



# Counter Fraud & Corruption Strategy

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## **Policy Statement**

**The Council has a zero tolerance to fraud and bribery.**

**The Council will take positive action regarding any improper practices that are identified and will deal with perpetrators from within and outside the Council.**

**The Council will consider taking legal and/or disciplinary action where there is evidence of fraud or bribery occurring. This will include referring matters to the Police for criminal investigations.**

**It is expected that Members and employees at all levels will adopt the highest standards of propriety and accountability and will lead by example in ensuring adherence to rules, procedures and agreed practices.**

**Employees and Members will not pay bribes or offer improper inducements to anyone for any purpose; they will also not accept or solicit bribes or improper inducements.**

**The Council also expects that individuals and organisations (e.g. the public, suppliers / contractors), which it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or bribery. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis.**

**The protection of the public purse is everyone's responsibility.**

## 1 INTRODUCTION

1.1 This framework represents a commitment by the Council to protect public funds and to ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity.

1.2 In carrying out its functions and responsibilities the Council is fully committed to deterring fraud and bribery, whether it is attempted on or from within the Council. The Council is committed to an effective anti-fraud and bribery strategy designed to:-

- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
- enable any such acts to be **detected** at an early stage; and
- deal with any subsequent **investigations** in a prompt, thorough and professional manner.

1.3 The Fraud Act 2006 defines fraud as :-

**“the intention to make gain or cause loss by false representation, failing to disclose information or abuse of position.”**

1.4 The Bribery Act 2010 defines bribery as:-

**“the giving or taking of a reward in return for acting dishonestly and/or in breach of the law. The reward could relate to money, payment in kind, goods or services”**

1.5 There are four offences under the Bribery Act :-

- The giving or offering of a bribe;
- The request for or acceptance of a bribe;
- Bribing a foreign public official; and
- The failure of a commercial organisation to prevent bribery.

1.6 This framework outlines the mechanisms whereby the Council will deliver its policy commitment to its partners, customers, contractors and to the general public. It also contributes to the Council’s defence against an allegation of failure to prevent bribery. The framework covers a series of measures designed to frustrate any attempted bribery or fraudulent act, these are grouped under the following headings:-

- Culture
- Prevention
- Detection and Investigation
- Training

1.7 The Council’s Whistleblowing Policy also encourages everyone to disclose concerns about potential fraud and bribery and therefore should be read alongside this framework.

1.8 If Members, managers, employees<sup>1</sup> or members of the public are unsure of the appropriate action to take in relation to the items contained in the framework then they should contact one of the officers detailed at 2.12 for advice and guidance.

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<sup>1</sup> The term employees covers Agency Staff, Temporary Workers, Casuals and Volunteers.

## 2 CULTURE

- 2.1 The culture and tone of the Council will continue to be one of honesty and opposition to fraud and bribery.
- 2.2 The culture and procedures established by the Council are intended to ensure that high standards in public life are embedded throughout the Authority. It is expected that Members and employees at all levels will adopt the highest standards of propriety and accountability and will lead by example in ensuring adherence to rules, procedures and agreed practices.
- 2.3 Some examples of the rules and procedures include:-
- Financial Regulations & Procedure Rules and Procurement Procedure Rules;
  - Codes of Conduct for employees and Members (including guidance on gifts & hospitality and declarations of interest);
  - Scheme of Delegations;
  - HR Policies and Procedures;
  - Departmental policies and working practices.
- 2.4 The Council also expects that individuals and organisations (e.g. the public, suppliers/contractors), which it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or bribery. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis. The protection of the public purse is everyone's responsibility.
- 2.5 All Members and employees play an important part in creating and maintaining the culture within the Council. Everyone is therefore positively encouraged to raise any concerns that they may have regarding fraud and bribery in any of the activities of the Council in the knowledge that such concerns will, wherever possible, be treated in the strictest confidence and investigated properly.
- 2.6 All Members and employees should act appropriately in all dealings and guidance on appropriate behaviour is available in the form of Codes of Conduct for Members and employees and in some cases service specific policies and codes of practice. Service Areas will review the risk of fraud and bribery and where necessary develop specific guidance to reduce the opportunities available or increase detection of offences.
- 2.7 The Council will take a robust approach in all cases of suspected financial malpractice, fraud or bribery and will always seek to refer cases of suspected fraud and bribery to the Police for investigation.
- 2.8 Any Member or employee who attempts to defraud the Council, who acts corruptly or who is involved in bribery will be dealt with swiftly. Where appropriate following proven fraud or bribery the Council will implement its disciplinary procedures or make a referral under the Standards process for Members. Any investigation of an employee would follow the Council's disciplinary process and any investigation of Members would follow the Standards Process.
- 2.9 Where it is found that fraud or bribery has occurred due to a breakdown in the Council's systems or procedures, Management will ensure that appropriate improvements in systems of controls are implemented in order to prevent a reoccurrence.

