

This report is not for publication for the following reasons:

1. It contains "exempt" information that falls within paragraphs 1, 2 and 3 of part I of schedule 12A to the Local Government Act 1972.
2. It has been determined that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because disclosure of the information might inhibit the effectiveness of the audit function.



# South Tyneside Council

## Audit Committee

Date: 17<sup>th</sup> March 2009

---

## Counter Fraud Strategy

Report of the Executive Director Regeneration & Resources

---

1. To seek the Audit Committee's comments and approval of the Council's Counter Fraud Strategy.

## Background

2. The purpose of this report is to raise Members' awareness of the Council's approach to supporting and promoting a strong counter fraud culture within the Council and to seek their support.
3. Whilst the incidence of identified fraud and corruption is low at South Tyneside, the Council needs to demonstrate that it will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Counter Fraud Strategy outlines the Council's commitment to ensuring that the risk of fraud and corruption is minimised. The strategy aims to deter, prevent and detect fraud, corruption or illegality and outlines the action that will be taken where such activities are identified.
4. The current strategy was agreed in September 2007 and is due for review.

## Reasons for Review

5. Although South Tyneside Council does have a good record with incidents of fraud and corruption we can not become complacent and need to ensure that we have good processes and procedures in place to ensure that we can react to any incident quickly and effectively.
6. We have agreed with the Audit Committee to undertake an annual review of our Counter Fraud Strategy to ensure that it is up to date and continues to demonstrate best practice. The Audit Committee will also be kept updated, via regular reporting, so that they can monitor that the strategy is being delivered effectively.
7. The Audit Commission has published the **key lines of enquiry (KLOE) for the Use of Resources** assessment for 2009. The assessment covers three themes, one of which is 'Governing the business', which includes work to manage and minimise the risk of fraud and corruption. The relevant KLOE asks that: the Council has a clear strategy and effective arrangements, including the allocation of appropriate resources to manage the risk of fraud and corruption.
8. Within this the auditors will be looking at a 13 detailed questions to assess our arrangements but the focus will be on value for money achievements, outputs and outcomes rather than on processes.
9. During 2009/10 we will be looking at ways of demonstrating a strong deterrent effect by publicising cases of fraud and the losses recovered, anonymised where required and developing a zero tolerance culture.
10. In 2007 the Chartered Institute of Public Finance & Accountancy (CIPFA) published *Delivering Good Governance in Local Government: Framework and Guidance Note* which is intended to be used as best

practice for developing and maintaining a locally adopted code of governance. This governance framework suggests that the Council's Counter Fraud Strategy would be evidence for the following statement:

"Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols."

11. The Counter Fraud Strategy:

- reflects best practice contained in recent publications;
- reflects the role of the Audit Committee; and
- complies with the corporate template which has helped to ensure that the Counter Fraud Strategy is more closely aligned with Council's objectives.

12. The Audit Committee are requested to comment and agree the Counter Fraud Strategy prior to further publication throughout the Council.

### **Future Plans**

13. Internal Audit have programmed time in their annual plan to undertake proactive fraud work across the Council to demonstrate the effective embedding of the counter fraud culture this strategy is intended to address; the outcome of this will be reported to Audit Committee as part of the regular Internal Audit Update Report.

### **Financial and Value for Money Implications**

14. There are no direct financial implications arising from this report.

### **Legal Implications**

15. There are no direct legal implications arising from this report.

### **Risk and Opportunity Implications**

16. Failure to approve the Counter Fraud Strategy and publicise it across the Council and to its partners could result in higher incidences of fraud and have a negative impact on future Use of Resources scores.

### **Equality and Diversity Implications**

17. There are no equality and diversity implications arising directly from this report.

### **Environmental and Sustainability Implications**

18. There are no environmental and sustainability implications arising directly from this report.

### **Options to be considered**

19. There are no other options to be considered.

### **Recommendations**

20. The Audit Committee are requested to comment and agree the updated strategy prior to publicising throughout the Council and to its partners.

### **Reasons for Recommendations**

21. Failure to approve the Counter Fraud Strategy could have an impact on incidences of fraud. To ensure the Counter Fraud Strategy meets best practice.

---

## Counter Fraud Strategy

---

**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>
Counter fraud strategy	G:index/Fraud & Corruption/ 2007 Revision	Internal Audit

# COUNTER FRAUD STRATEGY

Reviewed: February 2009



**South Tyneside Council**

If you would like this document in another language or format, or if you require the services of an interpreter, please contact us on 0191 424 7385

إذا أردت هذه الوثيقة بلغة أخرى أو بطريقة أخرى، أو إذا كنت بحاجة إلى خدمات مترجم، فنرجو أن تقوم بالاتصال بنا.  
Arabic

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান অথবা যদি আপনার একজন ইন্টারপ্রেটারের প্রয়োজন হয়, তাহলে দয়া করে আমাদের সাথে যোগাযোগ করুন।

Bengali

ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੀਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

Punjabi

यह दस्तावेज़ यदि आपको किसी अन्य भाषा या अन्य रूप में चाहिये, या आपको आनुवाद-सेवाओं की आवश्यकता हो तो हमसे संपर्क करें

Hindi

یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

Urdu

	<b>Page</b>
<b>Foreword</b>	9
<b>1. Introduction</b>	10 - 16
<b>2. The South Tyneside picture</b>	17 - 19
<b>3. Our Vision, objectives and priorities</b>	20 - 21
<b>4. What is fraud?</b>	22
<b>5. How do we effectively combat fraud?</b>	23 - 24
<b>6. Who is responsible for developing and maintaining a strong counter fraud culture?</b>	25 - 27
<b>GLOSSARY</b>	28 - 29
<b>APPENDICES</b>	
Appendix A – Counter fraud response plan	30 - 38

## ***Foreword***

The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values of integrity, valuing people and excellence. This strategy fully supports the Council's desire to maintain an honest authority, free from fraud and corruption.

