REVISED ANTI-FRAUD AND CORRUPTION STRATEGY

EXECUTIVE MEMBER:	Cllr Elaine Woodburn, Leader
LEAD OFFICER:	Julie Crellin, Head of Finance & Management Information Systems
REPORT AUTHOR:	Marilyn Robinson, Audit & Fraud Prevention Manager
Summary:	This report presents the revised Anti-Fraud and Corruption Strategy.
Recommendation:	Members are asked to consider the report, to approve the revised Anti-Fraud and Corruption Strategy and to endorse the zero tolerance approach to fraud and corruption.

1. **INTRODUCTION**

1.1 Over recent years, there has been a growing awareness among local authorities of an increasing level of fraud, and the publicity given to discovered frauds. There are also indications that fraud is becoming more organised. The aim of this strategy is to respond to national concerns about fraud, particularly public sector frauds, by the introduction of clear guidelines for the detection, prevention and reporting of fraud. The Council has made a clear commitment to a strong counter-fraud culture, ensuring that appropriate action is taken where there is evidence of fraud and corruption.

1.2 In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government, the Council has had an Anti-Fraud and Corruption Strategy in place for a number of years. It was originally approved in 1998 and subsequently revised in 2001, 2004 and 2007. Listed below are a number of factors and changes that necessitate the update of, and raising the profile of, the Anti-Fraud and Corruption Strategy:-

a) Significant numbers of new recruits to the Council since the Strategy was last publicised;

b) Changes in management structures;

c) Externalisation of the delivery of some services;

d) Increased partnership working;

e) The expansion of computerised systems reducing traditional control measures;

g) Re-engineering of systems / processes potentially reducing controls;

h) The potential increase in fraud, due to the recession, particularly in housing benefit;

i) The requirements of the Fraud Act 2006 and Money Laundering Regulations 2007;

j) Updated CIPFA guidance on actions to counter fraud and corruption [Red Book 2];

k) The requirements of the Government's Code of Connection Compliance for Information Security (COCO); and

l) The expansion of the National Fraud Initiative, co-ordinated by the Audit Commission.

2. REVISED ANTI-FRAUD AND CORRUPTION STRATEGY

2.1 The revised Anti-Fraud and Corruption Strategy is attached at Appendix A. Deleted parts are shown with "strike-through" and additions are shown in bold italics.

2.2 The main changes relate to:-

- the definition of Fraud as per the Fraud Act 2006;

- robust pre-employment checks required by COCO;

- reference to the Money Laundering Regulations 2007 / Proceeds of Crime Act 2002 Guidance;

- to make a committed response to any allegation of fraud reported;

- an update of action to be taken by employees on the discovery of a potential offence;

- guidance re referral to the Police, re surveillance and criteria for prosecution;

- guidance re recovery action; and

- the need to review and change systems and procedures, as necessary, after any incidence of fraud.

2.3 The revised Strategy has been circulated to Corporate Team and Management Group, prior to being considered by the Audit Committee on 4th November 2009. There have been no changes to the previously approved policy element of the Strategy, therefore it has not been resubmitted to the Overview and Scrutiny Management Committee. An Equality Impact Assessment has been carried out, which has not identified any discriminatory practices in the Strategy. Once the revised Strategy is approved, briefings will be provided to Members and Managers by the Audit and Fraud Prevention Manager, to ensure necessary understanding across the organisation. The strategy will be put on the intranet and a "fact sheet" will be sent to all Managers and Members for ease of reference.

3. CONCLUSION AND RECOMMENDATION

3.1 The Strategy has been revised in line with current CIPFA best practice and to accommodate the changes outlined at 1.1 above.

3.2 Members are asked to consider the report, to approve the revised Anti-Fraud and Corruption Strategy and to endorse the zero tolerance approach to fraud and corruption.

List of Appendices
Appendix A – Revised Anti-Fraud and Corruption Strategy

List of Background Documents: None

Portfolio Holder Consulted: Cllr. Elaine Woodburn, Leader of the Council

Officers Consulted [Prior to Audit Committee]: Corporate Team, Management Group

CHECKLIST FOR DEALING WITH KEY ISSUES

Please confirm against the issue if the key issues below have been addressed. This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

Impact on Crime and Disorder	The Strategy should reduce the level of fraud and corruption.
Impact on Sustainability	None
Impact on Rural Proofing	None
Health and Safety Implications	None
Project and Risk Management	The risk of fraud and corruption is assessed to highlight areas most at risk.
Impact on Equality and Diversity Issues	None
Children and Young Persons Implications	None
Human Rights Act Implications	None
Monitoring Officer Comments	The report fully addresses the legislation and legal procedures involved in dealing with fraud.
Section 151 Officer Comments	No comments to add – report is an update to an existing strategy and it is important that it is regularly reviewed, updated, adopted and implemented.

COPELAND BOROUGH COUNCIL

ANTI-FRAUD AND CORRUPTION STRATEGY

A DRAFT STRATEGY WAS CONSIDERED BY THE AUDIT COMMITTEE 4/11/09

Contents

Executive Summary

Over recent years, there has been a growing awareness among local authorities of an increasing level of fraud, and the publicity given to discovered frauds. There are also indications that fraud is becoming more organised.

The aim of this strategy is to respond to national concerns about fraud, particularly public sector frauds, by the introduction of clear guidelines for the detection, prevention and reporting of fraud. The Council has had an Anti-Fraud and Corruption Strategy in place for a number of years. It was originally approved in 1998 and subsequently revised in 2001 and 2004. Listed below are a number of factors and changes that necessitate the update of, and raising the profile of, the Anti-Fraud and Corruption Strategy:

- Significant numbers of new recruits to the Council since the Strategy was last publicised;

- ~~Greater delegation for chief officers and managers;~~

- ***Changes in management structures;***

- Externalisation of the delivery of some services;

- Increased partnership working

- The expansion of computerised systems reducing traditional control measures;

- Re-engineering of systems / processes potentially reducing control;

- ~~Increasing levels of organised fraud, particularly in housing benefit~~ ***The potential increase in fraud***, ***due to the recession***;

- The requirements of the ~~Proceeds of Crime Act 2006~~ ***Fraud Act 2006*** and Money Laundering Regulations ~~2005~~ ***2007***;

- ~~The absence of a Fraud and Corruption Prevention Policy;~~

- ***Updated CIPFA guidance on actions to counter fraud and corruption [Red Book 2];***

- ***The requirements of the Government's Code of Connection Compliance for Information Security (COCO); and***

- ***The expansion of the National Fraud Initiative, co-ordinated by the Audit Commission.***

This strategy considers fraud carried out by people both externally and within the Council. Although external frauds rarely involve large amounts individually, the accumulated value of detected benefit frauds can be significant. We also need to consider damage to the Council's, and its employees', reputation if Members or employees are found guilty of fraud or corruption.

Preventing and reporting concerns about the possibility of misuse of cash limited public funds is a collective responsibility of all Members and employees.

This Strategy should be read in conjunction with the Council's Confidential Reporting Code.