- 2.10 Unless there are good reasons to the contrary, any allegations received by way of anonymous letters or telephone calls will be taken seriously and investigated in an appropriate manner. Further information on the protection that is offered to employees and others who raise concerns is contained in the Council's Whistleblowing Policy.
- 2.11 The Council needs to ensure that any investigation process is not misused and, therefore, any abuse of procedures such as raising malicious and unfounded allegations may be dealt with as a disciplinary matter.

### **Reporting Concerns – Employees / Elected Members**

- 2.12 Employee concerns should be raised in the first instance directly with your supervisor, team leader or Head of Service. If the individual feels that this is not appropriate then any of the following people may be approached:-
- Internal Audit;
  - The Section 151 Officer - Executive Director (Finance & Customer Service);
  - The Monitoring Officer – Executive Director (People);
  - The Chief Executive;
  - Any member of the Alliance Management Team;
  - The External Auditor;
  - Trade Union Representative.
- 2.13 Elected Members are also encouraged to report their concerns with any of the above.
- 2.14 In certain circumstances you may wish to contact an appropriate external body – e.g. Trade Union to raise the concern on your behalf.

### **Reporting Concerns – Members of the Public, Suppliers, Contractors**

- 2.15 Members of the public and the Council's suppliers/contractors are also encouraged to report concerns to the Council via the any of the contacts listed at 2.12.

For **Housing Benefit Fraud Allegations**, benefit fraud investigations are now undertaken by the Department for Work and Pensions (DWP) by the Single Fraud Investigation Service. Details of how to report suspected benefit fraud can be found on the Council's website here:

<https://www.staffs Moorlands.gov.uk/article/952/Report-fraud> or  
<https://www.highpeak.gov.uk/article/924/Report-fraud>

### 3 PREVENTION

- 3.1 The Council is required to establish procedures for the scrutiny of its own functions to ensure that there are proper arrangements in place to administer the Council's financial affairs. This internal scrutiny occurs as a result of :-
- Responsibilities arising from section 151 of the Local Government Act 1972 responsibilities and Section 114 Local Government Finance Act 1988;
  - the establishment of a sound Internal Audit function in accordance with the Accounts and Audit Regulations 2015; and
  - the responsibilities placed on the Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.
- 3.2 The Council's activities are also subjected to a high degree of external scrutiny by others including:-
- Local Government Ombudsman;
  - National Audit Office;
  - External Auditors;
  - Central Government Departments;
  - HM Revenues and Customs;
  - The Department for Work and Pensions; and
  - The general public.
- 3.3 In order to ensure the Council is able to effectively target its resources and not create overly burdensome procedures in areas where the risk of fraud or bribery is low each service area will conduct an assessment of its risk in these areas. These risk assessments will be documented by the Head of Service and periodically reviewed to ensure that they reflect any changes in the level of exposure.

