

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**COUNTER FRAUD POLICIES AND STANDARDS**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To provide the Audit Committee with an appropriate level of assurance that counter fraud arrangements are adequate.
- 1.2 To consider and approve the Counter Fraud Strategy.

**2. BACKGROUND INFORMATION**

- 2.1 The Counter Fraud Strategy sets out the council's determination to deter prevent and detect fraud and safeguard its assets. The Strategy is revised periodically to reflect changes in legislation and recommended best practice guidance. This ensures that the council remains at the forefront of the prevention and detection of fraud and corruption.
- 2.2 The Strategy encompasses policies and procedures that collectively help drive down the risk of fraud and provide a framework to investigate instances of potential fraud. Year on year the Strategy has been significantly strengthened and reference is made throughout the document of the council's response to key publications that represent best practice. The Strategy also recognises the changing environment for the public sector and the economic conditions which increase the risk of fraud. It is vital the council's counter fraud arrangements remain strong. Minor amendments (highlighted in red for ease of reference) have been made to the Strategy (attached as Appendix A).
- 2.3 Supporting policies that underpin the strategy (shown as appendices to the strategy) are also updated as necessary. Minor updates have been made to reflect the demise of the National Fraud Authority (NFA) and the new role for the National Crime Agency (NCA) in accepting money laundering referrals. Other minor presentational amendments (highlighted for ease of reference) have also been made (also shown in Appendix A) A council wide communication is planned to remind all members and staff of these counter fraud policies and in particular of individuals' responsibilities to remain vigilant and report suspected instances of fraud.

- 2.4 The National Audit Office produced the good practice guide to Whistleblowing in the public sector in November 2014. The guide contains a useful checklist which was used to confirm our existing arrangements meet best practice. We currently compare favourably and no changes are required to our Whistleblowers Charter we are however going to carry out some refresher training as part of our counter fraud plan at Appendix B to ensure there is sufficient awareness of the charter.
- 2.5 In October CIPFA launched a Code of Practice on Managing the Risk of Fraud and Corruption to support good practice in public sector governance. The code outlines measures for an effective fraud response, including the importance of leadership, governance and operational arrangements. The code is attached at appendix C and recognises 5 core principles to manage the risk of fraud, namely:
1. Acknowledge the responsibility of the governing body for countering fraud and corruption
  2. Identify the fraud and corruption risks
  3. Develop an appropriate counter fraud and corruption strategy
  4. Provide resources to implement the strategy; and
  5. Take action in response to fraud and corruption.
- 2.6 In December CIPFA issued guidance notes to support the implementation of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. These explain the importance of the principles and help the user apply them in practice. The publication provides guidance on relating the code to the different governance frameworks in operation in the public services. It contains good practice guidance that will assist councils to improve the effectiveness of their counter fraud arrangements. We believe that these are already embedded within the counter fraud work undertaken at North Lincolnshire. However, a more detailed self-assessment against the counter fraud plan will be undertaken to confirm this.
- 2.7 The Audit Commission's annual report on fraud 'Protecting the Public Purse' was issued in November. The report also contains a checklist of best practice arrangements that members should look for and complements CIPFA's guidance detailed in paragraph 2.6. Its main messages and the council's response are reported in a separate report elsewhere on this agenda.
- 2.8 The Information Commissioners Office has extended its transparency requirements to cover fraud. From February 2015 we will be required to publish the number of fraud cases investigated and the resources we have used in investigating fraud. We are working with Business Support to ensure we meet these requirements
- 2.9 Internal Audit continues to focus on the delivery of a programme of proactive counter fraud work, including development activity and promotional work to raise awareness about fraud threats throughout

the council, as well as involvement in a number of reactive investigations. The volume of unforeseen and irregularity work is 17% lower than last year; 160 days against the allocation set aside in the 2014/15 Audit Plan of 185 days. An update of the counter fraud plan is provided in appendix B.

### **Proactive work**

- 2.10 The council fraud risk assessment and exposure profile have been reviewed and updated. Professional guidance and advice received from CIPFA has been considered and potential high risk areas will be incorporated into the audit plan. Other proactive counter fraud work has included income reviews of Leisure Health and Fitness Membership, Golf Clubs, Markets and Bereavement Services In addition reviews of the council's anti bribery and money laundering procedures have been carried out. In both cases arrangements were found to provide adequate assurance to manage the risk of fraud although a publicity campaign is planned.

### **National Fraud Initiative (NFI)**

- 2.11 Matches for the 2012/14 National Fraud Initiative (NFI) core data matching exercise were returned in January 2013. Internal Audit and the Housing Benefits Investigation Service have been working on the matches and to date £145k of benefits fraud and £4k of invoice overpayments have been identified. The opportunity to take part in two pilot data sets covering benefits to students and payments in respect of social care clients was taken in May. Matches were received for students only and to date £15k of fraudulent payments to students has been identified.
- 2.12 Council tax Single Residents Discount (SRD) data and Electoral Roll data has now become an annual exercise and we received 1071 matches in January. Work on these matches has resulted in 533 cases being closed and 27k of incorrect SRD payments identified. Our data was requested again in December when the Electoral Roll was published. Work on the revised data has already started, and the cases will be referred to LT&B to address.
- 2.13 The 2014/16 core data exercise is now underway data was submitted in October matches are expected in January 2015.
- 2.14 Promotional work on the council's counter fraud arrangements and warning bulletins issued via the council wide communication network of potential new or emerging risks of fraud help raise awareness of the council's determination to counter fraud. A council wide communication will also be sent when the counter fraud strategy is approved and will include a reminder of the obligations placed on the council to ensure employees are aware of its Anti Money Laundering Policy.

### **Reactive work**

2.15 In addition to ongoing investigations into cases started in 2013/14 Internal Audit has been made aware of 21 new cases of potential fraud and irregularity so far in 2014/15 (17% increase on 2013/14) . These have been investigated by officers within the service or in conjunction with HR colleagues and/or the police. Key themes in the period are similar to the previous quarter and include the following:

- Inappropriate use of internet during working hours
- Failure to safeguard assets
- Flexi/ timesheet discrepancies
- Misuse of council data.

2.16 Referrals received via the Whistleblowers' hotline have increased steadily over the last few years:

Year	Total Referrals Received	Misdirected Calls
2010/11	221	34
2011/12	373	78
2012/13	378	81
2013/14	645	282
2014/15 (April to Nov)	416	167

(high number of misdirected calls are due to the hotline number being quoted prominently on HB& CT notification letters – many calls taken relate to entitlement queries)

This would indicate that:

- The facility is properly promoted
- Users feel confident to use it.

### **Housing Benefit Fraud Work Performance**

2.17 As at 10/12/14 the benefit fraud team had successfully prosecuted 21 cases and issued 20 Formal Cautions and 7 Administrative Penalties, the majority of the cases are due to customer's failing to declare their employment, their pensions and capital or that they are living with a partner. We have a further 4 cases currently at court of which 3 are listed for trial after entering "not guilty" pleas.

### **Single Fraud Investigation Service (SFIS)**

2.18 The responsibility for investigating all benefit fraud including housing benefit is transferring to the DWP. Over a period of 18 months all Local Authorities are transferring their benefit investigation work to DWP and the staff who undertake the investigations are also in scope to transfer.

2.19 North Lincolnshire Council's transfer date is 1 November 2015 and after that date it will not be able to investigate or prosecute benefit

fraud offences. It is likely therefore that some or all of the investigation officers will transfer to DWP on that date. The DWP will be contacting the council approximately 6 months prior to the date of transfer in order to facilitate the staff transfer.

- 2.20 The council will need to retain some investigation staff in order to conduct Council Tax Reduction Scheme investigations amongst others. We are also currently looking at potential Single Person Discount offences to establish if that is an area that the team can target. It is proposed that the retained fraud function will be a shared service with North East Lincolnshire Council and a report will go to Members in 2015 once the future staffing requirements have been agreed.

### **DCLG Funding**

- 2.21 In November DCLG announced extra counter fraud funding for a range of council-led projects. The department is providing a further £16 million to councils who are raising their game through a range of innovative projects across the country to tackle fraud. Our successful bid (£129k) came through a partnership with ERYC, NELC and Hull CC to fund a fraud intelligence hub. The four Humber authorities will work collaboratively across boundaries to prevent, deter & detect fraud by implementing a data intelligence hub that imports information from systems across the partnership, with further roll out to any partners in the future. The funding would fund the purchase of a bespoke Data Intelligence Hub system, purchase of credit reference data and the appointment of a Data Intelligence Officer

## **3. OPTIONS FOR CONSIDERATION**

- 3.1 The Committee is asked to consider whether the Counter Fraud Strategy will continue to provide sufficient assurance on the council's counter fraud arrangements in 2014/15 and 2015/16. Members are also asked to consider whether regular reports on proactive and reactive fraud work (similar to those shown in appendix B) will provide sufficient assurance on the adequacy of counter fraud arrangements.

## **4. ANALYSIS OF OPTIONS**

- 4.1 The Counter Fraud Strategy complies with statutory requirements and professional guidance available and is designed to provide this Committee with the assurance required. The updates on counter fraud work carried out are designed to provide this Committee with the assurance required to fulfil its role effectively.

## **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

- 5.1 Regular reviews of counter fraud arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. Minor costs associated with the telephone and publicity

for the Hotline will continue to be maintained within the Finance Service budget.

- 5.2 An effective Counter Fraud Strategy demonstrates the council has appropriate arrangements in place to support the Annual Governance Statement and to promote good corporate governance.