## 1. Introduction

### Everything we do...

1. Everything we do is focused around delivering our ambitious vision for South Tyneside:

**“Our young people will have new hope because they will have a bright future.**

**People of all ages will have high aspirations, great confidence and the skills and opportunities they need to succeed. People will be healthy, able to find work and will enjoy living here.**

**Our reputation for excellence in service to communities will be widely recognised and South Tyneside will be playing a full role in contributing to a thriving and prosperous region.”**

2. Realising our vision cannot be achieved in isolation and as we move forward we recognise that service planning, commissioning and delivery must be planned, consistent and

joined-up. All of our services must remain focused on improving outcomes for all of our communities.

### What is the counter fraud strategy?

3. We are committed to providing the best possible services for **everyone** in South Tyneside. This plan outlines our approach to counter fraud.
4. This document sets out our overall vision for counter fraud, together with the objectives, priorities and key actions that will help us turn our vision into reality.

### Why do we need a counter fraud strategy

5. Whilst the incidence of identified fraud and corruption is low at South Tyneside, we still need to make sure that all Members, staff and contractors are aware of the procedures, to demonstrate that the Council:
  - has set the tone from the top;
  - promotes a counter fraud and corruption culture and is committed to preventing and detecting fraud;
  - will not tolerate fraud;
  - will prosecute fraudsters;

## Counter Fraud Strategy

- has a risk management strategy, which includes fraud risk mitigation measures;
  - has internal controls aimed at detecting fraud and deterring would-be fraudsters;
  - has a fraud response plan setting out exactly what steps to take if a fraud is reported or detected; and
  - has a continuous programme of fraud awareness and regular updates and training for new and existing staff.
6. South Tyneside Council requires all members and staff at all times to act honestly and with integrity and to safeguard the public resources for which the Council is responsible.
7. Fraud is an ever-present threat to these resources and hence must be a concern to all members, staff and persons employed in a similar capacity. Fraud may occur internally or externally and may be perpetrated by members, staff, partners, consultants, suppliers, contractors, individually or in collusion with others.
8. This strategy ensures that everyone is clear about their responsibilities in relation to counter fraud. What to do if they suspect fraud and the action that will be taken by management.
9. The Audit Commission include an assessment of counter fraud arrangements as part of the Use of Resources section of the Comprehensive Area Assessment.

## Counter Fraud Strategy

### The national picture

10. Each year fraud and corruption within the public sector results in the loss of millions of pounds of taxpayer monies, the majority being in respect of outside individuals and groups.
11. Examples of fraud include falsification of housing benefit claims and renovation grant claims. An example of corruption is payment or provision of a gift to a Council official to influence a decision or approve a contract.
12. The Council is committed to functioning in compliance with the law and will do its utmost to prevent the conduct of its business from being tarnished by law-breaking whether generated from within the Council or perpetrated against the Council from an outside source.

### The regional picture

13. Within Tyne and Wear there are a number of groups where public sector bodies meet to discuss counter fraud issues and share good practices. These include the National Anti Fraud Network (NAFN), North Eastern Fraud Forum (NEFF), Institute of Internal Auditors (IIA), CIPFA's North East Audit Group, Tyne and Wear Audit Group and participation in the

National Fraud Initiative (NFI). The Council is an active participant in all of these forums.