#### **Employees**

- 3.4 The Council recognises that a key preventative measure in dealing with fraud and bribery is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees. This applies to permanent, temporary and casual posts where identity checks and asylum/immigration checks are performed as part of the induction process.
- 3.5 The Council has a formal procedure for recruitment and it is important that this is complied with, especially in relation to the verification of all qualifications and the obtaining of written references to ascertain the honesty and integrity of potential employees. The Council will follow an open and fair recruitment process without favouritism or canvassing for all posts.
- 3.6 The Council's Financial Regulations & Procedure Rules, Procurement Procedure Rules and Code of Conduct for Employees govern all employees. In addition to the Council's rules many employees will also be required to comply with the standards and ethical requirements laid-down by their professional bodies. The Council will report known impropriety to the relevant Institution for them to consider appropriate disciplinary action. These key policies provide the operational framework for the Council and create a culture which seeks to minimise the risk of fraud or bribery occurring.

- 3.7 All employees must ensure that they declare all outside interests in accordance with the Code of Conduct for Employees and any departmental policies. Employees need to ensure personal integrity in all transactions. Where a conflict of interest may occur then the employee should not become involved in the transaction and should inform their line-manager.
- 3.8 All private employment/outside commitments performed by employees must be declared to the Council and approved in advance. Private work should be carried out in hours when the employee is not employed by the Council and should not be conducted from Council Premises or using Council tools and equipment. Further details on private work can be found in the Code of Conduct for employees.
- 3.9 Public duties are slightly different and the Council has a separate policy which allows a set amount of paid time off to conduct these duties where they are recognised public duties (e.g. School Governors, Magistrates). However public duties must still be declared as an outside interest.
- 3.10 Employees need to ensure that declarations relating to outside interests and private works are kept up to date with any changes as and when they occur.
- 3.11 Employees must never accept gifts of cash regardless of the value. It is a serious criminal offence for an employee to receive any fee or reward other than their proper remuneration for carrying out their duties.
- 3.12 Employees also need to follow the Council's rules set out in the Code of Conduct on the giving and receiving of gifts, hospitality and sponsorship to other individuals and organisations.
- 3.13 An employee should not seek or offer any incentive or reward in return for acting in a particular way or reaching a particular decision as this would constitute a criminal offence under the Bribery Act.

#### **Managers (Heads of Service & Leadership Team)**

- 3.14 All Managers should lead by example and ensure that there is a zero tolerance approach to fraud and bribery within the Council and should strive to create an environment in which their staff feel able to approach them with any concerns they may have. Managers should ensure that their staff and all suppliers, contractors and partner organisations that they work with are aware of this policy and any responsibilities that are placed on them.
- 3.15 Managers are responsible for ensuring that all internal controls within their area of responsibility are effectively maintained. They should investigate any potential weakness in these controls due to factors such as the level of vacancies, sickness absence or annual leave and where possible look to ensure controls remain effective and operational.
- 3.16 The Council has developed and is committed to continually improving systems and procedures incorporating efficient and effective internal controls, including the provision of adequate separation of duties. Heads of Service have a responsibility to ensure that all systems of internal control, including those in a computerised environment, are operating effectively and documented adequately. Managers are therefore required to give reasonable assurance that internal controls within their service are operating effectively.

3.17 All processes and activities need to be designed to be open and transparent and be designed to reduce the opportunities for fraud, bribery or corrupt acts to occur. Managers are encouraged to consult with Internal Audit when they are looking to change working methods to ensure appropriate controls are built in.

### **Elected Members**

3.18 The activities and conduct of Members are governed by :-

- the Council's Constitution;
- Code of Conduct for Members.

3.19 These matters are specifically brought to the attention of Members in the Induction pack and include the declaration and registration of potential areas of conflict. Members are advised of new requirements on them as and when they occur by the Monitoring Officer and Democratic & Community Services.

3.20 Members must ensure that they act appropriately in all circumstances and should not seek or offer any incentive or reward in return for acting in a particular way or reaching a particular decision. Members may be acting corruptly if they attempt to use their position as an elected member for their own or anybody else's personal gain or loss. This could also constitute an offence under the bribery act.

3.21 It is important that all Members promptly complete and return their Declaration of Interests upon election and at any time when there are changes to their outside interests in accordance with the Code of Conduct. Any failure to declare an interest may lead to action being taken against the Member under the Standards process.

