

Supplement to the agenda for

Audit and governance committee

Tuesday 19 November 2019

10.00 am

**Council Chamber, Shire Hall, St. Peter's Square, Hereford,
HR1 2HX**

	Pages
13. UPDATES TO ANTI-FRAUD, BRIBERY, CORRUPTION AND ANTI-MONEY LAUNDERING POLICIES	3 - 22

Item 13: Anti-fraud, bribery, corruption and anti money laundering policies

Updated appendix 2 to show the changes being recommended to the anti-fraud, bribery, corruption and anti money laundering policies via tracked changes. The updated version with no tracked changes is appendix 1 to the report.

Anti-fraud, bribery and corruption policy

Reference number	
Approved by	Audit and governance committee
Date approved	04.07.17
Version	32.0
Last reviewed	30.05.17
Review date	30.04.17 17.10.19
Next Review date	30 October May 2021 9
Category	Corporate governance
Owner	Chief finance officer
Target audience	All council staff, councillors, contractors, the council's partners and the public

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1. Introduction

- 1.1 ~~The council is takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets, aligned to the Nolan Principles for public life, determined to pursue a policy of zero tolerance to fraud, bribery and corruption.~~
- 1.2 Three key elements exist in most acts of theft, fraud and corruption and are shown in the Fraud Triangle below;



Opportunity - The fraudster will usually look for opportunities to commit fraud. They may have heard stories from others who have cheated an organisation in a certain way before and may seek to copy this. Detailed knowledge of internal systems may make it easier for fraud to occur, particularly if the fraudster is aware of its weaknesses or has excessive control responsibility. Weak internal controls make it easier for fraud to be successful and reduce the likelihood of it being identified.

Motive/Incentive/Pressure - A person who commits fraud may be pressured to, or needs to commit fraud. It might be due to a financial need such as living beyond their means, debts, a desire for material goods, or to feed an addiction. The sense of beating the system may also act as a motivator.

Rationalisation - A fraudster will often justify to themselves why they have committed fraud. They may see their act as revenge for inadequate pay or excessive workload. They may convince themselves that they will pay the money back one day; or that the organisation is so big it won't miss the small amount taken.

- 1.3 ~~The council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, sub-contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud, corruption or theft which it recognises can:~~
- ~~Undermine the standards of public service that the Council is attempting to achieve~~
 - ~~Reduce the level of resources and services available for the residents of Herefordshire~~
 - ~~Result in major consequences which reduce public confidence in the Council.~~

1.4 ~~Any proven fraud, theft or corruption will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating or attempting to perpetrate, fraud and every effort will be made to~~

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recover any losses incurred by the Council as a consequence of fraud, theft or corruption.

The purpose of this policy is to set out clearly to councillors, employees, contractors, the councils partners, and the public:

- The council's commitment to tackling fraud, bribery and corruption
- Its actions to promote the prevention of fraud, bribery and corruption
- The responsibility of councillors and employees in minimising the risk of fraud and reporting any suspicions they may have

1.4 The council has a duty to ensure that it safeguards the public money that it is responsible for and takes very seriously its stewardship of this money and the high expectations of the public and the degree of scrutiny to which the affairs of the council are subject. Proper accountability achieved through probity, internal control and honest administration is therefore essential.

1.5 The government has made it clear as they attempt to reduce public sector spending that they expect both central and local government to take the issue of fraud seriously and do more to tackle the issues from public sector funding to prevent fraud. In June 2014 'Eliminating Public Sector Fraud' set out four priorities to tackle fraud effectively in the public sector:

- Collaboration
- Zero tolerance
- Better assessment of risks and measurement of losses □ Greater focus on fraud prevention activity

1.6 This was followed by the National Fraud Authority (NFA) producing a National Local Government Fraud Strategy (April 2011) 'Fighting Fraud Locally' and more recently the Local Government Counter-Fraud and Corruption Strategy 2016-19 the new strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters to account more quickly and efficiently, and improve the recovery of losses. The strategy contains examples of good practice which should enhance the fight against fraud based around three key themes:

- Acknowledge — acknowledging and understanding fraud risks
- Prevent — preventing and detecting fraud
- Pursue — being stronger in punishing fraud and recovering losses

1.7 In November 2014, the CIPFA Counter Fraud Centre issued a code of practice on managing the risk of fraud and corruption which built on the National Local Government Fraud Strategy. This code supports good governance and demonstrates effective financial stewardship and strong public financial management. This strategy contains five key themes:

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- Acknowledge the responsibility of senior management for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

2. Definitions What is fraud, bribery and corruption

2.1 **Fraud** is an act of deception intended for personal gain to cause loss to another party. The Fraud Act 2006 created a criminal offence of identifies fraud as a single offence which can be committed in and identifies three main separate ways; it can be committed with a maximum penalty of 10 years imprisonment:

- **Fraud by False representation**
- **Fraud by failing Failure to disclose information where there is a legal duty to do so**
- **Fraud by a Abuse of position**

2.2 Whilst the Act does not provide a single definition, fraud may be described as: *"Making dishonestly false representation with the intention to make a gain for oneself or another, or, to cause loss to another or expose him to a risk of loss". Or "Dishonest conduct with the intention to make gain, or cause loss or risk of loss to another".* The Act also created four related criminal offences of:

- Possession of articles for use in frauds
- Making or supplying articles for use in frauds
- Participating in fraudulent business
- Obtaining services dishonestly

2.3 **Bribery** is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. The **Bribery Act 2010** defines bribery as "giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so". There are four key offences under the **Bribery Act 2010**:

- **Active bribery: promising or giving a financial or other advantage; Bribery of another person**
- **Passive bribery: agreeing to receive or accepting a financial or other advantage; Accepting a bribe**
- **Bribing of a foreign public officials;**
- **The failure of commercial organisations to prevent bribery by an associated person A (corporate offence) of failing to prevent bribery**

• **The penalty under the Bribery Act is an unlimited fine and/or imprisonment up to a maximum of 10 years.**

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2.4 Corruption is the deliberate misuse of a position for direct or indirect personal gain and so includes offering, giving, requesting or accepting a bribe or rewards which influences your actions or the actions of someone else. The Bribery Act 2010 makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe. The Act also created the corporate offence of 'Failing to prevent bribery on behalf of a commercial organisation' (corporate liability). ~~The Proceeds of Crime Act 2002 and the Terrorism Act 2000~~ place obligations on the Council and its staff with respect to suspected money laundering and makes it a criminal offence to help a criminal 'launder' the proceeds of crime.

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2.5 To protect itself against the corporate offence, the Act requires an organisation to have "adequate procedures in place to prevent bribery". This strategy, together with the Council's Codes of Conduct and Whistleblowing policy are designed to meet the requirement. ~~The UK Anti-Corruption Plan 2014~~ aims to bring about a co-ordinated and collaborative approach, setting out clear actions and priorities. The plan covers both UK and international activities, and includes local government. There is no universally accepted definition of 'corruption'. The UN Guide for Anti-Corruption Policies (2003) notes that "definitions applied to corruption vary from country to country in accordance with cultural, legal or other factors and the nature of the problem as it appears in each country." However, the World Bank definition is widely used and defines a 'corrupt' practice as the 'offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.'

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2.5.2.6 Theft is the physical misappropriation of cash or other tangible assets. The 1968 Theft Act defines "a person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it".