14. The Council also has close links with Northumbria Police and the Benefits Agency.

### The local picture

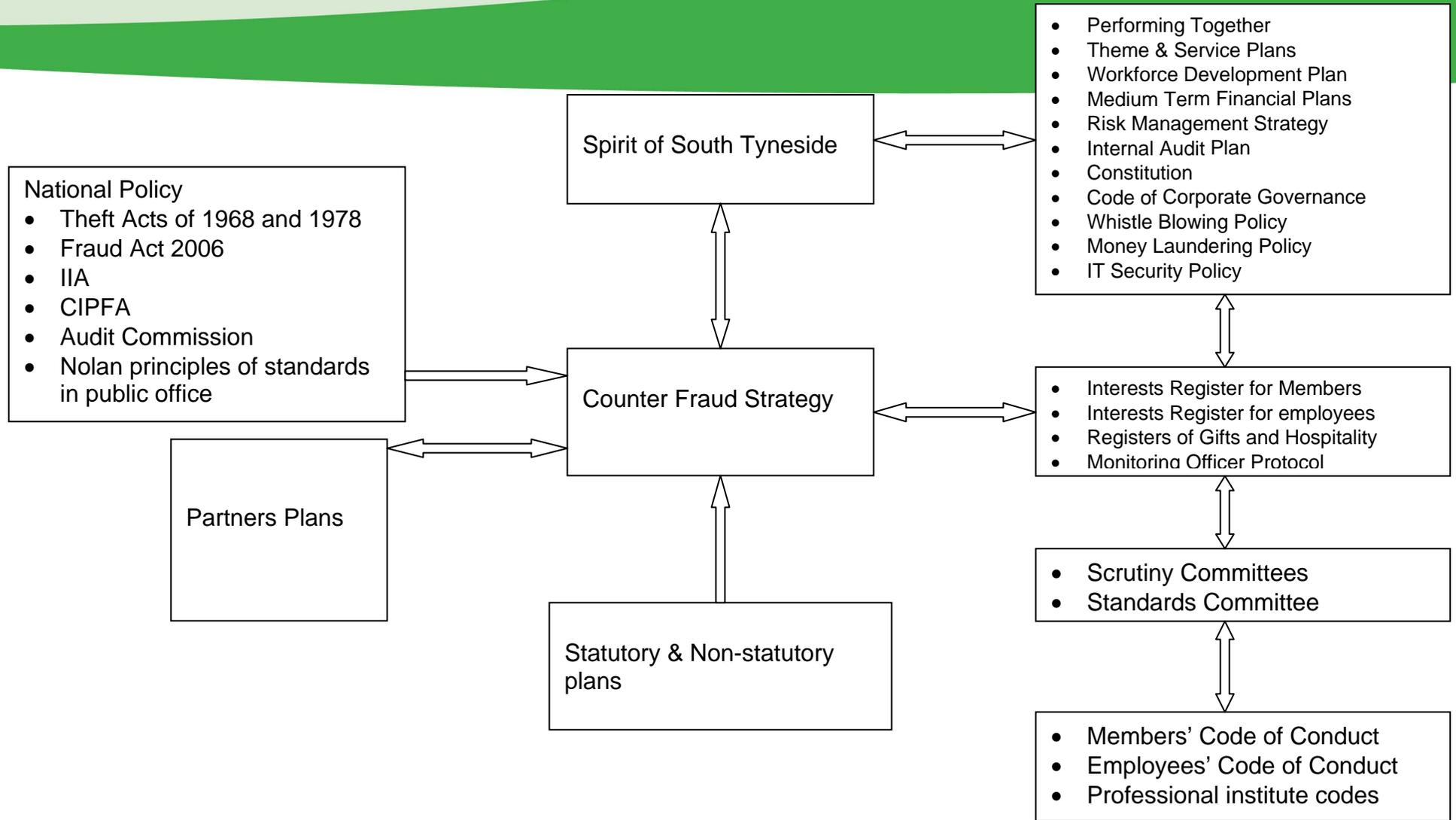
15. The counter fraud strategy is central to achieving our vision of a "better future for South Tyneside's People". Our plans for delivering this ambitious vision are set out in "[Spirit of South Tyneside](#)", our combined **Local Area Agreement, Sustainable Community Strategy and Local Neighbourhood Renewal Strategy**.
16. Spirit of South Tyneside sets out how South Tyneside's Local Strategic Partnership (LSP) will deliver the community's vision, how we will tackle community leadership and the regeneration of our most deprived neighbourhoods.
17. Well-being and quality of life are considered to be an important part of life in South Tyneside and so we have placed well-being at the heart of our approach. Whilst we know that the things we are doing to deliver all of our priorities will impact on increasing well-being, we have a

## Counter Fraud Strategy

shared ambition to do the extra things that directly make a difference and enhance people's lives.

18. Our strong approach to counter fraud strategy helps to protect public resources, which will ensure the maximum contribution to the outcomes and objectives agreed with our partners in Spirit of South Tyneside.
19. The counter fraud strategy will set the overall direction of underpinning operational plans that will deliver improvements on the ground. The diagram below illustrates the links that exist between this strategy and other key documents.

# Counter Fraud Strategy



## Counter Fraud Strategy

### The Policy and Performance Framework

20. Our Policy Framework is designed to ensure we have a joined-up approach to policy development across the Council. This ensures that our policies, plans and strategies are absolutely focussed on developing and delivering our priorities at the right time and in the right way to improve the lives of the people of South Tyneside.
21. For the Council and the LSP performance management is part of our day job. We need to actively manage our performance to deliver our vision, policy and strategies – planning, monitoring and evaluating, communicating and improving. Our Performance Management Framework is set around key plans and targets that allow us to manage performance so we achieve what we set out to do. These plans and targets are supported by tools that help us evaluate performance and drive continuous service improvement across the Council.
22. We have a rigorous performance monitoring framework that includes actions to prevent and detect fraud and corruption and helps us keep our performance on track and take action where we are not doing as well as we could. Through all of this we make sure that we engage and communicate with

employees, members, partners and the public to let them know what's happening and to take their views on board.

### Evaluation and Review

23. The counter fraud strategy is a three-year strategy that will be reviewed on an annual basis to monitor progress in delivering our outcomes, objectives and priorities.

## Counter Fraud Strategy

### Equality, diversity and inclusion

24. Equality matters to us. We want our Borough to be a place where everyone feels accepted as part of our community and where everyone who lives, works or visits South Tyneside can realise their full potential and be the best that they can be.
25. Our equality and diversity principles are embedded in everything we do. In developing the counter fraud strategy we carried out an Equality Impact Assessment to ensure that our services are accessible for all our customers. The issues identified in the assessment are integrated throughout this document and specific actions are detailed in this strategy and supporting plans and will be monitored as part of our robust approach to performance management.