Return to Contents Page

> **Section 1: Introduction to the Authority's Anti-Fraud and Corruption Response Plan**

1.0 Corporate Policy

1.0.1 The Council has adopted a Fraud and Corruption Prevention Policy (shown at Appendix A of this document), in order to promote an anti-fraud culture within the Council. It is expected that all Members and employees of the Council should be proactive in preventing fraud, corruption and business abuse. The Policy should be read in conjunction with the Confidential Reporting Code and the Anti-Fraud and Corruption Strategy.

1.1 Definition of Fraud and Corruption

1.1.1 **Fraud** is defined*, in the Audit Commission Fraud Audit Manual,* 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. It does not include misappropriation or petty theft without the distortion of financial statements or other records."
[Audit Commission: Fraud Audit Manual]

1.1.2 These records can include orders, invoices, travel claims, timesheets, flexitime records, petty cash vouchers or claims from independent contractors.

1.1.3 **Corruption** is defined*, in the Audit Commission Fraud Audit Manual,* as "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person"
[Audit Commission: Fraud Audit Manual]

1.1.4 International Standard on Auditing 240 is now concerned with fraud that causes material misstatement through fraudulent financial reporting.

1.1.5 The Fraud Act 2006 provides for a general offence of fraud, with three ways of committing it:-

Fraud by false representation – knowingly saying, writing or electronically communicating anything untrue or misleading or conduct that misleads;

Fraud by failing to disclose information – failing to disclose, to another, information that is legally required; and

Fraud by abuse of position – applies to those who abuse positions where they are expected to safeguard the financial interests of another person.

All of the above include that there must be an intention of making a gain or causing loss or risk of loss to another. The gain or loss does not actually have to take place.

The Act also introduced new offences of obtaining services dishonestly and of possessing, making and supplying articles for use in frauds. It also contains a new offence of fraudulent trading applicable to non-corporate bodies (e.g sole traders, partnerships, trusts).

1.2   The Risk of Fraud and Corruption

1.2.1   Standards of financial administration at Copeland Borough Council are high. However, the Authority cannot afford to be complacent. Nationally risks are high in certain areas, for example in:

- Claims from contractors;
- Payroll, overtime and expenses;
- Supplies of goods and services;
- The handling of cash and cheques;
- Benefits;
- Grants;
- Loans and Investments; and
- Procurement of contracts.

1.2.2   Computer-related fraud tends to be carried out by trusted employees, sometimes because they are disgruntled or sometimes simply because they enjoy the challenge. Each advance in technology may present additional risks and require more safeguards.

1.2.3   Nationally, organised crime is taking place. Criminals do not need to live in Cumbria. They can make use of post office box numbers to divert fraudulently obtained cheques.

1.2.3   In liaison with internal and external auditors, risks are systematically considered, systems are continually reviewed and actions are taken to address weaknesses in control.

1.2.4   Heads of Service and their managers hold prime responsibility for the operation of effective internal controls, to ensure secure and reliable operation of systems and the prevention, detection and reporting of irregularities and/or fraud and corruption.

1.3   Why We Need An Anti-Fraud And Corruption Strategy

1.3.1   The Council is responsible for safeguarding public money. The prevention, and/or the detection of, fraud and corruption is, therefore,

E v e r y b o d y ' s   B u s i n e s s

1.3.2 Whilst the primary responsibility for maintaining effective arrangements to prevent and detect fraud and corruption rests with management, it is important that <u>all</u> Members and employees know:

- Which areas are likely to be subject to fraud and corruption;

- How to prevent or deter it; and

- What to do if they suspect fraud or corruption is taking place.

1.3.3 This strategy addresses these three problems and, in particular, it provides information to all Members and employees who may come across behaviour, either internal or external to the Council, which they think may be fraudulent or corrupt.

1.3.4 The purpose of the Anti-Fraud and Corruption Response Plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the Council to:

- Minimise loss;
- Assign responsibility for investigating the incident;
- Establish and secure evidence necessary for criminal and disciplinary action;
- Inform the police;
- Establish circumstances in which external specialists should be involved;
- Establish lines of communication with the police.
- Recover losses;
- Punish the culprits;
- Keep everyone with a need to know suitably informed about the incident and the Council's response; and
- Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud and corruption.

1.4 Content Of Anti-Fraud And Corruption Strategy

1.4.1 Section 2 (Fraud and Corruption Prevention) gives practical advice on how to prevent fraud and corruption.

1.4.2 Section 3 of the Strategy (Fraud and Corruption Detection and Awareness) advises on fraud awareness, and what to look for.

1.4.3 Section 4 of this document (Anti-Fraud and Corruption Response Plan) details what to do if you, or any member of your team, comes upon behaviour, or finds documents, that they think may constitute fraud.

1.4.4 Section 5 (Council Policies, Procedures and Guidelines) explains how the fraud and corruption response plan fits into the overall Council approach on probity and policies.

If you have any concerns about fraud or corruption, contact the Head of Finance and ~~Business Development~~ *Management Information Systems*, **the Audit and Fraud Prevention Manager or, where it relates to Benefits, the Fraud Team Leader or the Benefits Fraud Hotline – Tel. 0800 783 3878. Members may prefer to contact the Head of Legal and Democratic Services. Contact details are given on Page 22.**

Alternatively if you are concerned about the behaviour of another employee, you may prefer to contact the Human Resources Manager, who will then involve the Head of Finance and ~~Business Development~~ *Management Information Systems* **and the Audit and Fraud Prevention Manager if fraud or corruption is suspected.**

The Council's Confidential Reporting Code also offers detailed guidance on the "Whistleblowing" procedure, the Head of Legal and Democratic Services being the responsible officer for the maintenance and operation of the Confidential Reporting Code. Advice / guidance on how to pursue matters of concern under the Confidential Reporting Code may be obtained from the Chief Executive, the Head of Legal and Democratic Services, the Head of Finance and ~~Business Development~~ *Management Information Systems* **or the Audit and Fraud Prevention Manager.**

It is important that you do not try to handle the problem yourself, without expert advice and assistance. A badly managed investigation may prejudice any police prosecution, so there are a number of procedures which have to be followed.

Return to Contents Page

Section 2: How to Prevent or Deter Fraud and Corruption

2.1. Introduction

2.1.1 The aftermath of fraud is costly, time-consuming, disruptive, and unpleasant. The major thrust of any anti-fraud strategy should therefore be prevention. The Council, therefore, needs to maintain a sound and effective system of internal control. This can be strengthened by specific measures, including:-
denial of opportunity, effective leadership and culture, good financial control, auditing, a specialised Benefits Fraud investigating team and employee screening prior to appointment. *Publication of the Council's Fraud and Corruption Prevention Policy, its anti-fraud activities and its successful prosecutions will also have a deterrent effect.*

2.2 Internal Control Systems

2.2.1 Whilst it is impossible to create a 100% fraud proof system, managers must ensure that the systems they operate include a reasonable number of effective controls designed to prevent and detect fraud and error. **The actions and controls managers must consider are as follows:-**

- *Robust pre-employment checks e.g. identity, qualifications, references.*

- Document procedures and controls and train all employees in their use.

