

Anti-Fraud and Corruption Strategy



Introduction

Peterborough City Council (PCC) is forecast to spend £146.89m in 2018 / 2019.

The Council both commissions and provides a wide range of services to individuals and households, working with a range of many other private and public and voluntary sector organisations.

The size and nature of our services, as with any other large organisation, mean that there is an ever-present risk of loss due to fraud and corruption, from sources both internal and external.

The Council takes a responsible, long term view of the need to continuously develop anti-fraud initiatives and maintain its culture of anti-fraud awareness.

Mission Statement

To create a culture and organisational framework – through a series of comprehensive and inter-related procedures and controls – which maximises the deterrence of fraud, minimises the incidence & impact of fraud against the Council, and ensures, through professional investigation, effective outcomes including sanctions and redress against those who defraud the Council.

Purpose

The purpose of this document is to set a strategy for taking forward counter fraud and corruption work within the Council over the next three years. Whilst the catch-all term 'anti-fraud' is used in the document, the strategy also covers anti-theft and anti-corruption measures, including bribery.

Fraud against Local Government nationally is estimated to cost £2.1 billion per year. This is a significant loss to the public purse. To reduce these losses PCC is committed to:

- The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets;
- The prevention of fraud and the promotion of an anti-fraud culture;
- A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times and to report all suspicions of fraud;
- The investigation of all instances of actual, attempted or suspected fraud. PCC will seek to recover any losses and pursue appropriate sanctions against the perpetrators – whether criminal prosecution, disciplinary action, legal proceedings or professional sanctions.

- The Fighting Fraud and Corruption Locally Strategy national counter fraud and corruption strategy provides a blueprint for a tougher response perpetrated against local authorities.

These objectives will be achieved by ongoing revision and implementation of a plan of action based on a self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption¹ (the “Standards”). In the TEICCAF² publication, “Protecting the English Public Purse 2015”, it encourages all public bodies, including local authorities, to assess themselves against this Code. This is a voluntary code that can be applied in any public service organisation and has five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

Annex 1 outlines each of the “Standards” and the specific actions required to ensure compliance. Additionally, several other actions have been identified, over and above the CIPFA requirements, which will strengthen arrangements.

The Council expects all Councillors, employees, consultants, contractors and service users to be honest, and to provide any information, help and support we need to prevent and detect fraud and corruption.

This Strategy ensures resources are correctly applied in the provision of high quality services and initiatives that deliver the corporate priorities.

What is fraud and corruption?

Fraud

The Fraud Act 2006 came into force on 15th January 2007. The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways: -

- **False representation.** Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well, or submitting timesheets or expenses with exaggerated or entirely false hours and / or expenses.
- **Failure to disclose information where there is a legal duty to do so.** Examples include failing to disclose a financial interest in a company PCC is trading with, or failing to disclose a personal relationship with someone who is applying for a job at PCC.
- **Abuse of position.** Examples include a care who steals money from the person they are caring for, or staff who order goods and services through PCC’s accounts for their own use.

¹ CIPFA: Chartered Institute of Public Finance and Accountancy

² TEICCAF: The European Institute for Combating Corruption and Fraud

The Act also created four new offences of:-

- Possession of articles for use in fraud.
- Making or supplying articles for use in fraud.
- Obtaining services dishonestly.
- Participating in fraudulent business.

CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying.

Theft

Theft is defined in the 1968 Theft Act:-

‘A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it’.

Corruption

The Council defines the term "corruption" as:-

“The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers.”

Bribery

A bribe is:

“A financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity” [CIPFA].

The Bribery Act replaces the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also creates two further offences: namely that of bribing or attempting to bribe a foreign official (S6) and being a commercial organisation failing to prevent bribery (S7). An S7 offence can only be committed by a commercial organisation.

The ‘Corruption Acts 1889 to 1916’ are repealed in their entirety. Wider offences are created by the 2010 Act which render the more specific offences created by the old Acts otiose. Other statutes less relevant to Local Authorities have been repealed or amended by the 2010 Act and a full list is in one of the schedules of the Acts.

Furthermore, Corporate Criminal Offences legislation is in place from 30 September 2017 which provides further guidance which is expected to be followed by all sectors.

Money Laundering

Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails.

