

# SURREY COUNTY COUNCIL'S STRATEGY AGAINST FRAUD AND CORRUPTION

## 1. Introduction

1.1 Surrey County Council is one of the county's largest organisations; employing over 26,000 people, with a gross spend of over £1.6 billion per annum in 2010/11 and it is required by law to protect the public funds it administers. In delivering its objectives the County Council maintains a zero tolerance approach to fraud and corruption, whether it is attempted from outside the Council (the public, clients, partners, contractors, suppliers or other organisations) or within (Members and employees). It is committed to this Strategy against Fraud and Corruption which:

- acknowledges the threat of fraud;
- encourages prevention;
- promotes detection;
- identifies a clear pathway for investigation; and
- sets out the appropriate sanctions, including the recovery of losses.

1.2 The Audit Commission Fraud Manual defines fraud and corruption as follows:

- Fraud is the intentional distortion of financial statements or other records by persons internal or external to the authority 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 or the misuse of entrusted power for personal gain. The Bribery Act 2010 makes it an offence to offer, promise or give a bribe and to request, agree to receive or accept a bribe. In addition there is a corporate offence of an organisation failure to prevent bribery in the course of its business.

## 2. Expectation

2.1 Surrey County Council wishes to promote a culture of openness with the core values of trust, respect and responsibility enshrined within it. The Council is totally opposed to any form of fraud and corruption.

2.2 The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations, e.g. the public, partners, suppliers, contractors and other service providers, with whom it deals, will act towards the Council with integrity and without thought or actions involving fraud and corruption. All would be expected and encouraged to tell the Council about any fraud or corruption they suspect. There is advice on how to do this in Appendix A.

- 2.3 The Council will ensure that all allegations received are taken seriously and investigated in an appropriate manner. Anonymous allegations will be considered within the limitations of the information available. Investigations will be subject to the requirements of the Human Rights Act 1998 and the Regulation of Investigatory Powers Act 2000.
- 2.4 Senior management is expected to deal swiftly and firmly with those who defraud or seek to defraud the Council, or who are corrupt. The Council will always be robust in dealing with financial malpractice or those who breach statutory and legal obligations and its code of conduct. A Fraud Response Plan is included as Appendix B

### **3. Roles and responsibilities**

#### ***The Role of Elected Members***

- 3.1 As elected representatives, all Members of the Council have a duty to act in the public interest and do whatever they can to ensure that the Council uses its resources in accordance with statute.
- 3.2 This is achieved through Members operating within:
- the Council's Member Code of Conduct; and
  - the Constitution, including Corporate Governance Assurance Framework, Financial Regulations and Procurement Standing Orders.
- 3.3 The Localism Act 2011 requires Members to declare and register disclosable pecuniary interests to the Monitoring Officer as these may cause potential areas of conflict between Members' County Council duties and responsibilities and any other areas of their personal or professional lives.

#### ***The Role of Employees***

- 3.4 Employees are Surrey County Council's first line of defence and the Council will expect and encourage them to be alert to the possibility of fraud and corruption and report any suspected cases.
- 3.5 Employees are expected to comply with the Council's [Code of Conduct](#) for staff, which forms part of each employee's contract of employment and is available on the Human Resources and Organisational Development section of the Council's Intranet (S-net). Employees should also follow standards of conduct laid down by their own professional body or institute (where applicable).
- 3.6 Employees are responsible for ensuring that they follow the instructions given to them by management and comply with the procedures and rules laid down by the Council in the Corporate Governance Assessment Framework. They are

under a statutory duty to account for money and property committed to their charge.

- 3.7 All employees are required to comply with Section 117 of the Local Government Act 1972. This requires a written declaration of any pecuniary or close personal interests in contracts that have been, or it is proposed will be, entered into by the County Council to be held on their personal file. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration. Failure to disclose an interest or the acceptance of an inappropriate reward may result in disciplinary action or criminal liability.
- 3.8 Managers at all levels are responsible for the communication and implementation of this Strategy in their work area. They are also responsible for ensuring that their employees are aware of the arrangements to secure corporate governance, and that the requirements are being met in their work activities.
- 3.9 Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected irregularities.

#### ***Others***

- 3.10 Surrey County Council expects the public, clients, partners, contractors, suppliers and any other organisations to act honestly in their dealings with it and will check contractors' and suppliers' references as well as carrying out suitable financial checks.

