

SOUTH DERBYSHIRE DISTRICT COUNCIL
ANTI-FRAUD AND CORRUPTION STRATEGY

Version 2 – date as approved

1.0 INTRODUCTION

- 1.1 South Derbyshire District Council is committed to the prevention, deterrence and investigation of all forms of fraud and corruption. This Strategy provides a framework to enable the Council to do this.
- 1.2 Over recent years public confidence in Local Councils has been tainted by allegations of impropriety at a national level with M.P's investigated by the Nolan Committee. At a more local level, Public Interest Reports issued by the District Auditor in Council's such as Doncaster have stimulated public concern.
- 1.3 The result is that all Councils must not only have proper arrangements in place to prevent fraud and corruption but that they must be able to demonstrate this clearly to members of the public that they serve.
- 1.4 Members, Managers & Council Officers must work together to ensure that this happens. They all have a key role to play, which is outlined within this strategic document..
- 1.5 The Chief Finance Officer in his statutory role of Section 151 Officer has a statutory responsibility to make sure that the Council has adequate arrangements in place to prevent Fraud and Financial Irregularity
- 1.6 The Council is committed to ensuring that it keeps up to date with best practice as followed by other Local Authorities and proposed by local government associations.

2. CORPORATE GOVERNANCE

- 2.1 The Anti-fraud and corruption strategy comes under the much wider umbrella of Corporate Governance that looks at the whole range of processes and procedures that need to be put in place to protect public assets and deliver effective local services.
- 2.2 Risk Management is another key aspect of Corporate Governance that links closely to an Anti-Fraud and Corruption Strategy. Effective risk management looks at the risk of service failure/financial loss etc and takes pro-active steps to put processes and procedures in place to help prevent this happening or to deal with the occurrence quickly and effectively.

3. DEFINITION OF FRAUD AND CORRUPTION

3.1 Fraud is defined as

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.

This definition does not include misappropriation or petty theft without the distortion of financial statements or other records. This document, however, is intended to cover all financial irregularities, which may affect the authority, including theft

3.2 Corruption is defined as

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

4. CULTURE

4.1 The starting point for any Strategy is the Culture of the Organisation. The Council is determined that its own culture is one of honesty and opposition to fraud and corruption of any kind.

4.2 All Council staff and members take a pro-active stance in ensuring this is the case by:-

- Acting with integrity in all their dealings
- Conforming with professional codes of conduct (where applicable)
- Leading by example.

4.3 All organisations dealing with the Council, including suppliers, voluntary agencies and community groups are similarly expected to act with open-ness and honesty in their dealings with the Council.

Raising Concerns

4.4 It is essential that Council staff can and do raise concerns over any financial irregularity at an early stage. Failure to do this will be viewed as a very serious matter with potential disciplinary consequences.

4.5 Heads of Department and Divisional Managers should also strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. They should also ensure that any information provided is treated with the utmost confidence. If Managers are unsure of the appropriate action they should consult the internal audit section.

ANTI – FRAUD & CORRUPTION STRATEGY

- 4.6 Legislation protects “whistle blowers” and the Council’s approach to this is set out clearly in the “whistle blowing” policy appended to this strategy at Appendix A.
- 4.7 Normally, concerns can be raised directly with a member of staff’s line manager. However, where this is not appropriate, there are a number of other contact points:-
- Audit Manager
 - Chief Finance Officer
 - Chief Executive and Heads of Department
 - Personnel & Development Manager
- 4.8 Members of the Public can raise their concerns via the complaints procedure or indeed via their local councillor.
- 4.9 In exceptional circumstances concerns can also be raised with:-
- The District Auditor
 - Public Concern at Work (*tel: 0207 404 6609*)
- 4.10 Management and Members are responsible for ensuring that any concerns that are raised with them are acted on. This involves:-
- Making contact with the Audit Manager (where necessary the Audit Manager will make contact with the Council’s Insurance Officer).
 - Recording all evidence received
 - Ensuring evidence is kept secure
- 4.11 Internally, Members and Senior Managers are also required to implement the Council’s disciplinary procedures where investigations demonstrate that financial irregularity has occurred within the Council.
- 4.12 Externally, the Council will refer any cases of attempted fraud to the police and or pursue prosecution in accordance with its prosecution policy.
- 4.13 The Council wishes to ensure that the investigation process is not misused by anyone, who may make malicious allegations. The Council will invoke its Disciplinary Procedures against any Council employees making such malicious allegations. Clearly the Council’s whistle-blowing policy protects any council staff who express genuine concerns.