3. Scope ~~This policy provides an overview of the measures designed to combat any attempted fraudulent or corrupt act. For ease of understanding it is separated into four areas:~~

~~➤ Culture ➤ Reporting ➤ Prevention ➤ Detection ➤ Investigations ➤ Discipline and prosecution ➤ Recovery of losses~~

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~~A fraud response plan is included at Appendix B Warning signs of potential fraud at appendix C~~

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3.1 The Council will not tolerate fraud, bribery, corruption or other forms of financial irregularity by anyone. This strategy therefore applies to:

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- All Council employees (including volunteers, temporary staff and agency staff);
- Elected members;
- Staff and Committee members of Council funded voluntary organisations;
- Council partners;
- Council suppliers, contractors, sub-contractors and consultants (whether engaged directly or indirectly through partnership working);
- Service users; and
- Members of the Public.

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4. Aims and Objectives~~Culture~~

4.1 The aims and objectives of this Anti-Fraud, Bribery and Corruption Strategy are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Herefordshire residents and visitors;
- Create and promote a robust 'anti-fraud' culture which highlights the Council's zero tolerance of fraud, bribery, corruption and theft;
- Have in place a Counter Fraud Service which:
 - Proactively deters, prevents and detects fraud, bribery, corruption and theft
 - Investigates suspected or detected fraud, bribery, corruption and theft
 - Enables the Council to apply appropriate sanctions and recover all losses;
 - Provides recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity, ensuring that the rights of people raising legitimate concerns are properly protected. However, we will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, we may take disciplinary or legal actions; and
- Work with our partners and other investigative bodies to strengthen and continuously improve our arrangements to prevent fraud and corruption.

~~Whilst there is a need for an anti-fraud, bribery and corruption policy it is equally important to emphasise the faith the council places in the integrity and honesty of its entire staff. The council also expects that all outside individuals and organisations including suppliers, contractors and claimants will act towards the council with honesty and integrity.~~

~~4.2 All councillors and employees are expected to be aware of standards of conduct and the procedures designed to reduce the risk of fraud, bribery and corruption occurring.~~

~~4.3 All employees shall be responsible for their own conduct, with managers being additionally responsible for maintaining internal checks and control procedures within their service area.~~

~~4.4 Fraud, bribery and corruption risks will be considered as part of the council's strategic risk management arrangements.~~

~~4.5 The council is determined that the culture and tone of the organisation is one of honesty, openness and opposition to fraud, bribery and corruption. The council will not tolerate~~

~~fraud, bribery or corruption of any form or degree in the administration of its responsibilities whether from inside or outside the council.~~

~~4.6 There is an expectation that, and requirement that, all individuals and organisations associated in whatever way with the council will act with integrity and that councillors and employees at all levels, will lead by example.~~

~~4.7 The council's employees are an important element in its stance on fraud and corruption and are positively encouraged to raise any concerns that they may have on these issues, immaterial of seniority, rank or status, where they are associated with the council's activity. This they can do in the knowledge that such concerns will, wherever possible, be treated in confidence and properly investigated. The public also has a role to play in this process and should inform the council if they feel fraud/corruption may have occurred.~~

5. Managing the Risk of Fraud and CorruptionPrevention

~~5.1 As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered when preparing risk assessments in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring rather than the actual incidence of fraud having occurred in the past. Once the fraud has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis. The council recognises that a key preventive measure in the fight against fraud, bribery and corruption is the taking of effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard temporary and contract staff will be treated in the same manner as permanent staff.~~

~~5.2 Any changes in operations or the business environment must also be assessed to ensure any impacts, which might increase the risk or otherwise change the risk of fraud, bribery, theft and corruption, are properly taken into account. The council will regularly review and keep its disciplinary procedures up to date and in line with good practice.~~

~~5.3 Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity. The council has contract procedure rules and financial procedure rules in place that specify procedures to be followed in administering the council's affairs and place a requirement on employees when dealing with the council's affairs to act in accordance with best practices.~~

~~5.4 Whilst all stakeholders in scope have a part to play in reducing the risk of fraud, Herefordshire Council's mMembers, dDirectors and mManagement are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards. -and The chief finance officer has been designated with the statutory responsibilities of the finance director as defined by section 151 of the Local Government Act 1972. These responsibilities outline that every local authority in England and Wales should: 'make arrangements for the proper~~

administration of their financial affairs and shall secure that one of their officers has the responsibility or the administration of those affairs’.