### Value for Money

26. We feel that aim of the local government Value for Money agenda is straightforward – we must use our resources in the best possible way to deliver better public services in line with the priorities of local people. Counter fraud helps to protect those resources.

27. In South Tyneside, we work hard to ensure that we achieve high value for money. We always challenge ourselves to make sure our costs compare well with others; identifying and challenging areas of high spend. Our overall aim is to ensure that the money we spend results in high quality services that meet and satisfy local needs.
28. Preventative measures, in particular internal control systems within the Council, which incorporate efficient and effective internal controls, have been designed to prevent and detect irregularities and should act as a deterrent to fraudulent activity. To ensure they remain efficient and appropriate, these internal controls are regularly monitored and reviewed by the Internal Audit Team and the Council's External Auditor. Value for Money is always a key consideration for Managers when introducing controls to manage risks. Sometimes the cost of controls may outweigh the benefits of implementing the controls and managers may decide to tolerate risks to ensure the best use of Council resources.
29. In developing this strategy, Value for Money issues have been considered and embedded in our actions by ensuring that the control framework is proportionate to the inherent risk.

### 2. The South Tyneside picture

#### Understanding our current position

30. Our counter fraud arrangements are assessed by the Audit Commission as part of the Comprehensive Performance Assessment (CPA). In 2008 the Council achieved a score of 3 out of 4 for internal control, which is defined as 'performing strongly'. The CPA key lines of enquiry: The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business is as follows:
- There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated throughout the council.
  - Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.
  - The council can demonstrate a strong counter fraud culture across all directorates. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.

- The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment.
  - The council can demonstrate that counter fraud and corruption work is adequately resourced.
  - Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
31. We are not complacent and aim to improve on this strong position, by implementing a number of improvements over the next year. For example: undertake 100% testing of transactions using automated interrogation software and carry out a number of establishment reviews. Investigate ways of developing a zero tolerance culture. We will also be looking at ways of demonstrating a strong deterrent effect by publicising cases of fraud and the losses recovered, anonymised where required.

### What is South Tyneside like?

32. South Tyneside is part of the Tyne and Wear conurbation, on the coast next to the River Tyne. Created in 1974 under local government reorganisation, it covers 64 square kilometres with 6 areas – South Shields, Jarrow, Hebburn, Whitburn, Boldon and Cleadon.
33. South Tyneside's place in world history is visible through the presence of one World Heritage Site, Arbeia, and another to be the UK's nomination in 2009 – Wearmouth-Jarrow, an 8th century European centre of learning and culture.
34. The more recent history of the borough is characterised by heavy industries such as shipbuilding, coal mining and engineering. South Tyneside suffered industrial decline in the 1970s and 1980s with severe social and economic consequences. As a result, deprivation is widespread in South Tyneside.
35. The population is reducing overall, and at a faster rate among children and young people. The falling numbers of children and young people and rising numbers of older people in South Tyneside will have a significant impact on how we

provide services, and represents a major challenge for the future.

#### South Tyneside - population facts

- The majority of South Tyneside's population is white British
- 2.7% of South Tyneside's total population and 3.9% of under-18s are from black or ethnic minority communities, mainly Indian and Bangladeshi
- Our total population has fallen from 156,847 in 1993 to 151,300 today and indications are that it may fall as low as c.145,000 by 2020/2021.  
6 out of 10 residents live in neighbourhoods ranked in the 25% most deprived in England.

## Counter Fraud Strategy

### What progress have we made so far?

36. South Tyneside has come a long way in a short space of time. In 2004 we became the only council in the history of the Comprehensive Performance Assessment (CPA) to move directly from 'fair' to 'excellent' and under the new harder test in 2005, we achieved a 3 Star, Improving Well rating.
37. In the 2006 CPA we were awarded the best possible rating by the Audit Commission - judged as an excellent, four-star council, improving strongly. We are one of only 10 Authorities nationally to have achieved the maximum score with top marks in both the direction of travel and overall performance. The results of the 2008 CPA inspection will be published shortly.
38. As part of the LAA Annual Review Government Office North East assess the LSPs performance against the floor targets for crime, education, employment, health, housing and liveability. The LSP is also assessed on the strength of the partnership. Last year (2005/06) saw a marked improvement in overall performance and the LSP retained its 'Green' rating for partnership working and achieved 'Green' status for liveability in the first year of it being monitored.