Roles and Responsibilities

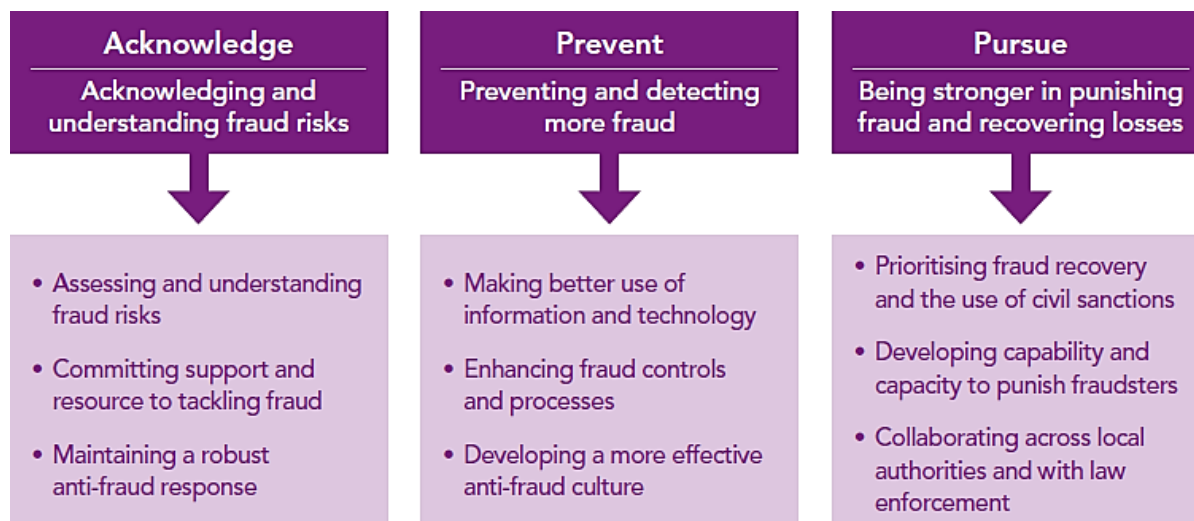
All employees, its partners, suppliers, contractors and elected Members have a duty to report any fraudulent, or perceived fraudulent activity which may impact on the Council financially and / or reputationally.

A full list of roles and responsibilities are set out in **Annex 2**.

Taking Action and Supporting Policies

CIPFA's Code of Practice on managing risk of fraud and corruption covers governance and operational arrangements. The Council will continue to review its counter fraud arrangements and align its approach to the best practice advice in the code.

The Council aims to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud Locally'. The three key themes of this approach are Acknowledge, Prevent and Pursue:-



How will we acknowledge and recognise fraud and corruption / the risk of fraud and corruption?

Accessing and understanding the fraud risks:

- The ongoing development of this strategy will be informed through gaining a clear understanding of the threat, emerging risks, trends and the savings that can be achieved by investing in countering fraud and corruption.
- This will focus on greater use of technology and interrogation of data to assess vulnerability and proactively target higher risk areas.

- We will also be focusing on raising staffs awareness of the risks of fraud and corruption and what they can do to prevent or identify it.

Committing support to tackling fraud and corruption:

- We will continue to work in partnership with other Councils we share services with to investigate allegations of fraud and corruption.

Maintaining a robust Anti-fraud response:

- Whistleblowing remains the most common way that fraud and corruption is detected in large organisations. The Council will raise awareness and continually promote its whistle blowing policy, and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon. Thereby developing a robust and proportionate response to counter any threats.

How will we prevent fraud and corruption?

Enhancing fraud and corruption controls and processes

- The best way to fight fraud and corruption is to prevent it happening in the first place. The Council will continually work towards realigning counter fraud resources away from enforcement towards prevention; ultimately, aiming to deter all would be offenders.
- An effective internal control framework covering all the Council's systems both financial and non-financial is essential in the fight against fraud and corruption. The governance and risk management arrangements form an integral part of this arrangement and we will look to develop a fraud risk register.
- Preventative measures will be supported by the ongoing assessment of those areas most vulnerable to the risk of fraud and corruption, in conjunction with risk management arrangements and risk based audit reviews. The annual publication 'Protecting the Public Purse' provides details of the key fraud risks faced by local government. The Council will undertake a review of the high risk areas identified in the publication.

Making better use of technology

- A key feature in the drive towards preventing fraud and corruption at the outset will be the ongoing use and development of information sharing as well as better use of data to verify and validate transactions.
- The sheer diversity of the services the Council and its partners provide and the multiplicity of systems used to manage them generate huge volumes of records and data. The Council will continue to reengineer its fraud detection processes by comparing data from a variety of its systems, as well as, partners systems to identify anomalies, improve information sharing across services and inform the risk management process.
- We will continue to participate in the bi-annual National Fraud Initiative data matching exercise. We will also carry out proactive exercises in key areas susceptible to fraud by developing the use of data analytics.