‘Proper administration’ encompasses all aspects of local authority council financial management including:

- Compliance with the statutory requirements for accounting and internal audit;
- Managing the financial affairs of the council
- The proper exercise of a wide range of delegated powers both formal and informal;
- Under these statutory responsibilities the section 151 officer contributes to the anti-fraud and corruption framework of the council.

5.5 Good corporate governance procedures are a strong safeguard against fraud and corruption. The Audit and Governance Committee is a key member forum for ensuring sufficient weight is given to counter fraud, theft, bribery and anti-corruption activity and is positioned to review assurances from managers, members, risk and other business data.

5.5.6 The solicitor to the council (monitoring officer) is responsible for ensuring that all decisions made by the council are within the law. The monitoring officer’s key role is to promote and maintain high standards of conduct throughout the council by developing, enforcing and reporting appropriate governance arrangements including codes of conduct and other standard policies (listed at paragraph 10).

5.5.7 The council has developed and is committed to continuing, with systems and procedures that incorporate efficient and effective internal controls, which include adequate separation of duties wherever possible. It is required that the directors, assistant directors and heads of service and other key managers will ensure that such controls, including those in a computerised environment are properly maintained. Their existence and appropriateness will be independently reviewed by the council’s internal audit service.

5.5.8 The council will work with pPartner oOrganisations to develop where possible a joint approach to antifraud activity.

6. Fighting Fraud and Corruption Locally: Acknowledge, Prevent, Pursue

ACKNOWLEDGE	<u>Committing Support</u>	<u>The council's commitment to tackling the threat of fraud is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. We will not, however, tolerate malicious or vexatious allegations</u>
	<u>Assessing Risks</u>	<u>We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform internal controls and counter fraud priorities. In addition, Internal Audit will carry out work in these high risk areas to assist management in detecting existing and new types of fraudulent activity.</u>

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Robust Response	<u>We will strengthen measures to prevent fraud. Internal Audit will work with our internal partners such as management, HR, Finance, Legal, policy makers and external partners to ensure new and existing systems and policy initiatives are adequately fraud proofed.</u>
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PREVENT	<u>Better use of Information Technology</u>	<u>We will make greater use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. Any such exchange or use of information will be undertaken in according with GDPR.</u>
	<u>Fraud Controls and Processes</u>	<u>We will educate managers on their responsibilities for operating effective internal controls within their service areas. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine audit reviews will seek to highlight vulnerabilities in the control environment and make recommendations for improvement.</u>
	<u>Anti-Fraud Culture</u>	<u>We will promote and develop a strong counter fraud culture, raise awareness and provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions and any recovery losses due to fraud.</u>

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PURSU	<u>Fraud Recovery</u>	<u>A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued where possible.</u>
	<u>Punishing Fraudsters</u>	<u>We will apply realistic and effective sanctions to tackling fraud for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.</u>
	<u>Enforcement</u>	<u>We will investigate instances of suspected fraud detected through the planned proactive work, cases of suspected fraud referred from internal or external stakeholders or received via the whistleblowing procedure. We will work with internal and external partners and organisations including law enforcement agencies.</u>

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6. Detection

6.1 Directors, assistant directors, heads of service and all managers shall ensure that internal control is implemented and maintained and will report any matters where internal control has failed to the chief internal auditor.

6.2 Internal audit has a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal audit may be requested to investigate cases of suspected financial irregularity, fraud or corruption, except benefit fraud investigations, in accordance with agreed procedures. Within the financial procedure rules in the constitution, representatives of internal audit are empowered to:

- enter at all reasonable times any council premises or land
- have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary
- have access to records belonging to third parties such as contractors when required
- require and receive such explanations as are regarded necessary concerning any matter under examination
- require any employee of the council to account for cash, stores or any other council property under his/her control or possession

6.3 Herefordshire Council will take part in the National Fraud Initiative.

6.4 The audit and governance committee will review and approve as part of the annual audit plan the internal audit programme for fraud prevention and detection work.