### 3. Our Vision, priorities & objectives

#### Our vision for counter fraud

39. Our ambitious vision for counter fraud in South Tyneside is:

*We are a leading Council in counter fraud arrangements, an exemplar of good practice and have respect from our stakeholders for our ability in this area.*

*A counter fraud culture is fully embedded throughout the Council and we maintain a balance between risk and control.*

#### Outcomes, Objectives and Priorities

40. To achieve our vision we will:

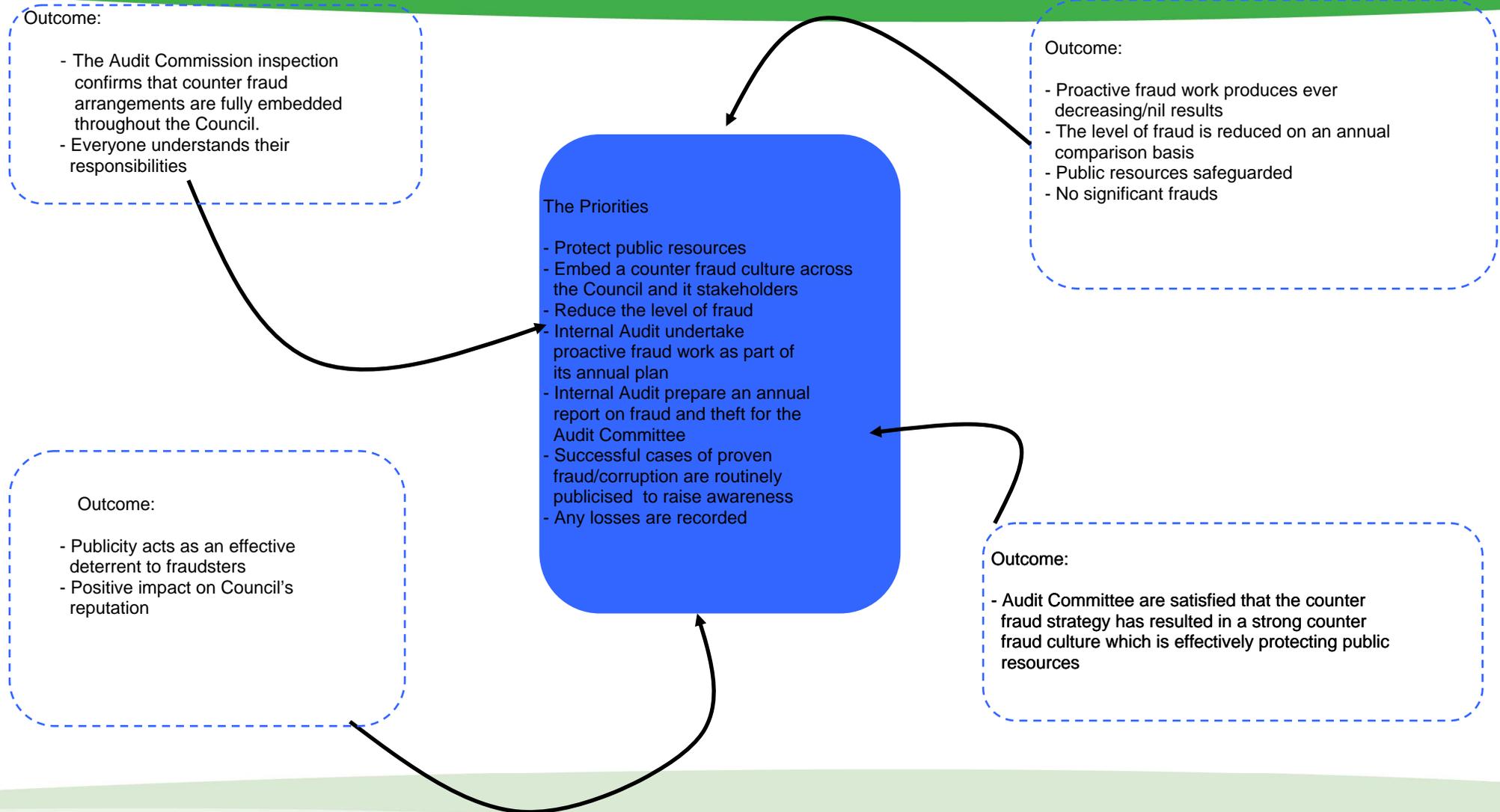
- Ensure that the Council adopts best practices in the implementation of internal controls to prevent and detect fraud and corruption to ensure risks are minimised;
- Design and implement systems to report upon and correct existing and emerging weaknesses in internal controls that could cause damage to the Council or its stakeholders;

- Maximise the resources deployed by the Council to deliver value for money services through the application of sound counter fraud arrangements;
- Safeguard assets - people, financial and property and reduce the cost of loss and incidence of fraud; and
- Create an environment where all staff will assume responsibility for reporting fraud and will have a high level of awareness and confidence in the Council's Whistle Blowing arrangements.

41. This strategy sets out how we will deliver effective counter fraud arrangements for the Council to optimise resources and ensure the public have confidence in the Council and ensure positive outcomes for all of the communities of South Tyneside. We will achieve this by working together to deliver the priorities agreed with our partners in Spirit of South Tyneside.

42. In the figure below, the boxes around the outside show our agreed outcomes and objectives; these are the things we are working to achieve as part of our vision for the next year.

# Counter Fraud Strategy



### 4. What is fraud?

43. The Fraud Act 2006 defines the offence of fraud but many of the offences referred to as fraud are also covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.
44. For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.
45. Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources, including unauthorised personal browsing on the internet, is included in this definition.
46. Taken together, these definitions show that fraudulent behaviour could involve either internal disciplinary action, proceedings in the civil courts or prosecution by the police. Fraud can also be linked to other serious criminal activity taking place outside of the organisation in which it occurs, including extortion and money laundering.

