

# Anti-Fraud and Corruption Policy

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## Policy Agreed

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## 1.0 Introduction

- 1.1 This policy sets out the Council's anti-fraud and corruption arrangements and applies to all employees and Members. It also sets out the expectations which apply to the conduct of others engaged by the Council on public sector work, including the conduct of contractors, partners and subsidiaries. The policy encompasses all aspects of Council activity.
- 1.2 The policy complements a range of policies and procedures such as the Code of Conduct for Employees, Members' Code of Conduct, Confidential Reporting Policy, Information Security Policy, Financial Regulations and Standing Orders. The policy should, therefore, be read in conjunction with these policies and procedures.
- 1.3 In administering its responsibilities, the Council is determined to combat fraud and corruption, whether it is attempted on or from within the Council, and is committed to an effective Anti-Fraud and Corruption strategy designed to prevent and detect fraud.
- 1.4 This commitment will result in the desired outcome of creating a zero tolerance culture, promoting high ethical standards, encouraging prevention, promoting detection, and formalising the procedures for investigation. This will assist in minimising the opportunity for fraud and corruption to exist within the Council's systems. This framework is in line with the strategic aims and objectives of the Council in relation to preventing crime and ensuring value for money.
- 1.5 The Council's Anti-Fraud and Corruption strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act.
- 1.6 The Council has a corporate fraud resource which is responsible for the initial investigation of Corporate Fraud, with additional support and expertise brought in through the Council's Internal Audit contract, or other specialist resource, as required.

## 2.0 Scope

- 2.1 The policy applies to Members and to all employees who work for the Council. The term "employees" includes temporary and agency employees.
- 2.2 In addition, individuals and organisations engaged by the Council on public service work (e.g. contractors and partners) and the Council's subsidiaries are expected to act with integrity and without thought or actions involving fraud or corruption. They should also report suspicions of fraudulent activity.
- 2.3 The framework applies to all aspects of the Council's business. Where fraud and corruption is identified, the Council may actively involve the police, pursue prosecution wherever relevant and take disciplinary action where appropriate.

## 3.0 Culture

- 3.1** The Council supports the principles of public life set down by the Nolan Committee for Standards in Public Life (as amended and extended by Statutory Instrument 2001/1401) which, whilst introduced for Members, is also considered applicable to Officers:
- **Selflessness:** Holders of public office should serve only the public interest and should never improperly confer an advantage or disadvantage of any person.
  - **Honesty and Integrity:** Holders of public office should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.
  - **Objectivity:** Holders of public office should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.
  - **Accountability:** Holders of public office should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.
  - **Openness:** Holders of public office should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.
  - **Personal Judgement:** Holders of public office may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.
  - **Respect for Others:** Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.
  - **Duty to uphold the Law:** Holders of public office should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.
  - **Stewardship:** Holders of public office should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.
  - **Leadership:** Holders of public office should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.
- 3.2** The Council is determined that the culture of the organisation is one of honesty and opposition to fraud and corruption. These principles must therefore be adopted by all Members and employees, and will be reflected in our procedures and ways of working in order to assist in the prevention of fraud and corruption.
- 3.3** There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council, such as contractors, partners, suppliers, subsidiary companies and users of Council services, will act with integrity and that Council Members and employees at all levels will lead by example in these matters, ensuring adherence to legal requirements, standing orders, financial regulations, codes of conduct, procedures and professional practices.
- 3.4** The Council's employees are an important element in its stance against fraud and corruption, and they are positively encouraged and expected to raise any concerns that they may have on these issues which are associated with Council activity. This can be done using the Council's Confidential Reporting Policy (see separate policy) in the knowledge that such concerns will be treated in confidence and investigated properly and fairly

**3.5** The Finance Director is responsible for following up on any allegation of fraud or corruption received. He / she will do so in accordance with the procedures laid down in the Council's Financial Regulations and will:

- Arrange for the allegation to be investigated
- Deal promptly with the matter
- Record all evidence received
- Ascertain whether the evidence is sound and adequately supported
- Implement Council disciplinary procedures where relevant

**3.6** The Council will adopt a zero tolerance approach to fraud, irrespective of its value. There is an expectation that those who defraud the council or who are corrupt will be dealt with swiftly and firmly. The Council will be robust in dealing with financial malpractice. The Council will also safeguard its employees against unfounded allegations. It will operate fair procedures, and will take disciplinary action against any employee who makes a deliberately false accusation.