5. PREVENTION

Members

- 5.1 As elected representatives, all Members of the Council have a duty to the citizens of South Derbyshire to protect the assets of the Council from all forms of abuse. This is done through the adoption of the anti-fraud and corruption policy statement and by compliance with the National Code of Conduct for Members.
- 5.2 In addition, Members have a duty to provide sufficient resources to allow it to fulfill its obligation under the Accounts and Audit Regulations 2003, to provide an adequate and effective internal audit of the accounting records and control systems.
- 5.3 Elsewhere Members are governed by:-
- National Code of Local Government Conduct
 - Local Member Codes of Conduct
 - Council Constitution

Internal Controls

- 5.4 As mentioned previously the Chief Finance Officer has a statutory duty under S151 of the Local Government Act 1972 to ensure adequate procedures and systems are in place to protect against Fraud and Financial Irregularity.
- 5.5 A key tool to help him achieve this are financial regulations which set out the procedures that all staff are expected to follow to achieve the proper administration of Council Finances.
- 5.6 New financial regulations based on the national C.I.P.F.A. model were introduced in April 2002.
- 5.7 The Chief Finance Officer alone cannot ensure proper financial administration. He relies on the support of Internal Audit and the Council's Management to achieve this on a daily basis. Their roles are set out below.

Management

- 5.8 All Heads of Department shall maintain proper financial controls within their departments and shall be responsible for the prevention, detection and resolution of fraud and irregularities.
- 5.9 Where Heads of Department delegate responsibility to Divisional Managers, the limits of the delegation must be set out clearly to the manager concerned and monitored effectively by the Head of Department.

- 5.10 Management at all levels are responsible for ensuring that their staff are aware of the authority's Constitution and Financial Procedure Rules and Regulations and that the requirements of each are being met.
- 5.11 Managers must also ensure that appropriate procedures are in place to safeguard the resources for which they are responsible. This includes making sure that staff within their division are trained adequately on the financial procedures that they are expected to operate.
- 5.12 All Managers are required to follow Council recruitment procedures. References and qualifications of all proposed new employees should be thoroughly checked prior to a position being offered. Any anomalies at this stage must be investigated thoroughly. Also CRB (Criminal Records Disclosures) should be undertaken for relevant posts.
- 5.13 Similarly managers should monitor leave arrangements to ensure that annual leave is being taken. Failure to take annual leave can raise concern over potentially fraudulent activity.
- 5.14 Advice and assistance can always be obtained from the Internal Audit Section

Internal Audit

- 5.15 The Audit Section prepares a rolling four year audit programme. This aims to prioritise audit work using a risk-based audit model. This helps to direct audit resources towards areas of greatest risk of fraud and or where any potential fraud could have a significant financial impact upon the Council.
- 5.16 Essentially, internal audit helps to monitor adherence to financial regulations and financial procedures. It helps to provide managers with assurance that systems are working effectively to prevent fraud. Where this is not the case it will recommend the action that managers must take to strengthen their systems. All managers are expected to take prompt and effective action to implement audit recommendations in relation to the prevention of fraud and financial irregularity.
- 5.17 Internal Audit investigate cases of suspected financial irregularity. They also provide advice on the creation of new systems, where Council procedures change.

District Audit

- 5.18 At an independent level, the District Auditor, as external auditor to the Council reviews on the adequacy of procedures in place to prevent and detect fraud and corruption. This is carried out as part of the annual audit and their overall conclusions are reported in their Audit Letter.
6. **DETERRENCE**

Investigation

- 6.1 All cases of suspected Fraud will be investigated by the Internal Audit Team. Investigations will be carried out according to agreed guidelines already produced by internal audit and set out at Appendix C.
- 6.2 All Council Employees are required to co-operate fully with such investigations by:-
- Making available whatever Council records are requested by Internal Audit Staff
 - Answering any questions that internal audit staff may have in the course of the investigation.