3.22 Members must also comply with the rules relating to the receipt of gifts and hospitality when considering if they can be accepted or not. Any gift must be declared in the Gifts & Hospitality Register in accordance with the Council's Code of Conduct for Members.

### **Contractors/Suppliers**

3.23 The Council expects contractors and suppliers to have a zero tolerance approach to fraud and bribery and to establish appropriate procedures to ensure that their dealings with the Council are open and honest.

3.24 Prospective contractors and suppliers will be vetted as part of the Procurement selection process. The Council has a mandatory obligation under Regulation 57 of the Public Contracts Regulations 2015 to exclude suppliers of work, goods, materials or services from bidding for public sector contracts when they or a Director has been convicted of a fraud or bribery offence.

### **Role Conflict and Separation**

- 3.25 Members and employees must always ensure that they avoid situations where there is a potential role conflict. Such situations can arise where there is externalisation of services or tendering situations. Members or employees close friends/relations may work for companies tendering for work being let by the Council and it is therefore necessary to be open and honest where such conflicts occur. The relevant declarations of interest should be made and you should consider withdrawing yourself from the decision making process. Members and employees are encouraged to seek advice and to err on the side of caution if they feel that they may have a conflict of interest in a decision being made that would benefit themselves or a close friend or relation.
- 3.26 Effective role separation will ensure that the decisions made by the Council are based upon impartial advice and avoid questions about the improper disclosure of confidential information. This is particularly important where one part of the Council may be tendering for a Council contract in competition with external companies.

### **Systems**

- 3.27 The Council's Code of Conduct for Employees and Financial Regulations & Procedure Rules along with other Council documents and policies require employees to act in accordance with best practice.
- 3.28 The Responsible Financial Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. The Council's Financial Regulations & Procedure Rules and Procurement Procedure Rules which outline systems, procedures and responsibilities are widely publicised to employees and should be complied with at all times.
- 3.29 Significant emphasis has been placed on thorough documentation of key systems and these are continually reviewed and developed in accordance with best practice to ensure efficient and effective internal controls and adequate separation of duties.
- 3.30 The Internal Audit Service independently monitors and reviews the internal control systems established by managers in accordance with the Audit Plan.

### **Co-operation with Others**

- 3.31 Arrangements are in place to encourage the exchange of information on national and local fraud and bribery activity in relation to Local Authorities with external agencies such as:-
- Other local authorities and statutory authorities;
  - Chief Financial Officer Group;
  - the Police;
  - local, regional and national auditor networks;
  - National Audit Office;
  - the National Anti-Fraud Network;
  - The National Crime Agency;
  - Government Departments and Agencies.

3.32 The Council is a statutory participant in the National Fraud Initiative (NFI). The Council submits data that it holds on various systems such as Housing Benefits, Insurance Claims, Creditor Payments and Housing Rents. This data is then matched with data provided by other public sector bodies to identify potential frauds. More information on the NFI can be found on the Council's website <https://www.staffs Moorlands.gov.uk/article/1676/National-Fraud-Initiative-NFI> or <https://www.highpeak.gov.uk/article/1671/National-Fraud-Initiative-NFI>

## 4 DETECTION AND INVESTIGATION

- 4.1 There are numerous systems of control in place to deter fraud and bribery, but it is often the vigilance of employees and members of the public that aids detection. Frauds are often discovered by chance or following a “tip-off” and arrangements are in place to enable such information to be dealt with appropriately. The process for following up information is contained in the Fraud Response Plan below.
- 4.2 All cases of suspected or proven fraud, bribery or other impropriety must be notified to the Head of Audit as soon as possible to ensure that a central record is maintained and to determine whether further work is needed to examine the appropriateness of the control framework in place in the area. Any suspected fraud, bribery or corrupt practice involving elected Members will be reported to the Monitoring Officer by the Head of Audit.
- 4.3 Early reporting is essential to the success of this strategy and the swift referral of cases of suspected fraud or bribery to the Head of Audit will:-
- ensure the consistent treatment of information regarding fraud and bribery;
  - ensure the proper implementation of a fraud investigation in accordance with the Council’s Fraud Response Plan; and
  - allow for the identification of any implications in relation to Money Laundering/Proceeds of Crime Act and the relevant external notifications to be made.