## **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 6.1 An Integrated Impact Assessment is not required.

## **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

- 7.1 The Counter Fraud Strategy has been revised in consultation with relevant staff from Finance, Human Resources and Legal and Democratic Services to ensure compliance with relevant legislation and council procedures.

- 7.2 There are no conflicts of interests to declare.

## **8. RECOMMENDATIONS**

- 8.1 That the Audit Committee considers:
- The assurance provided by the progress report on the adequacy of counter fraud arrangements, and
  - Whether the counter fraud work programme delivers a sufficient level of assurance on the adequacy of counter fraud arrangements.
- 8.2 That the Audit Committee approves the Counter Fraud Strategy.

### **DIRECTOR OF POLICY AND RESOURCES**

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**Background Papers used in the preparation of this report :**  
CIPFA Code of Practice on Managing the Risk of Fraud and Corruption



**Counter Fraud Strategy**



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# Counter Fraud Strategy

## Counter Fraud Strategy

### 1. Introduction

- 1.1 The public are entitled to expect the council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for and with it. They also expect that the council will safeguard public funds and ensure that they are available and used for their intended purpose that of providing services for the citizens and service users of North Lincolnshire Council.
- 1.2 The Counter Fraud Strategy ('the Strategy') outlines the council's commitment to meeting these expectations by creating a culture of zero tolerance of fraud, theft and corruption and maintaining high ethical standards in its administration of public funds. This strategy also contributes to the achievement of the council's vision of 'A dynamic, high performing, customer focused council, giving the best possible value for money and changing outcomes for all people living and working in the area.'
- 1.3 Specifically the council will ensure probity in local administration and governance by making sure that the opportunity for fraud, theft and corruption is reduced to the lowest possible risk with losses minimised and also taking positive action against all forms of fraud.

### 2. Purpose

- 2.1 As with other large organisations, the size and diverse nature of our services puts us at risk to loss due to fraud both from within the council and outside it. The public sector has experienced significant legislative change resulting in changes to resources, structure, service delivery and responsibilities, for example the transfer of Public Health Services to local authorities from 1<sup>st</sup> April 2013. Fraud is estimated to cost the UK economy £73bn each year with £20.3bn being suffered by the public sector. It is also recognised that during periods of recession the risk of fraud is further increased.
- 2.2 This Strategy sets out the council's approach in preventing and deterring fraud and the underpinning policies demonstrate how fraud once suspected or detected is reported and investigated and the sanctions and recovery that can be applied.
- 2.3 The Strategy meets the legislative requirement to have effective arrangements for tackling fraud. The content conforms to professional guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM)<sup>1</sup>. It has also taken account of the National Fraud

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<sup>1</sup> including - Managing the Risk of Fraud, Protecting the Public Purse, Code of Practice for Internal Audit in Local Government, Public Sector Internal Audit Standards.

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Authority's Fraud Strategy, and other documents, and relevant legislation such as the Bribery Act 2010.

- 2.4 There are several definitions of fraud because of the many ways that it can be committed. However in the widest sense it is

***'An intentional act to deceive or damage another for personal gain'.***

- 2.5 There are many types of fraud that can be committed and fraud is ever evolving. Some examples are theft, collusion, bribery, money laundering, and false accounting, counterfeiting, and claiming benefits to which there is no entitlement.

- 2.6 It is also important to point out that fraud can also be committed in person, via correspondence such as emails or via the internet, highlighting how fraudsters can use other forms of media to carry out their deception and do not need face to face contact in order to do so.

### 3. Scope

- 3.1 This Strategy applies to all cases of suspected or detected instances fraud both internally and externally. It also defines preventative measures taken to mitigate the risk of fraud occurring.

- 3.2 The scope of the Strategy extends to:

- Staff and elected members
- Contractors, agencies and suppliers
- Partners and other third parties including the voluntary sector who receive funding or support from, or deliver services on behalf of, the council
- Service users
- Staff and committee members of organisations funded by the council.

### 4. Linkages with other policies and procedures

- 4.1 This Strategy is supported by more detailed policies standards and procedures. These include:

- Whistleblowers' Charter
- Fraud Response Plan
- Internal Investigation and Prosecution policy
- Surveillance Policy
- Housing Benefit Fraud Prosecution Policy
- Anti Money Laundering Policy
- Bribery Act Reporting Policy.

## **Counter Fraud Strategy**

4.2 The counter fraud framework consists of strategies, policies and functions that enable the council to have effective counter fraud arrangements. Some of the key ones are:

- Code of Corporate Governance
- The Constitution including Contract Procedure Rules and Financial Regulations
- Finance Manual, and Procurement Manual
- Human Resources policies, particularly recruitment and selection, disciplinary induction and training
- Codes of conduct for councillors and officers, incorporating registers of interests and a Gift and Hospitality Code of Practice
- Risk Management Strategy
- IT Security Policy.

### **5. Managing the risk of fraud**

5.1 Everyone has an important role to play in managing the risk of fraud. All Members and employees of the council are expected to

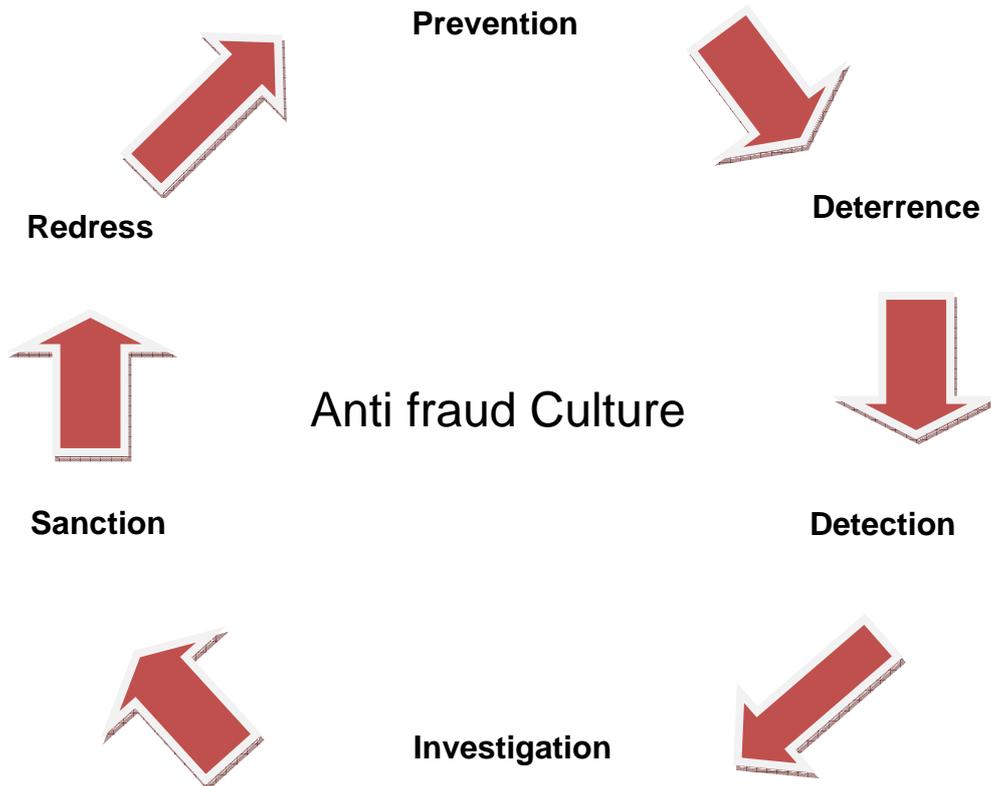
- Abide by relevant codes of conduct, council policies and procedures; including declaration and registration of relevant interests or offer of gifts or hospitality.
- Lead by example to ensure the council's zero tolerance approach to fraud is achieved.
- Report any suspicion of fraud.

All suspicions of fraud should be reported using the mechanisms described in the Whistleblowers' Charter. This includes a fraud hotline (01724 296666) and email Hotline@northlincs.gov.uk and online form for the confidential reporting by staff or members of the public of irregularities. The council also has a benefit fraud hotline (01724 296137/8), to allow members of the public to report concerns about individuals who are suspected of abusing the benefits system.

5.2 The Audit Committee are responsible for ensuring the risk of fraud is adequately managed. This includes approving this Strategy, receiving regular reports from Internal Audit on counter fraud activities, and reports from External Audit. These sources provide assurance to the Audit Committee that the risk of fraud is being minimised.

5.3 The council is determined to create an anti fraud culture and is achieved by adopting the approach shown in the diagram overleaf.

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5.4 The risk of fraud is reduced by:

- **Identifying high risk areas**  
Internal Audit maintains a fraud risk assessment and exposure profile which informs the audit plan of reviews each year. Professional guidance on new or emerging risks is also considered.
- **Implementing systems of internal control**  
Managers are responsible for implementing and maintaining effective controls in the systems for which they are responsible, and for deterring, preventing and detecting fraud. They must also monitor compliance with any policies and procedures for which they are responsible.

5.5 Internal Audit is responsible for providing assurance to managers and the council on the effectiveness of control systems and will provide advice and support in the design of new systems and procedures. Audit work is planned to ensure controls over areas identified at a high risk of fraud are effective and auditors will be alert to the risk of fraud in their work. A programme of proactive anti-fraud work will also be undertaken in each year including:

- Maintaining a current fraud risk assessment and exposure profile and carrying out associated audits of high risk areas to mitigate the risk.
- Evaluating policies and procedures in place to counter fraud and assist others in raising awareness of fraud and irregularity when it occurs.
- Advice on new and changing systems to 'design out' any potential for fraud and irregularity.

