

London Borough of Tower Hamlets

Corporate Anti-Fraud & Corruption Strategy

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1. Introduction

- 1.1. The Anti-Fraud and Corruption Strategy outlines the Council's intent to minimising the risk of loss to the organisation resulting from fraud and corruption originating both internally and externally.

2. Scope

3. The strategy is designed to:
- Encourage prevention
 - Promote transparency
 - Ensure effective investigation where suspected fraud or corruption has occurred
 - Prosecute offenders where appropriate
- 2.2. There is a reasonable expectation and requirement that all Members, employees, consultants, contractors, and service users be fair and honest in their dealings with the council and will provide help, information and support to assist in the investigation of fraud and corruption.
- 3.1. This strategy outlines how the Corporate Anti-Fraud Team (CAFT) will deliver this commitment and provides advice on how individuals, including members of the public, may raise concerns relating to fraud and corruption.

4. Responsibilities

3.1 Conduct

The Council expects all individuals and organisations associated with it to be honest and fair in their dealings with the Council and its service users. Members and managers are expected to lead by example in this regard, observing the Principles of Standards in Public Life as laid down by the Nolan Committee. These are shown below:

Selflessness- Holders of public office take decisions 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 influence them in their 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 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 principals by leadership and example.

3.2 Employee Responsibilities

Employees have a critical role to play in the prevention of fraud and corruption throughout their daily undertakings and in their general conduct. All individuals should be aware of and understand the Councils expectations as relevant to their role under the Code of Conduct and other regulations of the Council as outlined in section 4 below. Failure to adhere to these regulations may result in disciplinary action.

Employees who suspect a fraud or irregularity have a duty to report their concerns. Where such concerns exist, individuals are asked to make a note of all relevant details, such as what was said in phone or other conversations, when these conversations took place and the names of anyone involved. The matter should be reported immediately to either your:

- Line Manager
- Head of Service
- Divisional Director
- Corporate Director

Or independently to the Monitoring Officer Asmat Hussain in accordance with the Councils Whistleblowing Policy as detailed in section 7. How to Report a Concern.

Anyone wishing to report a concern should be aware that every effort will be made to preserve confidentiality, although in certain circumstances, such as those resulting in criminal proceedings, individuals may be called upon to provide a witness statement or attend court as a witness.

Employees must not do any of the following:

- Contact the suspected perpetrator in an effort to determine facts or demand restitution
- Discuss the case facts, suspicions or allegations with anyone outside the Council (including the Press)
- Discuss the case with anyone within the Council other than those listed above.

3.3 Management Responsibilities

Managers must ensure that an appropriate level of internal control exists to safeguard adequately against the risk of fraud and corruption. The Council's Internal Audit and Corporate Anti-Fraud teams will work with managers to improve the control environment and to provide advice and guidance about fraud prevention and detection.

Where managers have reason to suspect fraud or corruption in their work area or have received a concern from an employee or member of the public they should:

- Not attempt to undertake a formal investigation as this may damage any Internal Audit or criminal investigation.
- When receiving the concern, obtain as much information as possible from the member of staff or public, including any evidence that they may have.
- Report the matter **immediately** to the Head of Audit and Risk Management

3.4 Audit Committee

The Anti-Fraud and Corruption Strategy is approved by the Audit Committee. The Committee receives regular fraud update reports, regarding the investigation caseload and details of proactive anti-fraud activities planned and undertaken.

4. Regulations and Legislation

The Council has developed a series of regulatory documents and protocols which govern how we operate and take decisions and outline the procedures to follow to ensure that our actions are fair, efficient, transparent and accountable to our community. As well as governing operations, our regulations form a key component of the internal control environment, following and applying these creates a strong basis on which to reduce the risk of fraud and corruption. The following documents which are endorsed by the Council provide further information and guidance.

- Council Constitution
- Standing Orders
- Financial Regulations
- Employee Code of Conduct
- Member code of Conduct
- Money Laundering Policy

There is a range of relevant legislation that is also available. These include:

- Fraud Act 2006
- Theft Acts 1968 and 1978 as amended
- Prevention of Social Housing Fraud Act 2013
- Bribery Act 2010 Public Interest Disclosure Act 1998
- Proceeds of Crime Act 2003
- Local Audit and Accountability Act 2014

- Regulation of Investigatory Powers Act 2000
- Money Laundering Regulations 2007
- Computer misuse Act 1990

5. Strategy

5.1 Deterrence

The Council will seek actively to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts. It will do so through:

- Publicising that the Council will not tolerate fraud and corruption, demonstrated by this anti-fraud & corruption strategy and the whistleblowing policy.
- Encouraging a strong anti-fraud culture amongst its employees and Members, and providing easy and effective means to report suspicions of fraud or corruption, e.g. the whistle blow hotline 0800 528 0294 the dedicated email address anti-fraud@towerhamlets.gov.uk and on-line form for raising concerns.
- Taking robust action when fraud and/ or corruption are identified, in the form of conducting complete and thorough investigations, and taking decisive action if allegations are proven, such as prosecution, dismissal, and civil actions and financial recovery through the Proceeds of Crime Act, where appropriate.
- Engaging with the Councils Communications service where appropriate, in order to maximise the publicity of successful outcomes in combating fraud and corruption.
- Deploying robust systems of internal control to mitigate the opportunity for fraud and corruption on an on-going basis.
- Developing and delivering general and tailored fraud awareness sessions to Council employees and its partner Tower Hamlets Homes.
- Maintaining fraud awareness presentations and e-learning for all officers.

5.2 Prevention

The Council employs a range of control mechanisms within its systems, policies and procedures in order to mitigate the risk of fraud and corruption. Chief Officers and Managers across the authority are the key management control and are responsible for assessing the risk of fraud and corruption in their operational area and, as such are responsible for implementing appropriate strategies in order to manage this risk.

