





Exeter City Council

# Counter Fraud Strategy

(Formerly Anti-fraud, Anti-bribery and Anti-corruption Policy)

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- 1.1 Exeter City Council is committed to the prevention and detection of fraud, bribery and corruption. Any suspected cases of fraud, bribery or corruption will be investigated and wherever possible, the Council will refer the matter to the police in order that perpetrators can be prosecuted, and losses recovered through all appropriate means.
- 1.2 Misuse of public funds deprives the Council of finance it needs to achieve its agreed goals and strategic objectives. As a consequence of lack of finance, citizens (particularly those in need) may be deprived of vital services.
- 1.3 The purpose of this policy is to set out for councillors and its employees, the Council's key principles and approach to countering fraud, bribery and corruption.
- 1.4 The table at the end of this document provides a simple reference of dos and don'ts should you suspect a fraud.

- 2.1 **Fraud** is an intentional criminal activity. Types of fraud that could affect the Council include obtaining assets or services by deception; forgery and false accounting intended to mislead or misrepresent, for example, providing false information when submitting a claim.

The Fraud Act 2006 provides that people carrying out serious frauds can be imprisoned for up to 10 years. Fraud includes:

- taking something you are not entitled to (e.g. cash, supplies, even peoples' identities)
- false accounting
- deception
- forgery

- 2.2 **Bribery** is the offering, giving, receiving or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties. The Bribery Act 2011 came into force in July 2011. The Act is significant not only because the new penalties are described as the toughest in the world, but also because it forces organisations to evaluate how, and with whom, they do business. The Act also makes them accountable for ensuring that safeguards are in place to prevent bribery.
- 2.3 **Corruption** is when an individual abuses their position or powers to make gains for themselves or someone else, and often involves collusion between two or more individuals.

- 3.1 The commitment to eliminate fraud, bribery and corruption are summarised by the principles that the Council will:
  - **Culture** - create an anti-fraud, anti-corruption, anti-bribery and zero tolerance culture
  - **Prevention** - review existing, and check new, policies and systems to ensure that any apparent weaknesses are removed and fit-for-purpose
  - **Detection** - provide appropriate mechanisms for employees to voice their concerns and protect those who do make reports
  - **Investigation** - maintain formal procedures to investigate fraud or corruption whenever it is suspected
  - **Sanctions** - deal robustly with perpetrators of fraud or corruption, and to have no hesitation in referring cases to the police where it is appropriate to do so
  - **Redress** - use reasonable measures to seek redress to recover any monies defrauded

- 4.1 Everyone has a role to play in the prevention and detection of fraud, bribery or corruption. The Council expects its employees and elected members to lead by example.
- 4.2 A key element of prevention is the range of interrelated policies and procedures the Council has in place that together seek to create a zero tolerance culture. These have been formulated in line with appropriate legislative requirements and include:
- this Counter Fraud Strategy
  - the Fraud response plan
  - codes of conduct for councillors and employees
  - standing orders and financial regulations
  - accounting procedures and records
  - internal control systems
  - Internal Audit
  - recruitment and selection procedures
  - disciplinary procedures
  - anti-money laundering procedures
  - the Whistleblowing policy
  - Regulation of Investigatory Powers (RIPA) procedures

- 5.1 The corporate framework can only be effective in prevention or detection if the policies, procedures and arrangement are complied with, and there are clear lines of accountability and responsibility which are:
- A. Management responsibilities**
- 5.2 The day-to-day responsibility for the prevention and detection of fraud and corruption rests with line managers who are responsible for:
- identifying the risks to which systems, operations and procedures are exposed, including maintaining awareness of potential new and emerging fraud risks;
  - developing and maintaining effective controls to prevent and detect fraud; ensuring that controls are being complied with
- 5.3 Managers must ensure that all of their staff are aware of the Council's counter fraud arrangements, as well as the Whistleblowing Policy. Managers must also encourage an environment in which their staff feel that they are able to approach them should they suspect irregularities are occurring.
- 5.4 During the recruitment process, managers should ensure that, as far as possible, potential employees are appropriately screened and vetted to establish the integrity of potential employees, whether permanent, temporary or casual posts. This should be done in consultation with Human Resources. This is a key preventative measure against fraud and could include, for example, verifying qualifications, identity checks, eligibility to work in the UK, and for certain posts credit checks (e.g. for posts with financial responsibilities) or Disclosure and Barring Service (DBS) checks (previously CRB checks) where appropriate.
- B. Employees' responsibilities**
- 5.5 All employees must:
- act with propriety in the use of resources and in the handling and use of public funds, whether they are involved with cash or payment systems, receipts or dealing with

- contractors, suppliers or customers;
- immediately report, without fear of recrimination, if they suspect or believe there is evidence of irregular or improper behaviour or that fraud may be being committed
- comply with the employees' code of conduct (available on the Intranet)

### **C. Councillors' responsibilities**

Councillors have a duty to the citizens of Exeter to protect Council assets from all forms of abuse. This is reflected by the adoption of this policy and compliance with the code of conduct for members, relevant legislation, policies and procedures.

