



# **THE NEWCASTLE CHARTER**

## **Part 5.3B - POLICY STATEMENT ON FRAUD AND CORRUPTION**

## **Notes:-**

**This constitutes a local protocol and not part of the statutory code of conduct for members under the Localism Act 2011. It has to be read in conjunction with the statutory code (Part 5.2A)**

It has been amended to take account of the new constitution.

## **Statutory Sources**

Local Government Act 1972, s. 151

## **NEWCASTLE CITY COUNCIL**

### **POLICY STATEMENT ON FRAUD AND CORRUPTION**

#### **1. THE COUNCIL'S COMMITMENT**

Newcastle City Council is committed to sound corporate governance and supports the Nolan Committee's 'Seven Principles of Public Life' for the conduct of Council Members and employees, namely:

- selflessness;
- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

The Council seeks firstly to prevent fraud and corruption but will take all action necessary to identify fraud and corruption if suspected, and pledges to pursue the recovery of losses and the suitable punishment of those responsible.

Fraud and corruption cheats the local tax payers who have the right to expect members and staff to perform their functions in an honest and proper manner.

The strategy is designed:

firstly, to prevent fraud and corruption; but where it does occur, to detect it and investigate it in a correct and agreed manner.

#### **2. PREVENTION**

Prevention will be achieved via:

- staffing policies;
- making members aware of their responsibilities;
- internal control systems;
- forming liaisons.

##### **2.1 Staff**

As a major public employer, the City Council is obliged to maintain, and is entitled to expect, high standards of conduct among its employees to ensure that public confidence in their integrity and impartiality is not undermined. The public is entitled to demand conduct of the highest standard and that staff work honestly and without bias in order to achieve the Council's objectives.

The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the propriety and integrity of potential staff. In

this regard temporary and contract staff are treated in the same manner as permanent staff.

Directors should ensure that procedures laid down by the Authority in the Recruitment and Selection Guidelines and Code of Practice are followed and in particular, written references are obtained before employment offers are confirmed.

Staff of the Council are expected to follow the Council's Code of Official Conduct which includes regulations regarding the registration of interests, gifts and hospitality (Part 5.2C of the Constitution). Staff are reminded that under the City Council's Standing Orders, they must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the City Council, or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration.

The Council recognises that the continuing success of its anti-fraud and corruption strategy and its general credibility, will depend largely on the effectiveness of its training programmes and the responsiveness of staff throughout the organisation. To facilitate this, the Council supports the concept of induction and continuing training and staff appraisal, particularly for staff involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The Council has in place a Disciplinary Procedure for all categories of its staff and the possibility of disciplinary action against staff who ignore such training and guidance is clear.

## **2.2 Members**

Members are expected to operate honestly and without bias. Their conduct is governed by:

- the Code of Conduct for Members (Part 5.2A of the Constitution)
- the Protocol Member/Officer Relations (Part 5.4A of the Constitution)
- Protocol Use of Council Equipment (Part 5.4B of the Constitution)
- City Council Standing Orders

These matters are specifically brought to the attention of Members at the Induction Course for New Members and are in the Member's Handbook. They include rules on the declaration and registration of potential areas of conflict between Members' City Council duties and responsibilities, and any other areas of their personal, or professional lives.

## **2.3 Internal Control System**

The internal control system comprises the whole network of financial, operational and managerial systems established within the Council to ensure that its objectives are achieved and in the most economic and efficient manner.

The Financial Regulations of the Council provide the framework for financial control. Under Financial Regulations Directors are required to ensure that:

- arrangements, guidelines and procedures for the proper administration of their directorate's or service's financial affairs are operated in accordance with Financial Regulations;
- the Chief Finance Officer is informed where there has been a failure to comply with Financial Regulations, or where amendment or revision of a regulation is considered necessary;
- the Chief Finance Officer is informed as soon as possible of any matters involving, or suspected of involving, irregularity in the use of Council resources or assets.

The Council's internal audit service independently monitors the existence, appropriateness and effectiveness of internal controls.

## **2.4 Liaison**

Arrangements are in place now and will continue to develop which encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity.

The City Council acknowledges that in order to prevent fraudsters using multiple identities and addresses, it cannot afford to work in isolation and must liaise with other organisations. To this end the City Council has fostered a number of external contacts which include:

- Northumbria Police
- Tyne & Wear District Treasurers
- Audit Commission and District Auditor
- Universities and Colleges
- H.M. Immigration Office
- DSS
- The Benefits Agency
- Federation Against Software Theft (F.A.S.T.)