## **4. Surrey County Council's Commitment**

- 4.1 Theft, fraud and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Members will also be disciplined if there is evidence of involvement in theft, fraud and corruption. Where appropriate, cases will be referred to the Police.
- 4.2 A key measure in the prevention of fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Employee recruitment should, therefore, be in accordance with the procedures laid down by the Head of Human Resources and Organisational Development (HR&OD), which are available on the Council's Intranet (S-net), and include:
  - obtaining references and checking qualifications;
  - confirming the right to work in the United Kingdom; and
  - checks by the Disclosure and Barring Service.

The recruitment of temporary and permanent employees is dealt with in a similar manner.

- 4.3 In all cases where financial loss to the authority has occurred, the authority will take appropriate action to recover the loss.
- 4.4 Updates on counter fraud and corruption activity, including updates to this Strategy, will be publicised in order to make employees and the public aware of the authority's continuing commitment to taking action on fraud and corruption when it occurs.
- 4.5 To promote knowledge in current anti-fraud and anti-corruption matters Internal Audit will forward advice and information received from the National Anti-Fraud Network (NAFN) to relevant Services across the Council.

## **5. Detection and Investigation**

- 5.1 It is the responsibility of management to maintain an adequate internal control environment to prevent and detect fraud and corruption. It is often the alertness of staff and the public that enables detection and appropriate action to be taken.
- 5.2 The Council's Financial Regulations require all suspected financial irregularities to be reported (verbally or in writing) to the Chief Internal Auditor so that an internal audit investigation of the allegations can be undertaken in line with the Fraud Response Plan included as Appendix B. This is essential to the Strategy to ensure consistency of treatment, adequate investigation and protection of the Council's interests.
- 5.3 The Chief Internal Auditor will ensure that the individual reporting any suspected irregularity is appropriately supported throughout this process, taking particular account of the likely sensitive nature of such an investigation.
- 5.4 Any decision to refer a matter to the Police will be made by the Chief Internal Auditor. The Council expects the Police to be made aware of, and investigate independently, any offence where material financial impropriety may have occurred.
- 5.5 The County Council's [disciplinary procedure](#) will be used where the outcome of an investigation indicates improper behaviour by a member of staff. Referral to the Police will not prohibit disciplinary action under the Disciplinary Policy.
- 5.6 In the case of allegations against Members being in breach of their Code of Conduct, these are reported to the Council's Monitoring Officer (Head of Legal

and Democratic Services) and will be investigated by the Monitoring Officer or a person appointed by her.

- 5.7 Surrey County Council is required to participate in the National Fraud Initiative data matching exercise run by the Audit Commission. The Council provides particular sets of data, including payroll, to the Audit Commission under its powers in Part 2A of the Audit Commission Act 1998. It does not require the consent of the individuals concerned under the Data Protection Act 1998. Details of the data used are set out in the Audit Commission's guidance, which can be found at [www.audit-commission.gov.uk/nfi](http://www.audit-commission.gov.uk/nfi).
- 5.8 Arrangements are in place, and continue to develop, to encourage the exchange of information between the County Council and other agencies on a national and local level to combat fraud and corruption, including the National Fraud Agency, National Anti-Fraud Network (NAFN), police fraud team and UK Borders Agency.

## **6. Awareness and Training**

- 6.1 Surrey County Council recognises that the continuing success of its Strategy against Fraud and Corruption and its general credibility, will depend partly on the effectiveness of training and the responsiveness of employees throughout the organisation.
- 6.2 The Council supports induction training, staff appraisal and development. It supports governance and fraud-awareness training. All staff, especially those involved in internal control systems, and also Members need to understand their responsibilities and duties in regard to the prevention and reporting of suspected fraud and corruption. It is important to regularly highlight and reinforce this.
- 6.3 The investigation of fraud and corruption is undertaken by the Council's Internal Audit team.

## **7. Availability**

- 7.1 This Strategy is available to all employees and members via the Surrey County Council intranet (S-net). Copies can also be obtained from Council employees through key public access points across the County such as libraries, as well as being accessible through the Council's external web site.

## **8. Conclusion**

- 8.1 Surrey County Council has in place systems and procedures to assist in the fight against fraud and corruption. Internal Audit will monitor the success of these measures to ensure that all opportunities for preventing and detecting

fraudulent or corrupt activity are maximised. This strategy will be subject to regular review by Internal Audit and approved by Audit and Governance Committee.

**DAVID MCNULTY,**  
**Chief Executive, September 2012**

**Advice on reporting suspected fraud or corruption**

Surrey County Council expects all its employees, Council Members, partners, contractors, the public, clients and organisations to provide information if fraud or corruption is suspected. This is often known as whistle blowing. Our [whistle blowing policy](#) can be found on s-net. In addition, an employee, raising concerns in good faith, should be aware of the protection afforded to them by the Public Interest Disclosure Act (PIDA) 1998.

