

ANTI FRAUD AND CORRUPTION POLICY



Date created: March 2017
Version: 2.0
**Author: Audit Risk and Fraud
Manager**

1. Introduction

1.1 Fraud and corruption poses a risk to all local councils and there is an increasing awareness of the impact of fraud and corruption on the finances and reputation of a council.

1.2 Fraud is defined as:

“the intentional distortion of financial statements or other records, which is carried out to conceal or effect the theft of assets or money, or to mislead or misrepresent”

The Fraud Act 2006 sets out particular offences. Detailed below is a brief outline of the key sections of the legislation, it is not intended to be a comprehensive guide to the legislation but acts as a reminder of the general principles of law:

Section 2 - Fraud by false representation.

A person is in breach of this section if he:

- dishonestly makes a false representation and
- intends by making the representation to make a gain for himself or another, or to cause loss to another or expose another to a risk of loss.

Section 3 - Fraud by failing to disclose information

A person is in breach of this section if he:

- dishonestly fails to disclose to another person information which he is under a legal duty to disclose: and
- intends, by failing to disclose the information, to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

Section 4 - Fraud by abuse of position

A person is in breach of this section if he:

- occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person.
- dishonestly abuses that position: and
- intends, by means of the abuse of that position to make a gain for himself or another: or
- to cause loss to another or to expose another to a risk of loss

Section 6 - Possession etc. or articles for use in frauds

A person is guilty of an offence if he has in his possession or under his control any article for use in the course of or in connection with fraud.

Section 7 - Making or supplying articles for use in frauds

A person is guilty of an offence if he makes, adapts, supplies or offers to supply any article-

- knowing that it is designed or adapted for use in the course of or in connection with fraud, or
- intending it to be used to commit, or assist in the commission of, fraud.

1.3 Corruption is defined as:

“the seeking or acceptance of a gift or reward (i.e. payment) which may influence the action of any person”

The Bribery Act 2010 outlines specific offences:-

Making a bribe- “offering, promising or giving a financial or other advantage with the intention of inducing or rewarding the improper performance of a relevant function or activity or as a reward for such improper action”.

Accepting a bribe- “requesting, agreeing to receive or accepting a financial or other advantage for the improper performance of a relevant function or activity or as a reward for such improper activity”.

1.4 This policy sets out the Council’s commitment to tackling fraud and corruption. The Council is committed to taking appropriate and decisive action against those committing, or attempting to commit, fraudulent or corrupt acts against the authority.

1.5 The Council's Anti-Fraud and Corruption Policy is based on a series of comprehensive and inter-related procedures and actions designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts affecting the Council. The following have been taken into account when drawing up the policy :

- Proportionate procedures
- Top level commitment
- Risk Assessment
- Due diligence
- Communication
- Monitoring and review

Any perceived gaps in policies and procedures have been identified and addressed. This will be monitored annually as part of the Annual Governance Statement (AGS) process. The Council is committed to

proportional implementation of these principles.

- 1.6 High standards of probity in public life and in the systems operated within local government are an essential expectation of the electorate, tax-payers and members of the public. These are vital in maintaining public confidence and are a fundamental cornerstone of effective governance. The minimisation of losses through fraud and corruption are essential in ensuring that resources are used for their intended purpose that of providing services to the residents of the district.
- 1.7 The Council also expects that stakeholders, individuals and organisations such as residents, suppliers, contractors and service providers will act towards the Council with integrity and without thoughts or actions involving fraud and corruption.
- 1.8 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:
- The Local Government Ombudsman.
 - External Auditor.
 - The public and service users – through the Council's complaints procedure.
 - The Department of Work and Pensions (DWP).
- 1.9 The External Auditor has a statutory duty to check that the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.
- 1.10 Wycombe District Council's Anti-Fraud and Corruption Policy covers:
- Culture and stance against fraud & corruption (section 2);
 - Corporate framework (Section 3);
 - Procedures in place that help prevent fraud & corruption (section 4);
 - Detection and investigation (section 5);
 - Deterrence (section 6);
 - Conclusion (section 7).