### **Fraud Response Plan** (Excluding Housing and Council Tax Benefit Fraud)

- 4.4 Usually, an initial investigation will be carried out which will aim to confirm or disprove the initial suspicion or allegation by obtaining and thoroughly evaluating all material evidence so as to establish the facts. Where observations or surveillance are required this will be properly authorised and carried out in accordance with the Regulation of Investigatory Powers Act (RIPA) and the Council’s own RIPA policy.
- 4.5 The investigating officer will: -
- Deal promptly and confidentially with the matter;
  - identify all those involved;
  - have unhindered access to employees, information and other resources as required for investigation purposes;
  - collect and record all evidence to support the allegation, and ensure that it is held securely;
  - liaise as necessary with the relevant member of Leadership Team and outside agencies where appropriate.
- 4.6 The Executive Director (Finance & Customer Service), as s151 Officer, has the authority to determine whether to refer allegations of suspected fraud and bribery to the Police for prosecution. In most cases the Police will be invited to carry out a fraud or bribery investigation. Where the Police decide to investigate the Internal Audit section will work alongside them to conduct an internal investigation and disciplinary action will be taken at the appropriate time.

- 4.7 At the conclusion of the investigation a report will be made to the Chief Executive, the relevant member of Leadership Team and the s151 Officer/Monitoring Officer. If one of these Officers is potentially implicated in the investigation then they will be excluded from the reporting process.
- 4.8 All employees engaged in the investigation of potential fraud and bribery will ensure that the strictest standards are adhered to, in particular regarding the confidentiality of the investigation. This is especially important due to the fact that: -
- Allegations and suspicions may turn out to be unfounded and hence embarrassment for the accused and the Council is spared;
  - Where fraud has occurred breaches in confidentiality could alert the suspect and give them the opportunity to cover their tracks or destroy evidence.
- 4.9 **Employees** - In accordance with the Council's Disciplinary & Dismissal Procedures, management has the prime responsibility for investigations into the conduct of employees. However in accordance with Financial Regulations & Procedure Rules, the s151 Officer has responsibility for organising the investigation of suspected fraud or bribery. In most cases an appropriate officer and/or the Head of Audit will be appointed as joint Investigating Officers and the investigation will be conducted and reported to management in accordance with the Council's Disciplinary Scheme.
- 4.10 **Members** – Investigation of Members will be carried out by the Monitoring Officer. The outcome of investigations will be referred where relevant to the Standards Committee.
- 4.11 **External Frauds**- Where the allegation of fraud does not implicate an employee then the Head of Audit will conduct the investigation.

#### **Housing & Council Tax Benefit Fraud**

- 4.12 Housing and Council Tax Benefit fraud investigations are now undertaken by the Department for Work and Pensions (DWP) by the Single Fraud Investigation Service. Details of how to report suspected benefit fraud can be found on the Council's website. However where the Housing Benefit fraud involves a Member the Chief Executive and the Monitoring Officer will be consulted and kept informed. The Head of Audit and Head of Organisational Development & Transformation will be consulted and kept informed in relation to any Housing Benefit Fraud committed by employees. Members or employees found to have committed housing benefit fraud may also be subject to Standards or disciplinary action.

#### **Prosecution Policy**

- 4.13 The Council will look to prosecute all those accused of committing fraud, theft, or bribery against the Council. In most cases the Council will refer the matter to the Police for an independent prosecution.
- 4.14 Where an employee is found to have been involved in fraudulent or corrupt activity or bribery the Council will look to take further action in accordance with the Disciplinary & Dismissal Procedures. Where Members are found to be involved in fraudulent or corrupt activity the Monitoring Officer will be informed and the matter will be referred for a Standards Investigation.