## **4.0 Definitions**

### **4.1 Fraud**

The 2006 Fraud Act created, for the first time, a statutory offence of fraud, and defined three ways in which the offence can be committed:

- Fraud by false representation (s.2 of the Act)
- Fraud by failing to disclose information (s.3 of the Act)
- Fraud by abuse of position (s.4 of the Act)

The Fraud Act also makes it an offence (i) to possess any article for use in or in connection with fraud and (ii) to obtain services dishonestly.

### **4.2 Corruption**

Corruption is the offering, giving, soliciting or acceptance of any inducement or reward which may influence any person to act inappropriately.

## 5.0 Reporting Procedure

- 5.1 Employees are required under Financial Regulations to report all suspected irregularities to the Finance Director. Reporting is essential to the Anti-Fraud and Corruption Framework as it ensures:
- Consistent treatment of information regarding fraud and corruption
  - Proper investigation by an independent and experienced [audit](#) team
  - The optimum protection of the Council's interests
- 5.2 The Council has produced a separate, complementary Confidential Reporting Policy which should be read in conjunction with this part of the Anti-Fraud and Corruption Policy. This provides a clear route by which concerns can be raised by both Members and officers, and those outside the organisation who are providing, using or paying for public services.
- 5.3 Members of the Public are also encourage reporting concerns through any of the above routes, or the Council's Complaints Procedure.

## 6.0 Responsibilities and Mechanisms for Prevention

- 6.1 The Council recognises that prevention is a key measure in the fight against fraud and corruption.
- 6.2 **Members**
- 6.2.1 Members have responsibility for the active promotion of the Council's anti fraud culture and are required to operate within:
- The Members' Code of Conduct
  - The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
  - Council Standing Orders
  - The Localism Act 2011
- 6.2.2 Members must be seen to act with integrity at all times and, in particular, they must declare any interest that may affect their participation in an issue where this has any bearing on their personal or business life or wellbeing of themselves, their family or close personal associates. These matters are brought to the attention of Members at induction courses run for new Members and are in the Council's Standing Orders.
- 6.3 **Employees**
- 6.3.1 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage. The Council will establish, as far as possible, the previous record of prospective employees, in terms of their honesty and integrity. Temporary employees should be treated in the same manner as permanent employees.
- 6.3.2 Employee recruitment must, therefore, be in accordance with approved Human Resources procedures. In particular, employment offers should only be made subject to the satisfactory written references and relevant clearance, as required by prevailing safeguarding legislation, being received. Appropriate checks and clearances should also be obtained for volunteers and anybody else engaged by the Council on public services work.
- 6.3.3 Council employees are expected to follow any Code of Conduct related to their personal Professional Institute, and also to abide by the Council's Code of Conduct for Employees.

**6.3.4** The Council has in place disciplinary procedures for all categories of employees.

**6.3.5** The role that employees are expected to play in the council's framework or internal control will feature in employee's induction courses and ongoing training events. Section 117 of the Local Government Act 1972 imposes a statutory duty of disclosure where officers hold direct or indirect pecuniary interests in Council contracts. The section also prohibits the acceptance of fees or rewards other than proper remuneration. The Council's Standing Orders restate these requirements and additionally provide that officers should disclose interests. The declaration of such external interests as are relevant to employment is given fuller explanation in the Council's Code of Conduct for Employees.