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- Council wide communications advising on risks encountered and regular newsletters highlighting issues for staff and the citizens of North Lincolnshire and reminding everyone to be vigilant to the risk of fraud.

5.6 Publicity and awareness are an integral part of creating an anti fraud culture, as well as effective prevention and deterrent tools. As such the council is committed to ensuring that awareness levels are as high as they can be across the council. The Strategy is widely available on both the intralinc and the internet, and summary materials are provided in the form of council wide communications. A survey approach is used to determine levels of awareness and issue further publicity material when required. In addition the outcomes of specific risks and investigations are publicised where appropriate to further enhance the deterrent effect and reduce the risk of further fraud occurring.

### 6. Prevention and deterrence

6.1 Fraud can be costly to any organisation, both in terms of reputational risk and financial losses. The council is determined to prevent fraud from occurring wherever possible through effective systems of internal control and combining with others to prevent and combat fraud.

#### Internal Control Systems

6.2 The Director of Policy and Resources has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the council's financial affairs. In addition, under the Accounts and Audit Regulations 2011, as the 'responsible financial officer' he is required to determine the accounting control systems which shall include:

**"measures to enable the prevention and detection of inaccuracies and fraud,"**

**"identification of the duties of officers dealing with financial transactions and the division of responsibilities of those officers in relation to significant transactions."**

6.3 The council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the council's resources. Managers are responsible for ensuring there is adequate and effective internal control to reduce the risk of fraud e.g. accurate records are kept and preserved, a management/audit trail is maintained, appropriate segregation of duties and management checks. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the council's Internal Audit Service and reviewed by the Director Policy and Resources.

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- 6.4 Specific policies such as the [Anti Money Laundering Policy](#) are designed to prevent fraudsters laundering the proceeds of crime through the council by placing limits on the amounts of cash that will be accepted and specifying the checks that will be made when high cash values are received.
- 6.5 A key preventative measure against fraud, theft and corruption is at the recruitment stage by establishing, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. In this regard, temporary employees and casual workers should be treated in the same manner as permanent employees, and all recruitment carried out in accordance with council policy.

### Combining with others to prevent fraud

- 6.6 [Successfully working with other agencies to combat fraud is a key trigger to the development of the National Fraud Authority \(NFA\) and is emphasised in their national strategy 'Fighting Fraud Together' and public sector guidance 'Fighting Fraud Locally'.](#)
- 6.7 The council is committed to co-operating with other organisations, including the police, to prevent fraud. There are a variety of arrangements in place, which facilitate the regular exchange of information between the council and other organisations for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators such as internal auditors, trading standards officers, housing benefits investigators etc.
- 6.8 The council is a member of the National Anti-Fraud Network (NAFN) which facilitates intelligence gathering, collation and dissemination on fraud and corruption issues. Professional advice provided through CIPFA membership is also utilised.
- 6.9 The council widely publicises its zero tolerance approach to fraud e.g. statements in contracts, on claim forms, and in publicity literature to deter fraud. Action taken against proven fraudsters is also publicised whenever possible to demonstrate the council's determination to take decisive action, seek full recovery and serve as a deterrent to others.

### 7. Detecting and investigating fraud

- 7.1 It is the responsibility of, the Council Management Team (CMT), Directors, senior officers and managers to maintain good control systems and ensure that all employees comply with these systems. These controls should allow for the prompt detection of anomalies which, if fraudulent, would be referred to Internal Audit to investigate.
- 7.2 Internal Audit has a planned programme to undertake a cyclical programme of audits to test the adequacy of counter fraud measures,

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based on a risk assessment model that is updated periodically. Data matching and analytical review techniques are also undertaken. This is recognised as an important tool in the prevention and detection of fraud, and is used by many other public bodies. The council participates in the National Fraud Initiative (NFI), which is a national data matching exercise between systems and across a range of bodies to detect and correct any consequential under or over payments to the public purse. Internal Audit also matches data between council systems as part of their counter fraud work.

7.3 Despite the best efforts of managers and auditors to detect fraud through the operation and review of internal controls, some frauds are discovered by chance or "tip off", either through the alertness of staff or from a member of the public. In such cases there is a requirement within the council's Financial Regulations for staff to:

- Report actual or suspected instances of fraud or money laundering to Internal Audit.
- Report findings to the police **only** when advised to do so by Internal Audit.

7.4 The council's confidential reporting procedure ([Whistleblowers' Charter](#)) provides a clear path for individuals to raise concerns of malpractice in any aspects of the council's work, without the fear of recrimination or victimisation. The Charter is intended to encourage and enable staff to raise serious concerns. Employees reporting concerns in this way are afforded certain rights through legislation (Public Interest Disclosure Act 1998). The action to be taken when there is suspicion of fraud, bribery or money laundering is set out in the [Fraud Response Plan, the Anti Money Laundering Policy and Bribery Act Reporting Policy](#).

7.5 Reporting suspected irregularities is essential and ensures:

- Consistent treatment of information regarding fraud and corruption,
- The Fraud Response plan is carried out properly,
- Investigation by an independent and experienced audit team, and engagement of all relevant parties,
- The interests of the council are protected, and
- Internal control implications are considered.

7.6 The Head of Audit, Risk and Insurance will work with Service Directors and specifically the Director of Policy and Resources to decide on the type and course of the investigation. This will include referring cases to the police where necessary and in consultation with the Head of Audit, Risk and Insurance. Internal Audit has developed a protocol, which covers when referrals are to be made, how they will be managed and the role the two parties will play in the investigation. All investigations will be carried out in accordance with the Fraud Response Plan and in conjunction with Human Resources and Legal as appropriate. Cases of

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benefit fraud are covered by the [Benefit Fraud Prosecution Policy](#) The council will ensure management action is always taken and may prosecute offenders, after carrying out disciplinary procedures where appropriate. Any internal proceedings do not prejudice a criminal case.

7.7 Internal Audit has experienced staff, to undertake fraud investigations. All allegations of fraudulent activity are reviewed and subject to a risk assessment. In all cases control issues will be reviewed and weaknesses identified. Some cases are followed up with a full investigation, in line with the [Investigation and Prosecution policy](#) others are better dealt with as management issues. Where appropriate departments shall:

- Report allegations swiftly
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Secure all evidence collected
- Where appropriate, contact other agencies, e.g. police (via Internal Audit), DWP
- Report to senior management, and where appropriate, support the council's disciplinary procedures

7.8 Where surveillance is required as part of an investigation appropriate authorisation is required. The [Surveillance Policy](#) signposts to the relevant legislation under which the surveillance should be documented and authorised. Applications for surveillance in potentially criminal cases are made in accordance with the Regulation of Investigatory Powers Act as set out in the council's [RIPA Policy](#) and are now subject to approval by the Magistrates Court.

7.9 The council's external auditors also have powers to independently investigate fraud and corruption.

## 8 Sanction and recovery action

8.1 In all cases of proven fraud or corruption appropriate disciplinary, prosecution and recovery action will be taken. Application of sanctions promotes the council's 'zero tolerance' of fraud, and also acts as a deterrent to others to commit fraud.

8.2 Where allegations are substantiated an employee will be subject to the council's disciplinary procedures. These could range from management counseling and warnings to dismissal in the most serious cases. Referral to the police will not necessarily prohibit action under the disciplinary procedure. In most cases disciplinary action will be concluded prior to referral to the police.

8.3 Cases that are referred to the police could result in cautions, prohibition orders and ultimately custodial sentences for the most serious offences. Criminal prosecution may be sought for serious housing

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benefits cases and other sanctions of cautions and administrative penalties may also be applied.

### 9. Training

- 9.1 The council recognises that the success and credibility of its Counter Fraud Strategy will depend largely on how effectively it is communicated throughout the organisation and beyond. To this end, details of the Strategy have been provided to all Members and all employees and have been included on induction programmes. A booklet has been designed for this purpose.
- 9.2 The council will provide relevant training to managers with responsibility for internal control systems, and encourages managers to contact Internal Audit when changes to systems and procedures which could affect internal controls are proposed. Breaches of procedure and misconduct will be dealt with seriously. If appropriate, disciplinary action may be taken.
- 9.3 Officers who are involved in investigating fraud and corruption will be provided with suitable training.
- 9.4 Internal Audit raises fraud awareness, both in relation to this Strategy and to give guidance on fraud prevention and detection. Fraud related issues will be publicised periodically with details of the outcomes of some of its investigations. These newsletters are also displayed on the Intranet.
- 9.5 It is the responsibility of Directors and service managers to communicate the Counter Fraud Strategy to their staff and to promote a greater awareness of fraud within their departments.

### 10 Review and monitoring effectiveness

- 10.1 The current version of this Strategy can be found on intralinc and the council website along with supporting information and procedures. In October CIPFA launched a Code of Practice on Managing the Risk of Fraud and Corruption to support good practice in public sector governance. The code outlines measures for an effective fraud response, including the importance of leadership, governance and operational arrangements. The code is attached at appendix B and recognises 5 core principles to manage the risk of fraud, namely:
1. Acknowledge the responsibility of the governing body for countering fraud and corruption
  2. Identify the fraud and corruption risks
  3. Develop an appropriate counter fraud and corruption strategy
  4. Provide resources to implement the strategy; and
  5. Take action in response to fraud and corruption.
- Guidance notes to support the implementation of the CIPFA Code of Practice contains good practice guidance that will assist councils to

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improve the effectiveness of their counter fraud arrangements. The Strategy and all supporting procedures will be reviewed as it is deemed appropriate but not less frequently than every 12 months, against best practice available

- 10.2 The above review and other planned works to review the effectiveness of and compliance to the appendices is contained within the counter fraud section of the audit plan. Responsive action required to raise awareness following reviews will be arranged through all appropriate means of communication including council wide alerts, eLearning, desk top campaigns and the newsletter.
- 10.3 Progress will be monitored by the Audit Committee and various points in the year and will be reported as part of the Annual Governance Statement.