- 4.15 The Council will also aim to recover from the perpetrators any losses that it sustains as a result of fraud and corruption. Where appropriate, the Council will publicise the results of any action taken, including prosecutions, with regard to fraud and corruption activity perpetrated on the Council.
- 4.16 Where a genuine mistake or error is discovered the Council will not look to prosecute but will provide training and advice to the employee/Member and possibly look to revise systems and procedures to prevent similar actions occurring in the future.

#### **Support for Witnesses During An Investigation / Prosecution**

- 4.17 The Council recognises that the decision to report a concern or to give evidence as part of an investigation is often a difficult one to make not least because of the fear of reprisal from those responsible for the malpractice. However, where there are genuine concerns then the witness has nothing to fear as they are fulfilling a duty to the Council and to those for whom it provides services.
- 4.18 The Council will be as supportive as possible to witnesses during an investigation. Harassment and victimisation (including informal pressure) will not be tolerated. If as a result of providing evidence in the public interest the witness experiences any pressure the Council will take action to protect them. Any employee or Member who is found to be victimising anyone who is providing evidence to an investigation may face action under the Standards or disciplinary procedures.
- 4.19 The Council will take all possible steps to maintain the confidentiality of a witness throughout the process where they have expressed a preference for their name not to be disclosed. However it is recognised that this may not always be possible. In the event that the investigation requires confidentiality to be broken then the witness will be informed in advance.
- 4.20 The Council will take steps to minimise any difficulties that the witness may face as a result of providing evidence to an investigation. For example, where the person is required to give evidence at a criminal or disciplinary proceeding then the Council will arrange for them to receive advice and support about the process that they will have to go through.

## 5 TRAINING & INFORMATION

- 5.1 The Council acknowledges the importance of ensuring that Members and employees are fully aware of their personal responsibilities, and will ensure appropriate training is provided.
- 5.2 There are a number of key documents which set-out responsibilities and these include:-
- Codes of Conduct for Members;
  - Code of Conduct for Employees (including Gifts and Hospitality Guidelines);
  - Financial Regulations & Procedure Rules and Procurement Procedure Rules;
  - Whistleblowing Policy;
  - The Constitution;
  - Relevant Professional Ethical Codes or frameworks.
- 5.3 The Council will ensure that all employees are made aware of their responsibilities under this policy as part of their induction process as well as ensuring that they are aware of the relevant reporting procedures.
- 5.4 The Council recognises that the continuing success of this strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the organisation.
- 5.5 Managers will also ensure that all contractors/suppliers are aware of the existence of this framework and their responsibilities under it.
- 5.6 This framework will also be made available to contractors and the public by publishing it on the Council's website.
- 5.7 In addition to the above actions the Council will review its services to identify those most at risk of fraud and bribery and where necessary develop additional guidance and procedures to address any significant risks identified.

## **6 MONITORING & REVIEW**

- 6.1 The Council has in place a clear network of systems and procedures to assist it in dealing with fraud and bribery.
- 6.2 The s151 Officer – Executive Director (Finance & Customer Service) will maintain a continuous overview of the arrangements in place to ensure that they are consistently applied and that all action taken is proportional. This framework will be reviewed and updated periodically to follow best practice and other changes.
- 6.3 Monitoring on the application of the framework, including allegations not proven or false allegations will be carried out. This will include monitoring of equality and diversity issues in relation to the person who has an allegation made against them and in relation to the ultimate outcome of any investigations. Information that may be recorded includes age, gender, race, disability, etc. However it may not be possible to obtain all information for all cases.
- 6.4 This information will be used to monitor trends and to ensure that the policy is applied equally to all and in particular that decisions to prosecute or take other action are consistently applied.

## **7 ASSOCIATED POLICIES**

### **7.1 Other associated Council Policies:-**

- Whistleblowing Policy;
- Disciplinary & Dismissal Procedure;
- Codes of Conduct for Members & Employees;
- Regulation of Investigatory Powers Act Policy & Procedures.