### 5. How do we effectively combat fraud?

47. Our best defence in combating fraud is to have a strong counter fraud culture that is properly communicated and fully embedded.

#### What is a strong counter fraud culture?

48. There are two main elements to this culture:

- The Council's counter fraud strategy; and
- The Council's whistle blowing policy.

49. These set out our responsibilities in relation to these areas, and are key aspects of our system of internal control.

50. The counter fraud strategy outlines the Council's commitment to ensuring that the risk of fraud and corruption is minimised. The Council and its partners will not tolerate fraud and corruption in the administration of their responsibilities, whether from inside or outside the Council. This strategy aims to deter, prevent and detect fraud, corruption or illegality and outlines the action that will be taken where such activities are identified.

51. The whistle blowing policy is to protect employees and the Council's partners making disclosures from reprisals or victimisation for 'whistle blowing' where the disclosure is made in good faith and relates to a concern set out in the policy in accordance with the Public Interest Disclosure Act 1998. The policy provides avenues through which staff and contractors can raise concerns. It is part of the Council's human resources handbook.

#### Other provisions

52. Members of the Council are required to comply with the members code of conduct. It includes provision protecting people from suffering detriment as a result of making a complaint.

53. There are also other provisions in the Constitution that require Members and officers to bring certain matters to the attention of the Head of Corporate Governance, as the Council's Monitoring Officer. These are listed in the Monitoring Officer Protocol approved by Standards Committee.

54. There are also a number of other areas that support the creation of this culture:

## Counter Fraud Strategy

- Fraud awareness training for members;
- Benefits fraud prosecution policy;
- Police referral policy;
- Benefits fraud team;
- Benefits fraud hotline;
- Disciplinary procedures;
- Employees' Code of Conduct;
- Financial Management Standard 16 – Preventing Fraud & Corruption;
- Press publicity given to significant frauds;
- Complaints procedures;
- Participation in the National Fraud Initiative exercise, co-ordinated by the Audit Commission.

55. All Members and staff have been made aware of the policies through email.

56. Posters are displayed in Council buildings.

57. Corporate governance training for Members covers these areas.

58. Training for managers is being delivered as part of the Corporate Assurance module on the Capable Managers

Development programme; other training/awareness options are also being considered.

59. Awareness of the issues is also being raised with the Council's contractors and partners.

### 6. Who is responsible for developing and maintaining a strong counter fraud culture?

60. Counter fraud is everyone's responsibility - by reporting fraud you can make sure that public money is spent where it should be, on services for the community.

#### The Council

61. The Council has an obligation to:

- Develop and maintain effective controls to prevent fraud;
- Carry out vigorous and prompt investigations if fraud occurs;
- Take appropriate legal and/or disciplinary action against perpetrators of fraud, and
- Take appropriate action against managers and supervisors where their failures have contributed to the commissioning of fraud.

#### S151 officer

62. The Head of Finance, as the Council's Section 151 Officer, carries overall responsibility for the prevention of fraud, and is liable to be called to account for specific failures. However, the above responsibilities fall directly on line management and involve **all members and staff** in South Tyneside Council.

#### Internal Audit

63. **Irrespective of the amount involved**, the Financial Management Standards requires that all cases of attempted, suspected or proven fraud shall be reported the Corporate Assurance Manager & Head of Internal Audit who will decide on the appropriate course action. The Internal Audit Team must:

- Ensure the Council has suitable policies and practices in place to safeguard itself against fraud and theft;
- Ensure that it communicates its policy on fraud to staff in a formal policy statement,
- Prepare an annual report on fraud and theft for the Audit Committee; and

## Counter Fraud Strategy

- Investigate cases as per direction from the Corporate Assurance Manager & Head of Internal Audit.

### Managers' responsibilities

64. Day to day responsibility for the prevention and detection of fraud rests with line managers who are responsible for:

- Identifying the risks to which systems, operations and procedures are exposed;
- Developing and maintaining effective controls to prevent and detect fraud, and
- Ensuring that controls are being complied with.

65. The Internal Audit Team is available to offer advice and assistance on control issues and managers are encouraged to make use of this service.

### Staff responsibilities

66. All staff, including managers, is responsible for:

- Acting with propriety in the use of South Tyneside Council resources and in the handling and use of public funds whether they are involved with cash or payment systems,

receipts or dealing with partners, contractors, suppliers or customers;

- Reporting details **immediately** to the Corporate Assurance Manager & Head of Internal Audit if they suspect or believe that there is evidence of irregular or improper behaviour or that a fraud may have been committed.

### Counter fraud response plan

67. The Council has prepared a counter fraud response plan; see [Appendix A](#), which should act as a checklist of actions and a guide to follow in the event that fraud is suspected. It covers:

- Notifying suspected fraud;
- The investigation process;
- Liaison with police and external audit;
- Initiation of recovery action;
- Reporting process.

### Disciplinary Action

68. In the case of proven fraud, or suspected fraud of a serious nature, South Tyneside Council reserves the right to refer the matter to the police at the earliest possible juncture.

## Counter Fraud Strategy

69. Notwithstanding this, and following appropriate investigations, the Corporate Assurance Manager & Head of Internal Audit will, in consultation with relevant officers, advise on whether to invoke action in accordance with established disciplinary procedures.