## WHISTLEBLOWERS' CHARTER

### Introduction

Employees are often the first to realise that there may be something wrong within the council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. The Public Interest Disclosure Act 1998 provides statutory protection to employees making disclosures and the Council extends the principles of the Act into this charter give employees, councillors, governors, partners, service users and citizens the same route to raise concerns.

The council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, employees, members of the public and other interested parties are encouraged to voice those concerns. The charter encourages and enables concerns to be raised within the council on a confidential basis and without fear of reprisals.

This Whistleblowing Charter is intended to encourage and enable staff to raise concerns within the council rather than overlooking a problem or reporting it outside the council. This policy has been discussed with the relevant Trade Unions and professional organisations and has their support.

### Aims

- To ensure staff that they are afforded protection from reprisals and victimisation for raising a concern
- To set out an approach for raising concerns in a confidential manner with line managers in the first instance or to Internal Audit directly or via the hotline or email facility
- Inform staff on how to take the matter further if they are dissatisfied with the response

### Safeguards

The Whistleblowers' Charter contains a number of safeguards, based on the **Public Interest Disclosure Act 1998**, which gives statutory protection, within defined parameters, to employees who make disclosures, which they believe to be happening within the authority employing them. The Enterprise and Regulatory Reform Act, given Royal assent in April 2013, provided some minor change to the defined parameters,

Protections are afforded the employee when they report a concern, provided they believe their claim is in the public interest and the concern is made in good faith which means that the employee believes it to be substantially true, is not making a false or malicious allegation and is not seeking to gain personally from raising the concern.

Specifically the following protections are afforded

- **Harassment or victimisation.** The council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The council will not tolerate harassment or victimisation and will take action to protect staff when they raise a concern in good faith. This does not mean that if a member of staff is already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of their whistleblowing.
- **Confidentiality.** The council will do its best to protect your identity if you raise a concern and do not want your name disclosed.
- **Anonymous concerns.** Concerns can be made anonymously, however it should be noted that such cases can be more difficult to investigate, and the various safeguards in this policy ensure repercussions of raising a report will not be met by harassment or victimisation
- **Untrue Allegations.** No action will be taken against whistleblowers if allegations are made in good faith. However, malicious or unfounded allegations may result in disciplinary action taken against the whistleblower.

### **What to report**

There are existing procedures in place to enable staff to lodge a grievance relating to their own employment, this can be found in the Human Resources manuals. This charter is intended to cover concerns which may be about activities that are -

- Fraudulent
- Unlawful
- Against council's procedures or policies
- Below established standards or practices
- Result in waste or loss to the council
- Demonstrate improper conduct

Examples include;

- Theft of assets
- Inappropriately claiming benefits or allowances

- Avoiding payment for services
- Not following any council procedures and codes, these include the Financial procedures such as the Finance Manual and the Contract Procedure Rules, Human Resources policies such as flexi time and sickness policy, and governance procedures such as the gifts and hospitality policy

### **Raising a concern**

This depends primarily on the nature of the concern, this policy relates to all concerns but there are certain issues which should be brought to the attention of specialist officers. Specifically if the concern is regarding the safety of a child or a vulnerable adult then immediate contact should be made with the child protection team on 01724 296500 (24 hour line) or via email at [childprotectionteam.shs@northlincs.gov.uk](mailto:childprotectionteam.shs@northlincs.gov.uk) or the vulnerable adult team on 01724 297979 or 01724 298160 (24 hour line). If the concern relates to suspected terrorism immediate contact should be made with the police on 0845 6060222

In all other cases employees should bring the matter to their line manager, and be able to speak in confidence to this person. If that person is involved, they should approach the next level of management, again confidence should be ensured. Either manager should be able to deal with the issue directly and make the appropriate referral to Internal Audit if the concern is of a fraudulent nature.

If the employee does not feel able to raise the concern with management they can contact Internal Audit in a number of ways,

- In writing by email ([hotline@northlincs.gov.uk](mailto:hotline@northlincs.gov.uk)) or letter (to the Civic Centre, Ashby Road, Scunthorpe)
- Directly by phone (01724 29666), a dedicated hotline is available which is manned throughout the day, an answer phone facility is available outside office hours

Trained Internal Audit staff deal with all correspondence and phone calls. The council has appropriate procedures to receive and to investigate all concerns / allegations which should be followed. However, if you feel unable to talk to anyone within the council under the terms of the Public Interest Disclosure Act 1998, you may contact the Audit Commission (1<sup>st</sup> Floor Millbank Tower Millbank London SW1P 4HQ Tel: 0844 798 3131 [www.audit-commission.gov.uk/about-us/contact-us/whistleblowing](http://www.audit-commission.gov.uk/about-us/contact-us/whistleblowing)) or Public Concern at Work, (Tel 020 7404 6609 or e-mail [whistle@pcaw.org.uk](mailto:whistle@pcaw.org.uk)). Public Concern at Work is an independent charity providing free advice for persons who wish to express concern about fraud and other serious malpractice in the workplace.

The earlier a concern is raised, the easier it is to take action.

## **How managers will deal with a concern**

As a manager you should become familiar with this charter and the investigation and prosecution policy so that the appropriate support can be offered to employees raising a concern, and any necessary referrals can be made to Internal Audit.

Managers should;

- Be responsive to concerns and encourage staff to voice any reasonably held concerns as part of supporting the council's zero tolerance of fraud culture. Concerns should be taken seriously and treated with confidence.
- Note all relevant details obtain as much detail as possible from the reporting employee, note any evidence or documents that may support the concern. However you must not try and investigate the matter yourself, approach or accuse any individuals directly or contact the police
- Evaluate the concern objectively and determine whether further action is required, in cases of suspected fraud contact Internal Audit as soon as possible before proceeding any further.
- Support the employee and reiterate the safeguards that are included in this policy.

If in doubt speak to Internal Audit who can advise how best to manage a concern raised in accordance with this charter.

## **How the concern will be dealt with by Internal Audit**

All Information received is considered. The resulting action taken by the council will depend on the nature of the concern. The matters raised may:

- be investigated internally by Internal Audit and/or Human Resources
- be referred to the Police

Prior to an investigation initial enquiries will be conducted to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of other, existing procedures (eg child protection or discrimination issues) will normally be referred for consideration under those procedures. Some concerns may be resolved by agreed action without the need for investigation.

Unless the complainant has not provided a name or contact, within ten working days of a concern being received, the council will write to the complainant:

- acknowledging that the concern has been received
- indicating how it proposes to deal with the matter
- giving an estimate of how long it will take to provide a final response
- telling them whether any initial enquiries have been made
- telling them whether further investigations will take place, and if not, why not

If the matter proceeds to investigation it will be carried out in accordance with the investigation and prosecution policy which is available on the Intralinc.

### **Outcome of Investigations**

Once the investigation has been concluded, the employee may receive information on the outcome subject to legal constraints.

### **The Responsible Officer**

The **Director of Policy and Resources** has overall responsibility for the maintenance and operation of this policy. Internal Audit maintain a record of concerns raised and the outcomes (but in a form which does not endanger confidentiality) and will report in summary form as necessary to the council/Audit Committee.

## FRAUD RESPONSE PLAN

### Introduction

This Fraud Response Plan reinforces the council's zero tolerance of fraud by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption. It also outlines how the council will deal with such complaints.

### What Do We Want To Know About?

This Plan is intended to be implemented where suspicions of fraud, theft or corruption have been raised.

Fraudulent or corrupt acts may include:

**Systems Issues** - i.e. where a process/system exists which could be at risk to abuse by either employees or public for personal gain (e.g. Planning Applications)

**Financial Issues** - i.e. where individuals or companies have fraudulently obtained money from the council (e.g. invalid invoices/work not done, Housing Benefit fraud, or where criminal gains are being laundered through the council. See the Anti Money Laundering Policy)

**Equipment Issues** - i.e. where council equipment or assets are used for personal use, (e.g. personal use of council vehicles or misuse of the internet)

**Resource Issues** - i.e. where there is a misuse of resources (eg theft of stock items)

**Other Issues** - i.e. activities undertaken by officers of the council which may be:

- unlawful
- against the council's Contract Procedure Rules or policies
- falls below established standards or practices
- amounts to improper conduct (e.g. receiving hospitality in exchange for preferential treatment)

This is not an exhaustive list. If you are in any doubt about the seriousness of your concern, advice and guidance can be obtained from Internal Audit on 01724 296666

## **What Should An Employee Do If They Suspect Fraud Or Corruption?**

Employees are often the first to realise that there is something seriously wrong within the council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

The council's Whistleblowers' Charter is intended to encourage and enable staff to raise serious concerns within the council rather than overlooking a problem or blowing the whistle to the media or other external bodies. This policy has been discussed with the relevant Trade Unions and professional organisations and has their support.

A full copy of the Whistleblowers Charter can be seen at Appendix 1 and is available from the website.

In essence, employees should approach the relevant Service Manager, who, if they find the claim to be substantiated, will inform the Service Director and the Head of Audit, Risk and Insurance. It is also possible to contact Internal Audit directly, if necessary. The nature of the complaint will determine the council's course of action.

