

ANTI-FRAUD AND CORRUPTION POLICY

1. Foreword

Fareham Borough Council is committed to protecting the public funds entrusted to us and to upholding the highest standards of financial probity and accountability. The cost of fraud to local government has recently been estimated at £2.2 billion a year (Fighting Fraud Locally 2012). This is money that could be used for local services.

This Anti-Fraud and Corruption Policy details the arrangements at this Council for managing the risk of fraud and corruption and has our full support.

We are committed to reducing losses from fraud by using an integrated approach which uses prevention, deterrence, detection and investigation. We will pursue those responsible and seek to recover any losses, referring matters to the police and using the courts where appropriate.



We cannot afford to be complacent and we urge all our members, employees, contractors and partners to assist us in fighting fraud by having regard to this policy and the risks of fraud when carrying out their duties, recognising that, if uncontrolled, fraud diverts much needed resources from our communities.

Seán Woodward

Councillor Seán D.T. Woodward
Executive Leader

P Grimwood

Peter K. Grimwood
Chief Executive Officer

2. Introduction

This policy sets out the approach that the Council uses to manage the risk of fraud and corruption and minimise the losses incurred.

Maintenance of this policy supports the Council's corporate objective to be *"a dynamic, prudent, progressive and best practice Council"* and is one of the measures in place to address the Corporate Risk that *"we have inadequate Governance and Systems of Control"*.

The required outcome is that we have *"confidence that the Council is effective in countering fraud and corruption"*.

3. Definitions

This policy is designed to cover the risks associated with theft, fraud, corruption, bribery and ICT abuse, whether they are perpetrated by employees, councillors, FBC residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.

For the purpose of this policy the following definitions are used:

<p style="text-align: center;">Fraud</p> <p><i>"the intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain"</i>.</p> <p>The Fraud Act 2006 describes 3 methods of committing fraud:</p> <p><i>Fraud by misrepresentation.</i> <i>Fraud by failing to disclose information.</i> <i>Fraud by abuse of position.</i></p>	<p style="text-align: center;">Corruption</p> <p><i>"the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person"</i>.</p>
	<p style="text-align: center;">Theft</p> <p><i>"appropriating property belonging to another with the intention of permanently depriving the other of it"</i>.</p>
	<p style="text-align: center;">Bribery</p> <p><i>"an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage"</i></p>

There is no definition of ICT fraud and abuse but the Audit Commission devised the following list to determine the different acts that it covers:

Type of ICT Fraud or Abuse	Ways Committed
Business Disruption	<i>Virus infections / denial of service</i> <i>Hacking</i> <i>Sabotage</i>
Reputational Damage	<i>Accessing inappropriate material</i> <i>Invasion of privacy</i> <i>Using unlicensed software</i>
Financial Loss	<i>Unauthorised alteration of input</i> <i>Destroying, stealing or suppressing output</i> <i>Making unapproved changes to stored information</i> <i>Amending or misusing programs</i> <i>Using ICT facilities for private work</i> <i>Theft of information</i>

4. Our Counter Fraud Strategy

The Council's Counter Fraud Strategy is to take an integrated approach to dealing with internal and external fraud and corruption, with the emphasis on prevention wherever possible.

However, any measures put in place to reduce losses will be balanced with their impact on the cost of service provision and on the service experience for the majority of law abiding customers.

Risk Assessments will be carried out on the top fraud risks to the Council to identify any actions needed to strengthen our arrangements in proportion to the risk we face. A separate [Benefits Anti-Fraud and Corruption Policy](#) is maintained for our top risk of Benefit Fraud and a separate [Anti-Bribery Policy](#) is also maintained in response to the Bribery Act 2010.

5. Culture and Structures

5.1 Propriety

The Council is committed to sound corporate governance and supports the “Nolan 7 Principles of Public Life” covering: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. It also seeks to create an environment that prevents and detects fraud and corruption in all its work.



Employees are expected to:

- **act with integrity, honesty and propriety in all their dealings as a Council representative and lead by example;**
- **carry out their duties to the best of their ability for the benefit of the Council and not to take advantage of any situation for personal gain, for themselves, members of their family or friends;**
- **take the risk of both internal and external fraud seriously and to follow systems and procedures designed to prevent or detect fraudulent activity;**
- **secure all passwords, information, documents, money, equipment etc. in their control which can be stolen or used to perpetrate fraud.**

Further guidance on propriety is available in the [Employee Code of Conduct and Disciplinary Rules and Procedure](#) and in [Financial Regulation Support Document 18 – Probity and Propriety](#).