Anti-fraud culture

- The Council is resolute that the culture and tone of the authority is one of honesty with zero tolerance towards fraud and corruption, this is already demonstrated through its codes of conduct for employees and members. The right organisational culture will be continually reinforced by:
 - Raising awareness of fraud with new and existing employees by developing online interactive fraud training modules for all.
 - Publicising the results of all proactive work, sanctions and recovery of losses due to fraud and corruption increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.

How will we pursue fraud and corruption?

Prioritising fraud recovery and the use of civil sanctions

- Fraud must not pay, where fraud or corruption is discovered the full range of sanctions will be deployed, including civil, disciplinary and criminal action. Every effort will be made to recoup losses.

Maintaining capability to punish fraudsters

- Criminal prosecutions deter offenders and reinforce a culture of zero tolerance towards fraud. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff are adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions.

Collaborating across local authorities, other organisations and with law enforcement

- Organised fraud has no respect for boundaries and can cross a range of organisations and services. Effective cooperation and joint working between local authorities and with other agencies including the Police will be essential in the ongoing development of the Council's strategic response.

All Counter Fraud work will be undertaken in accordance with our policies (**Annex 3**), which will be regularly refreshed.

Reporting, Advice and Support

The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Council Policies, Financial Regulations, Contract Rules and any Departmental Procedures.

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to the senior management in line with corporate policies. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with Grievances and Whistleblowing policies.

The officer who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated:

- Chief Executive;
- Director of Governance;
- Section 151 Officer;
- Chief Internal Auditor

Where appropriate, the Monitoring Officer should inform the Leader and relevant portfolio holder where the irregularity is material and / or could affect the reputation of the Council.

The Investigating Officer will follow the appropriate guidelines which includes the need to:

- Deal promptly with the matter
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other agencies if necessary e.g. Police
- Notify the Council's insurers (if appropriate)
- Implement Council disciplinary procedures where appropriate.

All reported fraud and outcome of investigations is summarised in the Annual investigations report submitted to Audit Committee.

The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman
- External Audit
- Cabinet Office for the National Fraud Initiative
- HM Revenue and Customs
- UK Border Agency
- Department for Work and Pensions
- Police

The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015. The Code sets out key principles for local authorities in creating greater transparency through the publication of public data. The Government believes that local people are interested in how their authority tackles fraud and have introduced a mandatory requirement in respect of fraud data. Information on our counter fraud work is published on the Councils website annually to meet the requirements.

We rely on the local community to help us detect fraud. This can be reported by calling the fraud hotline **01733 452250** or email **fraud@peterborough.gov.uk**.

Review and Assessment / Quality Assurance

The strategy will be reviewed annually. The outcomes from counter fraud work will be periodically reported to Members of the Audit Committee and outcomes assessed to evaluate

success of the strategy. Periodically, the Counter Fraud Team procedures will be assessed against best practice as set out in CIPFA's "Managing the Risk of Fraud and Corruption".

Further Information

Further information on Council policy can be found in the following documents:

- Codes of Conduct (Councillors and Officers);
- Whistleblowing Policy;
- Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy;
- Money Laundering Policy;
- Financial Regulations;
- Contract Procedure Rules;
- Regulation of Investigatory Powers Act (RIPA).

Responsible Officer: Chief Internal Auditor
Date: February 2018

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Annex 1

Standards

A	ACKNOWLEDGE RESPONSIBILITY
A1	The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.
A2	The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.
A3	The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.
A4	The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.
A5	The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.
B	IDENTIFY RISKS
B1	Fraud risks are routinely considered as part of the organisation's risk management arrangements.
B2	The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.
B3	The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.
B4	The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

C	DEVELOP A STRATEGY
C1	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.
C2	The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.
C3	<p>The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.</p> <p>Proactive</p> <ul style="list-style-type: none"> - Developing a counter-fraud culture to increase resilience to fraud - Preventing fraud through the implementation of appropriate and robust internal controls and security measures - Using techniques such as data matching to validate data - Deterring fraud attempts by publicising the organisations anti-fraud and corruption stance and the actions it takes against fraudsters <p>Responsive</p> <ul style="list-style-type: none"> - Detecting fraud through data and intelligence analysis - Implementing effective whistleblowing arrangements - Investigating fraud referrals - Applying sanctions, including internal disciplinary, regulatory and criminal - Seeking redress, including the recovery of assets and money where possible
C4	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.
D	PROVIDE RESOURCES
D1	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.
D2	The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.
D3	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.
D4	The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

E	TAKE ACTION
E1	<p>The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:</p> <ul style="list-style-type: none"> • Counter fraud policy / Whistleblowing policy / Anti-money Laundering Policy • Anti-bribery and corruption policy / Gifts and hospitality policy and register • Pecuniary interest and conflicts of interest policies and register / Codes of conduct and ethics • Information security policy / Cyber security policy
E2	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.
E3	Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.
E4	Providing for independent assurance over fraud risk management, strategy and activities.
E5	There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

Roles and Responsibilities

Chief Executive

Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.