Prosecution

- 6.3 The authority has adopted a prosecution policy for dealing with anyone who defrauds the Council. This is set out at Appendix B. The policy is designed to deter others from committing offences against the authority.

Disciplinary Action

- 6.4 Theft, fraud and corruption are serious offences against the authority which could constitute gross misconduct if proven. Employees will face disciplinary action if there is evidence that they have been involved in these activities. The Council will also consider whether to refer such cases to the Police for criminal prosecution.

Publicity

- 6.5 Where a case is referred to the police for criminal proceedings and is subsequently brought to court, the press officer is advised so that a reporter can attend court to cover the story. It is hoped that any resultant publicity will act as a deterrent to potential fraudsters.

7. TRAINING & AWARENESS

- 7.1 The Audit Manager will undertake regular induction and update sessions for new and existing Council Officers to raise and maintain their awareness of fraud issues.
- 7.2 This will be supported by Heads of Department and Divisional Managers who will ensure that their staff have adequate training for the administrative systems that they use and the financial controls within them.

SOUTH DERBYSHIRE DISTRICT COUNCIL

**CONFIDENTIAL REPORTING CODE
(Whistle Blowing Procedure)**

**Personnel Services
September 1999**

1. PREAMBLE

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However they may not wish to express their concerns because they feel that speaking up would be disloyal to their colleagues or the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.3 This policy document makes it clear that you can do so without fear of victimisation , subsequent discrimination or disadvantage. ***This Confidential Reporting Policy is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem or "blowing the whistle" outside.***
- 1.4 The policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders, drivers,. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 1.5 These procedures are **in addition to** the Council's complaints procedures and other statutory reporting procedures applying to some departments. Heads of Service are responsible for making service users aware of the existence of these procedures.
- 1.6 This policy has been discussed with the relevant trade unions and has their support.

2. THE RESPONSIBLE OFFICER

- 2.1 The Chief Executive has overall responsibility for the maintenance and operation of this policy. The Head of Personnel will maintain a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council

3. AIMS AND SCOPE OF THIS POLICY

- 3.1 This policy aims to:
 - encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice.
 - provide avenues for you to raise those concerns and receive feedback on any action taken.
 - ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied.
 - reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.

3.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment.

The Confidential Reporting Policy is intended to cover major concerns that fall outside the scope of other procedures. These include:

- conduct which is an offence or a breach of law.
- disclosures related to miscarriages of justice.
- health and safety risks, including risks to the public as well as other employees.
- damage to the environment.
- the unauthorised use of public funds.
- possible fraud and corruption.
- sexual or physical abuse.
- or other unethical conduct.

3.3 Thus, any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Council or others acting on behalf of the Council can be reported under the Confidential Reporting Policy. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or is against the Council's Standing Orders and policies; or falls below established standards of practice; or amounts to improper conduct.

3.4 This policy does not replace the corporate complaints procedure.

4. SAFEGUARDS

4.1 Harassment or Victimisation

4.2 The Council is committed to good practice and high standards and wants to be supportive of employees.

4.3 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.

4.4 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.

4.5 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

5. CONFIDENTIALITY

5.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

6. ANONYMOUS ALLEGATIONS

6.1 This policy encourages you to put your name to your allegation whenever possible.

6.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.

6.3 In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised,
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

7. UNTRUE ALLEGATIONS

7.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

8. HOW TO RAISE A CONCERN

8.1 As a first step, you should normally raise concerns with your immediate manager or their superior. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved, you should approach the Chief Executive, Deputy Chief Executive, Head of Personnel, Audit Manager.

8.2 Concerns may be raised verbally or in writing. Staff who wish to make a written report are invited to use the following format:

- the background and history of the concern (giving relevant dates);
- the reason why you are particularly concerned about the situation.

8.3 The earlier you express the concern the easier it is to take action.

8.4 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

8.5 Advice/guidance on how to pursue matters of concern may be obtained from:

- Chief Executive - Direct Line 595700
- Deputy Chief Executive - Direct Line 595790

- Head of Personnel - Direct Line 595729
- Audit Manager - Direct Line 595706

8.6 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

8.7 You may be accompanied by a trade union or other representative during any meetings or interviews in connection with the concerns you have raised.