Most professional bodies issue their own rules or policies on ethics and standards and employees also have a professional obligation to familiarise themselves and adhere to these. The Council will support all employees in their observance of such rules and policies.

Residents, other members of the public, suppliers and contractors will be expected to act with integrity in their business with the Council and not to behave dishonestly to the detriment of the Council.

5.2 Members Conduct

Both elected and non-elected members are required to sign that they will observe the [Code of Conduct for Members](#) adopted by the Council which sets out what members must observe in carrying out their duties as councillors, as a representative of the Council and in conducting the business of the Council.

5.3 Key Structures and Roles

[Appendix A](#) summarises the main policies and procedures that support the Council's Anti-Fraud and Corruption Framework. This policy also recognises the following key structures and roles:

Group or Individual	Role and Responsibility
Audit and Governance Committee	The Council has established an Audit and Governance Committee to review the policies and measures in place to prevent fraud and corruption. This is a non-executive Committee reporting directly to Full Council.
Section 151 Officer	The Council has appointed an officer with the statutory responsibility, under Section 151 of the Local Government Act 1972, " <i>to ensure the proper arrangements of the Council's financial affairs</i> ". In addition, the Chartered Institute of Public Finance and Accountancy's Statement on the role of the Chief Financial Officers lists one of the core responsibilities as " <i>implementing appropriate measures to prevent and detect fraud and corruption</i> ".
Monitoring Officer	The Council has appointed an officer with the statutory responsibilities under Section 5 of the Local Government and Housing Act 1989 to ensure that all decisions made by the Council are within the law. The post holder also promotes high standards of conduct by members and employees throughout the Council.
Head of Audit and Assurance	The Council has appointed an officer with the duty to monitor instances of financial irregularities within the Council as a whole and report as necessary to the Audit and Governance Committee and external auditors. The post holder also ensures that an appropriate investigation is carried out.
Corporate Counter Fraud Team	The Council has set up a corporate counter fraud team to carry out a programme of work aimed at maintaining and strengthening the counter fraud framework. They also lead on investigations carried out under the Irregularity Response Plan. In addition they check that actions required as a consequence of an investigation are implemented.
Internal Audit	The Council maintains an internal audit team who carry out reviews of the adequacy of controls in systems to prevent fraud, amongst other risks, and report on control weaknesses found. They also test aspects of the corporate governance arrangements that are being relied on to prevent and detect fraud.
Benefit Fraud Investigators	The Council has a dedicated team of officers to investigate suspicions of benefit fraud. They include "Authorised Officers" able to use additional investigative powers in accordance with the Social Security Administration Act 1992.
External Audit	Part of the External Auditor's statutory duties is to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud and corruption. Complaints of fraud and corruption can be taken directly to them.

5.4 External Liaison

Arrangements will be maintained to encourage the exchange of information on national and local fraud and corruption activity and arrangements with external organisations including:

- the Police;
- other councils and housing associations;
- partner organisations to the Council;
- the External Auditor;
- the Local Government Ombudsman;
- the Department for Works and Pensions (DWP);
- the Cabinet Office;
- the National Fraud Association (NFA);
- the National Anti-Fraud Network (NAFN);
- the National Policing Improvement Agency (NPIA);
- the CIPFA Better Governance Forum;
- and, the Local Authority Investigation Officers Group (LAIOG).

The Council will also support local forums where matters of anti-fraud and corruption are discussed. These include:

- the Hampshire Chief Financial Officers Group;
- the Hampshire Fraud Group;
- the Hampshire Tenancy Fraud Forum.

6. Deterrence

6.1 Strong Response

Our deterrence arrangements will include a clear framework of procedures and responsibilities which make fraud and corruption hard to perpetrate and which will be likely to disclose fraud and corruption at the earliest opportunity.

Sufficient professional resources will be maintained for investigations into irregularities and allegations received.

The police will invariably be informed in cases where a criminal offence may have been committed and the Council will prosecute offenders where it is in our interest to do so. We will also take actions to maximise the recovery of any losses incurred. The existence of such a competent response should give a strong warning to any person contemplating acting dishonestly against the best interests of this Council.

6.2 Publicity

In addition, the Council will maintain a strong message of intolerance to acts of fraud and corruption and will seek to publicise to the public, members and employees local or national cases which highlight the consequences of committing fraud.

7. Prevention

7.1 Internal Control Systems

Appropriate policies and procedures will be maintained to ensure that internal controls designed to prevent or detect fraud and corruptions are built into the Council's systems of operation. Key council policies are listed in [Appendix A](#).

All employees shall be made aware of and be expected to adhere to any internal control system designed to prevent or detect fraud and corruption. The Council's ongoing training and development programme should regularly cover internal control systems relevant to the employee's responsibilities.