Section 151 Officer

To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver "counter-fraud" work.

Monitoring Officer

To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice

Audit Committee

To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for Whistle-blowing and Anti-Fraud and Corruption Procedures.

Elected Members

Members are expected to conduct themselves in a way that is beyond reproach, above suspicion and fully accountable by acting in a manner that sets an example to the community they represent and employees who implement their policy objectives. Malpractice of any sort will not be tolerated and where evidence indicates malpractice has occurred, a report will be made to the relevant Body.

Members are required to operate within the Council Constitution and the Member Code of Conduct. These matters are specifically brought to the attention of Members and include the declaration and registration of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives.

Members may become aware of potential fraud through their casework with constituents and their day to day duties as Councillors. Any such issues or concerns should be reported to the Counter Fraud Team at the earliest opportunity.

Internal Audit and Investigations

Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.

The Team will champion the Council's tough stance against fraud. Investigators will work to professional standards and in accordance with relevant codes of practice as well as applying the Council's policies on equalities & diversity and customer care. Investigators will at all times maintain confidentiality, comply with the employee code of conduct and operate within the guidelines of all relevant legislation.

The Team will utilise all methods available to detect fraud. Arrangements are in place to actively participate in the National Fraud Initiative (NFI). We will also continue to develop and support initiatives that involve the exchange of information and systematic data matching between the Council and other agencies on national and local fraud and corruption activity in relation to Local Authorities. These agencies include: Police; Department for Works and Pensions; Her Majesty's Revenue & Customs; UK Visas & Immigration; Pensions Service and SFIS. In addition, we will work with colleagues in other Local Authorities and utilise counter fraud networks where appropriate.

External Audit

Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.

Corporate Directors / Heads of Service / Managers

The effective eradication of fraud starts with managers. It is the responsibility of all Council managers to ensure that they manage the risk of fraud within their respective work areas.

Managers are expected to be fully conversant with fraud risks (internal and external) relevant to their service areas. Some services will be predominantly at risk of attack from external sources, for example, Council Tax.

To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.

Annex 3

Corporate Policies

Anti-Fraud and Corruption Strategy / Anti-Fraud and Corruption Policy

Sets out the Council's commitment to reducing opportunities for fraud and corruption across all council services and taking the strongest possible action against those who seek to defraud the Council. Includes guidance on what to do if an employee suspects fraud. (Lead: Chief Internal Auditor)

Anti-Bribery Policy

Sets out the Council's commitment to the prevention, deterrence and detection of bribery and to raise awareness with relevant officers linking with the Codes of Conduct etc. (Lead: Director of Governance)

Money Laundering Policy

Sets out the Council's commitment to ensuring compliance with the requirements of the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 on Money Laundering. (Lead: Chief Internal Auditor)

Whistleblowing Policy

In accordance with the Public Disclosure Act 1998 (as amended by the Enterprise and Regulatory Reform Act 2013), sets out how workers can raise serious or sensitive concerns about other members of staff, suppliers, or people who provide services with protection from harassment, victimisation or bullying as a result of them raising concerns. (Lead: Director of Governance)

Council Tax and Business Rates: Sanction and Prosecution Policy

Sets out the Council's approach to seeking redress / sanction against those who seek to defraud the Council in relation to the Council Tax Reduction Scheme. (Lead: Chief Internal Auditor)

Blue Badge, Parking Permits and Visitor Parking Permits: Sanction and Prosecution Policy

Sets out the Council's approach to seeking redress / sanction against those who seek to defraud the Council in relation to parking permits and blue badges. (Lead: Chief Internal Auditor)

Regulation of Investigatory Powers Policy

Sets out rules and procedures for undertaking and gaining authorisation for covert surveillance in accordance with the RIPA Act 2000 (as amended by the Protection of Freedoms Act 2012) and compliant with Human Rights & Data Protection Legislation. (Lead: Compliance Manager; Governance)

ICT Security Policy

Sets out the Council's approach to monitoring and protection of ICT equipment and data integrity (Lead: ICT Client Lead)