All liaisons are subject to adherence to Data Protection Legislation and regard to the confidentiality of information.

## **2.5 Bribery Act 2010**

Under the Bribery Act 2010, it is an offence for anyone to:-

1. Bribe another person
2. Be bribed
3. Bribe a foreign public official

There is also a 'corporate offence' of failing to prevent bribery. Under this, the Council will be guilty of an offence if an "associated person" bribes someone else intending to obtain or retain business, or a business advantage, for the Council. "Associated persons" may include employees, agents and subsidiaries.

Under this Policy Statement, any officer or Member who becomes aware of an offence under the Bribery Act 2010 should report it to the s 151 officer, the Head of Audit and Risk or the Monitoring Officer.

### **3 DETECTION AND INVESTIGATION**

Where fraud and corruption still happen, systems should assist in revealing the occurrences and people should be encouraged to do likewise. They must then be investigated in a fair and impartial manner.

#### **3.1 Detection**

The array of preventative systems, particularly internal control systems and Audit, within the Council generally should be sufficient in themselves to deter fraud, but they have also been designed to provide indications of any fraudulent activity

The Council's staff are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on any issues associated with the Council's activities. They can do this in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary, a route other than a line manager may be used to raise such concerns. Examples of possible routes are:

- Internal Audit Service;
- Chief Finance Officer
- Chief Executive or Directors;
- Assistant Director Legal Services, as Council's monitoring officer.

Members of the public are also encouraged to report concerns through any of the above routes or, if appropriate, through the Council's complaints procedure.

If staff feel unable to raise their concerns through any of the internal routes, then they may wish to raise them through Public Concern at Work (telephone 020 74046609), a registered charity whose services are free and strictly confidential.

[See also Policy for Confidential Reporting of Concerns ("Whistleblowing") - Part 5.3A of the Newcastle Charter]

The Code of Conduct requires staff of the City Council to report any illegality or impropriety to their manager or supervisor. Financial regulations require the Chief Finance Officer and Directors to investigate matters which involve, or may involve financial irregularity.

#### **3.2 Investigation**

Depending on the nature and the anticipated extent of the allegations, Internal Audit will normally work closely with management and other agencies, such as the police, to ensure that all allegations are properly investigated and reported upon and where appropriate, maximum recoveries are made for the Council. The follow up of any allegation of fraud and corruption received will be through agreed procedures which ensure that:

- matters are dealt with promptly;
- all evidence is recorded;

- evidence is sound and adequately supported;
- all evidence is held securely;
- where appropriate, the police and Council's Insurance Officer are notified;
- the Council's Disciplinary Procedures are implemented;
- the rules of natural justice are incorporated.

The procedures and reporting lines are an integral part of the Council's anti-fraud strategy which ensures:

- consistent treatment of information about fraud and corruption;
- proper investigation by an independent and experienced audit team;
- the proper implementation of a fraud investigation plan;
- restitution or compensation;
- the optimum protection of the City Council's interests.

Where financial impropriety is discovered, referral to the police is a matter for the Chief Finance Officer, in consultation with the relevant Directors.

In deciding whether to recommend referral the following factors are taken into account:

- the amount of the loss and duration of the offence;
- the suspect's physical and mental condition;
- voluntary disclosure and arrangement for restitution;
- how strong the evidence is.

The Council's Disciplinary Procedures will be used as appropriate irrespective of police involvement or not.

There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse, such as raising unfounded malicious allegations may be dealt with as a disciplinary matter and may leave the complainant open to an action for defamation.

The External Auditor also has powers to investigate independently fraud and corruption and the City Council can make use of these services.

#### **4 SUMMARY**

The Council has a clear commitment to minimising the possibility of corruption and theft or other misuse of public money and assets. It pledges to prevent fraud and corruption but to take all action necessary to identify fraud and corruption if suspected, and pursue the recovery of losses and the punishment of those responsible.

The Council's employees and Members are expected to have the highest standards of conduct and to be vigilant in combating fraud and corruption in all its guises.

The Council has implemented a clear network of systems and procedures to assist in the fight against fraud and corruption. These arrangements will keep pace with any future developments, in both preventative and detection techniques regarding fraudulent or corrupt activity, that may affect its operation or related responsibilities.