9. HOW THE COUNCIL WILL RESPOND

9.1 The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

9.2 Where appropriate, the matters raised may:

- be investigated by management, internal audit, or through the disciplinary process.
- be referred to the police.
- be referred to the external auditor.
- form the subject of an independent inquiry.

9.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.

9.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

9.5 Within ten working days of a concern being raised, you will receive a letter:

- acknowledging that the concern has been received.
- indicating how we propose to deal with the matter.
- giving an estimate of how long it will take to provide a final response.
- telling you whether any initial enquiries have been made.
- supplying you with information on staff support mechanisms, and telling you whether further investigations will take place and if not, why not.

9.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

9.7 Where any meeting is arranged, off-site if you so wish, you can be accompanied by a trade union or other representative.

9.8 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.

9.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

10. HOW THE MATTER CAN BE TAKEN FURTHER

10.1 This policy is intended to provide you with an avenue within the Council to raise concerns. The Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- the designated independent person or organisation nominated for the purpose by the Council.
- the external auditor.
- your trade union.
- your local Citizens Advice Bureau.
- relevant professional bodies or regulatory organisations.
- a relevant voluntary organisation.
- the police.

10.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with the contact point about that.

Prosecution Policy - Housing Benefit and Council Tax Benefit

1. The terms of reference for the Investigations Officer are as follows:
 - a) to establish and develop procedures and working practices in relation to the detection and investigation of suspected benefit fraud,
 - b) to carry out routine duties to identify fraudulent claims,
 - c) to keep accurate records of fraud investigations and results achieved,
 - d) to assist with prosecution, where appropriate, when a case of fraud is suspected.
2. The Revenue Manager will be responsible for determining when a case of suspected fraud warrants prosecution, following consultation with the Prosecution Panel.
3. The Prosecution Panel will consist of five named posts with a minimum of three in attendance, one of whom must either be the Revenue Manager or the Benefits/Cash Office Manager. The remaining named posts will be 2 Benefit Officers and the Benefit Investigations Officer.
4. The Prosecution Panel will consider evidence on all Housing and Council Tax Benefit cases where a fraud has been proven irrespective of whether an overpayment of benefit has arisen.
5. When deciding whether to approve a prosecution, the Prosecution Panel will consider the following factors:
 - a) *the amount of the overpayment of benefit (if applicable)*
 - b) *The period of fraud*
 - c) whether there is sufficient admissible evidence
 - d) whether the prosecution would be in the public interest
 - e) the age, mental and physical health, and family circumstances of the claimant.
 In cases where these criteria are met the Council will consider prosecution.
6. *For fraudulent claims netting an overpayment of between £0 and £499, and where an offence has been admitted by the claimant, The Revenue Manager will have the discretion to prosecute if he feels it would be in the public interest. If, however, he feels it would not be in the public interest to prosecute, he has the discretion to offer the claimant a Formal Caution as an alternative to prosecution.*
7. For fraudulent claims netting an overpayment of between £500 and £2500, The Revenue Manager will have the discretion to prosecute if he feels this would be in the public interest. If however, he feels it would not be in the public interest to prosecute, he has the discretion to offer the claimant an Administrative Penalty as an alternative to Prosecution.
8. For fraudulent claims netting an overpayment of above £2500, the Council will prosecute, subject to the personal circumstances of the claimant as above.
9. *Before deciding whether to offer the claimant a formal caution or an Administrative Penalty as an alternative to prosecution, the Benefit Investigations Officer will make enquiries with the Professional Standards Unit to establish whether a Formal Caution or Administrative Penalty has previously been accepted by the claimant for an earlier offence.*
10. *In cases where it is established that the claimant has previously accepted a Formal Caution or an Administrative Penalty for an earlier offence, the Council will proceed with a prosecution against the claimant for the current offence.*
11. *In cases where a Formal Caution is to be offered as an alternative to prosecution, the claimant will be invited to attend an interview with the Chief Finance Officer or his nominee where the option of a formal caution will be discussed. If the claimant accepts the caution, a written copy of the acceptance will be signed by the claimant and no further action will be taken against the claimant for an offence.*