Examples of concerns include the following:

- criminal offence;
- false documentation;
- failure to comply with a statutory or legal obligation;
- improper use of public or other funds;
- abuse of the Council's systems;
- maladministration, misconduct or malpractice;
- endangering health and safety;
- damage to the environment;
- misuse of an individual's personal position;
- the offer or acceptance of a bribe; and/or
- deliberate concealment of any of the above.

All information or concerns received will be treated seriously and in strict confidence and employees should raise issues with their line manager in the first instance or the officer directly responsible for the area concerned. If anyone feels unable to speak to their line manager or the officer directly responsible for the area they are concerned about, they can contact any of the individuals on the table overleaf.

Members, the public, partners, contractors and organisations can also contact Surrey County Council via these contacts if they suspect theft, fraud or corruption. The Chief Internal Auditor should be advised of any such referrals received as complaints to Services.

If anyone feels unable to raise their concerns in the above ways, then they may wish to phone Expolink our independent reporting hotline on 0800 374 199 or consult Public Concern at Work on 020 7404 6609, which is a registered charity providing free and strictly confidential advice.

All allegations of theft, fraud or corruption received will be investigated and should be referred to the Chief Internal Auditor for a decision on how an investigation should proceed in line with the Fraud Response Plan included as Appendix B.

Contact Information for reporting on possible theft, fraud or corruption at  
Surrey County Council

Contact	Telephone	E-mail
Chief Internal Auditor	020 8541 9190 /9299	sue.lewry-jones@surreycc.gov.uk <a href="mailto:internal.audit@surreycc.gov.uk">internal.audit@surreycc.gov.uk</a>
Chief Finance Officer (S151 Officer) and Deputy Director for Change & Efficiency	020 8541 7012	<a href="mailto:sheila.little@surreycc.gov.uk">sheila.little@surreycc.gov.uk</a>
Head of Legal and Democratic Services as the council's Monitoring Officer	020 8541 9001	ann.charlton@surreycc.gov.uk <a href="mailto:monitoringofficer@surreycc.gov.uk">monitoringofficer@surreycc.gov.uk</a>
County Chief Executive	020 8541 9008	<a href="mailto:david.mcnulty@surreycc.gov.uk">david.mcnulty@surreycc.gov.uk</a>
Elected Members		See website <a href="http://www.surreycc.gov.uk">www.surreycc.gov.uk</a>  Your Council – Councillors and Committees – Surrey County Councillors
Leader of the Council		<a href="mailto:david.hodge@surreycc.gov.uk">david.hodge@surreycc.gov.uk</a>
Chairman of Audit & Governance Committee		<a href="mailto:nicholas.harrison@surreycc.gov.uk">nicholas.harrison@surreycc.gov.uk</a>
County Council's external auditors (Grant Thornton)	020 7383 5100	See website <a href="http://www.grant-thornton.co.uk">www.grant-thornton.co.uk</a>
Audit Commission	084560522646	<a href="http://www.audit-commission.gov.uk">www.audit-commission.gov.uk</a>
Expolink – SCC independent confidential hotline	0800 374 199	See website <a href="http://www.expolink.co.uk/">http://www.expolink.co.uk/</a>
Public Concern at Work – charity offering free advice	020 7404 6609	See website <a href="http://www.pcaw.org.uk/">http://www.pcaw.org.uk/</a>



## **Fraud Response Plan**

### **Introduction**

- 1.1 This Fraud Response Plan forms part of the Council's overall Strategy against Fraud and Corruption and covers the Council's response to suspected or apparent irregularities affecting resources belonging to or administered by the Council, or fraud perpetrated by contractors and suppliers against the Council.
- 1.2 It is important that Managers know what to do in the event of fraud, so that they can act without delay. The Fraud Response Plan provides such guidance to ensure effective and timely action is taken. Other documents that should be referred to when reading the Plan include:
  - Code of Conduct for staff
  - Disciplinary Policy and procedures
  - Financial Regulations

### **Objective of the Fraud Response Plan**

- 2.1 To ensure that prompt and effective action can be taken to:
  - Prevent losses of funds or other assets where fraud has occurred and to maximise recovery of losses
  - Identify the perpetrator and maximise the success of any disciplinary or legal action taken
  - Reduce adverse impacts on the business of the Council
  - Minimise the occurrence of fraud by taking prompt action at the first sign of a problem
  - Minimise any adverse publicity for the organisation suffered as a result of fraud
  - Identify any lessons which can be acted upon in managing fraud in the future

