

ANTI FRAUD AND CORRUPTION

1. INTRODUCTION

1.1 The purpose of this statement is to set out the high-level priorities that must be met to achieve Peterborough City Councils' zero tolerance' towards corruption, fraud and bribery and set out its approach for dealing with the threat or subsequent incidence of fraud and bribery from both internal and external sources.

1.2 This document replaces the previous Anti-Fraud and Corruption Policy which was agreed by Audit Committee in March 2018.

1.3 The statement is to support the Councils Corporate Strategy by protecting the public purse as every pound lost through fraud cannot be spent on services. It provides a comprehensive framework for dealing with fraudulent acts, bribes and other wrongdoing against the Council or which could adversely impact on the Council. The approval of this statement demonstrates the Council's commitment to protecting public funds, minimising losses to fraud and bribery and ensuring there is no adverse impact on the Council's reputation. Having made this commitment it is imperative that managers put in place arrangements for disseminating the statement throughout their service areas.

1.4 The responsibility for this statement sits with the Chief Internal Auditor.

2. AIMS AND OBJECTIVES

2.1 The key aims and objectives of the statement are to:

- maintain a culture that will not tolerate fraud or corruption;
- ensure staff and Members demonstrate the highest standards of honesty and integrity at all times;
- commit to a statement that covers the best practice principles of prevention, detection, deterrence, investigation, sanctions and redress;
- establish and maintain effective systems of internal controls;

- promote efficiencies to tackle fraud and corruption through collaboration and partnership working; and
- support the work of external agencies, such as the Department for Work and Pensions, the Cabinet Office (National Fraud Initiative) and the National Audit Office in fighting fraud in the public sector

3. WHAT IS FRAUD AND CORRUPTION?

3.1 The following definitions are provided for the purposes of this document.

3.2 Fraud

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the Council, which is carried out to obtain an advantage, avoid an obligation or cause loss to another party.

3.2.1 Fraud is therefore a deliberate act by an individual or group of people which can be committed as per the Fraud Act 2006 by:

- **False representation.** Examples include providing false information on a 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 carer 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.

3.2.2 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.

3.2.3 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*".

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

3.3 Theft

Theft is the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it.

3.3.1 The definition covers a wide remit – such acts as deception, forgery, extortion, blackmail, conspiracy, collusion, embezzlement, false accounting and or false representation, concealment of material facts, the offering of a gift or reward to influence a person's actions and misappropriation.

3.4 Bribery and Corruption

Bribery is offering, promising or giving someone a financial or other advantage to induce or reward that person to perform their functions or activities improperly as per The Bribery Act 2010 which came into force 1 July 2011.

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

3.4.1 There are four offences under the Act:

- Bribing a person to induce or reward them to perform a relevant function improperly
- Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly a bribe
- Using a bribe to influence a foreign official to gain a business advantage
- In relation to a commercial organisation, committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions.

3.4.2 PCC accepts that public bodies may be classed as a “commercial organisation” in relation to the corporate offence of failing to prevent bribery. In any event, it represents good governance and practice to have adequate procedures in place to protect the council and its staff from reputational and legal damage. It is in the interests of everybody connected with the Council to act with propriety at all times.

3.4.3 The penalties under the Bribery Act have been raised significantly and are severe. An individual guilty of an offence under sections 1, 2 or 6 is liable on conviction in a magistrates court to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both and on conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both. The Council, if convicted under sections 1,2 or 6 will also face the same level of fines and, if guilty of an offence under section 7, is liable to an unlimited fine.

3.5 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.

3.5.1 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.

3.5.2 The Council has a separate Anti Money Laundering Policy which was last approved at Audit Committee in March 2022.

4. GOVERNANCE

4.1 Good Corporate Governance requires that the Council is firmly committed to dealing with fraud and bribery and will deal equally with perpetrators from inside and outside the Council. To this end there will be no distinction made, regarding investigation, between cases that generate financial benefits and those that do not. All cases will be viewed seriously and following investigation the action taken will be in line with the merits of each case and in accordance with other procedures and obligations applicable to the Council. The statement is intended to be consistent with Nolan's Seven Principles of Public Life and should be read in the light of those principles, in that all will act with selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Those Principles are not part of this statement but are set out in full at **Annex 1** for information.

4.2 The Council has a wide range of interrelated policies, protocols, codes, rules, procedures, manuals and other guidance documents that provide a corporate framework to counter the possibility of fraudulent activity and or bribes. These have been formulated taking account of appropriate legislative requirements and expected standards relating to public sector life. Such documents are referred to within the Council's Constitution.

4.3 The expectation is that elected Members and employees of all levels will adopt the highest standards of propriety and accountability and demonstrate that the Council is acting in a transparent and honest manner.

