

COUNTER FRAUD STRATEGY

BROADLAND DISTRICT COUNCIL

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1 INTRODUCTION

- 1.1 Broadland District Council has an important role in ensuring that public services are provided efficiently, effectively and economically. In doing so, its corporate governance arrangements need to address the risks posed by fraud and corruption to ensure that the Council is able to achieve its objectives. As a public service organisation the Council also embraces the underlying principles behind the money laundering legislation, aimed at preventing the use of proceeds from crime.
- 1.2 The Bribery Act 2010 places an expectation that organisations will have appropriate and adequate procedures in place to minimise the risk of bribery occurring. This strategy seeks to reduce this risk and to outline the Council's anti-bribery approach.
- 1.3 This strategy has adopted the Audit Commission definitions of fraud and corruption.

Fraud is defined as:

"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 (misuse) of assets or otherwise for gain."

Corruption is defined as:

"The offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately."

Bribery is defined as:

"is an act of giving money or gift giving that alters the behaviour of the recipient."

- 1.4 In managing its responsibilities, the Council is determined to protect itself against fraud and corruption both from within and from outside. The Council is committed to an effective Anti-Fraud, Corruption, Money Laundering and Bribery Strategy designed to:
- (1) Encourage prevention;
 - (2) Promote detection, and
 - (3) Identify a clear pathway for investigation.

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- 1.5 The Council expects Councillors and all staff to lead by example in ensuring adherence to legal requirements, rules, procedures and good practices.
- 1.6 The Council also expects that individuals and organisations (e.g. suppliers, contractors and service providers) that it comes into contact with will act with integrity and without thought or actions involving fraud, corruption, bribery or money laundering
- 1.7 The Council's Anti-Fraud, Corruption, Money Laundering and Bribery Strategy is based on a series of procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:
- | | |
|---------------------------------|-----------|
| (1) Culture | Section 2 |
| (2) Prevention | Section 3 |
| (3) Detection and Investigation | Section 4 |
| (4) Publicity and Training | Section 5 |
- 1.8 The Council's affairs are open to scrutiny by a variety of external bodies and people, for example:
- The External Auditor is required to ensure that the Council has adequate arrangements for the prevention and detection of fraud and corruption.
 - The public as Council Taxpayers, as service users, and through their right to inspect the Council's accounts.
 - The business community, for example through the annual business consultation.
 - HM Customs and Excise.
 - Inland Revenue.
 - The Serious Organised Crime Agency

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- 1.9 Broadland District Council welcomes external scrutiny as a demonstration of its commitment to the Anti-Fraud, Corruption, Money Laundering and Bribery Strategy.
- 1.10 In addition, there is internal scrutiny applied by the Head of Finance and Revenue Services, through internal audit, under Section 151 of the Local Government Act 1972 and by the Head of Democratic Services and Monitoring Officer, under Section 5 of the Local Government and Housing Act 1989.
- 1.11 The Finance Portfolio holder is responsible for the management and operation of this Strategy. The Policy Portfolio holder has oversight of the operation and effectiveness of the Council's 'Raising Concerns at Work' policy. The Overview and Scrutiny Committee has wide powers to review and scrutinise the Council's operations. The Standards Committee has a key role in promoting and maintaining high standards of conduct by Members in accordance with the Members' Code of Conduct. The Audit Committee's role is to review the Council's arrangements to counter fraud and corruption.
- 1.12 The Authority has also adopted and published a Local Code of Corporate Governance which sets out the principles of good corporate governance, details the arrangements the council has in place to meet these principles and highlights the Council's plans to improve its corporate governance arrangements. It covers six Core principles: community focus, service delivery arrangements, structures and processes, risk management and internal control and standards of conduct. The Authority also publishes an Annual Governance Statement.
- 1.13 The Corporate Management Team have received briefings on the Bribery Act.

2 Objectives of the Strategy

- 2.1 The key objectives of this strategy are to:
- Increase staff and members awareness of the corporate counter fraud culture which the Council actively supports and encourage individuals to promptly report suspicious of fraudulent and corrupt behaviour.
 - Communicate to partners, suppliers, contractors and other organisations that interact with the Council that it expects them to maintain high standards aimed at minimising fraud and corruption in their dealings with the Council.
 - Further embed and support the management of fraud risk within the Council.
 - Demonstrate the arrangements that the Council has in place to counter Fraud and Corruption.
 - Minimise the likelihood and extent of losses through fraud and corruption.