The Head of Audit and Risk Management is responsible for both Risk Management & Counter-Fraud & Investigation; while these two operational

functions are distinct from the main assurance role of Internal Audit, all three work together in order to promote and advise on key actions that can be taken to aid in the prevention of fraud and corruption against the Council.

5.3 Detection

The Council has a robust Whistleblowing procedure and our Financial Regulations require employees to report any suspected cases of fraud or corruption appropriately.

The Council participates in a range of data matching exercises to detect fraud including-

The National Fraud Initiative currently managed by the Cabinet Office

Undertaking internal data – matching exercises utilising data held by the Council.

Working in partnership with local authorities, the National Anti-Fraud Network, government bodies and the commercial sector

Sample transaction and control testing as part of Internal Audit reviews undertaken as part of the on-going Internal Audit Plan.

5.4 Investigation

The Corporate Anti-Fraud team is responsible for the investigation of allegations of fraud and corruption against the Council. Each allegation will be considered on its individual merits and a decision made on the most appropriate way to proceed with any investigation, this may include:

- Criminal or civil investigation by the Council's Corporate Anti-Fraud Team.
- Internal examination as part of an Internal Audit review.
- Dedicated internal fraud investigation.
- Management investigation overseen by the Corporate Anti-Fraud Team.

As part of any investigation, the Council will ensure that:

- Any allegation is dealt with promptly and confidentially.
- Human Resources and/or the Corporate Director of Governance are consulted where appropriate.
- All evidence that has been collected is stored securely and recorded appropriately.
- Any interviews undertaken are conducted fairly and in line with appropriate legislation such as the Police & Criminal Evidence Act.
- Relevant Chief Officers and Managers are informed of the progress of the investigation as appropriate.
- All investigations are conducted in a timely manner, in-line with the Criminal Procedures & Investigations Act, and the Human Rights Act.

As part of the investigation the Council will consider whether:

- Disciplinary action will be taken against any employee involved
- Civil or criminal prosecution action should be instigated
- The matter should be referred to the Police
- Changes are required to improve the systems and controls of the affected area to improve effective governance and reduce further risk to fraud or impropriety
- Any other action should be recommended

At the conclusion of an investigation, the investigating officer will report the findings to the relevant managers, Chief Officer and Human Resources. Any disciplinary action considered will be in compliance with human resources policy and procedures. Where necessary, the individual who is subject to investigation will be informed of the outcome in writing and will be advised of what action, if any is to be taken.

Where it is found that a fraud has been committed against the Council we will make recommendations to ensure that any control weaknesses which provided the opportunity for the fraud are addressed.

5.5 Liaison with Other Organisations

The Council will actively engage with other organisations, and develop and maintain strong links in its efforts to pursue and strengthen its anti-fraud and corruption strategy at both a local and national level. The Corporate Anti-Fraud Team works with the Police, Local Authorities, the CIPFA Counter Fraud Centre, the DWP Home Office Immigration teams and central Government departments.

The Council is an active user of the National Anti-Fraud Network (NAFN) services and will utilise the full range of intelligence and evidence gathering avenues to support its counter-fraud and investigation activity.

The Council is a member of the London Borough Fraud Investigators Group (LBFIG), with the Corporate Anti-Fraud Manager being part of the LBFIG Executive Committee.

6. Post Investigations

6.1 Sanctions

Where financial impropriety has been discovered, whether perpetrated by Officers, Members or third parties (e.g. suppliers, contractors, service providers), the Head of Audit & Risk Management will consult with the Corporate Director of Resources and Corporate Director of Governance as appropriate, to form a view on whether the matter should be reported to the Police. In cases where matters are referred to the Police, the Crown Prosecution Service will determine whether or not a prosecution will be pursued.

Should matters be dealt with internally, a decision will be made in conjunction with Senior Management and Corporate HR on the most suitable

course of action, in accordance with the Councils Enforcement Policy, Members Code of Conduct, Employee Code of Conduct and the Councils disciplinary procedure.

Suspected financial impropriety by any third party that the Council has dealings with will be the subject of investigation. If proven, this may result in the termination of individual contracts and may result in prosecution or civil action.

6.2 Prosecution

Any matters considered for prosecution will be subject to the Code for Crown Prosecutors, the evidential test and the Public Interest test. While each case is considered on its own merits, a consistent set of principles will be applied in forming the decision whether or not to prosecute.

In cases where fraud and/or corruption is proven, the Council in-line with its Enforcement Policy, consider instigating prosecution proceedings in conjunction with the Corporate Director of Governance.

Should matters that are referred to the Police be considered for prosecution, action will be instigated through the Crown Prosecution service.

6.3 Recovery of Losses

In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. If the fraud was committed by an employee, the loss may be recovered from any monies due to the individual on termination of employment.

Where the opportunity exists and evidence is strong enough to utilise the services of the Councils Financial Investigator this will be done to exercise recovery through the application of Proceeds of Crime action.

7. How to Report a Concern

- 7.1. There are a number of ways that individuals may raise a concern or report a suspected fraud or irregularity; any reports received will be treated confidentially in accordance with the Councils Whistleblowing Policy. Employees are urged to consider the nature of the concern, whether it involves immediate management, and the seriousness and sensitivity of the issues involved.
- 7.2. As soon as an employee becomes reasonably concerned about a matter, they are encouraged to raise this in the first instance with their line manager. All managers have a responsibility to act on concerns raised. The line manager should report the concern to the Councils Monitoring Officer who will consider referral to the Head of Audit & Risk Management or the Corporate Anti-Fraud Manager as soon as practicably possible.