4.4 The highest standards are also expected from all organisations that have dealings with the Council. Suppliers, contractors, consultants, partners and other organisations funded by the Council are therefore expected to adopt or abide by Council policies, procedures, protocols and codes of practice. The Council will

consider the extent to which it has further involvement with any organisation that fails to abide by the expected standards.

4.5 PCC believe that the maintenance of a culture of honesty and openness, based on values such as fairness, trust and integrity is a key element in tackling fraud and bribery. In this respect, each Member and officer of the Council is under a duty to report any reasonable suspicions and is encouraged to raise any concerns about fraud and bribery, in the knowledge that such concerns will be properly investigated. To this end, the Council has a Whistleblowing Policy to protect anyone who wishes to raise concerns about behaviour and or practice.

4.6 When fraud and or bribery has occurred due to an identified breakdown in controls, the relevant manager will be responsible for ensuring appropriate improvements in systems of control are implemented in order to minimise the risk of re-occurrence.

5. PREVENTION

5.1 We recognise that incidents of fraud and bribery are costly; both in terms of reputational risk and financial losses (either directly through the loss of cash and or assets and or through the utilisation of resources in dealing with and resolving any identified cases). The prevention of fraud and bribery is therefore a key objective of the Council and respective roles and responsibilities are outlined below.

6. ROLES AND RESPONSIBILITIES

6.1 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.

6.2 Chief Executive

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

6.3 Section 151 Officer

- Section 151 of the Local Government Act 1972 places a statutory responsibility on the Council to appoint a 'Section 151 Officer' to ensure the proper administration of the Council's financial affairs. To this end, the Section 151 Officer will advise all Members and staff regarding financial propriety, probity and budgetary issues. The Section 151 Officer role is very much supported by the work undertaken by Internal Audit to deliver "counter fraud" work.

6.4 Monitoring Officer

- The Council's Monitoring Officer has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. The Monitoring Officer also encourages the promotion and maintenance of high standards of conduct within the Council, particularly through the provision of support to the Executive and other committees.

6.5 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 Members. Any such issues or concerns should be reported to the s151 Officer / Monitoring Officer / Chief Internal Auditor at the earliest opportunity.

6.6 Audit Committee

- To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for various fraud prevention policies.

6.7 Management

- Managers at all levels are responsible for establishing sound systems of internal control in all of their service's operations, both financial and otherwise, such that the Council has sound methodologies for administering its responsibilities in the provision of services to its residents and businesses.
- 'Internal control' means the systems of control devised by management to ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources. Such systems must safeguard the Council's assets and interests from fraud, bribery and other wrongdoing. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.
- Managers are also responsible for ensuring that their employees are aware of the Council's Constitution (including the related policies, protocols, codes and procedures) and that the requirements of each are being met in their everyday business activities.

- Managers are expected to create an environment within which staff feel able to approach them with any concerns they may have about suspected irregularities and adhere to the Whistleblowing Policy when applicable.
- The Council recognises that a key preventative measure in dealing with fraud and bribery is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. In addition, the Council uses The Disclosure and Barring Service (DBS) to help us make safer recruitment decisions and prevents unsuitable people working with adults for reasons of age, illness or disability including children or other positions of trust that fall within the Rehabilitation of Offenders Act. The DBS supersedes what was previously known as the CRB (Criminal Records Bureau).
- Management are also required to ensure that staff are properly trained to discharge the responsibilities allocated. Once training has been provided, performance is monitored, and action taken where appropriate to ensure adherence to proper practices and or agreed procedures.

6.8 Employees

- It is recognised the majority of staff are conscientious and hardworking and whose conduct is beyond reproach. Employees of the Council are expected to follow the Council's Code of Conduct and any other Code related to their personal Professional Body.
- Employees must comply with their statutory obligations regarding pecuniary interest in Contracts relating to the Council or fees and rewards other than proper remuneration. They are also required to declare any interests which they have that might be seen to conflict with the impartial performance of their duties.
- Often, employees are the first to spot that something is wrong and putting the council and / or its residents at risk. In accordance with the Code of Conduct, employees should bring to the attention of the appropriate manager, any impropriety, fraud or breach of procedure. If they are reluctant to act for fear of not being taken seriously, that their concerns may not be justified or that they may be victimised for speaking out, they should report their concerns through the channels set out in the Council's Whistleblowing Policy.
- To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Procedures.

6.9 Internal Audit and Investigations

- Internal Audit independently reviews the existence, appropriateness and effectiveness of internal controls as a service to management and thereby plays a vital preventative role. This is done on the basis of a risk based

cyclical audit plan that is agreed annually with senior management and those charged with governance.