3 CULTURE

- 3.1 The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud, corruption, money laundering and bribery. The Council has adopted a number of ambitions which are set out in our Business

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Plan. To help deliver these Ambitions the Business Plan also focuses on a number of objectives under “Organisational Capacity”. These are:

- To effectively manage our finances
 - To improve services and maximise savings and efficiencies
 - To improve the corporate health of the organisation
- 3.2 Effective employee engagement is a key ingredient of good “corporate health” and a culture of openness and transparency is encouraged throughout the organisation.
- 3.3 The Council has 4 high level Ambitions which are set out in our Business Plan with a further ambition (Organisational Capacity) which underpins their delivery.

The 4 Ambitions with their key strategies are:-

- **Achieving Economic Success** (Economic Strategy)
- **Preventing Crime and Anti-Social Behaviour** (Community Safety Strategy)
- **Achieving Environmental Excellence** (Norfolk Waste Strategy and Environment Strategy being drafted and will be presented to Cabinet in March)
- **Delivering Carefully Planned and Well Housed Communities** (Joint Core Strategy, Housing Strategy & Empty Homes Strategy)

Under each Ambition there are a set of objectives. With our systems approach to delivery we have identified a set of measures for each objective and it is these objectives and measures which form the basis of performance reports to Cabinet.

- 3.4 There is an expectation and requirement that Councillors and all staff will lead by example in these matters and that individuals and organisations associated in whatever way with the Council will act with integrity.

The Council endeavours to be open and transparent in the way that it conducts business and in making decisions. The Council’s Constitution outlines the decision making framework within the Council and demonstrates where functions may be delegated. The Council has published details of all expenditure over £250 on its website, and will endeavour to meet all transparency requirements of Central Government. The Council has policies and procedures to respond to Freedom of Information Act and Data Protection requests.

3.5 Concerns of Staff

- 3.5.1 Members of staff are an important element in the Council’s stance on fraud, corruption, money laundering and bribery. They are positively encouraged to raise concerns that they may have on these issues where they are associated

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with the Council's activities.

3.5.2 Both Councillors and Employees ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

3.5.3 The Council has adopted a 'whistle blowing' procedure for staff which is set out in the 'Raising concerns at work' policy. This policy is available to staff on the Council's intranet, *Broadcast*.

3.5.4 The Head of Finance and Revenue Services has the role of receiving, considering and responding to any reports received of known or suspected money laundering, liaising with the Serious Organised Crime Agency as necessary.

3.6 Concerns of the Public

3.6.1 Members of the public are encouraged to report concerns through the Council's complaints procedures, to their local Councillor, the Chief Executive or Deputy Chief Executive.

3.7 Allegations of Fraud

3.7.1 The Chief Executive, Deputy Chief Executive and Heads of Service are responsible for following up any allegations of fraud, corruption or bribery and will do so through clearly defined procedures which are covered in Section 4.

3.7.2 The Chief Executive and Deputy Chief Executive are expected to deal swiftly and firmly with those who defraud the Council or are corrupt. The Council will be robust in dealing with financial malpractice.

3.7.3 There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising unfounded malicious allegations) may be dealt with as a disciplinary matter. Where it is established that a member of the public has made a false or malicious allegation against a member of staff this will be thoroughly appraised and appropriate action will be considered and undertaken. Members of the Council making a false allegation may be the subject of a complaint to the Monitoring Officer concerning an alleged breach of the Members' Code of Conduct.

3.7.4 Allegations of fraud, corruption or bribery against a contractor or third party should be reported immediately to the appropriate Head of Service. In some cases the Head of Service may deem it necessary to refer the allegations to the Chief Executive. Following a thorough investigation which might involve the Police, where it is established that a fraud, corruption or bribery has taken place appropriate action will be taken which could involve prosecution.

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3.7.5 If there were an allegation of fraud, corruption or bribery by a Councillor this should be reported immediately to the Monitoring Officer. The Monitoring Officer would investigate the allegation and decide upon the proper way to deal with the issue, which might involve the Police, the Council's internal auditors or the External Auditor.