Internal Audit can be contacted by completing the internet on-line reporting facility or by emailing [Hotline@Northlincs.gov.uk](mailto:Hotline@Northlincs.gov.uk) or by phone on 01724 296666, or by writing to the Head of Audit, Risk and Insurance, Civic Centre, Ashby Road Scunthorpe.

## **What Should A Member Of The Public, Contractor, Supplier or Partner Do If They Suspect Fraud Or Corruption?**

The council encourages all members of the public, and those who deal with the council such as suppliers, contractors and partners who suspect fraud, theft or corruption to contact the Chief Executive, Service Director, or Internal Audit Section in the first instance.

Internal Audit Section is a unit, which operates independently of all other council services, whose work includes establishing procedures with the following aims:

- To develop an anti-fraud culture
- To deter, prevent, detect and investigate fraud, theft and corruption
- To see appropriate action against those who commit or seek to commit some sort of fraud, theft or corruption
- To seek appropriate recovery and/or obtain compensation in respect of any losses to the council

The possible courses of action taken by the council are outlined in the sanctions policy, but to summarise, these include, internal disciplinary action, referral to the police for criminal investigation and prosecution, and civil prosecution. In all events the council will seek to minimise losses and recover them where possible.

Internal Audit can be contacted by completing **the internet on-line reporting facility**, by email on [Hotline@Northlincs.gov.uk](mailto:Hotline@Northlincs.gov.uk) or by phone on 01724 296666, or by writing to the Head of Audit, Risk and Insurance, Civic Centre, Ashby Road Scunthorpe

### **How Will Allegations Of Fraud, Theft Or Corruption Be Dealt With By The council?**

For issues raised by employees or members of the public, the action taken by the council will depend on the nature of the concern. The matters raised may:

- be investigated internally (in accordance with the investigation and prosecution policy – App 3)
- be referred to the Police

The council accepts that those people who reported the alleged fraud theft or corruption need to be assured that the matter has been properly addressed. Therefore, subject to legal constraints, and where it is appropriate to do so we will acknowledge that the concern has been received, and that the action has been taken.

### **Alternative Methods For Raising Concerns**

The policy is intended to provide the means to raise concerns within the council. However if either a member of the public or an employee feel it is right to take the matter outside these processes, the following are possible ways forward:

- **your local Councillor** – if you live within the North Lincolnshire boundary, your Councillor can be contacted at through the Local Link offices, Civic Centre reception, or at their regular surgery in your area. If you are unsure how to contact them, call the council on 01724 296296.
- **the External Auditors** – who are the organisation appointed to scrutinise the council's finances and performance. By law, they must be completely independent from the council.

- **your Trade Union** – employees may invite their Trade Union to raise a matter on their behalf.
- **the Local Government Ombudsman** – this is an independent body set up by the Government to deal with complaints against councils in the United Kingdom.
- **Public Concern at Work** – this is a charity which provides free and strictly confidential legal help to anyone concerned about a malpractice which threatens the public interest. They operate a helpline on 0171 404 6609 or can be e-mailed at [whistle@pcaw.demon.co.uk](mailto:whistle@pcaw.demon.co.uk).

## Appendix 3

# INTERNAL INVESTIGATION AND PROSECUTION POLICY

## Introduction

North Lincolnshire council is committed to the values of probity and accountability, but the determined perpetrator can sometimes find a way round systems and procedures. It is therefore necessary for all managers to be aware of what is required in the event of being notified of a suspected fraud.

The whistleblowers charter (App 1) and the Fraud Response Plan (App 2) set out what concerns should be reported and the various methods for raising a concern. This policy sets out how council officers should respond when a concern is raised, and the sanctions an investigation to lead to.

## Investigating Suspected Fraud

Once fraud is suspected it is critical that any investigation is conducted in a professional manner aimed at ensuring that the council, the individual raising the concern and the suspected individual are protected. The latter is equally important, as a suspicion should not be seen as guilt to be proved.

It is crucial that the notifying employee does not feel threatened. The council undertakes to protect the identity of such employees wherever possible in accordance with the Whistleblowers charter. However cases resulting in disciplinary or criminal action may necessitate the corroboration of witnesses in order to proceed.

In addition other sensitive activities such as surveillance will also be authorised. Surveillance which is governed by legislation can be of an employee for disciplinary proceedings (covered by the Surveillance Procedure used in the course of disciplinary cases) or of an employee, contractor or member of the public for criminal proceedings (covered by the Regulation of Investigatory Powers Act policy)

For each notified suspicion an investigating officer will be appointed, to carry out the investigation. Advice on personnel matters, such as precautionary suspension and disciplinary procedures, will be provided by the service's Human Resources staff under the council's disciplinary policy.

In accordance with the Internal Audit manual, procedures the investigating officer must:

- Initially assess, in consultation with the Human Resources section, whether there is a need for any employee to be suspended. The decision should be kept under review at all stages of the investigation.
- Identify a course of action, to substantiate or refute a concern raised.
- Gather the necessary evidence
- Liaise, particularly at the end of the investigation, with Human Resources and the police to ensure the appropriate sanction is applied and sums lost are recovered

### **Conclusion of the investigation**

If an investigation concludes that there is a case to answer action will be taken under the Human Resources disciplinary policy and may also be referred to the police for a criminal investigation, following authorisation by the Head of Audit, Risk and Insurance.

Internal Audit will provide a full report. The format of the final audit report will not always be the same as each case is unique, but will frequently set out:

- How the investigation arose
- Who the suspects are
- Their position in the council and their responsibilities
- How the investigation was undertaken
- The facts and evidence which were identified
- Summary of findings, including a financial estimate of potential losses incurred and recommendations, both regarding the fraud itself and any recommendations to improve internal controls to reduce the risk of fraud.

Internal audit work closely with Human Resources and there is a protocol on the investigation of fraud related cases and a police referral protocol.

## **SURVEILLANCE POLICY**

As part of our response to allegations of fraud, theft and corruption, or Human Resource led disciplinary action, it may be necessary to carry out surveillance in the course of the investigation. This is permitted provided that it is reasonable, necessary and proportionate and that it is appropriately authorised.

Surveillance can be obtained directly through observation, or via mechanical means for example, CCTV, alarm systems and electronic communications such as internet and email, provided that it complies with the requirements of the Data Protection Act and is duly authorised.

The type of allegation will determine initially, how the authorisation should be obtained. The distinction provided by the Surveillance Commissioners is that,

- Surveillance necessary for internal disciplinary action needs to be appropriate and compliant with the Human Rights Act.
- Surveillance necessary for the prevention and detection of crime is covered under the Regulation of Investigatory Powers Act (RIPA)

Where it is determined that surveillance is necessary as part of any investigation the investigating officer will determine under which legislation the surveillance is governed. Where surveillance is required for disciplinary purposes authorisation will be sought from the Head of Audit, Risk and Insurance or nominated deputy for Internal Audit led cases and the Assistant Director Human Resources or nominated deputy for Human resources led cases. These authorising officers will be able to provide the necessary documents and provide support and advice on their completion.

Where surveillance is required under RIPA it must comply with the council's RIPA Policy and further guidance is available from Lisa Kershaw (Principal Solicitor).

## **Housing Benefit, Council Tax Benefit and Council Tax Reduction Scheme Prosecution Policy**

North Lincolnshire Council recognises the drain that fraud places on public funds and as such is committed to tackling fraud committed against Housing Benefit, Council Tax Benefit and the Council Tax Reduction Scheme.

This document sets out the council's policy on the further action that can be taken following an investigation when it has been established that housing benefit, council tax benefit and / or council tax reduction has been fraudulently obtained or an attempt has been made to obtain these benefits fraudulently.

### **OPTIONS AVAILABLE**

After an investigation has been concluded if the evidence demonstrates that fraud has been established 'beyond doubt' and the case is considered serious enough to warrant further action, the council has three options: -

1. To prosecute
1. To offer a formal caution
1. To offer an Administrative Penalty (HB/CTB) and / or a Council Tax Reduction Penalty

Each case will be considered on its own merits and the council will not operate a blanket policy of instigating a sanction purely based on the amount of the overpayment however overpayments below £2,000 will be considered for a caution or a penalty in the first instance.

### **PROSECUTION**

Prosecutions will be brought using the following legislation:-

- S111 Social Security (Administration) Act, 1992
- S112 Social Security (Administration) Act, 1992
- Theft Act, 1968
- The Fraud Act, 2006
- The Council Tax Reduction Schemes (Detection of Fraud and Enforcement)

(England) Regulations 2013.

- Criminal Attempts Act, 1981
- Any other appropriate legislation.

Prosecution cases will be referred promptly to the council's Legal Department.

Following joint investigations with the Department for Work and Pensions, cases may be referred to their solicitors or the Council's Legal Department. (NB: The CPS conduct prosecutions on behalf of DWP from 01 April 2012.)

Cases may be referred to the police should a case be deemed to be too serious for the council to deal with.

## DECISION TO PROSECUTE

The decision to prosecute an individual is a serious matter. Each case should be considered on its own merits.

A 'Decision to Prosecute' pro-forma must be completed in every instance giving details of the offence, the other options that have been considered and why it is proportionate and appropriate to bring proceedings.

In recommending prosecution there are two tests to consider:-

- The Evidential Test
- The Public Interest Test

### The Evidential Test

The investigation must have established sufficient evidence against the defendant to provide a realistic prospect of conviction. That means that a bench of magistrates or a jury are more likely than not to convict the defendant of the offence prosecuted.

### The Public Interest Test

The public interest test must be considered after it has been determined that evidence exists which would provide for a realistic prospect of conviction.