- Ensure employees are aware of all relevant guidelines and policies, including the Financial Regulations and Contract Standing Orders, and check compliance with these procedures / regulations.

- Separate duties between employees. Ensure duties are organised so that no single employee can carry out a complete transaction without some form of checking process being built into the system.
e.g. No single employee should be able to authorise an order, receive the goods or services, pay for these goods or services and record the transaction on the accounting system. At least one other person must have knowledge of the transaction.
Unless there is collusion between employees, this will reduce the opportunity for fraud.

- Assign appropriate levels of delegation e.g. orders over a certain value to be authorised by a restricted number of employees.

- Rotate responsibilities where possible, to avoid one person always having sole charge over a given area.

- Introduce adequate "internal check". At its simplest, this involves an independent officer checking the work/calculations/documentation prepared by another officer and this could be on a sample spot-check basis.

- Ensure expenditure is authorised prior to expenses being incurred. e.g. Approval of attendance at courses / meetings off-site.

- Ensure expenses / petty cash claims are supported by receipts.

- Cross out any blank lines on a paper claim form, thereby making it difficult to add further unauthorised expenses after you have signed the form.

- Minimise the holding of cash/cheques/stock. Bank cash/cheques regularly, at least weekly, possibly more frequently depending on the value and the risk.

- Carry out spot checks of petty cash, floats or high risk (liable to be stolen) stock items.

- Review budget monitoring statements and other management information. Be alert to trends, e.g. falling income or increasing travel expenses, and follow up variances to see if there is a reasonable explanation.

- Ensure adequate monitoring of high-risk areas e.g. cash, stock, benefits, grants **and contractors' invoices**.

- Ensure that employees take their holidays and that other employees undertake their duties in their absence.

- ***Make a committed response to any allegation of fraud reported.***

- ***Review and change systems and procedures as necessary after any incidence of fraud.***

2.2.2 **To prevent and deter corruption, the Council should put in place the following arrangements:-**

Internal Regulations
- Ensure Contract Standing Orders and Financial Regulations cover the key risk areas, are updated regularly and communicated to all Members and employees.

- Ensure all Members and employees receive training on the Contract Standing Orders and Financial Regulations.

- Ensure there are agreed and documented procedures for handling breaches of Contract Standing Orders and Financial Regulations.

- Provide all Members and employees with a copy of the relevant Code of Conduct, asking them to confirm that they understand the Code and provide training where necessary.

- Remind Members and employees that the Council keeps a register for declaration of interests, reviewed by senior officers on a regular basis.

- Remind Members and employees that the Council keeps a register for declaration of hospitality and gifts, reviewed by senior officers on a regular basis.

- Ensure the Council's activities are monitored and reported on, where necessary, by the Monitoring Officer.

IT Security Policy
- Ensure that all individuals (internal or external) requesting access to the Council's IT systems sign to say that they have read, understood and agree to comply with the Council's IT Security Policy – before they are given access to the IT systems.

Contracts
- Provide clear, written instructions for employees involved in letting and controlling contracts (including the position regarding post tender negotiations).

- Ensure adequate supervision of / separation of duties between employees letting and controlling contracts.

- Carry out an independent review of circumstances where particular contractors seem to be preferred.

- Ensure adequate justification for and approval of occasions when negotiated or restricted tendering is used and that this is fully documented.

- Ensure tenderers are chosen from an approved list on a rational basis to ensure fair competition and equal opportunity to tender.

- Carry out spot checks to ensure rules relating to despatch and return of tenders are being complied with.

- Ensure contracts are signed by both parties.

Asset Disposals
- Ensure there are clearly defined procedures for asset sales and that these are fully understood by all relevant Members and employees.

- Document all disposals so that you can demonstrate that the best possible price has been obtained.

Award of Planning Consents and Licences

- Ensure there are regulations covering delegated powers of Members / employees in awarding planning consents and licences.

- Ensure decisions are fully documented so that you can demonstrate that decisions are made on a consistent and rational basis.

- Monitor Committee decisions on planning applications, particularly where planning officer recommendations are not followed.

Money Laundering Regulations 2007 / Proceeds of Crime Act 2002 Guidance

- ***The legislation is intended to prevent the use of financial systems for the purpose of money laundering [the process by which illegal money is put through a cycle of transactions ("washed"), so it comes out the other end as legal or "clean" money, allowing criminals to maintain control over criminal proceeds.***

- ***Compliance with the legislation is voluntary for the public sector but the Audit Commission view is that we should comply on this voluntary basis.***

- Ensure employees who are most likely to be exposed to money laundering / proceeds of crime are fully aware of the law and, where necessary, are suitably trained. [Most likely to be those involved in Treasury Management and those dealing with customers making large ~~cash~~ payments, particularly where ~~cash paid~~ **the payment** exceeds the necessary amount and a refund ~~by cheque~~ is requested. **This can involve payments by any method, not just cash payments.** It can also include facilitating employment on which tax is not paid.]

- Implement procedures which provide for the identification and scrutiny of—

  (i) complex or unusually large transactions;

  (ii) unusual patterns of transactions which have no apparent economic or visible lawful purpose; and

  (iii) any other activity which the relevant person regards as particularly likely by its nature to be related to money laundering or terrorist financing.

- If the Council is forming a new business relationship and/or is considering undertaking a significant one-off transaction, it should carry out formal identification procedures for those involved. This includes verifying and recording the identity of counterparties in loans / investment agreements*;*

using local knowledge to establish whether businesses registered for business rates are legitimate and ensuring that new suppliers are bona fide.

- Implement procedures for reporting suspicious transactions, to a nominated officer *(the Head of Finance and Management Information Systems)* and, if necessary, make an appropriate report to the National Criminal Intelligence Service.

Terrorist Financing – Obligation to report to the Police
If you have a belief or suspicion about:
- *financing of terrorism, or*
- *the proceeds from terrorism, and*
- *that information is obtained as a result of your employment.*

2.3   Denial of Opportunity

2.3.1   Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud. e.g. Benefit claims are subject to rigorous checking procedures before payment is made. Employees should always receive training in the operation of these systems.

2.3.2   The classic way to guard against fraud in financial systems is segregation of duties, so that no individual has sole responsibility for payments, income or assets.

2.3.3   The Council should prevent the possible misuse of information technology through managing the physical access to ~~terminals~~ *computers and the IT network* and protecting systems with electronic access restrictions. **There is a requirement to comply with the requirements of the Government's Code of Connection Compliance for Information Security (COCO), with effect from 1ˢᵗ October 2009.**

2.4   Leadership and Culture

2.4.1   A key factor in the standards of behaviour in an organisation will be the standards observed at the top and the policies, and approach to their enforcement, promoted from the top.

2.4.2   The Council's proactive approach to countering fraud and corruption is reinforced in the Fraud and Corruption Prevention Policy, shown at Appendix A of this Strategy.

2.4.3   The culture within the Council will also be influenced by the behaviour of Members and managers. To promote a culture of openness and honesty, opposing fraud and corruption, Members and managers should, therefore, ensure that their behaviour is always demonstrably selfless and in the best interests of the Council and its constituents.