2. Culture and Stance against Fraud & Corruption

- 2.1 Wycombe District Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. The Council is committed to the highest possible standards of openness, probity and accountability and adopts a proportionate response to fraud and corruption that serves the public interest test and represents value for money.
- 2.2 The Council expects all members and officers to behave with propriety and to be accountable. Members and Officers, at all levels, will lead by example in ensuring adherence to legal requirements, standing orders, financial regulations, codes of conduct, procedure and practices.

- 2.3 The Council will provide clear routes by which concerns can be raised by both members and officers, and those outside who are providing, using or paying for public services.
- 2.4 The Council has adopted a Disclosure (“Whistle Blowing”) Policy. This allows concerns to be raised by employees, in the certainty that they will be treated seriously and be properly investigated. Every effort will be made to ensure that anonymity and confidentiality are maintained. But, there is a need to ensure that any investigation process is not misused and therefore any abuse, such as raising malicious or vexatious allegations may be dealt with as a disciplinary matter.
- 2.5 Where sufficient evidence exists in any fraud or corruption case, officers will either refer the matter to the Policy for investigation or following an investigation by the Corporate Fraud Team will refer the matter to the District Solicitor for prosecution.
- 2.6 Senior Management (Chief Executive, Corporate Director, and Heads of Service) are responsible for following up any allegation of fraud or corruption received and are expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Council, including Members, Director and senior management, will be robust in dealing with financial and non-financial malpractice.

3. Corporate Framework

- 3.1 Documents and systems are already in place within Wycombe District Council that provides a well-defined prevention, detection and investigation process. Please see Appendix 1.

4. Detailed Procedures in place which help prevent fraud & corruption

- 4.1 Our key anti-fraud arrangements include:

Employees

- 4.2 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of their propriety and integrity.
- 4.3 In particular written references will be obtained regarding the honesty and integrity of potential employees before employment offers are made. Proper written evidence of all qualifications claimed will also be obtained. In this regard, temporary and contract employees should be treated in the same manner as permanent employees. Disclosure and Barring Scheme checks will be carried out on all relevant employees and subject to regular repeat.
- 4.4 Employees of the Council are expected to abide by the Council's Standards of Conduct (as set out in Terms and Conditions of Service) and any other relevant policy which sets out the Council's requirement on personal conduct. Employees are also expected to follow any Code

of Conduct related to any personal professional body of which they are a member.

- 4.5 The Council has in place disciplinary procedures and rules for all categories of employee. Any breach of conduct will be dealt with under these procedures and could result in dismissal.
- 4.6 Officers are reminded that under the Officers Code of Conduct that they must operate in accordance with Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration.
- 4.7 The Code of Conduct requires officers to maintain conduct of the highest standards such that public confidence in their integrity is sustained. The Code includes guidance on declaring any conflicts of interest, accepting gifts and hospitality. The definition of fraud does not relate solely to cases where the person committing the fraud receives a benefit from the act, but also cases where it is a third party who receives the benefit.

Members

- 4.8 The Code of Conduct for Members, which forms part of the Constitution of Wycombe District Council, governs Members standards of behavior.

This Code is divided into three parts:

- General Interests (Scope and General Obligations),
- Interests (Personal Interests, Disclosure of Personal Interests),
- Prejudicial Interests,

- 4.9 These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members and are in documentation supplied to each Member.
- 4.10 Members play an important role in respect of this Policy by leading by example and actively demonstrating their support

Internal Control Systems

- 4.11 The Council has a Constitution which includes Standing Orders, Financial Regulations and various rules and codes of conduct in place that ensure officers act in accordance with best practice when dealing with Council business. These include the Planning Matters Guidance Note and additional protocol (approved by Members) dealing with the involvement of Members in the Planning process.
- 4.12 The Chief Financial Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs. In addition, under the Accounts and Audit Regulations 2006 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"

The latter requirement is a key control in the prevention of impropriety.