## **6.4 Internal Control Systems**

**6.4.1** The Council has Standing Orders and Financial Regulations in place that must be followed by all employees. In addition, the Council has developed procedure and guidance notes in various financial and non-financial areas. All employees must adhere to these.

**6.4.2** The Finance Director has a statutory responsibility, under Section 151 of the Local Government Act 1972, for the administration of the Council's financial affairs.

**6.4.3** The Council is committed to continuing with systems and procedures which incorporate efficient and effective internal controls designed to minimise risk, including the risk of fraud. These include adequate separation of duties to ensure that error or impropriety is prevented.

**6.4.4** Under Financial Regulations, designated employees must ensure that these controls (including those in a computerised environment) are properly documented, maintained and are effective. The existence, appropriateness, and effectiveness of these internal controls are subject to independent review by the Council's Internal Audit Service who takes the risk of fraud into account when planning and conducting their work.

**6.4.5** External Audit are required, as part of their statutory duties, to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.

## **6.5 Election Fraud**

**6.5.1** Election fraud damages the free and fair democratic process of electing representatives to the Council, County Council or Parliament. The Council established an Elections and Electoral Registration Review Panel in 2005 to seek improvements to the quality and accuracy of the Register of Electors and to the security of the vote. The Panel reviews the effectiveness of the controls that have been put in place to minimise the risk of fraud in the compilation of the Electoral Register and in elections. The Panel provides an Annual Report to Council.

**6.5.2** Any suspected fraudulent activity will not be tolerated and will be referred by the Returning Officer to the police to investigate.



## 6.6 Bribery

**6.6.1** Bribery is a criminal offence. The 2010 Bribery Act makes organisations and their employees liable for acts of bribery committed in the UK and abroad.

The Act includes four offences:

- Offering, promising or giving a bribe to another person
- Requesting, agreeing to receive or accepting a bribe from another person
- Bribing a foreign public official
- A corporate offence of failing to prevent bribery. An organisation will be liable to prosecute if it fails to stop individuals operating on its behalf from being involved in bribery (due to there being no adequate procedures in place to prevent such actions)

**6.6.2** Procedures are in place to prevent and deter bribery. Codes of conduct include formal guidelines over the receipt and reporting of gifts and hospitality (see the Code of Conduct for Employees and the Members' Code of Conduct). Employees are required to make declarations of interest, where relevant.

**6.6.3** Officers and Members declare interests at Council meetings, where appropriate. The extent to which Officers and Members should withdraw from the meeting is governed by the relevant Code of Conduct.

**6.6.4** Contract Standing Orders set out controls over the invitation, opening and recording of tenders. The contract tendering procedure requires an anti-collusion clause to be signed by tenderers. Contract award procedures also include due diligence checks.

## 7.0 Liaising with Others

**7.1** Arrangements are in place to encourage the exchange of information, in line with the Data Protection Act 2018 and the General Data Protection Regulation (GDPR), between the Council and other agencies on national and local fraud and corruption activity relating to public bodies.

**7.2** Data matching is the comparison of persona data held in different systems. One important use of data matching is the identification of potential fraud. The Council participates in the Cabinet Office's National Fraud Initiative and other data matching exercise.

## 8.0 Money Laundering

**8.1** Money Laundering is defined as:

- The process by which the proceeds of crime are concealed, disguised, converted, transferred or removed from England, Wales, Scotland or Northern Ireland
- Being involved in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- Acquiring, using or possessing criminal property

**8.2** Any service within the Council that receives money from an external person or body is potentially at risk from a money laundering operation. Vigilance is therefore vital.

**8.3** Those employees considered most likely to encounter money laundering will receive training on how to identify and report suspicions as to the appropriateness of transactions. The Council has nominated the Finance Director as the main point of contact for money laundering issues. Any such suspicion must be reported to the Finance Director who will decide whether it is necessary to, and if so arrange to, file a report with the National Crime Agency (NCA).