3.8 Allegations of Money Laundering

3.8.1 Any allegation of suspected money laundering will be reported to the Head of Finance and Revenue Services who will determine whether an allegation gives rise to knowledge or suspicion of money laundering or reasonable grounds for such knowledge or suspicion.

3.8.2 If so determined the Head of Finance and Revenue Services will disclose the allegation to the Serious Organised Crime Agency as a Suspicious Activity Report and will follow their guidance on how to proceed.

4 PREVENTION

4.1 Staff

4.1.1 The Council recognises that a key preventative measure in the fight against fraud, corruption and bribery is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of propriety and integrity of potential staff. The recruitment and selection policy requires written references to be obtained prior to appointment. This should include temporary and contract staff as well as permanent staff. Temporary agency staff should be reference checked by the recruitment agency providing them in accordance with the arrangements we have with those agencies. The Council evaluates all new and existing posts within the Authority to assess the level of risk for each post and to identify those posts most susceptible to fraudulent or corrupt activities.

4.1.2 The Chief Executive and Deputy Chief Executive should ensure that procedures laid down by the Head of Corporate Resources are followed.

4.1.3 The Council's staff are expected to follow any Code of Conduct issued by their professional institute, if appropriate and also abide by the Council's standards of conduct and behaviour contained in the staff handbook.

4.1.4 The standard terms of employment for all staff set out the following:

- (1) The Council's agreement for the payroll data of all staff to be included in the National Fraud Initiative Data Matching exercise, and
- (2) The failure to inform the Council of any conviction for a criminal offence received during their employment constitutes a disciplinary/dismissible offence

4.1.5 The Council has a disciplinary procedure for its staff.

4.1.6 The role that appropriate staff are expected to play in the Council's framework of

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internal control will feature in employee induction and training.

4.1.7 Staff must operate under Section 117 of the Local Government Act 1972 regarding the disclosure of pecuniary interests in contracts relating to the Council, related party transactions or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out on the Council's intranet, *Broadcast*.

4.2 Councillors

4.2.1 Councillors are required to operate within:

- Members' Code of Conduct.
- The Council's Constitution.

4.2.2 These matters and other guidance are specifically brought to the attention of Councillors at the induction course for new Councillors and are set out in the Members' handbook. The Members' Code of Conduct contains rules concerning the declaration and registration of Members' financial and other interests.

5 Partners, Suppliers, Contractors and Other Organisations that the Council interacts with

5.1 The Council expects the highest standards from all organisations that have dealings with it. Any partners, suppliers, contractors and other third parties funded by or in receipt of payments from the Council are required to adopt or abide by Council policies, procedures, protocols and codes of practice, where appropriate, in order to prevent and detect fraud.

5.2.1 All transactions with suppliers and other organisations will be entered into in line with the Council's Contract Procedure Rules. These make appropriate provisions for declaring interests and the circumstances where such regulations may not apply, and rules regarding entering into contracts and verifying contract conditions. In addition, prior to entering into significant, ongoing transactions, Procurement Procedures require that appropriate due diligence checks are undertaken to ensure that suppliers have an appropriate financial and risk profile before transactions are entered into.

5.2.2 Transparency requirements on contracts from Central Government will be applied where appropriate.

6 Members of the Public

6.1 Members of the public have an important role to alert the Council to any concerns about the potential for fraud, corruption or bribery that they may become aware of. They are encouraged to report their concerns, either through the Council's complaint procedure or by contacting the officers, as noted

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6.2 Internal Control Systems