- Internal Audit have a liaison and or reporting process whereby observations on control or compliance weakness raised within audit reports are addressed by actions identified by management to mitigate those weaknesses with a view to reducing risks and preventing losses to the Council.
- Internal Audit also follows up and informs management as to the extent that such management actions have been implemented. Internal Audit has reporting lines to senior management and the Chair of the Audit Committee, enabling any failure to implement agreed action to be appropriately escalated.

6.10 External Audit

- External Audit is an essential safeguard of the stewardship of public money. This is currently carried out through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and bribery. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern.
- External auditors are always alert to the possibility of fraud and irregularity and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements for preventing and detecting fraud and irregularities within financial statements, and arrangements designed to limit the opportunity for bribery.

6.11 Partners, Suppliers, Contractors and Consultants

- It is expected that the Council's contractors and partners will have adequate controls in place to minimise fraud.
- Contractors and partners are also expected to have adequate recruitment procedures in place covering requirements under the Immigration and Nationality Act, Disclosure & Barring checks and stringent vetting in relation to employment history and references. This expectation will form part of all contract terms and conditions.
- Furthermore, there is an expectation to be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. **TAKING ACTION**

7.1 This will follow a number of steps:

- Deterrence

- Detection
- Investigation
- Reporting, Advice and Support

7.2 **Deterrence**

7.2.1 Whilst many of the issues outlined above on prevention will act as a deterrent, there are specific ways in which the Council seeks to deter others from committing or attempting fraudulent acts or becoming involved with bribery. These include:

- Publicising that the Council is firmly against fraud and bribery at appropriate opportunities and will take stern action against perpetrators (e.g. dismissal of employees, prosecution of offenders, termination of contracts etc.);
- Acting robustly and decisively when fraud and or bribery are suspected and, if proven, being committed to viewing cases seriously and taking action as appropriate bearing in mind all relevant factors of each case;
- Always seeking to maximise recoveries for the Council, through agreement, repayment, court action, penalties, insurance, pension benefits etc.;
- Referring cases to the Police as soon as there is sufficient evidence to support that criminal offences have occurred;
- Liaising with the press or otherwise publicising any anti-fraud and bribery initiatives undertaken by the Council and subsequent results, where deemed appropriate; and
- Where appropriate, publicising the results stemming from investigations into suspected cases of fraud and bribery.

7.3 **Detection**

7.3.1 Whilst it is not an Internal Audit responsibility to detect fraud and bribery (this is the responsibility of management), Internal Audit plays an important role in such detection. Internal Audit plans include reviews of systems of internal controls based on risk although this will never capture all systems and processes followed across the organisation. Such work may directly detect instances of fraud, error and bribery and invariably contributes to improved controls and or procedures that aid detection of fraud, error and bribery or otherwise deter it from happening.

7.3.2 All managers have responsibility for preventing and detecting fraud and bribery, but it is often the alertness of staff or members of the public, to the possibility of fraud and bribery, which aids detection. Allegations and complaints are key sources of detection regarding fraud and bribery and as such the Council treats this type of information seriously and in line with the Whistleblowing Policy where applicable.

7.3.3 Awareness of the key indicators of fraud and bribery is also advantageous to the detection of these offences and the Council is committed to training and communication routines whereby Members of the Council, managers and employees can be informed of or updated with the relevant facts that will aid their vigilance regarding the identification of fraud and bribery.

7.4 **Investigation**

7.4.1 Investigation into fraudulent activity or bribes will be carried out in accordance with the Council's internal investigation processes. Some will be under the remit of Internal Audit whereas others may be specific to service areas, for example, Trading Standards.

7.4.2 Appropriate liaison will take place with key officers of the Council regarding any investigation that is commenced. The details of each case and subsequent progress will be reported as required and or necessary.

7.5 **Reporting, Advice and Support**

7.5.1 The Council's expectation is that Members and managers will lead by example and that employees at all levels will comply with the Council Policies, Financial Regulations, Contract Rules and any separately established departmental processes and procedures.

7.5.2 To reiterate, 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 Grievance and Whistleblowing policies.

7.5.3 The officer who receives the allegation (whether from a Member 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 Law and Governance and Monitoring Officer;
- Executive Director of Corporate Services (Section 151 Officer);
- Assistant Director of HR and Development; or
- Chief Internal Auditor

8. FURTHER INFORMATION

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

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

Responsible Officer: Chief Internal Auditor

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THE SEVEN PRINCIPLES OF PUBLIC LIFE (NOLAN PRINCIPLES)

Selflessness

- Holders of public office should take decisions solely in terms of the public interest.
- They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

- Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

- In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

- Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

- Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

- Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

- Holders of public office should promote and support these principles by leadership and example.