All employees are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager.

7.2 Employee Screening

The Council recognises that a key preventative measure is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether permanent, temporary or casual.

The Council has a [Recruitment & Selection Policy](#), which contains appropriate safeguards such as taking up written references and verifying qualifications held.

Criminal records will be taken into account where the conviction is relevant. After starting at the council, employees are required to bring to their manager's attention any new criminal convictions.

7.3 Interests, Gifts and Hospitality

As part of the induction process, relevant employee interests will be ascertained and registered in accordance with the [Employee Guidelines on Gifts, Hospitality, Conflicts of Interest and undertaking second jobs](#). Gifts and Hospitality can only be accepted in accordance with these guidelines. Employees are required to register any subsequent interests or Gifts and Hospitality offered and/or accepted.

The registration process produces an annual reminder to the manager to take appropriate action to manage any conflicts of interest that arise in the operation of their service.

[The Code of Conduct for Members](#) sets out the requirements for members in relation to registration and disclosure of pecuniary and personal interests.

7.4 Fraud Warnings

The Corporate Counter Fraud Team will be the focal point for any fraud warnings on potential external threats or attacks that have occurred in other organisations and will take appropriate action to identify or prevent similar incidents occurring at this Council. This includes processing the Intelligence Bulletins published by the **National Anti Fraud Network**.

A log of any companies associated with these threats will be maintained which should be checked before any new suppliers are set up on our payments system.

7.5 Money Laundering

The Council has adopted an [Anti-Money Laundering Policy](#) in response to the Money Laundering Regulations 2007. It has established procedures and a designated Money Laundering Officer (MLRO) to enable the formal reporting and checking of transactions which may indicate Money Laundering.

8. Detection

Appropriate systems of internal control will be built into procedures in order to detect fraud and corruption. The following specific systems of fraud detection will also be used.

8.1 Whistle-Blowing

The Council encourages any individual to raise, with the appropriate officer, genuine worries regarding the integrity of anyone acting on behalf of, or in business with, the Council. It has adopted a [Code of Practice on Confidential Reporting](#) (a.k.a. the "Whistle-Blowing Policy") which allows concerns to be raised in the certainty that they will be properly investigated in a confidential manner. The Code also seeks to reassure individuals that they will be protected from possible reprisals if they make disclosures in good faith.



It is the duty of all individuals to report a suspicion of financial irregularity to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Failure to report any suspicions of financial irregularity can be dealt with under the Council's disciplinary procedures. [Financial Regulation 10.4.2](#)

Contractors with the Council are also encouraged to raise genuine concerns as part of their contract terms and conditions.

8.2 Referrals from the Public

Members of the public are encouraged to report genuine concerns through the designated **Report-IT** channels. These consist of dedicated on-line forms, email addresses and the **Fraud Hotline 01329 824667**.

The Council also has a [Corporate Complaints Policy](#) through which complaints can be made on a wide range of subjects. These can reveal suspicions of dishonesty. Alternatively the complaints may be taken directly to the independent **Local Government Ombudsman**.

The Council has also established a [Member Misconduct Complaints Procedure](#) which allows possible breaches of the Council's Code of Conduct for Members to be reported to the Monitoring Officer.

8.3 Data Matching

The Council will undertake data matching exercises as it sees as appropriate for the purposes of identifying and reducing fraud and corruption.

In particular, the Council will take an active part in the **National Fraud Initiative** as organised by the Cabinet Office. This involves submitting data we hold for matching to that held by other organisations and following up promptly any matches received back.

8.4 Probity Audits

Probity audits will be included in the Internal Audit Plan, as time allows, aimed specifically at identifying irregularities or providing assurance that they do not exist.

9. Investigation

The Council will maintain an *Irregularity Response Plan* detailing how allegations of fraud and irregularity will be managed and investigated.

Report of incidents involving employees will be dealt with in accordance with the *Employee Disciplinary Rules and Procedures*. Reports of incidents involving elected members will be passed to the Monitoring Officer to be dealt with in accordance with the *Members Misconduct Complaints Procedure*.

The procedures seek to ensure that:

- there is consistent treatment of fraud and corruption issues;
- a proper investigation is carried out by suitably qualified officers;
- the Authority's and Community's interests are best served.

Investigating officers are required to ensure that investigations are objective, fair and complete and that they comply with the relevant statutory provisions and internal procedures including *The Regulation of Investigatory Powers Act 2000 (RIPA) – Corporate Policy & Procedure*.