2.4.4   Members and managers should ensure that they do not circumvent or appear to circumvent prescribed control procedures.

2.4.5   Members and managers should ensure that they follow the guidance as included in the respective Codes of Conduct.

2.4.6   All Members and employees have a role to play in the prevention and detection of fraud and corruption and are positively encouraged to contribute, through publication of the Confidential Reporting Code and the Benefits Fraud hotline.

2.5   The Role of The Head of Finance and ~~Business Development~~ *Management Information Systems (MIS)*

2.5.1   Section 151 of the Local Government Act 1972 states that every Local Authority shall make arrangements for the proper administration of their financial affairs and that one of their officers should have responsibility for the administration of those affairs.   The Head of Finance and ~~Business Development~~ *MIS* is the Council's designated Section 151 officer. Financial Regulations require the Head of Finance and ~~Business Development~~ *MIS* to be notified of any financial irregularities and to report any significant failure to comply with these Regulations to the Executive.   In addition, the Accounts and Audit Regulations require that the Council should maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. The Head of Finance and ~~Business Development~~ *MIS* has direct line management responsibility for the internal audit section.

2.6   The Role of Internal Audit

2.6.1   Internal Audit plays a key role in the prevention of fraud and corruption by its systematic review of the Council's systems and procedures and its annual evaluation of the systems of internal control and corporate governance.

2.6.2   The Audit Plan is reviewed on an annual basis, following a risk assessment exercise which considers the risk of fraud or corruption.

2.6.3   The review of the Council's main business systems includes a specific evaluation of the controls designed to prevent or detect fraud. Recommendations are made for improvement where weaknesses are identified. It is not possible to specify controls which will detect the actual receipt of corrupt inducements. We rely on having adequate procedures in place, based on Financial Regulations, Contract Standing Orders and the Codes of Conduct, to limit the possibility of corrupt practices.

2.6.4   When new systems are being designed, or existing systems are to be modified, internal auditors can advise management on building in ways of preventing or detecting fraud.

2.7   The Role of the Fraud Team

2.7.1   The Fraud Team not only specialise in the investigation of Benefits Fraud but are also responsible for the promotion of Benefits fraud awareness. They organise

awareness sessions, available to all employees and Members, and carry out specialist training for Benefits assessors and Copeland Direct employees, who are the first point of contact with Benefits claimants.

2.7.2 They also organise Benefits fraud publicity campaigns, e.g. posters in supermarkets *and the multi-storey car park* advertising the Benefits fraud hotline 0800 7833878, to encourage the public to report suspected Benefit fraud. *The Fraud Team Leader has also given talks at the Neighbourhood Forums.* These campaigns promote the attitude that tackling fraud is everyone's business.

2.7.3 The police advise that prosecution is a particularly effective deterrent because of the risk of a custodial sentence and a criminal record. The Fraud Team, therefore, ensure that the local press is informed of all successful prosecutions, to ensure that the public is aware that the Council is prepared to prosecute offenders and that the Courts take these offences seriously.

2.7.4 The Fraud Team also take the lead role in co-ordinating the Council's participation in the National Fraud Initiative: arranging data downloads from the Council's systems, sifting the returned data matches where there are anomalies, investigating any potential frauds and reporting on findings to the Audit Commission.

2.8 The Role of Benefits Assessors / Interventions Officers

2.8.1 Benefits assessors work to guidelines laid down in the "Verification Framework". This provides a series of checklists designed to prevent fraudulent claims.

2.8.2 Interventions Officers carry out risk-based "interventions" on existing claims - by visit, telephone or letter - to check that entitlement to benefit is still valid.

2.8.3 All Benefits Officers are trained to refer any suspected fraud to the Fraud Team.

2.9 Employee Screening

2.9.1 The Council's employees are its most important resource and, given their role in actions and decisions, it is vital to check the honesty and integrity of all permanent / temporary / agency or contract employees before they are appointed – particularly for posts with financial responsibility.

2.9.2 For example:-

- References should cover a reasonable, continuous period *[Government guidelines stipulate 3 years]*; should include information regarding honesty and integrity and any gaps should be explained.
- An official employer's reference should be obtained.
- Doubts about the contents of the reference should be resolved before confirming the appointment. If this is done by telephone, a written record of the discussion should be kept to comply with employment law.

- Essential qualifications and eligibility to work in the UK should be checked before making an offer of employment (for example by requiring original certificates at the interview and production of a valid passport).

2.9.3 Recruitment procedures should require applicants to declare any connections with existing Members and employees. Those involved in the recruitment process should similarly be required to declare such connections.

Return to Contents Page

> ## Section 3: Fraud and Corruption - Detection and Awareness

3.1 Introduction

3.1.1 This section aims to give practical advice and information to managers who are likely to be responsible for areas where fraud or corruption may occur. It gives hints regarding what signs to look for which indicate that fraud or corruption may exist and provides specific examples of frauds. Audit Commission surveys have shown that there are far less proven instances of corruption than there are cases of fraud.

3.2 Risk Areas

3.2.1 Quite simply, fraud can happen wherever employees or people outside the Council complete official documentation and have the opportunity to take financial advantage of the Council. The risk of fraud or corruption is increased where staff or contractors are in positions of trust or responsibility and are not checked or subjected to effective monitoring or validation. Consequently, the following areas are particularly susceptible to fraud and / or corruption:-

- Benefits
- Claims from contractors / suppliers / outsourced contracts
- Travel and expense claims
- Cash receipts/petty cash / cash floats
- Payroll
- Ordering (For example, unauthorised order or falsification of order)
- Procurement of contracts
- Stocks and assets (especially, portable/attractive items)
- Loans and Investments (Treasury Management)
- Renovation Grants
- Parking machines income
- Enforcement (fines)
- Billing (e.g. Sundry Debtors, Council Tax, Rates)
- Car Loans
- Sale or disposal of assets
- Award of Planning Consents and Licences
- Recruitment

3.2.2 In addition, acceptance of gifts and hospitality, secondary employment and pressure selling (suppliers pressurising employees to order goods / services which are not required) can lead to corrupt practices.

3.3 Examples Of Fraud

3.3.1   Invoices for services:
- Claiming for services not performed
- Claiming for a higher level of service than that performed
- Duplicate claim for service previously paid for

3.3.2   Contracts:
- Falsified contractual claims for delays in contract work
- Irregularities in tendering
- Claims for work not performed
- Bogus invoices submitted

3.3.3   Travel claims:
This is a most difficult area to control. Due to Members and employees travelling alone and the volume of journeys and numbers of individuals claiming, it is extremely difficult for management to check and validate the claims being made. The most common frauds in this area are:
- False journeys claimed
- Mileages inflated
- Unnecessary journeys undertaken
- 2 individuals claim for a journey taken together
- Claiming first class travel but taking second class
- Hire of car not used for official purposes

3.3.4   Expense claims:
There are numerous claims that can be made, such as training expenses, removal expenses, subsistence claims etc. The examples of fraud in this area generally fall into the following categories:
- False or inflated claims made
- Claim submitted to the Authority <u>and</u> a third party
- Excessive / inappropriate expenses claimed