### **D. Role of the responsible officer**

- 5.7 Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations make the 'responsible officer' (Executive Director Resources and Chief Financial Officer) responsible for ensuring the Council has adequate control systems and measures in place.

### **E. Role of internal audit**

- 5.8 The purpose of internal audit is to provide independent and objective assurance to the Council on risk management, control and governance, by evaluating their effectiveness in achieving the Council's stated objectives. This includes promoting an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.
- 5.9 Responsibility for managing counter fraud has been assigned to Internal Audit. This will include responsibility for horizon scanning for potential new and emerging risks and sharing information about this with managers, as appropriate.
- 5.10 Amongst the range of services provided it includes fraud and irregularity investigations in which:
- specialist skills and knowledge will be provided to assist in an investigation, or lead where appropriate; and
  - fraud prevention controls and detection processes are assessed for effectiveness.
- 5.11 All suspected fraud or irregularities should be reported to Internal Audit, with the exception of benefit and tenancy fraud which will be investigated by the relevant service provider. However, statistics relating to these types of fraud should be reported to Internal Audit on a periodic basis in order that Internal Audit can maintain a central record of all reported fraud.

### **F. Role of the benefits investigation officer**

- 5.12 The benefit investigation officer undertakes the investigation of allegations of fraud and discrepancies in the housing and council tax benefits systems, including national benefits, in accordance with the benefit fraud policy (wef May 2015 this will be carried out by DWP)

### **G. Role of the external auditor**

- 5.13 The external auditor reviews the Council's arrangements for preventing and detecting fraud, bribery and corruption. Whilst external auditors do not have a specific preventative role, they are always alert to the possibility of fraud, bribery and corruption and will report any grounds for suspicion that comes to their attention.

- 6.1 Exeter City Council expects all persons and any organisation associated with it to act with

integrity and operate high ethical values, and operates a zero tolerance culture. The Council expects councillors and its employees to strictly comply with the Nolan Committee's Seven Principles of Public Life:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

- 6.2 The councillors and the employees' codes of conduct define the Council's expectations, and state what behaviour is deemed acceptable and what is unacceptable. The codes are published on the Council's website and are thus readily accessible.
- 6.3 Counter fraud training is delivered via an e-learning module, and provided to all councillors and employees. New councillors and employees must undertake the training as part of their induction training process, during which they are made aware of the Council's culture and of the policies and procedures they must comply with. This training ensures councillors and employees are aware of the different types of fraud and of the sanctions that can be taken against wrong-doers.
- 6.4 Those working and serving in the public sector hold a position of trust and so are expected to act with the upmost honesty and integrity. Public servants that commit fraud, corruption or bribery can expect Courts to apply maximum penalties and sentences for breaking that public trust.

## 7

### Prevention Strategy

- 7.1 The Council has established robust systems of internal controls that are designed to prevent and detect fraud, bribery and corruption, examples of these include:
- cross-checking data and information provided by applicants with that held on other systems to check that the information agrees and is accurate
  - baseline checking of job applicants in order to combat identity fraud and false claims. These measures include checking: proofs of identity; employment history; educational and professional qualifications, experience, etc.
  - active participation in the National Fraud Initiative data matching exercise that crosschecks data held by the Council with data held by other local and public authorities, Government departments and other organisations. Where suspect data is found, the cases are thoroughly investigated, and appropriate action taken or sanctions imposed.
- 7.2 Internal Audit will:
- risk assess fraud risks using the Internal Audit risk assessment method used to establish the annual audit plan;
  - horizon scan for emerging and latest fraud threats using publications and information issued by Government and other relevant bodies (e.g. CIFAS newsletter) and Internal Audit will report those emerging threats to relevant managers and work with them to develop plans to address and tackle those threats;
  - ensure internal audit staff attend relevant training and seminars to keep up to date with the latest fraud trends and emerging risks;
  - as appropriate and in consultation with management, publicise proven frauds to raise awareness of fraud risks to help identification of fraud;
  - keep an up to date Fraud Response Plan and Collection of evidence policy giving guidance on conducting an investigation
  - send out regular reminders to employees to raise awareness of:

- the Council's policies, procedures and rules;
- the fact that they must report any suspicions of fraud, bribery and corruption they may have
- test internal controls are in place and working effectively. Where actual or potential weaknesses are identified, recommendations are made to enhance the effectiveness and robustness of controls

7.3 The Benefits Investigation officer uses risk-based techniques as a means of ensuring that the types of claims regarded as high risk are identified to ensure that they can be given careful attention, constantly monitored and regularly reviewed.

## 8 Detection Strategy

- 8.1 The Council provides appropriate mechanisms to detect fraud, bribery and corruption, and to enable employees and members of the public to voice their concerns, these include:
- Internal Auditors assessing the effectiveness and robustness of systems' internal controls by, for example, checking transactions are valid.
  - providing fraud reporting mechanisms, such as on-line reporting or dedicated fraud reporting phone number, to encourage the reporting of benefits and other types of frauds.
  - maintaining a Whistleblowing Policy and procedures (that are published on the Council's website) to encourage employees to report concerns about malpractice

## 9 Fraud Response Plan

- 9.1 Exeter City Council has established a [Fraud Response Plan](#) to compliment this strategy and lays out, in more detail, how it will respond to suspected fraud including investigations, sanctions and redress.

## 10 Review

- 10.1 This policy will be reviewed by Internal Audit, in consultation with other relevant persons, at least biennially. Any significant changes will be reported to the Audit and Governance Committee for consideration and approval.

**Review Dates:**

Last reviewed: November 2014





## DOS AND DON'TS

Do	Don't
<p><b>Make a note of your concerns</b></p> <ul style="list-style-type: none"> <li>• Write down the nature of your concerns</li> <li>• Make a note of all the relevant details, such as what is said over the telephone or any other conversations</li> <li>• Note the names and, if known, the position of those involved</li> <li>• Notes do not need to be overly formal, but should be timed, signed and dated</li> <li>• Notes should be held in a secure place</li> <li>• Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened</li> <li>• Note the date and time when the suspicion was reported onwards</li> </ul>	<p><b>Be afraid of raising your concerns</b></p> <ul style="list-style-type: none"> <li>• The Public Interest Disclosure Act provides protection to employees who raise reasonably held concerns through the appropriate channels.</li> <li>• The Council's Whistle-blowing Policy provides guidance on how to do this.</li> <li>• You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially.</li> </ul>
<p><b>Report your concerns promptly</b></p> <ul style="list-style-type: none"> <li>• In the first instance, report your suspicions to your line manager. If this action is inappropriate further guidance on disclosure can be found in the Council's Whistle-blowing Policy.</li> <li>• If you are unsure who to report to, contact Internal Audit for advice</li> <li>• All suspected information security irregularities must be reported via the Incident Reporting System on the Intranet</li> <li>• <b>All concerns must be reported to the Internal Audit Manager</b></li> </ul>	<p><b>Convey your concerns to anyone other than authorised persons</b></p> <ul style="list-style-type: none"> <li>• There may be a perfectly reasonable explanation for the events that give rise to your suspicions. Spreading unnecessary concerns may harm innocent persons and the reputation of the Council.</li> <li>• Don't discuss your suspicions with anyone other than the officer you formally raised the issue with.</li> <li>• Don't report the matter to the police unless you have been authorised to do so by your line manager or internal audit.</li> </ul>
<p><b>Retain any evidence you may have</b></p> <ul style="list-style-type: none"> <li>• The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective action.</li> <li>• Retain and keep all relevant records/evidence that may have been handed over to you or discovered as a result of the initial suspicion in a secure and confidential location.</li> </ul>	<p><b>Approach the person you suspect or try and investigate the matter yourself</b></p> <ul style="list-style-type: none"> <li>• There are special rules relating to the gathering of evidence for use in criminal cases and to protect human rights. Any attempt to gather evidence by persons who are unfamiliar with these rules may prevent appropriate action being taken.</li> <li>• Don't interfere with or alter any documentary or computer based evidence as a result of any suspicion</li> <li>• Don't attempt to interview or question anyone unless agreed with the Internal Audit Manager</li> </ul>

**If you suspect fraud or irregularity, the most important thing to remember is - DON'T DO NOTHING**