If a case is deemed serious enough to bring proceedings, a prosecution will usually follow unless there are any public interest factors tending against prosecution which clearly outweigh the reasons for prosecuting.

Although in many instances there may be some public interest factors against prosecution, these are often outweighed by the reasons for prosecution and as such the matter should still be brought to court. If in doubt advice should be sought from Legal Services.

The factors for and against prosecution must be balanced carefully and fairly. Public interest factors are usually the seriousness of the offence and the circumstances of the defendant. Some factors may increase the need to prosecute whilst others suggest another disposal may be more appropriate.

#### Public Interest Factors in Favour of Prosecution

- A conviction is likely to result in a significant sentence.
- The defendant was in a position of authority or trust.
- The offence was premeditated.
- The defendant was a ringleader or an organiser of a multiple offence.
- There is evidence that the offence was carried out by a group.
- The defendant has previous convictions for benefit fraud or dishonesty or has such a poor record and is clearly a 'professional criminal' that no other disposal is suitable.
- There are grounds for suspecting that the offence is likely to continue or be repeated.
- The offence, although not serious in itself is widespread in the locality and a prosecution for deterrence purposes is highly desirable.

#### Public Interest Factors Against Prosecution

- The court is likely to impose a very small or nominal sentence.
- The offence was committed as a result of a genuine mistake or misunderstanding.
- The loss or harm can be described as minor and was the result of a single incident, particularly if a genuine mistake as described above.
- There has been an unreasonable delay between the offence being perpetrated and the person being brought to court. (Article 6 European Convention on Human Rights).
- A prosecution could potentially have a very bad effect on the defendant's physical or

mental health, (this must be considered carefully against the seriousness of the offence).

- The defendant is very elderly or is now, or was at the time of the offence being committed, suffering from significant ill health, (this must be considered carefully against the seriousness of the offence).
- The defendant has repaid the overpayment in full (but there must be no suggestion of a defendant buying their way out of a prosecution).

## **FURTHER PROSECUTION CONSIDERATIONS**

If the evidential test and the public interest tests are satisfied, the following factors will also have to be taken into consideration.

These include: -

- The amount of the overpayment.
- The duration of the fraud.
- Voluntary disclosure.
- Failure in benefit administration (official error).
- Prevalence of similar fraud in the area.
- Any evidence of collusion with employer or landlord.
- Deterrence factors of good publicity.
- Did the defendant continue to deny the offence even when confronted with the evidence?
- Would a prosecution would result in any negative publicity for the council?
- Whether the evidence obtained satisfies the admissibility criteria or could be deemed to be 3<sup>rd</sup> party hearsay. This is particularly relevant to “living together as husband and wife” investigations.
- Ensuring compliance with the Police and Criminal Evidence Act, 1984 (P.A.C.E.)
- Ensuring compliance with Criminal Procedures and Investigation Act, 1996 (C.P.I.A.)

- Ensuring compliance with the Regulation of Investigatory Powers Act, 2000 (R.I.P.A.)

## **APPLICATION OF SANCTIONS**

A caution, administrative penalty or council tax reduction scheme penalty should only be offered if the evidence obtained supports a prosecution. The sanctions are offered as an alternative to a prosecution.

- **Formal Caution**

This is similar to a Simple Caution administered by the Police.

A Formal Caution should be applied in cases that are deemed not quite serious enough to warrant prosecution i.e. the overpayment is at the lower end of the scale - normally below £2,000.

A Formal Caution can be applied in respect of Housing Benefit, Council Tax Benefit and / or Council Tax Reduction Scheme offences.

The caution should only be considered if the defendant has fully admitted the offence at interview and has no previous convictions. It will therefore be necessary to undertake checks with the Administration and Support Unit at Scunthorpe Police Station and with the Department for Work and Pensions to check the customer's antecedent history.

If cautions or prosecutions for benefit fraud and / or theft or deception offences already exist then the case may not be suitable for a caution and an administrative penalty or prosecution should be considered.

However, there are instances when it might be appropriate to offer a caution for an amount in excess of £2,000 if either the Investigation Manager or Legal Department felt it was inappropriate to prosecute but the offence was serious enough to warrant further action. Any reasons will be fully recorded on file.

Similarly, there may be instances when an overpayment falls into the category to consider for a formal caution but because of the nature of the offence it is more appropriate to prosecute. Again any reasons will be fully documented on file.

Following joint investigations with the Department for Work and Pensions a caution may be offered if both parties agree it is appropriate provided that the combined overpayment falls into the financial threshold of either the council or the DWP's prosecution policy.

However DWP are no longer able to offer a formal caution for offences committed on or after 01 April 2012 or where the offence spans that date but instead have to offer an Administrative Penalty. This is following legislation changes where the use of cautions has been withdrawn for their offences. Therefore to ensure consistency of disposals in joint investigations if the offence is committed in full prior to 01 April 2012 a caution can still be considered however for other offences a caution will not be suitable and an administrative penalty will be offered.

A 'Decision to Caution' pro-forma must be completed in every instance giving details of the offence, the purpose of the caution and explaining why the offer of a caution is appropriate.

The Investigation Manager is designated as the officer responsible for conducting the formal caution interview and offering the caution. The Senior Investigation Officer or Investigation Officers may deputise in his absence.

- **Administrative Penalty**

This can be considered for housing benefit and council tax benefit offences, which have resulted in overpayments below £2,000. The penalty is essentially a 'fine' of the overpayment amount.

Generally it should be considered when the Investigation Manager or Legal Department are of the opinion that a prosecutable offence has been committed but that criminal proceedings are inappropriate in the first instance. Usually this means that the claimant has not fully admitted the offence therefore a Caution is inappropriate or his previous convictions preclude a formal caution being offered but as the overpayment is at the lower end of the scale a prosecution may not be the first option.

Unlike the formal caution there is no requirement for the defendant to make a written admission of the offence.

However, should the defendant refuse to accept the penalty, a prosecution should follow in most cases.

Although a penalty can be considered for overpayments below £2,000, the Investigation Manager and Legal Department may still consider commencing criminal proceedings if it was felt more appropriate. Similarly a penalty may be considered if an overpayment exceeds £2,000 however it is unlikely to be applied very often.

Following a joint investigation with the Department for Work and Pensions an administrative penalty may be offered if both parties agree it is appropriate provided the combined overpayment falls into the financial threshold of either the Council's or DWP's prosecution policy.

Changes in legislation affecting DWP means that for offences committed on or after 01 April 2012 or spanning that date the only sanction available will be an administrative penalty.

Offences committed prior to 08 May 2012 attract a penalty of 30% of the overpayment.

From 08 May 2012 the Social Security (Administration) Act was amended by the Welfare Reform Bill resulting in changes to the amount of the financial penalty. Any offence committed wholly on or after 08 May 2012 will attract the following penalties:-

- There will be a minimum penalty of £350 otherwise the penalty will be 50% of the overpayment up to a maximum of £2,000.
- An attempt to commit fraud where the fraud is discovered prior to payment being made will attract a penalty of £350.

A 'Decision to Offer an Administrative Penalty' pro-forma must be completed in every instance outlining the offence, the purpose of offering the penalty and explaining why an administrative penalty is the most suitable disposal.

The Investigation Manager is designated as the officer to be responsible for conducting the administrative penalty interview. The Senior Investigation Officer or Investigation Officers will deputise in his absence. However, legislation also allows for the DWP to conduct a penalty interview on behalf of the council and vice versa.

- **Council Tax Reduction Scheme Penalty**

This can be considered for Council Tax Reduction offences committed on or after 01 April 2013 which have resulted in excess payments below £2,000, an excess payment being an amount of council tax reduction to which a customer was not entitled. The penalty is an alternative to a prosecution and is essentially a 'fine'. The Investigation Manager is designated as the officer responsible for conducting the penalty interview although the Senior Investigation Officer or Investigation Officers may deputise in his absence. The penalty amounts prescribed in legislation are as follows:

- The amount of the penalty will be 50% of the Excess Reduction.
- The minimum penalty will be £100.
- The maximum penalty will be £1,000.

- **Prosecution**

All cases of **proven** fraud with an overpayment in excess of £2,000 will be considered for prosecution.

However, there is no minimum value to be prescribed and should either the Investigation Manager or Legal Department or the Department for Work and Pensions

in joint investigations consider it appropriate, a prosecution may be brought for a lesser amount.

There may be circumstances when the Legal Department or Investigation Manager considers it more appropriate to offer an alternative sanction for a case which meets the financial value for a prosecution. In such instances the reasons for doing so will be fully documented.

A 'Decision to Prosecute' pro-forma must be completed in every instance giving details of the offence, the other disposal options that have been considered and why it is suitable and proportionate to prosecute.

Files will be prepared as soon as possible and referred to the Investigation Manager to check and make recommendations to the council's Legal Department. The Senior Investigation Officer will review files in the Investigation Managers absence.

Publicity will be sought by contacting Public Relations prior to a case being heard at court. In the event of any case referred to the Police it is for them to decide the whether a prosecution or other disposal is appropriate.

## ANTI-MONEY LAUNDERING POLICY

### Introduction

The Proceeds of Crime Act 2002, The Terrorism Act 2000 and the Money Laundering Regulations 2007 (revised further in 2012 Combating Financial Crime further guidance on anti money laundering for public sector organisations) place obligations on the council and its employees with respect to suspected money laundering. The council is committed to the prevention, detection, and reporting of money laundering activities, and the procedures reflect this commitment and also safeguard the council from non compliance with legislation.

