAL AUDIT SERVICE

'Striving for excellence in governance'

Fraud Policy Statement

Introduction

1. The council recognises that the incidence of detected fraud in local authorities is increasing and that it has a statutory duty to minimise it within the authority.
2. One of the ways that the council can discharge this duty is by making all members and employees:
 - i) aware of the council's views on fraud;
 - ii) aware of their personal responsibilities in relation to their conduct;
 - iii) aware of what action they should take if they become aware of fraud.

This policy document covers i) and ii) above and the 'Fraud Response Plan' has been developed to cover iii).
Members of the council includes the elected Mayor.

Definitions

3. The Audit Commission defines 'Fraud' and 'Corruption' as follows:

Fraud is:

'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.'

Corruption is:

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

In addition, new offences of fraud have been introduced by the Fraud Act 2006.

The Council's Statement on Fraud

4. The council will not tolerate fraud by its clients, employees or members of the council. When fraud is substantiated the cases will be pursued thoroughly. The form of action taken will depend on the level and circumstances of each case. In most instances, however, the action considered will involve disciplinary action (against council employees), prosecution and/or recovery of the council's assets and funds.

Members of the Council

5. The council expects the highest level of integrity from its members. A standards committee has been set up by the council to promote high standards of conduct. The terms of reference are contained in Article 9 of the Constitution.

The Government has also established the Standards Board for England that deals with complaints of misconduct by members. Members are expected to comply with the Code of Conduct for Members, the details are set out in Part 5 of the Constitution: Code of Conduct for Members. A copy of the council's Constitution can be found on the Intranet and Internet.

Employees

6. The council also expects the highest level of integrity and conduct from all of its employees. The council sets out what is expected of all employees and the penalties for ignoring these expectations in a series of staff leaflets that are issued to all staff.

Public Interest Disclosure Act 1998

7. Employees should be aware that fraud, corruption and theft may exist in the workplace and be able and prepared to share their concerns about it.

The council has a whistle-blowing policy which is given to all employees and Members. The policy includes in its statement of an employee's duty, "If you are concerned about malpractice, be it a danger to you or the public, financial malpractice, breach of legal obligations we owe others or damage to the environment, it is your duty to blow the whistle.", The Council therefore positively encourages staff to report their concerns

and the policy enables all employees to raise these concerns without being afraid of suffering any discrimination or victimisation as a result of the whistle-blowing action.

Declarations of Interests, Gifts and Hospitality.

8. The specific requirements for these relating to members are contained in the Code of Conduct.

The specific requirements for employees are available on the Intranet. For declarations of interest, all officers on SCP 44 (PO5 and above) are required to complete a declaration and Executive Directors and Heads of Service may require other staff at grades below PO5 to complete the declaration, at their discretion.

Notwithstanding this, any member of staff who becomes aware that a private interest may constitute a potential conflict of interest must make a declaration, irrespective of grade

This means that

- Financial interests, both direct and indirect, should be disclosed.
- You must disclose an interest that you, your partner or member of your family has in any contract with the council.
- You must disclose any other private interests that you consider are likely to give rise to a conflict with the proper performance of any of your duties as an employee

For gifts and hospitality, the general policy is that all gifts should be refused and returned as it is better to err on the side of caution. Where a gift cannot be returned or is of a trivial nature e.g. calendars, diaries etc. they should be declared to the Chief Officer. In the case of hospitality, employees may only accept offers of hospitality if there is a genuine need to exchange information or represent the Council in the community. Offers to attend purely social or sporting functions should be accepted only when they are part of the life of the community and where Newham should be seen to be represented. All such hospitality must be authorised by the employee's Chief Officer prior to acceptance and should be declared.

· Additional information can be found in the Employee Rules and Standards of Conduct.

Regulatory Framework

9. In addition to the legislative framework which determines the way in which the council must operate, the council has approved its own regulations which determine the control framework relating to financial transactions. These are outlined in Part 4 of the Constitution, Rules of Procedure, Sections 4.6 Financial Procedure Rules and 4.7 Contracts Procedure Rules and Part 5, Section 5.7 Protocol for key decisions. More details are contained within Financial Regulations, Part 8 of the Constitution. These must be complied with at all times. A breach of these regulatory documents will be subject to action under the Conduct Procedure.

Prosecution Policy and Strategy

10. The council has a formal policy on how it will sanction persons who are found committing fraud. The Chief Internal Auditor is responsible for the implementation of the policy and ensuring that it is regularly reviewed and kept up to date. Approval of the policy is delegated to the Executive Director, Resources. It is referred annually to the Audit Board for comment. A copy of the Policy can be found on the Intranet and Council's website.

Training

11. If this policy and the Council's Fraud Response Plan are to be effective it is essential that all members and employees are made aware of them. These documents will be given to all members and employees and

reference to them will be included with contracts of employment for all new employees. Everybody issued with these documents will be required to state that they have received and understood them.

12 In addition it is important that there is a continuing programme of fraud awareness training to ensure that employees are regularly reminded of their responsibilities and the council's expectations. The council is committed to such training, the extent of which will have regard to the work of individual employees.