3.3.5   Cash receipts:
Cash can be collected by employees in a variety of situations and this is a high-risk area for obvious reasons. The main problems are:
- Accepting cash without receipting or declaring it
- Altering documentation to disguise the theft of cash
- Teeming and lading (e.g. substituting cheques received, but not recorded, for cash received)

3.3.6   Petty cash:
Petty cash is usually held in a limited number of authorised locations at a specified level, e.g. £30. The responsibility for managing the cash is usually given to one person but the following problems can arise:
- Reimbursement sought for receipted, but inappropriate expenditure
- Vouchers/receipts submitted, no expenditure made
- Borrowing from petty cash

3.3.7   Payroll:
The major payroll frauds are most likely to occur with respect to new starters and with leavers. Examples of frauds are:-
- Fake or "ghost" employees introduced onto the payroll, the salary being paid to the fraudster
- A leaver not being taken off the payroll and the salary payment being diverted to the fraudster
- Hours worked over-stated to take advantage of flexi-time or over-time arrangements
- Claiming for work not performed
- Receiving payment from another organisation during normal working hours when paid by this Council (e.g. if on sick leave)

3.3.8   Ordering:
This is an area that is open to corruption, as well as fraud, but the number of personnel in a position to commit an offence in this area is more limited than in some of the earlier examples. However, fraud can also be committed by suppliers.
- Goods ordered for personal use or from a specific supplier in return for some form of benefit
- Goods ordered bear no resemblance to goods received
- Goods ordered from a relative's or friend's business instead of from the authorised supplier
- Accepting a lower number of items than ordered, but certifying an invoice for the higher number
- Creating/certifying false invoices, for which no order has been raised
  (can be done by internal or external fraudster)
- Generating payments through cheque requisition voucher for goods or services not received

3.3.9   Stocks and assets:
Misuse, theft and fraud in this area are not unusual. The most obvious and common risk area is stationery. However, employees come into contact with a variety of stocks and assets, which, if not properly controlled, will be subject to losses due to fraud and theft.

A further problem is the use of the Authority's assets for an individual's personal reasons e.g. Using a personal computer, fax, telephone, mobile phone etc. for running a private business or for personal use. The Council's Acceptable Use Policy defines permitted use of such equipment.

NB   These examples do not represent a comprehensive list of potential frauds.

3.4 **How To Look For Fraud or Corruption**

3.4.1 All managers should ensure that internal controls are in place to prevent and detect fraud and error. The types of controls available to the manager are detailed in Section 2. However, as stated earlier, fraud involves the falsification of records. Therefore, managers need to be aware of the possibility of fraud when reviewing or presented with claims/forms/documentation etc. Issues that may give rise to suspicions are:

- Documents that have been altered, using correcting fluid or different pens or with different handwriting

- Claims that cannot be checked, particularly if prior authorisation was not given or supporting documentation (e.g. receipts) is inadequate

- Strange trends in value / volume / type of claim
  (use comparisons and reasonableness)

- Illegible text / missing details

- Delays in documentation completion or submission

- Use of numerous cost centres to code expenditure (to avoid showing a large variation on one particular budget)

- Large payments where VAT should be payable but there is no registered VAT number quoted on the invoice

- Contact address has no permanency – mobile phone number quoted, no address for correspondence other than a P.O. Box number

- Payments are made to an offshore bank

- Lack of authorisation for computer input / no supporting documentation

3.4.2 There are also a number of indications that an employee may be acting fraudulently:-

- Apparently living beyond their means (lifestyle - house, car, holidays, clothes)

- Under financial pressure

- Exhibiting signs of stress or behaviour not in keeping with their usual conduct

- Not taking annual leave

- Solely responsible for a "risk" area and/or refusal to allow another officer to be involved in their duties

- Attracting complaints from members of the public

- Having inappropriate discussions with contractors / suppliers.

3.4.3   Suspicions of corruption usually come from outside the normal course of work. Sources (including letters, questions, hearsay and rumours) should be followed up promptly.

3.5   Working with other Agencies

3.5.1   Arrangements are in place to develop and encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity in relation to Local Authorities.

3.5.2   With the increase in frauds carried out against a variety of Local Authorities and Benefits agencies, which may include fraudsters having multi-identities and addresses, the necessity to liaise between organisations has become fundamental to the fight against fraud. The Council, therefore, works with the following:-

- Department for Work and Pensions
- Her Majesty's Revenues and Customs
- The Police
- Other Local Authorities
- Audit Commission [National Fraud Initiative]
- National Anti-Fraud Network.

3.5.3   This liaison may include exchange of data for data matching purposes and / or joint working on investigations.

Section 4: The Council's Anti-Fraud and Corruption Response Plan

4.1   Introduction

4.1.1   This procedure note sets out the responsibilities of officers and actions to be taken in cases where theft, fraud or corruption is suspected within the Council. Definitions of each act are set out below.

Theft   Dishonestly appropriating property belonging to another with the intention of permanently depriving them.

Fraud   The intentional distortion of financial statements or other records by persons internal or external to the organisation carried out to conceal the misappropriation of assets or otherwise for gain.
This includes Fraud by:
- *False representation*
- *Failing to disclose information*
- *Abuse of position*

Corruption   The offering, giving, soliciting or accepting of an inducement or reward that may influence the actions of any person.

4.2   Discovery of Fraud or Corruption

4.2.1   All financial irregularities should be reported immediately to the Head of Finance and ~~Business Development~~ **MIS**. Where actions are thought to be deliberate then the possibility of fraud or corruption should be considered.

4.2.2   Cases of fraud and corruption often come to light in the following ways:

- management look into areas where there is evidence of controls not being applied
- routine system checks by internal audit
- tip offs from a third party.

4.2.3   Initial reports should be treated with discretion and caution, as apparently suspicious circumstances may turn out to have a reasonable explanation or the tip off could be malicious.

4.2.4   Where suspicions are aroused during audit reviews, the details should be immediately brought to the attention of the Audit and Fraud Prevention Manager, who should in turn report to the Head of Finance and ~~Business Development~~ **MIS**. Consideration should then be given to consulting the police, depending on the scale of the incident and the discretion of the Head of Finance and ~~Business Development~~ **MIS**. *See section 4.4 below.*

4.2.5 **Normally, we will seek to prosecute in cases of theft, fraud or corruption and details of successful prosecutions will be released to the press.**

4.2.6 Employees should be aware of the rules for interviewing those believed to be involved.   In particular, the conditions of the Police and Criminal Evidence Act 1984 determine whether the evidence collected will be admissible in court.

4.2.7 It is important that the response plan is followed by all concerned, to ensure that the situation is handled professionally and to safeguard against the case being compromised.