The policy applies to all employees and elected members of the council, along with contractors and partners engaging with the council. The Policy sets out the procedures, which must be followed to enable the council to comply with its legal obligations.

Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the council's Disciplinary Policy.

Service Directors and managers must ensure that all employees are aware of this policy, and the wider Counter Fraud Strategy.

### What is money laundering

The definitions within the act are lengthy and cover all specific offences. In summary form the **previous reporting agency** the Serious Organised Crime Agency (SOCA), referred to it as

*“Any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to launder ‘dirty money’ in an attempt to make it look ‘clean’ in order to be able to use the proceeds without detection and put them beyond the reach of the law enforcement and taxation agencies. “*

Potentially any employee, member, contractor or partner may be caught by the money laundering offences, either directly or if they suspect money laundering but do nothing about it. This is punishable by up to 14 years imprisonment.

### Obligations

The act sets out the organisations conducting ‘relevant business’ and requires them to adopt a number of key obligations to counter money laundering. Relevant business includes services where income is collected, accountancy and

internal audit, financial company and property transactions. However the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the council; therefore, all employees are required to comply, regardless of where they work.

The five key obligations are;

**Appointing a Money Laundering Reporting Officer (MLRO)** to oversee the implementation of the Money Laundering Regulations and offer appropriate guidance. Also to oversee the work of the Head of Internal Audit (HIA) in the receiving, addressing and submission of disclosures in the required format to **the National Crime Agency (NCA)** accordingly.

**Training and awareness**, ensuring all relevant employees should understand the money laundering risk, legal obligations and their responsibilities

**Internal controls and procedures, assessing the risks of money laundering and having systems in place in these areas to prevent/detect money laundering**, which include;

- **no cash payments exceeding £5000 will be accepted without further consideration,(see client identification procedure)**
- **refunds, where a significant overpayment has been received the refund will need to be considered further before a payment is made, and where a refund is authorised it is made as a return via the same payment method**
- **monitoring cash receipting areas, and**
- **a system for the internal reporting of suspicions or knowledge to the MLRO for referral to the NCA**

**Customer due diligence**, the council is required to know their customers, and maintain client identification procedures in some circumstances.

**Record keeping**, it must be possible for the council to recover all information relating to a transaction, it can be stored in any format as long as it is readily accessible for 5 years.

### **Money Laundering Reporting Officer**

The officer nominated as the Money Laundering Reporting Officer is the Director of Policy and Resources. Disclosures about money laundering in the council are to be received and addressed by the HIA, and Group Auditors in her absence.

The MLRO, is responsible for;

- maintaining this policy,

- providing support and advice on anti money laundering controls, identification procedures, and record keeping
- providing training on request and ensuring awareness is maintained
- maintaining a disclosure procedure, including the reporting system and the documentation
- investigating referrals and determining if a Serious Activity Report (SAR) should be made to the NCA
- obtaining the necessary consent and responding to the referrer on the course of action that is to be taken.

In practice these operational issues are addressed by the HIA, who will keep the MLRO informed of all activities.

### **Disclosure procedure**

Where you know or suspect that money laundering activity is taking or has taken place, or become concerned that your involvement in a matter may amount to an offence under the Act, you must disclose this as soon as possible to the HAI. You should not attempt to carry out any investigations yourself. At no time or under no circumstances should suspicions be voiced to the person(s) suspected of money laundering, even if the NCA has given consent to a particular transaction proceeding. Do not, therefore, make any reference on a client file to a report having been made to the HIA. Should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made. The HIA will keep the appropriate records in a confidential manner.

The HIA will determine if a disclosure is required to NCA. Should this be necessary a disclosure form is required to be completed with the assistance of the HIA. Any necessary investigation will be undertaken by the NCA. All employees will be required to co-operate with the HIA and the authorities during any subsequent money laundering investigation.

The HIA will consider the report and any other available internal information thought to be relevant e.g.

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held; and undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required. The HIA may also need to discuss the report with you.

When the disclosure report and any other relevant information has been evaluated the HIA will make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether to seek consent from the **NCA** for a particular transaction to proceed.

Where the HIA suspects money laundering but has reasonable cause for non-disclosure, then the report must be noted accordingly (the HIA must liaise with the legal adviser to decide whether there is a reasonable reason for not reporting the matter to the **NCA**), then consent can be immediately given for any ongoing or imminent transactions to proceed. Where the HIA concludes that there are no reasonable grounds to suspect money laundering then the report is marked accordingly and consent given for any ongoing or imminent transaction(s) to proceed.

Where consent is required from the **NCA** for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the **NCA** has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the **NCA**.

All disclosure reports referred to the HIA and subsequent reports to the **NCA** must be retained by the HIA in a confidential file kept for that purpose, for a minimum of five years.

### **Client Identification Procedure**

Service Directors and managers shall ensure that where the council is carrying out 'relevant business' and:

- a) forms an ongoing business relationship with a client; or
- b) undertakes a one-off transaction involving payment by or to the client of 5,000 Euro (approximately £5,000) or more; or
- c) undertakes a series of linked one-off transactions involving total payment by or to the client(s) of 5,000 Euro (approximately £5,000) or more; or
- d) it is known or suspected that a one-off transaction (or a series of them) involves money laundering;

Then this Client Identification Procedure must be followed before any business is undertaken for that client. **Please note that unlike the reporting procedure, the client identification procedure is restricted to those operating relevant**

## **business.**

In the above circumstances, employees in the relevant section of the council must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained).

With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself.

In all cases, the evidence should be retained for at least five years from the end of the business relationship or transaction(s).

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further. If there is an unjustified delay in the evidence of identity being obtained from the client or where the client is deliberately not providing the evidence a disclosure will have to be made.

## **Record keeping procedures**

Each area of the council conducting relevant business must maintain records of:

- client identification evidence obtained; and kept for 5 years from the completion of the transaction
- details of all relevant business transactions carried out for clients for at least five years from the completion of the transaction. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

The precise nature of the records are not prescribed by law, however, they must provide an audit trail during any subsequent investigation, e.g. distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, each section of the council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

## **Review**

This Anti Money Laundering Policy will be reviewed annually by the HIA to ensure that it remains up to date. Compliance with the policy will be subject to review at frequencies determined in the Counter Fraud Plan.

## **Conclusion**

The legislative requirements are lengthy and complex. The policy has been written so as to enable the council to meet the legal requirements in a way, which is proportionate to the low risk to the council of the contravening the legislation.

Any concerns should be referred to the HIA.

### Bribery Act 2010

The Bribery Act 2010 modernises the law on bribery. The Act came into force on the 1<sup>st</sup> July 2011 and made it an offence to;

- Offer, promise or give a bribe (section 1 of the Act)
- Request, agree to receive, or accept a bribe (section 2 of the Act)

*A bribe is 'a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that acceptance of such an advantage would constitute the improper performance of such a function or activity'*

Or in short rewarding a person as encouragement for them to perform their duties differently or not at all.

A relevant function or activity, is any function of a public nature. By virtue of this whilst the Act is largely targeting commercial organisations the law itself applies to the council. This means that the council can be liable, under section 7 of the Act, if it fails to have systems and procedures in place to prevent persons associated with them from bribing.

The policy applies to all employees and elected members of the council, along with contractors and partners engaging with the council. The Policy sets out the procedures, which must be followed to enable the council to comply with its legal obligations.

Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the council's Disciplinary Policy.

Suspicions of Bribery or corruption by a non member of staff will be referred to the police via our protocol

Service Directors and managers must ensure that all employees are aware of this policy, and the wider Counter Fraud Strategy.

The council has adopted the recommended six principles for bribery prevention, below which are;

**Risk assessment** – knowing and keeping up to date the bribery risks faced by the council – *the council continually assesses the risk of fraud for new and emerging risks, this includes the risk of bribery. An exposure profile is produced and resources are deployed in providing assurance that sufficient systems and controls are in place to reduce/mitigate risks.*

**Top level commitment** – establishing a culture across the council where bribery is

unacceptable. - *The council has a strong Counter Fraud Strategy that is reviewed at least annually and approved by the Audit Committee. Bribery is referred to in this strategy which contains a clear and unambiguous message that the council will not tolerate and will respond to any allegation of fraud or corruption. All employees received a copy (and a reminder will be sent shortly) and new employees are made aware via the induction process. Members are also required to attend counter fraud training, and contractors are made aware via introductory tendering documentation and terms and conditions of contracts awarded.*

**Due diligence** – knowing who the council deals with and being confident that these organisations have similar anti-bribery policies and that relationships are transparent and ethical – *The council has set up lists of approved contractors that it deals with, these contractors go through a stringent vetting process. Initial documentation makes it clear that the council does not allow any unacceptable behaviour (which is clearly defined) and provides a link to the Whistleblowers' Charter and Counter Fraud Strategy which potential contractors are expected to make themselves familiar with. The tendering process is used to determine the potential contractors meet the requirements of being open and transparent. Finally the terms of the contract includes standard paragraphs to reiterate the council's stance on bribery and corruption.*

**Clear, practical and accessible policies and procedures that are communicated to staff and underpinned by relevant training** – having the policies in place to ensure that pecuniary interests are declared and that gifts and hospitality is duly recorded. – *The council expects members and employees to declare any pecuniary interests that they have, and is clear on what constitutes a pecuniary interest. Declarations are required at meetings and also annually. Gifts and hospitality may be received in the course of business but the Interests, Gifts and Hospitality policy makes it clear that these should not be solicited and must be recorded. Both policies are referred to in the Counter Fraud Strategy and on the Intralinc, all new members and staff are made aware of requirements through the induction process, which refers also to the codes of conduct which reinforce the message.*