**8.4** The risk of money laundering in corporate borrowing and lending is managed by applying best practice in the Treasury Management function and adhering to the best practice policies and procedures set out in the CIPFA Code of Practice for Treasury Management.

## 9.0 Detection and Investigation

**9.1** Preventative systems, particularly internal control systems within the Council, have been designed to help prevent and detect any fraudulent activity. It is the responsibility of the Corporate Management Group and Senior Managers to maintain the internal control systems and to ensure that the Council's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

**9.2** However, it is often the alertness of employees that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may have been committed or is in progress.

**9.3** Despite the best efforts of managers and auditors, many frauds are discovered by chance or by "tip-off" and, as described in section 5, the Council has a Confidential Reporting Policy to enable such information to be dealt with properly.

**9.4** The Finance Director is responsible for the investigation of all suspected frauds, thefts or other irregularities. Investigating officers, ~~normally~~ drawn from the council's fraud team or through the outsourced Internal Audit Service or other specialist provider, will work closely with management to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.

**9.5** The Council's disciplinary procedures will be used where the outcome of the audit investigation indicates improper behaviour involving employees.

- 9.6** Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. The Crown Prosecution Service determines whether a prosecution will be pursued. Referral to the Police is a matter for the Finance Director, in consultation with the Head Director of Legal and Democratic and Legal Services. Referral to the Police will not prohibit action under the Council's disciplinary procedure.
- 9.7** The External Auditor also has powers to independently investigate fraud and corruption, and the Council can use his services for this purpose too.

## 10.0 Reporting of Outcomes

- 10.1** The nature of reports to management will vary depending on the type of alleged fraud being investigated. Any such reports will be treated as confidential.
- 10.2** Where, after investigation, it is believed that a loss may have occurred the Finance Director will report the matter to the Corporate Management Group.
- 10.3** Where a suspected fraud or other irregularity is material or could negatively impact on the Council's reputation, the Leader, the relevant member of the Executive and the Chairman of the Standards and Audit Committee must be informed.
- 10.4** On conclusion of the investigation, the Finance Director will consult with the Chairman of the Standards and Audit Committee as to whether it is appropriate to submit a summary report to the Committee. These reports will describe the area investigated, the outcome, action taken to prevent re-occurrence, any losses and action taken to recover such losses. Such reports will be included in Part II of the agenda as confidential items, where appropriate.
- 10.5** The Council's Marketing and Communications Team will co-ordinate any communications with the media arising from an investigation. Employees are not permitted to speak to the media regarding an investigation; failure to comply with this requirement may lead to disciplinary action.

## 11.0 Training

- 11.1** 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 programmed training and responsiveness of employees throughout the organisation.
- 11.2** All employees will be instructed as to what action to take should they suspect fraud or corruption. New employees will receive instruction and advice in the Council's induction training programme. This policy and the Confidential Reporting Policy are available on Ewokplus and on the Council's website.
- 11.3** The Corporate Management Group and Senior Managers will be responsible for ensuring that all employees are properly trained in the procedures they should follow when undertaking their duties. Employees not availing themselves of such training and guidance are clearly at risk of breaching the Council's rules and requirements. It is important that all employees are aware of their responsibilities. Ignorance of these rules and requirements will not be a defence in any resultant disciplinary proceedings.
- 11.4** ~~The investigation of fraud and corruption centres on the Council's corporate fraud resource. It is clear, therefore, that e~~Employees involved in the investigation of fraud and corruption ~~this work~~ should also be properly and regularly trained and their training plans will reflect this requirement.
- ~~—11.5 Following a recommendation, in November 2016, from the Council's internal audit service, specific training will be provided to Members and Officers on the differences between gifts/hospitality and bribes.~~

## 12.0 Summary

- 12.1** The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that 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.
- 12.2** Consequently, the Council maintains a continuous overview of these arrangements. In particular, Standing Orders and Financial Regulations, various Codes of Conduct and Financial Practice and audit arrangements are subject to regular review. This policy will be subject to biennial review to ensure its currency.