4.3   Initial Action

4.3.1 **Action to be taken by employees on discovery of a potential offence**

On discovering or suspecting theft, fraud or corruption it is essential that you inform either the Head of Finance and ~~Business Development~~ *MIS*, the Human Resources Manager or the Audit and Fraud Prevention Manager immediately. If this is not practicable your line manager should be informed. Out of office hours, the line manager must use discretion as to whether to inform the police. This is particularly relevant in cases of theft where a delay in reporting to the police may be undesirable. *In all other cases, do not inform the Police or involve other external organisations / individuals.   This is the responsibility of the Head of Finance and MIS, who will give a considered response and involve the Communications Team – see section 4.5.4 below.*

Confidentiality will be respected and anonymous "tip-offs" will be assessed and followed up where appropriate. *Further guidance is available in the Council's Confidential Reporting Code on the intranet.*   It is in your interest to report suspicions. Full details should be made available though any actions should not arouse the suspicions of those who may be involved.

All records relating to the issue should be secured, if this can be done without alerting the person(s) under suspicion, to ensure that they are not destroyed or amended. The Audit and Fraud Prevention Manager will advise on this.

Do not investigate or question those involved yourself. This may compromise any formal investigation.

Where an employee is to be suspended pending an investigation, secure his/her desk, filing cabinets and IT network and ensure that he/she hands in all office key / security pass, so as to ensure that further access is denied until the outcome of the investigation is known.

~~During an investigation,~~ Details should not be discussed with anyone other than members of the investigation team, as this may jeopardise the successful outcome. Media attention should be directed to the Head of Finance and ~~Business Development~~ *MIS*, who will keep the Communications section informed if appropriate.

4.3.2 Action to be taken by Members on discovery of a potential offence

Members should contact the Head of Finance and ~~Business Development~~ *MIS* or the Head of Legal and Democratic Services. The additional guidance given at 4.3.1 above, re confidentiality and the media, also applies to Members.

4.4   *Referral to the Police*

4.4.1   Investigations will try to establish at an early stage whether it appears that a criminal offence has taken place. This will shape the manner in which the investigation is handled and determine the likely outcome and course of action.

4.4.2   Where initial investigations point to the likelihood of fraud or corruption, and circumstances are in line with the criteria as set out in the Council's approved Sanctions Policy, the Head of Finance and MIS will contact the Police to establish whether they wish to conduct their own criminal investigation if the offence does not relate to Benefits fraud. The Council's criteria for considering prosecution are as follows:

- *If the gain or loss arising is over £2,000, prosecution will be pursued, subject to the Public Interest Test.*

However, in cases where it is less than £2,000 it may still be appropriate to prosecute if any of the following apply:-

- *The person involved in the fraud was in a position of trust, e.g. a member of staff.*
- *The fraud is calculated and deliberate e.g. planned from the outset by making a false statement to obtain services.*
- *The person used fraudulent documents.*
- *The fraud continued over a long period of time.*
- *The person has been previously convicted of fraud within the last five years.*

4.4.3   Public Interest Test

It would be inadvisable to prosecute in the following cases:-

- *The offender, or offender's partner is suffering from serious long term illness, or is fragile because of advanced age or disability.*
- *People with mental illness.*
- *Heavily pregnant females (within last 8 weeks of pregnancy).*
- *People recently bereaved.*

Other factors will incorporate the following:-

- *Whether the offender voluntarily disclosed that he/she has committed fraud.*
- *Whether the offender co-operated with the Council's Investigation Officer during the investigation.*
- *Whether the offender has either paid back the fraudulently obtained sum or has made satisfactory arrangements to pay back the said sum.*

Whilst the above factors must be considered, the weight of evidence and the seriousness of the offence may still, on balance, mean a prosecution should be pursued. However, it must always be borne in mind that a prosecution must be in the public interest and there should be an effective deterrent value.

4.5 *Fraud / Corruption Management Process*

4.5.1 A flowchart illustrating the process is included at the end of this section.

4.5.2 For cases other than Benefits fraud, the process is co-ordinated by the Head of Finance and MIS, assisted by the Monitoring Officer, a Lead Officer, the Human Resources Manager and the Audit and Fraud Prevention Manager.

4.5.3 There are three distinct aspects that the Investigating Team will manage:

- *Issues concerning employees or contractors*
- *The actual investigation*
- *The external environment*

Responsibilities are outlined below.

4.5.4 Responsibilities of the Head of Finance and ~~Business Development~~ MIS
[For investigations other than Benefits Fraud]

Initial responses

- appointing an officer to lead the investigation (the Lead Officer)

- consider whether an investigation steering group is necessary (if there is a major issue requiring Member involvement)

- informing the Audit and Fraud Prevention Manager

- informing other managers, eg Human Resources Manager, the Monitoring Officer.

Review the preliminary findings of the lead officer and decide whether to:

- discontinue the investigation

- continue with a full internal investigation

- involve the police, external audit or other bodies, the Monitoring Officer.

<u>Agree the objectives and terms of the investigation</u> as proposed by the lead officer.

Agree the resources that are necessary for the investigation as recommended by the lead officer.

Inform the Chief Executive and the Leader of the Council that an investigation is underway.

Manage any public relations issues that may arise*, in consultation with the Communications Team,* and liaise with the lead officer throughout the investigation.

<u>Review the outcome</u>

Liaise with Human Resources in considering whether any action is required against an employee.

Report the outcome to the Chief Executive and the Leader of the Council.

4.5.4 Responsibilities of the Human Resources Manager

If employees are involved, advise on Human Resources and procedural issues in relation to:

- investigations
- suspension
- disciplinary proceedings / **capability procedures**
- dismissal **or re-instatement**.

Keep the Head of Finance and ~~Business Development~~ **MIS** informed.

Liaise with employee's union representatives, if appropriate.

Carry out termination procedures if necessary and advise managers on the wording of future references.

4.5.5 Responsibilities of the Monitoring Officer

The Monitoring Officer, as well as providing general legal advice, will specifically advise on the Confidential Reporting Code, RIPA, the Constitution (including Codes of Conduct and Contract Standing Orders) and procedural issues in relation to Members.

4.5.6 Responsibilities of the Lead Officer
[For investigations other than Benefits Fraud]

The Lead Officer, who may also be the line manager or Audit and Fraud Prevention Manager, will organise the investigation on behalf of the Head of Finance and ~~Business Development~~ *MIS* and keep him/her informed of significant events. In exceptional circumstances the lead officer will be the Head of Finance and ~~Business Development~~ *MIS*. In such cases the Head of Finance and ~~Business Development~~ *MIS* will keep the Chief Executive informed of progress.

The Lead Officer will normally ask Internal Audit to carry out an initial review to produce evidence for an initial consideration of suspicions and enable the Head of Finance and ~~Business Development~~ *MIS* to assess the scale and implications.

If suspicions are confirmed the Lead Officer will set up a full investigation by:

• agreeing terms of reference, scope, key issues and target dates etc.

• identifying staffing needs and likely cost

• set up steering meetings to monitor progress and cost of investigation.

The Lead Officer will be the point of contact for liaison with the police, external audit etc.

It is important that all documentation and articles are collated at an early stage. Advice can be obtained from the Cumbria Constabulary. Guidelines are set out in the CIPFA booklet: The Investigation of Fraud in the Public Sector and key points include:

• prime documents should be removed to a safe place with copies being used for working purposes (in order to maintain secrecy batches of documents as opposed to individual items should be removed)

• working papers should be dated, initialled and set out in such a way that a lay person could understand them and they could be presented in court

• observation of activities should be undertaken by two staff

• interviewing should observe PACE requirements and is best done by the Police.