### Personal Conduct

70. As stewards of public funds all members and staff must have, **and be seen to have**, high standards of honesty, propriety and personal integrity.

71. Members and staff are required to report any potential conflict of interest to the Monitoring Officer (Head of Corporate Governance).

72. Members and staff should not accept gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal judgment and integrity.

73. Further guidance on all aspects of personal conduct and the acceptance of gifts and hospitality is contained in current procedures and, specifically, the Constitution and Terms and Conditions of Service.

**74. South Tyneside Council views fraud very seriously. All instances will be investigated rigorously and promptly and appropriate action will be taken. The policy on the application of sanctions and recovery of losses where Fraud & Corruption has been proven will be applied in a consistent way.**

### Glossary

**Action Plan** – how we intend to achieve our outcomes, objectives and priorities

**Baseline** – the starting position we will measure progress from

**BV** – Best Value

**BVPI** – Best Value Performance Indicator

**CIPFA** – Chartered Institute of Public Finance & Accountancy

**CPA** – Comprehensive Performance Assessment – a nationally prescribed set of standards against which all local authorities are assessed

**Deprivation** – not having access to something most people take for granted

**Diversity** – a wide range of types

**Evaluation** – assessing the success of something

**Inclusion** – measures off what things are like

**Inequalities** – the difference between people who have something and those who don't

**LAA** – Local Area Agreement - a three-year agreement between the Council, its partners and the Government. It sets out the most important priorities for improvement in South Tyneside with clear performance measures and targets. These are the things we must achieve by 2009.

**LNRS** – Local Neighbourhood Renewal Strategy – this outlines our plans for improving life in our disadvantaged areas. The LNRS focuses on narrowing the gaps that currently exist in health, employment, crime, education and other key areas between these neighbourhoods and other parts of the Borough.

**LSP** – Local Strategic Partnership – key representatives of the public, private, voluntary and community sectors who work together to deliver the Community and Neighbourhood Renewal strategies

**Monitoring Officer** – The Head of Corporate Governance is the Council's Monitoring Officer.

## Counter Fraud Strategy

**Neighbourhood Renewal** – improving deprived areas and neighbourhoods

**Objectives** – what we are trying to achieve as part of an overall outcome

**Outcome** – the result of achieving a series of objectives

**Private sector** – businesses

**Public sector** – organisations funded with public money such as Local Councils or the National Health Service

**Section 151 Officer** – The Head of Finance, as Chief Finance Officer carries out these statutory duties.

**Sustainable Community Strategy** – the plans Local Authorities are required to prepare with the LSP for improving the economic, environmental and social well-being of local areas and by which the council is expected to co-ordinate the actions of public, private and voluntary organisations that operate locally. South Tyneside's community strategy sets out the outcomes and objectives for achieving the Local Strategic Partnership's vision for South Tyneside.

**Vision** – a picture of how we want the future to be

## Appendix A - Counter Fraud Response Plan

### Introduction

1. This Counter-Fraud Response Plan provides a checklist of actions and a guide to follow in the event that fraud is suspected. It covers:

- Notifying suspected fraud;
- The investigation process;
- Liaison with police and external audit;
- Initiation of recovery action;
- Reporting process.

2. Its purpose is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud, theft or other irregularity.

### Notifying Suspected Fraud

3. It is important that all members and staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The Public Interest Disclosure Act 1998 (the "Whistle-blowers Act") provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels. The Council's Whistle blowing Policy has been written to protect those reporting

their concerns and encourages people to report any suspected incidents of fraud.

4. In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager. If that is not appropriate, your concerns should be reported upwards to one of the following persons:

- Head of Service (or equivalent);
- Executive Director;
- Corporate Assurance Manager & Head of Internal Audit; or the
- Chief Executive.

5. **All concerns must also be reported to the Corporate Assurance Manager & Head of Internal Audit at the outset by the manager receiving the disclosure.** Internal Audit collate information on all suspected fraud, theft or irregularity and its outcome across the council as part of their determination of the effectiveness of the system of internal control, a key part of the Council's assurance framework.

6. It is the responsibility of the Corporate Assurance Manager & Head of Internal Audit to keep the Head of Corporate Governance (Monitoring Officer) and the Head of Finance

## Appendix A - Counter Fraud Response Plan

(Section 151 Officer) informed of any suspicions of fraud or irregularity.

7. Every effort will be made to protect an informant's anonymity if requested. However, the Council will always encourage individuals to be identified to add more validity to the accusations and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

### The Investigation Process

8. Suspected fraud must be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both the Council and the suspected individual(s). Suspicion must not be seen as guilt to be proven.
9. The investigation process will vary according to the circumstances of each case and will be determined by the Corporate Assurance Manager & Head of Internal Audit in consultation with the Monitoring Officer (Head of Corporate Governance), Executive Director Regeneration & Resources, Chief Executive and the appropriate Executive Director. An

"Investigating Officer" will be appointed to take charge of the investigation on a day-to-day basis. This will normally be an Audit Manager reporting to the Corporate Assurance Manager & Head of Internal Audit on a daily basis or, exceptionally, another independent manager.