**Effective implementation** – ensuring that anti bribery measures are in all internal controls and relevant policies – *The council's Internal Audit Service has a risk based annual plan of systematic checking of internal controls. The auditors' professional Code requires that auditors remain vigilant to the risk of fraud and corruption on any audit. There is also a specific counter fraud plan where new and changing systems are proactively checked for the risk of fraud and corruption.*

**Monitoring and review** – keeping the controls that are sensitive to bribery in place and under review. – *The Counter Fraud Strategy which encompasses anti bribery measures is kept under continual review as is the risk assessment that populates the counter fraud section of the Internal Audit Plan.*

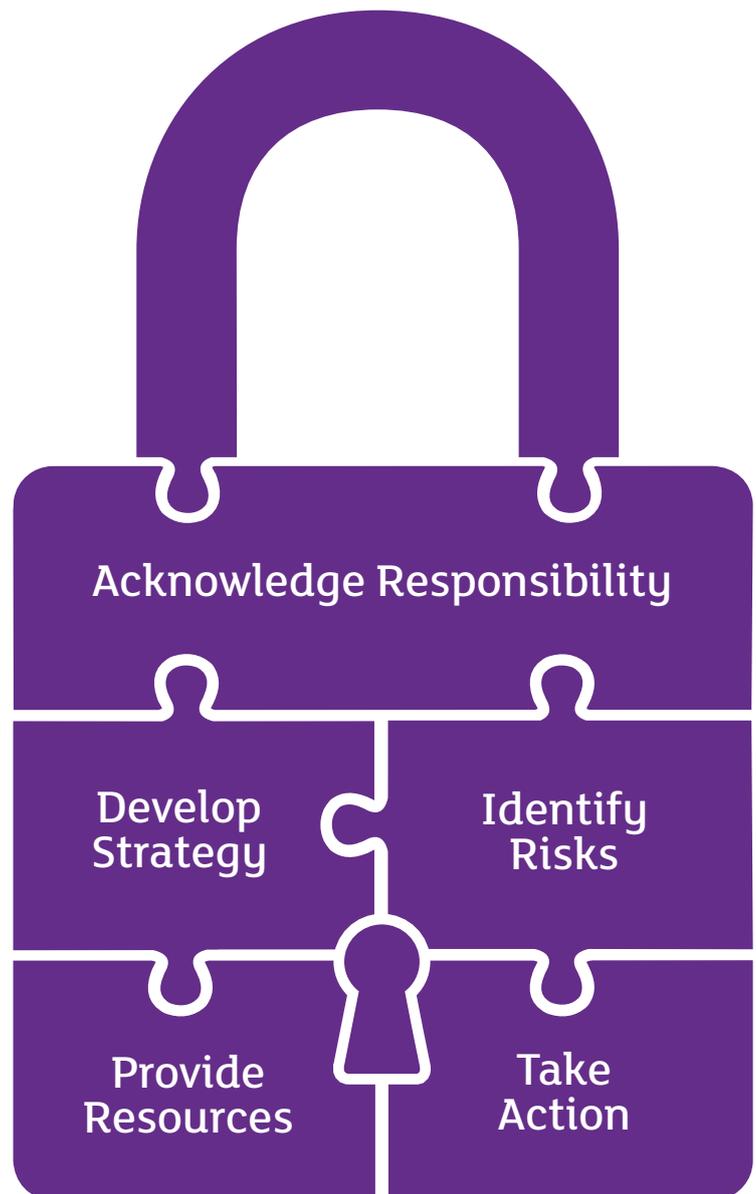
## Internal Audit Plan 2014/15 Counter Fraud Summary

Area	Scope	Planned Days	Progress
<b>Creating and maintaining the anti fraud culture</b>			
Counter Fraud Strategy/risk assessments	Keeping the strategy current, and ensuring risk assessments are up to date	5	The revised Strategy was approved at the January Audit Committee meeting. Staff have been made aware through a council wide communication, Fraud Focus and a desktop campaign. A training event hosted by CIPFA on the new Counter Fraud Code has been considered when revising the Strategy submitted for approval in January 2015. Risk assessments of the money laundering and bribery have been undertaken and revisions made if required to the relevant appendices of the Strategy.
Publicity	Continued development of system, promotional and awareness raising activities, refresh to risk assessments, and strategy	5	The NFA eLearning package will be adapted to train council staff via the eLearning system, on the latest Strategy and changes to reporting of suspicions of money laundering.
<b>Prevention</b>			
Designing out fraud	Advice in areas where changes to systems are proposed	18	Work has been carried out on the implementation of the new cashiers and travel systems and the new payroll and Bacs systems that will be introduced in 2015. Advice on pre loaded cards and the introduction of fraud checks on direct payments has also been given ahead of planned implementation in 2015/16
<b>Deterrence</b>			
Fraud Newsletter and Council Wide Communications	Publication of a quarterly newsletter and issue of alerts and council wide communications	5	The newsletter is now a regular item with articles covering current national and local counter fraud topics. Other departments across the council such as Benefits, Trading Standards and Insurance have provided articles. The police also provide updates as appropriate.  The Information Commissioners Office, have extended their transparency requirements to include data on fraud resources and cases. We have been ensuring that we capture all data by the deadline for publication of February 2015
<b>Detection</b>			
Data Matching – National Fraud Initiative (NFI)	Audit assistance in the annual exercise of data matching. In 2010/11 council tax matches and data submission for 2011/12 full exercise	10	The 2012/14 exercise is now completed, resulting in fraud/savings of £149k to date. (£145k benefits and £4k overpayments of invoices) Council tax/electoral roll matches were received in February and updated in May, and December - work is ongoing to address these £27k of savings has been found to date. We provided data for the real time service pilot exercises on benefits to student loans and personal budgets to deceased lists, investigations are taking place on matches received. £15k of benefits paid incorrectly to students has been found Data specifications for the 2014/16 exercise have been followed and data submitted in October 2014.
Hotline	Audit response to allegations received via the hotline	30	There was a significant increase in calls in 2013/14 and this trend continues in 2014/15 with an average of 52 calls a received each month. The hotline is continually publicised via the Fraud Focus newsletter and on the council website.
Money Laundering	Provision of the system set up client identification checks with services	5	The council wide eLearning package will include a summary of the council's anti money laundering arrangements. Targeted eLearning training for those

			staff in high risk areas is also being developed.
<b>Investigation</b>			
Proactive – misuse of council funds audits	Rolling programme of audits of potential misuse of council funds.	10	Areas included in the 2014/15 Audit plan include Debit Card Audits.
Proactive – investigation of income collection areas	Income based audits	60	Areas for audits this year include, Leisure Facilities, the Handyman Service, Music Support, Golf Clubs, Bereavement Services and Markets.
Reactive Investigations		As required	From December it will be a requirement to report on investigations and work is underway to ensure that this requirement can be met through the usual transparency arrangements

Code of practice on

# managing the risk of fraud and corruption



# Code of practice on managing the risk of fraud and corruption

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# Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

**The five key principles of the code are to:**

- acknowledge the responsibility of the governing body 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.

## **A Acknowledge responsibility**

The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

### **Specific steps should include:**

- A1** The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.
- A2** The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.
- A3** The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.
- A4** The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.

## **B Identify risks**

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

### **Specific steps should include:**

- B1** Fraud risks are routinely considered as part of the organisation's risk management arrangements.
- B2** The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.
- B3** The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.
- B4** The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

## C Develop a strategy

An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

### Specific steps should include:

- C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.
- C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.
- C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

#### Proactive

- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Using techniques such as data matching to validate data.
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.

#### Responsive

- Detecting fraud through data and intelligence analysis.
  - Implementing effective whistleblowing arrangements.
  - Investigating fraud referrals.
  - Applying sanctions, including internal disciplinary, regulatory and criminal.
  - Seeking redress, including the recovery of assets and money where possible.
- C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

## D Provide resources

The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

### Specific steps should include:

- D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.
- D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.
- D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.
- D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

## E Take action

The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

### Specific steps should include:

- E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:
  - Counter fraud policy
  - Whistleblowing policy
  - Anti-money laundering policy
  - Anti-bribery policy
  - Anti-corruption policy
  - Gifts and hospitality policy and register
  - Pecuniary interest and conflicts of interest policies and register
  - Codes of conduct and ethics
  - Information security policy
  - Cyber security policy.
- E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.
- E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.
- E4 Providing for independent assurance over fraud risk management, strategy and activities.
- E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

# Applying the code in practice

Where organisations are making a statement in an annual governance report about their adherence to this code, one of the following statements should be approved according to whether the organisation conforms with the code or needs to take further action.

The statement should be approved by the governing body and signed by the person responsible for signing the annual governance report<sup>1</sup>.

## Statement 1

Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Or

## Statement 2

Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

### Actions to be taken to manage the risk of fraud:

Action:	Responsibility:	Target date:

<sup>1</sup> Guidance notes on the implementation of the code to support evaluation are available at [www.cipfa.org](http://www.cipfa.org).

# Glossary

As the code can apply to a wide range of organisations generic terms are used to describe governance and leadership responsibilities.

## *Governing body:*

The person(s) or group with primary responsibility for overseeing the strategic direction, operations and accountability of the organisation. Examples include, the Board, Council.

## *The organisation's leadership team:*

Leadership team: comprises the governing body and management team.

Examples or relevant roles include, cabinet members, chair of board, accounting officer, chief executive, executive directors, vice-chancellor, principal, headteacher.



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