- 6.2.1 The Council's Constitution and Financial Procedure Rules provide a lead and requirement on staff, when dealing with the Council's affairs, to act in accordance with best practice.
- 6.2.2 The Head of Finance and Revenue Services has a statutory duty under Section 151 of the Local Government Act 1972 to ensure the proper arrangements of the Council's financial affairs and has documented procedures and responsibilities of staff in relation to many of the Council's financial activities. The Head of Finance and Revenue Services also ensures compliance with statutory requirements for accounting and internal audit.
- 6.2.3 The Head of Finance and Revenue Services, with advice from the Council's legal advisers, monitors the legality of the Council's financial transactions.
- 6.2.4 The Head of Democratic Services is the Council's Monitoring Officer and ensures compliance and understanding of the legal context in which the Council operates with overall responsibility for the lawfulness and probity of the Council's operations. The Head of Democratic Services and Monitoring Officer and the Head of Finance and Revenue Services comment on all Council and Cabinet reports.
- 6.2.5 The Council has developed and is committed to continuing with systems and procedures, which incorporate efficient and effective internal controls. These include adequate separation of duties to minimise the risk of error and impropriety. The Chief Executive, Deputy Chief Executive and Heads of Service are required to ensure that such controls, including those in a computerised environment, are properly maintained and documented. The Council's internal auditors independently monitor the existence, appropriateness and effectiveness of these internal controls.
- 6.2.6 The Cabinet and Audit Committee receive reports on internal audit activity so can form a view on the overall effectiveness of internal controls. The committees also receive the external auditor's Annual Audit and Inspection letter.

6.3 Combining with Others

- 6.3.1 Arrangements are in place and continue to develop, to encourage the exchange of information between the Council and other agencies on national and local fraud, corruption, money laundering and bribery activity in local authorities.
- 6.3.2 With the on-going occurrence of frauds perpetrated against a variety of local authorities and benefits agencies, usually involving fraudsters having multiple identities and addresses, the necessity to liaise between organisations has become paramount. The Council has existing liaison arrangements with:
- Norfolk Constabulary
 - Norfolk Finance Officers' Association

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- *Norfolk Chief Internal Auditors Group*
- Local Authorities outside of Norfolk
- DWP – Fraud Investigation Service
- Inland Revenue.
- Serious Organised Crime Agency

The Council participates, wherever possible, with exercises specifically developed to ensure that opportunities to identify instances and risks of fraud and corruption are maximised. In this regard, the Council takes part in activities such as the National Fraud Initiative (NFI) and utilises data from the Housing Benefit Matching Service (HBMS), as well as being a member of the National Anti Fraud Network (NAFN) and being responsive to their bulletins and guidance.

The Council has also recently embarked on a review of Single Person Discount, the first round of this was completed in 2013 / 14 and the second stage is due in 2014 / 15.

In addition, the Council seeks to work with partners and other stakeholders to make the best use of resources and exchange information (subject to provisions of the Data Protection Act and Human Rights Act) to minimise losses. Other partners include the Police, the Department for Work and Pensions, the National Health Service and other local Councils.

7 DETECTION AND INVESTIGATION

7.1 Basic Principles

7.1.1 Where fraud and corruption is alleged, the Council's presumption is that the Police will be called in and arrangements made, where appropriate, for the prosecution of offenders by the Crown Prosecution Service. In the case of benefit fraud, prosecutions may also be undertaken by the Council's solicitors or the DWP's SOLB (Solicitor's branch). Suspected money laundering will be referred to the Serious Organised Crime Agency.

7.1.2 Referral to the Police is a matter for the appropriate Head of Service, following consideration of the facts of each case. Referral to the Police will not prohibit action under the disciplinary procedures.

7.2 Detection

7.2.1 The array of preventative systems, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

7.2.2 It is the responsibility of the Chief Executive, Deputy Chief Executive and Heads of Service to prevent and detect fraud and corruption and to be aware of unusual financial transactions that may give rise to a suspicion of money laundering.

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However, it is often the alertness of staff, Councillors and the public that enables detection to occur and the appropriate action to take place when there is evidence that fraud, corruption or money laundering may have been committed, or is in progress.

7.2.3 Despite the best efforts of managers and auditors, many frauds are discovered by chance or “tip off”, and the Council has in place arrangements to enable such information to be properly dealt with. These are shown within the Strategy at Section 2.

7.3 Investigation

7.3.1 The Executive Team are responsible for following up any allegations of fraud and corruption received and will do so by:

- (1) Arranging for the allegation to be investigated promptly,
- (2) Recording all evidence received,
- (3) Ensuring that evidence is sound, adequately supported and secure,
- (4) Instigating disciplinary action, if appropriate,
- (5) Liaising with the Police, if required and
- (6) Notifying the Council’s Head of Finance and Revenue Services and Head of Democratic Services and Monitoring Officer and Internal Audit.