6.5 The council's code of practice on whistleblowing allows employees and councillors to raise any concerns they may have in confidence and anonymously should they wish.

7. Responsibilities

~~7.1 Specific responsibilities for all stakeholders involved in this strategy are set out in Appendix XX.~~

7. Reporting, Advice, Support

~~7.78.1 A flowchart is provided at Appendix 1.~~

~~7.2 The council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If you believe someone is committing a fraud or you suspect corrupt practices, these concerns should be raise in the first instance directly with your line manager.~~

~~expects all elected members and employees of the council to report any concerns that they may have in respect of fraud and corruption. Members of the public outside individuals and organisations including suppliers, contractors and claimants are also encouraged to report concerns.~~

~~7.78.32 Where managers are made aware of suspected fraud by employees, they have responsibilities for passing on those concerns to the Section 151 officer. Managers should react urgently to evidence of potential fraud or corruption. Headteachers/Head teachers of maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence **should not** be included in the notification process. As set out in the whistleblowing policy, employees are encouraged and expected to raise any concerns they may have without fear of recrimination. Such concerns will be treated in the strictest confidence and will be properly investigated.~~

~~7.478.3 Reporting is essential and:~~

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- Ensures the consistent treatment of information regarding fraud, bribery and corruption
- Facilitates proper investigation
- Ensures the proper implementation of a fraud response investigation plan
- Ensures appropriate employment procedures are followed
- Ensures the interest of the people of Herefordshire are protected.

~~Employees should normally raise concerns with their immediate manager or that manager's manager. This depends, however on the seriousness of the issues involved and who is suspected of the malpractice. If staff believe that their management is involved they should approach:~~

- ~~i) The chief finance officer – Tel: 01432 383519~~
- ~~ii) The chief internal auditor – (South West Audit Partnership) Tel: 07872500675~~
- ~~iii) The chief executive – Tel: 01432 260044~~
- ~~iv) The solicitor to the council – Tel: 01432 260657~~

~~7.4–7.5 The Council's Whistleblowing Policy is intended to encourage and enable employees and/or partners to raise serious concerns. In respect of benefit fraud, the public and employees are encouraged to report it through the dedicated phone and email address available on the cCouncil's website. Elected councillors should normally report any concerns to the appropriate senior management team member or one of the officers listed in 7.3.~~

~~**Members of the public can also report concerns through the cCouncil's complains procedures or by contacting their elected member, the External Auditor or the Local Government Ombudsman.**~~

~~7.5 **8** The council discourages anybody who has reasonably held suspicions from doing nothing, trying to investigate the matter themselves, approaching or accusing the individual themselves. Any of these actions could result in any counter fraud investigation being compromised.~~

~~7.6 Senior management is responsible for following up any allegation of fraud or corruption and will do so in line with the council's financial regulations.~~

~~7.7 Senior management is expected to deal swiftly and firmly with those who have defrauded the council or who are corrupt.~~

~~7.8 There is a need to ensure that any investigation process is not misused and therefore, any abuse such as raising unfounded malicious allegations will be dealt with as a disciplinary matter.~~

~~**8.9. Investigations**~~

~~**8.9.1** To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions to the section 151 officer or their deputy. The investigation of fraud, bribery and corruption is a complex and specialist area and will usually be undertaken by internal audit, or for less complicated cases, managers, under internal audit advice. Internal audit will ensure that there is a procedure that can~~

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be implemented to ensure that all evidence is correctly obtained, stored and recorded.