- 4.13 The Council's aim is to have sound financial systems and procedures that incorporate efficient and effective internal controls. As part of the strategy, the "separation of duties" is a fundamental control within the system, especially when involving significant transactions.
- 4.14 Under the Council's Financial Regulations, the Corporate Director is responsible for ensuring that adequate controls are in place. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the Council's Internal Audit, Risk & Corporate Investigations and the External Auditor.
- 4.15 The Council develops and is committed to maintaining systems and procedures that incorporate efficient and effective internal controls including adequate separation of duties. These controls help prevent and detect irregularities occurring. The Corporate Director and Managers are required to ensure that controls are properly maintained and documented within their areas of responsibility.

Complaints Procedure

- 4.16 The Council has an established procedure for dealing with and monitoring complaints from the public. Members of the public may refer complaints to the Local Government Ombudsman for investigation where they are not happy or satisfied with the Council's handling of the complaint. Where a complaint indicates possible fraud or corruption, it is referred to the Audit, Risk & Fraud Manager for investigation.

Partnerships with Others

- 4.17 The Council has a variety of arrangements in place with other agencies to encourage and facilitate the exchange of information and investigation in relation to the detection and prevention of fraud and corruption. These include arrangements with the following:
- External Auditor
 - Department for Work & Pensions (DWP)
 - The Police
 - National Anti-Fraud Network
 - Social Housing Landlords

The Council expects all its partners to operate to the same high standards as itself with relation to Anti-Fraud and Corruption.

- 4.18 The Council operates the Housing Benefit Verification Framework in line with Central Government initiatives to reduce fraud and error.
- 4.19 The Council has a Fraud Hotline, an on-line fraud referral form and a dedicated e-mail address in order to allow members of the public to report individuals suspected of abusing the benefits system (see paragraph 5.3).

Standards Complaints

- 4.20 Any complaint of alleged Member misconduct or fraud that constitutes a breach of the Council's Code of Conduct for Members should be made to the Council's Monitoring Officer for local assessment and determination.

Data Matching

- 4.21 Data matching is the comparison of personal data held in different systems. One important use of data matching is the identification of potential fraud, but it can also be used to ensure that a client receive all their entitlements and is a useful tool in ensuring that data is held in a standardised format.
- 4.22 Examples of data matching on a large scale are the Cabinet Office National Fraud Initiative (NFI) and the Department for Work & Pensions Housing Benefit Matching Service (HBMS). This Council subscribes to both of these initiatives.
- 4.23 The stated purpose of the NFI is to assist auditors in their assessments of the arrangements that have been put in place by management to prevent and detect fraud and corruption and to enable management to detect fraud. It now includes the matching of data provided on a voluntary basis by a number of organisations, e.g. some Housing Associations.
- 4.24 At a local level, auditors can examine or compare records and data from different sources to test controls in financial systems and to carry out substantive tests on the validity of individual transactions and financial statements as a whole. This includes the use of computer assisted audit techniques (CAAT's) to compare or match data within individual computer files or between different data sets.
- 4.25 All auditors have a responsibility to plan their audits to have a reasonable expectation of detecting material misstatements resulting from error, fraud or irregularity. However, the Statement of Auditing Standards (specifically SAS 110) issued by the Auditing Practices Board clearly establishes that the primary responsibility for the prevention and detection of fraud rests with the management of audited bodies, not the auditor.