8 SANCTIONS AND REDRESS

Taking action where necessary

8.1 Where it has been identified that fraud, corruption or bribery has occurred, the Council is committed to ensuring that all appropriate sanctions and courses of redress are undertaken.

8.2 Although the Council’s primary means of sanction and redress of employees is through the Disciplinary Procedure and Members may be investigated through the Standards Committee, this does not preclude the Council taking additional action.

8.3 The Council will seek to work with other parties, in particular the Police, wherever necessary or appropriate. Further, the Council has PINS trained officers who may seek to pursue cases through to conviction and the Council also has a public duty to seek financial redress, wherever feasible.

9 PUBLICITY AND TRAINING

9.1 The Council recognises that the continuing success of its Anti-Fraud, Corruption, Money Laundering and Bribery Strategy and its credibility will depend largely on the effectiveness of publicity, training and responsiveness of staff throughout the

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Council.

- 9.2 The Council supports induction and on-going training, particularly for staff involved with internal control systems, to ensure that their responsibilities and duties are regularly highlighted and reinforced.
- 9.3 The Anti-Fraud, Corruption, Money Laundering and Bribery Strategy will also be held on the Council's intranet, *Broadcast*, and on the website at www.broadland.gov.uk.

10 Responsible Officers

- 10.1 There are many stakeholders who have roles and responsibilities in relation to fraud, corruption and bribery; these are noted in sections through to .
- 10.2 In particular the Head of Finance and Revenue Services is responsible for Reviewing and updating the Counter Fraud, Corruption and Bribery Strategy. Whilst the Monitoring Officer is responsible for making staff aware of the Strategy's requirements through training and publicising initiatives.
- 10.3 Concerns can be raised in confidence and with the knowledge that they will be properly addressed, in line with the Raising Concerns at Work Policy. If necessary, a route other than a line manager may be used, as follows:

Chief Executive	Phil Kirby phil.kirby@broadland.gov.uk 01603 430521
Deputy Chief Executive	Matthew Cross matthew.cross@broadland.gov.uk 01603 430588
Monitoring Officer	Martin Thrower martin.thrower@broadland.gov.uk 01603 430546
Interim Internal Audit Consortium Manager	Emma Hodds ehodds@s-norfolk.gov.uk 01508 533863
Fraud Officers	Debra Dodds & Kerrie Wilton
Broadland Fraud Hotline	01603 430539

Jill Penn
Head of Finance and Revenue Services
S151 Officer

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Appendix 1

Corporate Counter Fraud Awareness Action Plan

Aim	Actions	Outcome
In the short term to maintain a specialist fraud investigative team and to investigate the future provision for fraud in light of the Single Fraud Investigation Service	<p>We have a dedicated Corporate Fraud Team working to counter fraud on a daily basis.</p> <p>All audit staff are trained to prevent and detect fraud, as part of their professional studies.</p> <p>Investigate the future provisions that are available for the Corporate fraud provision.</p>	Targeted, consistent fraud resources, to identify, professionally investigate and deter fraud.
To measure exposure to fraud risk and address fraud risks identified.	There is national data available though the National Fraud Initiative which is analysed periodically, data from the Housing Benefit Matching Service, information from National Anti Fraud Network and information sharing with External Audit.	
To undertake validation / verification checks on areas at risk of fraud.	These are identified as part of the annual audit planning process and also during each audit. These will be tested to gain assurance that fraud risks are appropriately mitigated.	A Council that is proactive in mitigating the risk of fraud.
To increase internal fraud awareness	<p>We will increase the awareness of fraud among employees through:</p> <ul style="list-style-type: none"> • Targeted fraud awareness training for key teams and staff in high fraud risks areas; • General fraud training for all staff and members; • Consideration of other publicity methods i.e. counter fraud item in Council's magazine,, counter fraud pages on the Intranet. • Regular promotion of the 	<p>A counter fraud and corruption culture.</p> <p>Staff are alert to the risk, and indicators, of fraud.</p> <p>Staff know when and how to report fraud concerns.</p> <p>Fraudsters are deterred from committing fraud.</p>

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	<p>Raising Concerns at Work Policy and ways staff can report concerns;</p> <ul style="list-style-type: none">• This Strategy and the Raising Concerns at Work Policy being accessible to staff through the Intranet.	
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