### **How to respond to an allegation of theft, fraud or corruption**

#### **Initial Response**

- 3.1 Listen to the concerns of staff and treat every report seriously and sensitively.
- 3.2 Obtain as much information as possible from the member of staff, including any notes or evidence to support the allegation. Do not interfere with this evidence and ensure it is kept secure.
- 3.3 Contact the Chief Internal Auditor to discuss the allegation as required by Financial Regulations and agree any proposed action. An evaluation of the case should include the following details:

- Outline of allegations
  - Officers involved, including job role and line manager
  - Amount involved / materiality / impact
  - Involvement of any other parties
  - Timescales – one off or ongoing
  - Evidence – where held and access
- 3.4 Where it is appropriate to do so (i.e. without alerting the alleged perpetrator), initial enquiries may be made by the manager or Internal Audit, as agreed with the Chief Internal Auditor, to determine if there actually does appear to be an issue of fraud or other irregularity.
- 3.5 During the initial enquiries, managers should
- Determine the factors that gave rise to the suspicion
  - Examine the factors to determine whether a genuine mistake had been made or whether a fraud or irregularity has occurred
  - Where necessary, carry out discreet enquiries with staff and/or review documents.
- 3.6 The Chief Internal Auditor should be informed of the results of the initial enquiry so that the case can be closed or a more detailed investigation organised. Regulation 10 of the County Council's Financial Regulations gives the Chief Internal Auditor and her staff the power to access documents, obtain information and explanations from any officer for the purpose of audit.
- 3.8 Where the initial enquiry appears to indicate misconduct by a council employee the manager should inform Internal Audit of
- All the evidence gathered
  - The actions taken with regard to the employee (e.g. suspension or redeployment) or any other action taken to prevent further loss.
- 3.9 The manager should liaise with HR and be aware of the council's requirements regarding the disciplinary process (as published on S:net). If suspension is necessary, it needs prior approval by the Head of Service as the act of suspension is service led.
- 3.10 If it is found that an allegation has been made frivolously or in bad faith then disciplinary action may be taken against the person making the allegation. If however, it is found that an allegation has been made maliciously, or for personal gain, then disciplinary action should be taken against the person making the allegation.

## Internal Investigation

- 4.1 Depending on the size of the fraud or the circumstances of its perpetration, the Chief Internal Auditor will consider whether Internal Audit staff should undertake the investigation. If appropriate, advice and guidance will be provided to enable an investigation to be undertaken by an appropriate officer in their Service.
- 4.2 Internal Audit will review the outcome of the investigation (irrespective of whether undertaken by its own staff or Service staff), to ensure that appropriate action is taken to help disclose similar frauds and make recommendations to strengthen control systems.

### *Investigating Officer*

- 4.3 The Investigating Officer (either from the directorate or from Internal Audit) will:
  - Deal promptly with the matter
  - Should covert surveillance be considered necessary, then the Regulation of Investigatory Powers Act 2000 (RIPA) must be observed and authorised by the Chief Executive
  - Record all evidence that has been received
  - Ensure that evidence is sound and adequately supported
  - Secure all of the evidence that has been collected
  - If criminal acts are being investigated then take advice on the interview of potential suspects so that the guidelines of the Police and Criminal Evidence Act 1984 (PACE) are followed
  - Where appropriate, contact other agencies (e.g. Police, Serious Fraud Office)
  - When appropriate, arrange for the notification of the Council's insurers
  - Report to senior management, and where appropriate, recommend that management take disciplinary/criminal action in accordance with this strategy and the Council's Disciplinary Procedures.
- 4.4 Where circumstances merit, close liaison will take place between the Investigating Officer, Internal Audit, S151 Officer, Monitoring Officer, the respective Service/Directorate, Human Resources and relevant outside agencies as appropriate.
- 4.5 Where an irregularity results in a loss exceeding £10,000 a declaration has to be made to the Audit Commission.

## **Sanctions and Recovery of Losses**

### *Disciplinary Action*

- 5.1 The manager is responsible for taking the appropriate disciplinary action as set out in the Council's Disciplinary policy.
- 5.2 If a criminal offence is discovered, it may be appropriate to pursue a criminal prosecution. This could be instigated by the Council under S222 of the Local Government Act 1972 or by referring the evidence to the police.

### *Police*

- 5.3 The Chief Internal Auditor will determine whether the police need to be involved either from the start or at a later stage in the investigation. If the police are involved, Internal Audit will support the police investigation as necessary.

### *Recovery of Losses*

- 5.4 Where the Council has suffered a loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible.
- 5.5 Where an employee is a member of the Surrey County Council Pension scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the scheme, which are then reduced as advised by the actuary.
- 5.6 The Council will also take civil action (as appropriate) to recover the loss.