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~~8.9.2~~ In more complex cases, investigations will be carried out by ~~Depending on the nature and anticipated extent of the allegations, internal audit, otherwise audit~~ -will normally work closely with ~~give guidance to service managers on how to carry out investigations. management and other agencies to ensure that all allegations and evidence is properly investigated and reported on.~~

~~8.9.3~~ To facilitate audit work and investigations, internal audit staff are accorded rights, by the Accounts and Audit Regulations 2011, to access all necessary documents, records, information and explanations from any member of staff. The Council's employees will work with other public-sector bodies including the Department of Work and Pensions, the Police, ~~HM Inland Revenue and Customs and Excise~~ and the Immigration Service for the purposes of preventing, detecting and investigating crime.

~~8.9.4~~ When undertaking fraud investigations, council investigators will observe the Police and Criminal Evidence Act Codes of Practice. Any allegation of fraud, bribery or corruption received will be followed up through the ~~c~~Council's agreed ~~d~~Disciplinary ~~p~~Procedures. The ~~c~~Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering legislation.

~~8.9.5~~ Any decision to refer an investigation to the police will be taken by the chief internal auditor in consultation with the chief finance officer and others, as appropriate. **Criminal offences** – The Monitoring Officer will provide guidance as to whether a criminal offence ~~has~~may have occurred, in such cases the ~~c~~Council will seek a prosecution unless the decision is taken, following advice from the Monitoring Officer, that it would be inappropriate to do so.

~~8.9.6~~ **Disciplinary action** – The Director (after taking relevant HR advice) will decide whether disciplinary action should be taken against the employee.

~~8.9.7~~ **Elected members** – The Chief Executive and the Monitoring Officers will advise on action in relation to elected members.

~~8.9.8~~ Summary details of the financial irregularities will be recorded and maintained by ~~corporate finance~~ ~~.....~~ ~~a~~And reported to the Audit and Governance Committee.

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~~8.9.9~~ Where a fraud has occurred, management must make any changes necessary to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight were there has been a failure of supervision or a breakdown or absence of control.

~~9. Discipline and prosecution~~

~~9.1~~ The council's disciplinary procedures will be used where the outcome of any investigation indicates improper behaviour.

~~9.2~~ The chief finance officer is responsible for deciding in consultation with the relevant member of management board and the chief internal auditor as appropriate, whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters

940. Recovery of losses

940.1 The council will normally seek to recover losses incurred as a result of fraud, bribery and corruption.

940.2 If anyone under investigation offers money in settlement of any losses to the council, it should be made clear that any monies offered will be accepted:

- Without prejudice to any other actions the council may wish to take;
- That acceptance is only in respect of losses identified to date; and
- That the council reserves the right to seek recovery any further losses that may come to light in the future.

940.3 Consideration will be given to legal action against the perpetrator of fraud or those benefiting from fraud in order to cover the council's losses.

11. The council's human resources policies

~~11.1 All investigations, internal procedures and codes of conduct will comply with and take account of the council's HR policies.~~

12. Data protection

~~12.1 The council will share any personal data with the police or any other body in connection with the detection, investigation or prosecution of fraud in line with the Data Protection Act 1998.~~

13. Working with other agencies

~~13.1 There are arrangements in place to continue to develop and encourage the appropriate exchange of information between the council and other agencies in relation to fraud, bribery and corruption to help prevent, deter and detect fraud. These include, but are not limited to:~~

- ~~• Police~~
- ~~• Department for Work and Pensions (DWP)~~
- ~~• HMRC~~
- ~~• National Anti-Fraud Network~~
- ~~• External Audit~~
- ~~• Other authorities~~

44104. Related policies and other strategies

44104.1 The following policies support or are linked to the anti-fraud, bribery and corruption policy.

- Anti-Money Laundering Policy
- Codes of Conduct (employees and councillors)

- Grievance Policy and Procedure
- Financial Procedure Rules
- Contracts Procedure Rules
- Whistleblowing or Confidential Reporting Code
- Equality Policy
- Disciplinary Procedures
- Gifts and hospitality register

112. Review

112.1 This strategy will be subject to continuous review and amendment to ensure that it remains compliant with good practice, national and public sector standards and meets the needs of the council.

