Counter Fraud Strategy

Contents

(Amended September 2025 – Minor Amendment to Officer Titles)

1.0 Introduction

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 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.

2.0 Definitions

2.1 Fraud

Fraud is an intentional criminal activity which can include theft. 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

The Bribery Act 2010 defines bribery as "the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise" The Bribery Act 2010 came into force in July 2011. The Act forces organisations to evaluate how, and with whom, they do business and makes them accountable for ensuring that safeguards are in place to prevent bribery.

2.3 Corruption

Corruption is the abuse of entrusted power for private gain. It affects everyone who depends on the integrity of people in a position of authority. The Bribery Act 2010 repealed all Corruption Acts in whole and therefore there is now no offence of corruption; therefore whilst corruption exists as a term, it no longer exists as an offence. However, Section 7 of the Act creates a new offence of failure by an organisation to prevent a bribe being paid for or on its behalf.

Should a bribery offence occur, senior officers of the Council could be held accountable if they have failed to put in place appropriate preventative measures within the organisation.

3.0 Key principles

3.1 Our commitment to eliminate fraud, bribery and corruption are summarised by the following principles:

- 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

4.0 Corporate framework

4.1 Everyone has a role to play in the prevention and detection of fraud, bribery or corruption. We expect employees and elected members to lead by example.

4.2 Our staff are our first line of defence against most acts of attempts of fraud, corruption or bribery. We expect and encourage them to be alert to the possibility of acts of fraud, corruption or bribery and to raise any such concerns at the earliest opportunity.

4.3 Staff have a duty to protect the assets of the Council, including information, as well as property. When an employee suspects that there has been fraud or corruption, they must report the matter to their Manager and Internal Audit. Roles and responsibilities are covered in more detail below.

4.4 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
- procurement and contract procedures
- 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
- Local Planning Code of Conduct
- The Council's Constitution

5.0 Roles and responsibilities

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:

5.1 Management responsibilities

5.1.2 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

5.1.3 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.

5.1.4 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

5.2 Employees' responsibilities

5.2.1 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)

5.3 Councillors' responsibilities

5.3.1 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

5.4 Role of the responsible officer

5.4.1 Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations make the 'responsible officer' Strategic Director for Corporate Resources responsible for ensuring the Council has adequate control systems and measures in place

5.5 Role of internal audit

5.5.1 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.

5.5.2 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.

5.5.3 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. If necessary, the services of specialist fraud investigators will be employed to assist with investigations as needed; and
- fraud prevention controls and detection processes are assessed for effectiveness

5.5.4 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

5.6 Role of the external auditor

5.6.1 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.

5.7 Culture

5.7.1 We expect anyone and any organisation associated with Exeter City Council to act with integrity and operate high ethical values. We operate a zero tolerance culture and expect councillors and employees to strictly comply with the Nolan Committee's Seven Principles of Public Life:

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

5.7.2 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 readily accessible

5.7.3 We will not tolerate bribery. It is unacceptable to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- Engage in activity in breach of this policy.

5.7.4 All staff must adhere to section 117 of the Local Government Act 1972 and our Constitution, which says that they must tell us about any interests they have in any contracts relating to our affairs, similarly they must disclose any close personal relationships with both colleagues and external contractors (refer to the Code of Conduct for guidance). Staff must tell us about any fees or rewards that they are offered in their official capacity, other than their normal salary. In any event, fees or rewards should not be accepted without first ensuring compliance with the Code of Conduct for Council employees

5.7.5 Councillors are reminded of their responsibilities with details included in the Councillor's Code of Conduct. The details include rules on declaring and registering any possible areas of conflict between an elected councillor's Council duties and responsibilities and any other area of their personal or professional life.

5.7.6 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

5.7.7 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.

6.0 Prevention Strategy

6.1 Prevention is the best and most efficient way to tackle fraud, bribery and corruption, and prevent losses to the Council, therefore, we have 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.
- Internal controls such as separation of duties and authorisation of financial transactions

6.2 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
- provide 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

7.0 Detection Strategy

7.1 We provide 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

8.0 Fraud Response Plan

8.1 We have established a <u>Fraud Response Plan</u> to compliment this strategy which lays out, in more detail, how we will respond to suspected fraud including investigations, sanctions and redress.

9.0 Review

9.1 This policy will be reviewed by Internal Audit, in consultation with other relevant persons, and approved by the Audit and Governance Committee, at least biennially.

Last reviewed: September 2022