12. In cases where an Administrative Penalty is to be offered as an alternative to prosecution, the claimant will be invited to attend an interview with the Benefits/Cash Office Manager where the option of a penalty will be discussed. If the claimant accepts the penalty, a written agreement will be made between the Council and the claimant and no further action will be taken against the claimant for the offence.
13. If the claimant fails to accept a penalty the case will be referred back to the Prosecution Panel with a recommendation to prosecute.
14. If the claimant wishes to withdraw his acceptance of the penalty within 28 days of signing the agreement, the claimant will be invited to attend a further interview with the Benefit/Cash Office Manager. A formal written statement will be taken from the claimant confirming his withdrawal from the agreement and the case will be referred back to the prosecution panel with a recommendation to prosecute.
15. All files held by the Investigations Officer will contain a report detailing the reasons and criteria used for either pursuing or not pursuing prosecution. These files and reports will contain personal and confidential information and will not be available for general or public access, subject to the terms of the Data Protection Act. The subject of the investigation will, however, have access.
16. The Revenue Manager will be responsible for the publicising of prosecutions. The Council will seek to achieve maximum publicity for successful prosecutions giving full consideration to the personal circumstances of the claimant.
17. In exceptional circumstances the Council will request the courts to issue an order forbidding the publication of certain information relating to the details of the investigation, to protect the identity and personal safety of staff.
18. The requirement of the current 'Code for Crown Prosecutors' will be applied.
- 19.16. The provisions of the Regulation of Investigatory Powers Act 2000 will be applied

Prosecution under s.111 of the Social Security Administration Act 1992

1. S.109(a) & 110(a) of the Social Security Administration Act 1992 provides for the appointment of an Authorised Officer or the purpose of obtaining evidence relative to an investigation into suspected Housing Benefit and Council tax Benefit frauds. S.109(b) & (c) of Social Security Administration Act 1992 provides that the Authorised Officer may obtain evidence by written request from a person who holds information about the subject of the investigation, and by conducting visits to premises where information about the subject of the investigation is held.
2. In cases where enquiries are made under s.109(b) & (c) of the Social Security Administration Act but the person from which the information is sought:
 - a) unreasonably delays the supply of the information,
 - b) causes obstruction to the supply of information,
 - c) in the case of visits to premises, refuses entry to those premises, and
 - d) in the case of visits to premises, asks the authorised officer to leave the premises,the case will be referred to the Prosecution Panel who will also consider whether it would be appropriate to proceed with a prosecution against the person from which the information was sought under s.111 of the Social Security Administration Act 1992.

SOUTH DERBYSHIRE DISTRICT COUNCIL

FINANCE AND IT DEPARTMENT

INTERNAL AUDIT

INVESTIGATION PROCEDURES AND PROCESSES

1. INTRODUCTION

This document sets out the procedures that internal audit will follow when conducting a special investigation concerning fraud or financial irregularity.

Allegations or referrals for special investigations, may originate from Chief Officers, Members, Staff or the public. They may also arise following routine audit work or the Whistle-Blowing procedure.

The outcome of such investigations may lead to disciplinary action and/or criminal proceedings.

2. FORM OF ALLEGATION/REFERRAL

Investigation work arises in various forms dependent on the source:

- i. General routine audit work may identify potential financial irregularity. Circumstances may arise which suggest fraud or corruption. Evidence will be available from the initial audit which will identify possible financial irregularity.
- ii. Allegations received directly or through the Whistle-Blowing procedure may be verbal or in writing. If the allegations are sufficiently detailed in writing then an investigation will take place on that basis. If these are verbal or insufficiently detailed then the person making the allegation will be interviewed to determine the details and nature of the allegation.
- iii. Council Members, managers or staff may refer investigation work in which a given set of circumstances has come to light which suggests the possibility of financial irregularity.
- iv. Anonymous allegations will not be investigated outside of the Council's whistle-blowing procedures.