If electronic equipment may contain evidence relevant to the investigation, then this equipment will be secured and evidentially sound copies will be created, by the IT Manager, for analysis.

Surveillance
The Regulation of Investigatory Powers Act 2000 imposes certain conditions should surveillance be necessary.

The Act covers:
- *Interception of Communications*
- *Surveillance and covert Human Intelligence sources (informers)*
- *Directed Surveillance*
- *Intrusive Surveillance*
- *Investigation of Electronic Data protected by Encryption*

Surveillance should not be carried out unless authorised by the Head of Legal and Democratic Services or the relevant Head of Service and has to be justified in accordance with the Human Rights Act 1999. RIPA Procedures are available on the intranet and advice can be sought from the Head of Legal and Democratic Services.

The Lead Officer will report progress to the Head of Finance and ~~Business Development~~ *MIS* and recommend action (internal disciplinary action or prosecution).

The Lead Officer will arrange any necessary recovery action. *The Council will, wherever possible, seek to recover the losses incurred as a result of fraud and corruption. This will include taking appropriate legal action, if necessary. When the Council has suffered loss as a result of fraud or corruption by an employee, the Council may be entitled to have recourse to he/her accrued pension rights to make good the loss.*

The Accountancy Services Manager should be notified as soon as possible of the loss, the circumstances and the recovery action being tried. The Council's insurers should be notified promptly, as an insurance claim may have to be made if recovery attempts are unsuccessful. Receipt by the Council of a payment from its insurers does not protect offenders from civil recovery proceedings by the insurers.

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

- *Without prejudice to any other action the Council may wish to take (see also 4.4.3 above) ; and*
- *That acceptance is only in respect of losses identified to date (including any interest on loss) and that the Council reserves the right to seek recovery of any further losses that may come to light in the future.*

The Lead Officer will prepare a summary note, identifying system weaknesses and lessons to be learnt together with an action plan specifying officers responsible and completion dates.

4.5.7 Responsibilities of the Fraud Team

All allegations of Benefits fraud will be handled by the specialist Fraud Team. They operate to Department for Work and Pensions (DWP) standards, have undergone specialist training and are designated "Professionals in Security". They are trained to interview under caution and to comply with PACE requirements.

As stated at 4.5.5 above, The Regulation of Investigatory Powers Act 2000 imposes certain conditions should surveillance be necessary and has to be justified in accordance with the Human Rights Act 1999. Surveillance is carried out as a last resort, if the evidence cannot be obtained in any other way. It can only be carried out when authorised by ~~the~~ *a* nominated officer – the Head of Legal and Democratic Services *or the relevant Head of Service.*

4.5.8 Responsibilities of an authorised officer under the disciplinary procedure

An authorised officer under the disciplinary procedure will make any necessary arrangements in the section:

- for the employee under suspicion to be suspended pending the investigation and provide alternative staff cover

- secure any documents or premises that could be interfered with

- arrange to have documents etc. available for scrutiny.

4.5.9 Key Contacts:

Head of Finance and ~~Business Development~~ *MIS*	(59)8452
Head of Legal and Democratic Services	(59)8515
Human Resources Manager	(59)8505
Audit and Fraud Prevention Manager	(59)8465
Fraud Team Leader	(59)8403
Benefits Fraud Hotline	0800 7833878

### *4.6 Review of the Anti-Fraud and Corruption Response Plan*

4.6.1 This Plan will be reviewed and updated at least annually and after each use.

Return to Contents Page

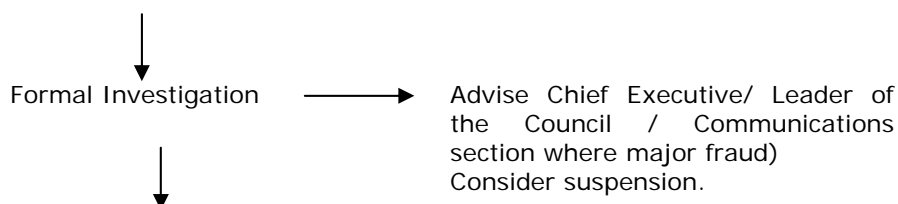## OUTLINE OF FRAUD / CORRUPTION MANAGEMENT PROCESS

Event happens
Suspicion Aroused

As appropriate to event
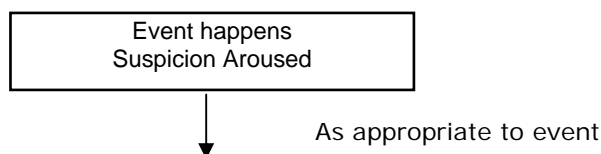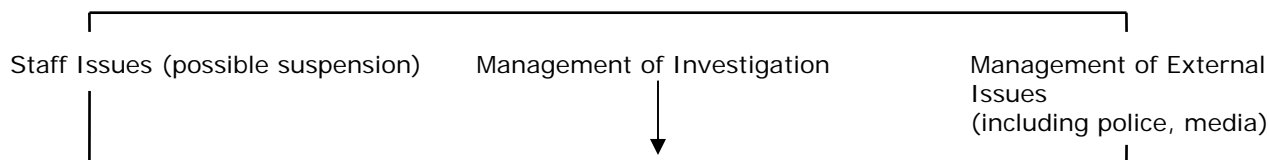
Raise issue with one or more of:
- Line Manager / Head of Service
- Head of Finance and ~~Business Development~~ *MIS [essential]*
- Audit and Fraud Prevention Manager
- Human Resources Manager
- *Head of Legal and Democratic Services*
- Fraud Team Leader [For Benefit Fraud]

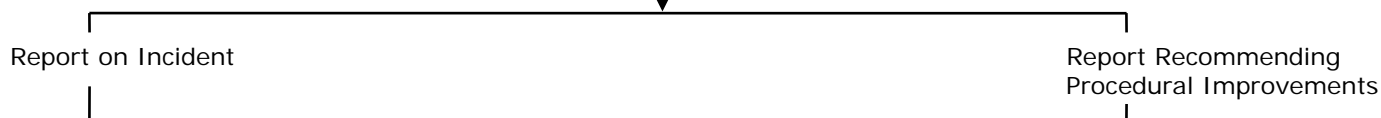Internal Discussion/ Fact finding/ Decisions → Informal investigation Issue resolved
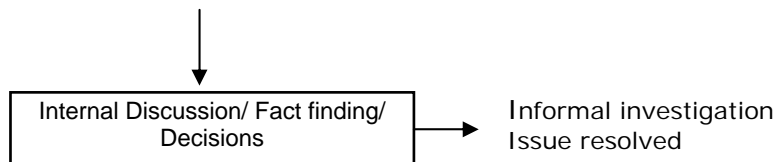
Decision on whether to involve the Police will be taken by the Head of Finance and ~~Business Development~~ *MIS*. Human Resources Manager will advise on employee suspension and subsequent disciplinary action. The Head of Legal and Democratic Services will advise on procedures if a Member is involved.

Formal Investigation → Advise Chief Executive/ Leader of the Council / Communications section where major fraud) Consider suspension.