Housing Benefit and Council Tax Reduction Scheme Fraud

- 4.26 Fraud against Housing Benefit and the Council Tax Reduction (CTR) Scheme are the single most common occurrences of fraud within a local authority, with investigation and enforcement now split between the DWP for housing benefit related fraud and the Council's Corporate Investigation Team for (CTR) fraud.
- 4.27 There are dedicated officers at the DWP and the Council whose role it is to investigate alleged fraudulent housing benefit claims and CTR claims. The identification of fraud arises from several different areas which include:-
- referrals from benefit assessment officers
 - information from other sources – such as the public
 - data matching within the Council and with other organisations
 - pro-active investigations into specific areas.

NB – Any allegations of housing benefit fraud are referred directly to the DWP.

Risk Management

- 4.28 Effective Risk Management is a key dimension of the Council's corporate governance arrangements and the Council, via its Risk Management Policy, has defined risk management as a systematic and iterative approach to assessing and addressing risk. Risk mitigation measures will be put in place in areas where the unacceptable exposure to risk has been highlighted.
- 4.29 Each service function should be assessed on a regular basis to identify areas of particular operational risk, including where appropriate an assessment of susceptibility to fraud or corruption. This will highlight any operational areas where the environment is more prone to abuse, and thereby identify areas worthy of specific fraud or corruption preventative initiatives for prioritisation purposes. Managers have a responsibility to act to manage identified risks.
- 4.30 The identification of the risks in these areas allows the implementation of control measures to reduce both the likelihood and impact of fraud and corruption.

Money Laundering

- 4.31 Under the Proceeds of Crime Act 2002 and the Money Laundering Regulations the Council is required to report to the National Crime Agency (NCA) any circumstances about clients' business that tends to make them "know or suspect or have reasonable grounds for knowing or suspecting that a crime has been committed [by a client]". If the Council fails to do so, then the Council will commit a criminal offence and

consequently senior officers will face the sanction of fines and/or imprisonment.

This will impact on the way the Council operates and any crimes, however small, shall be reported. All reports must be made in the strictest confidence and the Council cannot inform its customers or clients, either directly or indirectly, that a report has been made. Consequently, Council staff may not enter into any correspondence or discussions with clients regarding any issue that might arise in this context.

4.32 In responding to the possibility that a client may deliberately or inadvertently be involved in money laundering, the Council will be focusing on the following key areas:

- Assigning officers to manage the anti-money laundering processes within the Council;
- Ensuring key staff are familiar with the requirements of the regulations and the Council's procedures
- Ensuring key staff have an understanding or expectation of how clients behave so that they proactively identify unusual activities; and
- Satisfying itself as to the identity of clients where appropriate. To this end the Council has introduced rigorous procedures with respect to establishing identity where necessary and will keep a copy of the confirmatory evidence.

5 Detection and Investigation

5.1 It is the responsibility of Senior Management to prevent and detect fraud and corruption.

5.2 In addition, Internal Audit and External Audit will liaise closely and implement a cyclical programme of audits which will test for fraud and corruption.

5.3 However, despite the best efforts of managers and auditors, many frauds are discovered by chance or a "tip-off" reported via a dedicated phone line – 0800 0158995 – and a dedicated e-mail address – fraud.investigations@wycombe.gcsx.gov.uk. It is often the alertness of employees and the public that enables detection to occur.

5.4 This document provides a clear path for raising concerns and facilitating "tip-offs", and the fraud-response arrangements, outlined herein, enable such information or allegations to be properly dealt with.

5.5 The Council's "Whistle Blowing" Policy also gives advice on how to raise a concern and the safeguards and support that are available to those that raise concerns.

5.6 Financial Regulations require officers to report all suspected irregularities to the relevant Corporate Director, the Chief Executive, Head of Service or the Audit, Risk & Fraud Manager.