Review date: This policy will be reviewed bi-annually unless other factors require the review to be completed earlier. Frequency as required by legislative changes /September 2024

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KEY FRAUD INDICATORS

A number of frauds can come to light because of suspicions aroused by, for example, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indications or warning signs. However the following are indicators that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long hours, job dissatisfaction / unhappy employee, secretiveness or undue defensiveness.
- **Financial Irregularities:** Key documents missing (e.g. invoices, contracts), absence of controls and audit trails, missing expenditure vouchers and official records, general ledger out of balance, bank and ledger reconciliations are not maintained or cannot be balanced excessive movements of cash or transactions between accounts, numerous adjustments or exceptions, constant overdue pay or expense advances, supplicate payments, ghost employees on the payroll, large payments to individuals, excessive variations to budgets or contracts.
- **Poor procurement practice:** Too close a relationship with suppliers/contractors, suppliers/contractors who insist on dealing with one particular member of staff, unjustified disqualification of any bidder, lowest tenders or quote passed over with minimal explanation recorded, defining needs in ways that can be met only by specific contractors, single vendors, vague specifications, splitting up requirements to get under small purchase requirement or to avoid prescribed levels of review or approval.
- **Disorganisation:** Understaffing in key control areas, consistent failures to correct major weaknesses in internal control, inadequate or no segregation of duties. **Poor governance.**
- **Inadequate supervision:** Policies not being followed, lack of senior management oversight, inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation), low staff morale, weak or inconsistent management

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- **Lax corporate culture:** Management frequently override internal control, climate of fear or a corporate culture employees under stress without excessive workloads, new employees resigning quickly, crisis management coupled with a pressured business environment, high employee turnover rates in key controlling functions
- **Poor work practices:** Lack of common sense controls, work is left until the employee returns from leave, post office boxes as shipping addresses, documentation that is photocopied or lacking essential information, lack of rotation of duties, unauthorised changes to systems or work practices,

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TYPES OF FRAUD

Local authorities have reported a wide range of fraud types. The main areas of fraud that were reported in Fighting Fraud Locally 2011 continue to feature as significant risks. There are also new fraud types emerging and some of these are more prevalent in particular parts of the county. The council needs to remain vigilant and be aware of these types of fraud risks.

Known Fraud Risks Remaining Significant

Blue Badge - Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.

Council Tax - Discounts and exemptions, council tax support

Grants - Work not carried out, funds diverted, ineligibility not declared

Identify fraud - False identity / fictitious persons applying for services / payments

Internal fraud - Diverting council monies to a personal account, . Accepting bribes, stealing cash, misallocating social housing for personal gain, working elsewhere while claiming to be off sick, false overtime claims, selling council property for personal gain, wrongfully claiming benefit while working

Payroll - False employees, overtime claims, expenses

Pensions - Deceased pensioner, overpayments, entitlement overstated

Personal budgets - Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim

Procurement - Tendering issues, split contracts, double invoicing

Schools - Procurement fraud, payrolls fraud, internal fraud

Emerging / Increasing Fraud Risks

Business Rates - Fraudulent applications for exemptions and reliefs, unlisted properties

Commissioning of services - Including joint commissioning, third sector partnerships - conflicts of interest, collusion

Concessionary travel schemes - Use of concession by ineligible person

Cyber dependent crime and cyber enabled fraud - Enables a range of fraud

Disabled Facility Grants - Fraudulent applications for adaptations to homes aimed at the disabled

Immigration - including sham marriages, False entitlement to services and payments

Insurance Fraud - False claims including slips and trips

Local Enterprise Partnerships - Voluntary partnerships between local authorities and businesses, Procurement fraud, grant fraud

New Responsibilities - Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts

Money Laundering - Exposure to suspect transactions

No recourse to public funds - Fraudulent claims of eligibility

FRAUD RESPONSE PLAN

Appendix 1

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