Where criminal activity is suspected the investigators will usually notify the police and seek their advice. Any internal investigations will continue to be progressed alongside supporting the Police in their investigation.



The Council expects the fullest co-operation from all members and officers who are called upon to assist with an investigation into suspected fraud and corruption.

10. Sanctions

When an investigation's findings supports the suspicion that fraudulent or corrupt activity has occurred, action will be taken in accordance with the *Corporate Fraud Sanctions and Redress Policy*, which requires all types of sanctions – disciplinary, civil and criminal – to be considered.

Any disciplinary action against **employees** will be taken in accordance with the Council's *Employee Disciplinary Rules and Procedures*. For **elected members**, sanctions used for breaches of the Members Code of Conduct will be taken in accordance with the *Members Misconduct Complaints Procedure*.

Sanctions in relation to cases of **Benefit Fraud** will be applied in accordance with the *Benefits Anti- Fraud and Corruption Policy*. Options include formal cautions, administrative penalties and prosecution.

Fines for other types of fraud will be considered where the Council has powers to levy these.

Where fraud or impropriety has been perpetrated by organisations or individuals with whom the council has a contractual relationship the Council will take robust action, including where appropriate, the termination of the contract, publication of findings and civil recovery proceedings.

11. Redress

The Council will seek to recover any losses fraudulently obtained from it and where necessary the costs incurred in doing so.

We will consider all means available to recover these amounts including compensation claims, civil litigation, making an application for recovery from an employee's pension fund and general debt recovery.

The Council will also maintain access to an Accredited Financial Investigator under the National Policing Improvement Agency scheme to be able to use the investigatory powers available under the Proceeds of Crime Act and the use of restraint and confiscation orders.

Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body); will also be used wherever appropriate.

12. Training and Awareness

The Council recognises that the success of the Anti-Fraud and Corruption Policy will depend largely on the effectiveness of members and employees throughout the organisation.

To facilitate this, appropriate provision will be made through induction, fraud awareness training and refresher training and communications. Training on specific fraud topics will also be provided to those members and employees most likely to encounter that type of fraud.

Officers involved in investigatory work will be provided with relevant specific training that meets their needs.



Managers should ensure that staff are adequately trained to carry out their duties and are aware of how to comply with the Council's policies. An anti-fraud and corruption briefing sheet is attached to the Council's induction checklist and is required to be read by all new employees.

13. Monitoring Arrangements

The Nominated Director with responsibility for Counter Fraud and the Head of Audit and Assurance will report to the Chief Executive's Assurance Group and the Audit and Governance Committee any actions that they consider are needed to strengthen our arrangements for managing the risk of fraud and corruption.

The Head of Audit and Assurance will also report the number of allegations of fraud and corruption that have been received and the outcomes of cases where fraud is concluded from an investigation.

The Council is required to complete an Annual Fraud Survey of the number of proven cases of fraud and corruption and the adequacy of our arrangements and provide the details to the external auditors. Individual notification of any frauds over £10,000 will also be submitted to the external auditors.

Systems weaknesses identified as a result of an investigation will be addressed through an action plan agreed with the relevant service manager. The Corporate Counter Fraud Team will monitor implementation of the action plan.



Any incident of suspected or identified fraud must be reported to the Head of Audit and Assurance or Head of Revenues and Benefits, even if it has been dealt with, so that accurate data on the nature of fraud risks can be kept.

Overview of Policies and Procedures Relevant to the Anti-Fraud and Corruption Policy

POLICY AND STRATEGY

Anti-Fraud and Corruption Policy

Benefits Anti-Fraud Policy

Anti-Bribery Policy

CULTURE AND STRUCTURES

Employee Code of Conduct

Member Code of Conduct

Guidance on Propriety and Probity (FRSD 18)

DETECTION

Code of Practice on Confidential Reporting (Whistle Blowing)

Corporate Complaints Procedures

INVESTIGATION PROCEDURE

Irregularity Response Plan

Employee Disciplinary Rules and Procedures

Member Misconduct Complaints Procedure

DWP Local Authority Fraud Investigators Code of Practice

The Regulation of Investigatory Powers Act 2000 (RIPA)
– Corporate Policy & Procedure

PREVENTION

Scheme of Delegation

Financial Procedure Rules

Contract Procedure Rules

Procurement Guiding Principles (FRSD 40)

Anti-Money Laundering Policy (FRSD 30)

Information Management Guides

Recruitment and Selection Policy

Employee Guidelines on Gifts, Hospitality,
Conflicts of Interest and undertaking second jobs

SANCTIONS AND REDRESS

Corporate Fraud Sanctions & Redress Policy

Benefits Anti-Fraud Policy