Investigation   If surveillance is required Follow Regulation of Investigatory Powers Act 2000

Staff Issues (possible suspension)   Management of Investigation   Management of External Issues (including police, media)

Completion of Investigation

Report on Incident   Report Recommending Procedural Improvements

To:

- *Head of Finance and MIS*
- Appropriate Chief Officer
- Chief Executive
- Leader of the Council

Action reports
(Including Recovery of Losses where appropriate)

Return to Contents

Section 5: Council Policies, Procedures and Guidelines

5.1   Other Useful Guidance

5.1.1   The Council has various policies, procedures and guidelines, which are designed to give a framework for internal control and to ensure that sound systems are in place.

5.1.2   It is important that all Members and employees are aware of these and of their content. The most important documents in relation to anti-fraud and corruption are:

- Financial Regulations
- Contract Standing Orders
- Project Management Guide
- Code of Conduct for members

- Code of Conduct for employees
- IT Security Policy

- Confidential Reporting Code

- **Code of Corporate Governance**

- **RIPA Guidance**

- **Sanctions Policy (for Benefit Fraud)**

- **Money Laundering Guidance**

5.1.3   Employees and Members should also be aware of:

- Grievance Procedures;
- Disciplinary Procedures;

5.1.4   Details of the above can be found on the Council's intranet site **or upon request from the Audit and Fraud Prevention Manager**.

5.1.5   The Council has an overall approach to ensuring that fraud and corruption is minimised and that probity is upheld. This includes, in addition to the above:

- Effective systems and controls which are monitored by both internal and external audit
- An environment of openness and trust
- The Anti Fraud and Corruption Strategy

5.1.6   All instances where fraud and corruption are suspected will be investigated.

5.1.7   The Audit and Fraud Prevention Manager will continue to review these arrangements to keep pace with any future developments.

1. Summary of the Fraud and Corruption Prevention Policy

1.1 This policy is established to promote a culture within the Council which actively aids the prevention and detection of fraud, corruption and business abuse. It should be read in conjunction with the Confidential Reporting Code and the Anti-Fraud and Corruption Strategy.

1.2 This policy can be summarised as follows:-

- Whilst Internal Audit will provide guidance on, and reviews of, internal controls, management are responsible for ensuring arrangements are in place for the prevention and detection of fraud, misappropriation of assets and other irregularities.

- Every Member and employee should be familiar with this policy, the types of irregularity that might occur within his or her area of responsibility, be alert for any indication of irregularity and be proactive in preventing fraud and corruption.

- Any employee who discovers or suspects dishonest, irregular, corrupt or fraudulent activity, must report the matter immediately to the Head of Finance and ~~Business Development~~ *MIS* or to the Audit and Fraud Prevention Manager. Members may report the matter to the Head of Legal and Democratic Services. Where Benefit Fraud is suspected, reports should be made direct to the Fraud Team Leader or via the Benefits Fraud hotline - Tel. 0800 783 3878.

2. Scope of the Policy

2.1 It is the objective of this policy that Members and employees of the Council be proactive in preventing fraud, corruption and business abuse. This policy applies to any irregularity, or suspected irregularity, involving Members, employees, customers, suppliers, contractors, consultants, competitors, partners and / or any other parties with a business relationship with the Council.

2.2 Any investigative activity required will be conducted without regard to the suspected wrong-doer's length of service, position/title or relationship.

3. Code of Conduct, the Confidential Reporting Code, the Anti-Fraud and Corruption Strategy and other Internal Regulations

3.1 All Members and Employees are required to be familiar with the relevant Code of Conduct, the Confidential Reporting Code, the Anti-Fraud and Corruption Strategy, the IT Security Policy, Financial Regulations and Contract Standing Orders in the carrying out of their duties.

4. Induction, Training and Accountability

4.1 All new Members and employees will be made aware of this policy and the Council's Anti-Fraud and Corruption Strategy, as part of the induction process. For existing Members and employees, awareness of their responsibilities for the prevention and detection of fraud, corruption and business abuse will form part of staff training. As part of the annual review of internal control, managers will be accountable for internal control, security of assets and fraud prevention / detection in their area of responsibility.

5. Systematic Fraud Risk Assessment and Business Controls

5.1 ~~Management is expected to be familiar with the types of improper practices that might~~ occur within the Council, be alert for any indication of irregularity and to be proactive in preventing fraud, corruption and business abuse. To ensure the risk of fraud, corruption and business abuse is known and managed, management should undertake regular risk assessment of their area's activities.

5.2 The review of compliance with existing procedures and controls will be undertaken, based on a risk assessment, by Internal Audit and will be reported to the Audit Committee.

5.3 It is the responsibility of Members and management to ensure there is adequate security of all business assets and business information, including all data held on computer or other electronic media.

6. Actions Constituting Fraud, Corruption or Business Abuse

6.1 The terms fraud, corruption and business abuse refer to, but are not limited to:-

- The intentional distortion of financial statements or other records, by persons internal or external to the Council, which is carried out to conceal the misappropriation of assets or otherwise for gain;
- The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person;
- Unauthorised use of company assets or facilities for personal benefit;
- Forgery or alteration of a cheque, bank draft, or any other financial document;
- Misappropriation of funds, supplies or other assets;
- Improper practices in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of activities or confidential information;
- Disclosing to others insider knowledge or confidential information;
- Accepting gifts or hospitality, outside of the limits prescribed by the Code of Conduct, from the Council's customers, suppliers, contractors or competitors; and
- Destruction or concealment of records, furniture, fixtures or equipment.

7. Reporting Procedure and Investigation Responsibilities

7.1 It is the responsibility of any employee who discovers or suspects dishonest, irregular, corrupt or fraudulent activity to report the matter immediately to the Head of Finance and ~~Business Development~~ *MIS* or to the Audit and Fraud Prevention Manager. Members may report the matter to the Head of Legal and Democratic Services. Where Benefit Fraud is suspected, reports should be made direct to the Fraud Team Leader. All such reports, made in good faith, will be treated as confidential.

7.2 The Head of Finance and ~~Business Development~~ *MIS* has primary responsibility for assessing all reports of suspected fraud, corruption, irregularity or business abuse. The exception to this relates to Benefit fraud, when reports should be made directly to the Fraud Team Leader or via the Benefits Fraud hotline - Tel. 0800 783 3878.

7.3 The response plan is detailed in the Anti-Fraud and Corruption Strategy.

7.4 ~~No investigation, other than Benefit Fraud investigations, will be undertaken~~ without the direct authority of the Head of Finance and ~~Business Development~~ *MIS*. It is the Head of Finance and ~~Business Development~~ *MIS* who will decide whether the police need to be informed.

8. Disciplinary Action

8.1 If an investigation results in a recommendation for disciplinary action, the recommendation will be reviewed for approval by the Human Resources Manager or the Head of Legal and Democratic Services, as appropriate. The Senior Communications Officer will be consulted if the issue is to be made public.

9. Administration and Interpretation

9.1 The Head of Finance and ~~Business Development~~ *MIS* is responsible for the administration and interpretation of this policy.