- 5.7 Senior Management is responsible for following up any allegation of fraud or corruption that they receive; by immediately informing the Audit, Risk & Fraud Manager. The Corporate Fraud Investigation Team will undertake the following :-
- deal promptly with the matter;
 - record all evidence that has been received;
 - ensure that evidence is sound and adequately supported;
 - secure all of the evidence that has been collated;
 - where appropriate, liaise with other departments within the Council and take on the role of “lead” officer;
 - where appropriate, contact other agencies, e.g. Police;
 - when appropriate, arrange for the notification of the Council's insurers;
 - where appropriate, prepare a report to the Audit, Fraud and Risk Manager for a decision as to what further actions is to be taken in accordance with the appropriate policy.
- 5.8 Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Policy and ensures: -
- consistent treatment of information regarding fraud and corruption;
 - proper investigation by an independent and experienced audit team;
 - the proper implementation of a fraud response investigation plan;
 - the optimum protection of the Council's interests.
- 5.9 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management, Personnel Legal Services, other Council departments and other agencies, such as the Police. This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.
- 5.10 The Council's disciplinary procedures will be used where the outcome of the Audit investigation indicates improper behavior; “balance of probability” is sufficient ground for dismissal, rather than proof beyond reasonable doubt.
- 5.11 Where financial impropriety involving officer or Members is discovered, the Council's presumption is that the Police will be called in. Referral to the Police is a matter for the Chief Executive; in practice, these duties are delegated to the Head of Finance and Commercial Services. Officers will be consulted, as appropriate during an investigation and the Chief Executive must be kept informed of referrals to the Police. Referral to the Police will not inhibit action under the disciplinary procedure.
- 5.12 The Council's External Auditor also has powers to independently investigate fraud and corruption. This may or may not be done in conjunction with the Internal Auditors.

5.13 To protect privacy and comply with the Human Rights Act, all criminal investigation agencies will need to demonstrate that any intrusion into an individual's privacy is essential to an investigation. Where surveillance is considered appropriate it will be necessary for it to be approved by an Authorising Officer (Corporate Director or Head of Service) and then authorised by a Magistrate or Justice of the Peace before it can commence.

5.14 To ensure good practice, any surveillance carried out on the Council's behalf must be authorised to ensure necessity and proportionality, which are guiding principles under the Regulation of Investigatory Powers Act 2000 (as amended). Where officers are considering hiring a private company to undertake surveillance work they must seek agreement with the Audit, Fraud and Risk Manager prior to any appointment.

6. Deterrence

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:-

- Publicising the fact that the Council has a proportionate response fraud and corruption and states this at every appropriate opportunity, for example, clause in contracts, statements on benefits claim forms, publications etc.
- Acting robustly and decisively when fraud and corruption are suspected and proven – for example, the termination of contracts, dismissal, prosecution etc.
- Taking action to affect the maximum recoveries for the Council – for example through agreement, Court action, penalties, insurance etc.
- Having sound internal control systems, that still allow for innovation, but at the same time do not provide the opportunity for fraud and corruption.

7 Conclusion

7.1 The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments, in both prevention and detection techniques, regarding fraudulent or corrupt activity that may affect its operation or related responsibilities.

7.2 To this end, the Council will maintain a continuous overview of these arrangements.

7.3 In response to the Bribery Act 2010, the Council has undertaken a review of its existing policies and procedures and has determined that a separate policy on the Bribery Act is not required as existing policies and procedures outlined in this Policy are considered sufficient and proportionate to the risks and activities undertaken by the Council

Appendix 1

Wycombe District Council's Corporate Framework

	Prevention	Detection	Investigation
Codes of Conduct for Members and Officers	•		
Disclosure "Whistle Blowing" Policy	•	•	•
Complaints Procedure		•	•
Standing Orders and Financial Regulations	•		
Sound internal control systems, procedures and reliable records.	•	•	•
Effective internal audit	•	•	•
Effective recruitment and employee vetting procedures	•		
The council's disciplinary procedures	•	•	•
Clear responsibilities, accountabilities and standards	•		
The Regulation of Investigatory Powers (RIPA) Procedures	•	•	•
Membership of the Anti-Fraud Network(NAFN)	•	•	
National Fraud Initiative	•	•	•
Acceptable Usage Policy.	•		