3. ACTION

- a. If the allegation or referral suggests financial irregularity or a criminal offence may have been committed, then the Chief Finance Officer must be informed immediately by the Audit Manager. Details of the individual (s) and circumstances involved will be passed to the Chief Finance Officer.
- b. If the allegation or referral relates to possible theft of council plant, machinery, equipment, or other assets, the person referring the matter, should seek advice from

Internal Audit as to whether the matter should be referred to the Police. The division should also submit the appropriate insurance claims to the Finance Department. There should be no need for audit to get further involved in these circumstances.

- c. If the allegation/referral does not refer to any financial loss having been incurred by the Council, the person referring the matter, should be advised to refer the matter to the Chief Officer of the appropriate department. Further audit involvement should not be necessary.

4. PRELIMINARY INQUIRIES

- a. On receipt of an allegation/referral, the audit manager will organise a preliminary investigation, to assess if there is substance to the allegations/referral. The object of this part of the inquiry, is to establish the basic details, assess if there is prima facie evidence which could lead either to council disciplinary action, and/or criminal prosecution. The emphasis is on materiality.
- b. This process will involve initial discussion with the person making the allegation or the manager of the service area which is the subject of the referral.
- c. The Audit Manager will then decide in conjunction with the Chief Financial Officer whether to proceed with a special investigation.
- d. If the investigation is perceived as being potentially significant then the Audit Manager/Investigation Auditor will then agree terms of reference with the Chief Finance Officer and the appropriate Divisional Manager. These will establish the initial areas of investigation and potential interviewees. These may change during the course of the audit.

5. AUDIT INQUIRY

- a. Audit investigations, in particular, evidence gathering exercises are time consuming and can take anything from a few days to several months to complete. An estimate of the projected completion date for the audit will be made. The Chief Finance Officer will be informed at all stages.
- b. If staff implicated in the inquiries are under suspension then efforts will be made to conclude the investigation as soon as possible.
- c. If appropriate, documents should be obtained - top copies if possible - if not, signed and dated photocopies are acceptable.
- d.. Auditor(s) will gather information from all sources. This will include examining systems, records, questioning individuals and obtaining verifications.

6. INTERVIEWS

- i. Interviews, if necessary, must be held at an early stage in the inquiry, with the person/s making the allegation/referral. The interview must be attended by two audit officers, and notes taken of the discussion. The interviewee will receive a copy of the notes and they should confirm they are a correct record and sign to that effect. Original notes will be kept and as far as possible the source will remain confidential .

The exact substance of the allegations/complaints must be established if it is not clear from any written submission from the person making the allegation.

- ii Internal audit may question a range of staff to gather/confirm facts in the course of an audit investigation. If during those investigations suspicions arise identifying a need for an interview then the interview process is invoked.
- iii. If a person or persons are the subject of an allegation or are identified as possibly responsible they will need to be interviewed to ascertain whether or not they were involved. In this situation an informal interview will take place. This will be conducted in accordance with the procedure in appendix A.
- iv. If sufficient evidence exists, either from the investigation thus far, or from the informal interview or from a combination thereof, then a formal interview may be deemed appropriate. This interview will take place in accordance with the procedure outlined in appendix B.

All interviews will be conducted in a polite, formal and professional manner by auditors.

No interview shall take place, unless an auditor is present.

Staff should not feel that information has been gathered from them under duress, or that they have not been given the opportunity to fully explain their involvement in the area under investigation.

Internal Auditors will respect the confidentiality of all information handled and collected. Documents and other evidence will be kept by Internal Audit in a safe and secure place.

7. SUBSEQUENT STEPS

Management Action

If it is decided there are grounds for considering management action, the audit report will be referred in strict confidence to the Chief Officer of the department concerned. In the case of a Chief Officer being involved, the referral will be via the Chief Finance Officer to the Chief Executive. No other copies of reports will be released, unless agreed by the Chief Finance Officer.

If the Chief Finance Officer considers a police referral is necessary he will discuss the matter with the Chief Executive and they will take the appropriate action.

A meeting will be arranged with the Chief Officer, or their nominee, to go through the facts of the case, and to enable the Chief Officer to determine the extent and nature of any management action that may be necessary.

If the Chief Officer decides disciplinary action is appropriate then he/she should invoke the Disciplinary Procedure.