10. The Investigating Officer will appoint an investigating team. This will normally comprise staff from within the Internal Audit Team but may be supplemented with other resources from within the Council or from outside.
11. Where initial investigations reveal that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. This decision will be taken by the relevant Head of Service in consultation with the Head of Organisational Development & People and the Investigating Officer. Suspension is not a disciplinary action nor should it imply guilt.
12. The process will follow the guidelines set out in South Tyneside Council's Terms and Conditions of Service relating to such action.

## Appendix A - Counter Fraud Response Plan

13. It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed. The investigating team will therefore take immediate steps to secure physical assets, including computers and any records thereon, and all other potentially evidential documents. They will also ensure, in consultation with management, that appropriate controls are introduced to prevent further loss.
14. The Investigating Officer will ensure that a detailed record of the investigation is maintained. This should include a chronological file recording details of all telephone conversations, discussions, meetings and interviews (with whom, who else was present and who said what), details of documents reviewed, tests and analyses undertaken, the results and their significance. Everything should be recorded, irrespective of the apparent significance at the time.
15. All interviews will be conducted in a fair and proper manner. Where there is a possibility of subsequent criminal action, the police will be consulted and interviews may be conducted under caution in compliance with the Police and Criminal Evidence Act (PACE) which governs the admissibility of evidence in criminal proceedings.
16. Findings of the investigation will be reported to the Corporate Assurance Manager & Head of Internal Audit, the relevant Head of Service and Executive Director, and Head of Organisational Development & People who will determine, in consultation with the Investigating Officer, what further action (if any) should be taken.

## Appendix A - Counter Fraud Response Plan

### Liaison with Police & External Audit

17. The police generally welcome early notification of suspected fraud, particularly that of a serious or complex nature. Some frauds will lend themselves to automatic reporting to the police (such as theft by a third party). For more complex frauds the Head of Corporate Governance, following consultation with the relevant Executive Director, Head of Organisational Development & People, Corporate Assurance Manager & Head of Internal Audit and the Investigating Officer, will decide if and when to contact the police.
18. The Corporate Assurance Manager & Head of Internal Audit will report suspected frauds to the external auditors at an appropriate time.
19. All members and staff will co-operate fully with any police or external audit enquiries, which may have to take precedence over any internal investigation or disciplinary process. However, wherever possible, teams will co-ordinate their enquiries to maximise the effective and efficient use of resources and information.

### Initiation of Recovery Action

20. The Council will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud.
21. This will be agreed by the Head of Corporate Governance in conjunction with the Corporate Assurance Manager & Head of Internal Audit and the Investigating Officer.

### Reporting Process

22. Throughout any investigation, the Investigating Officer will keep the Corporate Assurance Manager & Head of Internal Audit, Head of Corporate Governance, relevant Head of Service and Executive Director and Head of Organisational Development & People informed of progress and any developments.
23. On completion of the investigation, the Investigating Officer will prepare a full written report setting out:
  - Background as to how the investigation arose;

## Appendix A - Counter Fraud Response Plan

- What action was taken in response to the allegations;
- The conduct of the investigation;
- The facts that came to light and the evidence in support;
- Action taken against any party where the allegations were proved;
- Action taken to recover any losses;
- Recommendations and/or action taken by management to reduce further exposure and to minimise any recurrence.

24. A copy of the above report will be restricted to only relevant staff.

25. In order to provide a deterrent to other staff a brief and anonymised summary of the circumstances will be published on the **Internal Audit web page**.

## Dos and Don'ts

DO	DON'T
<p><b>Make a note of your concerns</b></p> <ul style="list-style-type: none"> <li>Record all relevant details, such as the nature of your concern, the names of parties you believe to be involved, details of any telephone or other conversations with names dates and times and any witnesses.</li> <li>Notes do not need to be overly formal, but should be timed, signed and dated.</li> <li>Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened.</li> </ul>	<p><b>Be afraid of raising your concerns</b></p> <ul style="list-style-type: none"> <li>The Public Interest Disclosure Act provides protection for employees who raise reasonably held concerns through the appropriate channels.</li> <li>You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially</li> </ul>

DO	DON'T
<b>Report your suspicions promptly</b>	<b>Approach the person you suspect or try to investigate the matter yourself</b>
<ul style="list-style-type: none"> <li>• In the first instance, report your suspicions to your line manager. If this action would be inappropriate, further guidance on disclosure can be found in the Fraud Response Plan and South Tyneside Council's Whistle-blowing Policy.</li> <li>• Additionally, all concerns must be reported to the Corporate Assurance Manager &amp; Head of Internal Audit.</li> </ul>	<ul style="list-style-type: none"> <li>• There are special rules relating to the gathering of evidence for use in criminal cases. Any attempt to gather evidence by persons who are unfamiliar with these rules may destroy the case.</li> </ul>

DO	DON'T
<b>Retain any evidence you may have</b>	<b>Convey your concerns to anyone other than authorised persons</b>
<ul style="list-style-type: none"> <li>The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective investigation.</li> </ul>	<ul style="list-style-type: none"> <li>There may be a perfectly reasonable explanation for the events that give rise to your suspicion. Spreading unsubstantiated concerns may harm innocent persons.</li> </ul>

**Report your concerns promptly to:**

**Brian Dawson, Corporate Assurance Manager & Head of Internal Audit**

**Tel: 0191 4247062**

**Mobile 0797 751 9675**

**Peter Hunter, Audit Manager**

**Tel 0191 424 7069**