



# Counter-Fraud and Corruption Strategy

SEVENOAKS DISTRICT COUNCIL

Author	Date	Approved by	Date	Date of next review
Francesca Chivers, Audit Manager	September 2020	Strategic Management Team	28 September 2020	September 2022
		Audit Committee	Date	

## Counter-Fraud and Corruption Strategy

Item	CONTENTS	PAGE No
1	Policy Statement	<a href="#">2</a>
2	Definitions	<a href="#">2</a>
3	Roles and responsibilities	<a href="#">3</a>
4	Culture	<a href="#">4</a>
5	Prevention - fraud, bribery and corruption risks	<a href="#">5</a>
6	Prevention - internal control	<a href="#">6</a>
7	Detection and investigation	<a href="#">7</a>
8	External fraud	<a href="#">7</a>
9	Internal fraud	<a href="#">7</a>
10	Sanctions	<a href="#">8</a>
11	Working with others	<a href="#">8</a>
12	Reporting	<a href="#">9</a>
13	Training and awareness	<a href="#">9</a>
14	Strategy review	<a href="#">9</a>

## 1. POLICY STATEMENT

- 1.1. The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.
- 1.2. The purpose of this Counter-Fraud and Corruption Strategy is to set out the Council's commitment towards the prevention of fraud and corruption (including bribery) from both internal and external sources. It is primarily designed to improve resilience to fraud and to create a strong counter-fraud culture which highlights the Council's zero-tolerance approach to all stakeholders. Specifically it aims to:
  - Encourage prevention,
  - Promote detection; and
  - Identify a clear pathway for reporting and investigation.
- 1.3. The Council's Counter-Fraud and Corruption Strategy is based on a series of elements, which when in place will contribute towards a strong anti-fraud culture and practice across the Council. The Council also supports the Fighting Fraud and Corruption Locally Strategy.
- 1.4. This document has been made publicly available via the Council's website and intranet and all staff have been informed of its existence and revision.

## 2. DEFINITIONS

- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as "any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss."
- 2.3. Under the Fraud Act 2006, a person can be guilty of fraud by:
  - False representation - *for example providing false information when applying for Single Person Discount, or staff falsely claiming to be sick*
  - Failure to disclose information - *for example failing to disclose a financial interest in a company the Council is trading with*
  - Abuse of position - *for example ordering goods through Council accounts for personal use*
- 2.4. Transparency International UK defines corruption as 'the abuse of entrusted power for personal gain'

2.5. This includes the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.6. In the UK, the Bribery Act 2010 creates the following offences:

- Offering, promising or giving a bribe
- Requesting, agreeing to receive or accepting a bribe
- Bribing a foreign official to obtain or retain business
- Failure by an organisation to prevent bribery by those acting on its behalf

### 3. ROLES AND RESPONSIBILITIES

3.1. The Council expects and requires all its officers, members, contractors and all who associate with the Council to act with propriety and accountability. Specific responsibilities are set out below:

STAKEHOLDER	RESPONSIBILITIES
Chief Officer - Finance and Trading (s151 Officer)	<p>The Chief Officer - Finance and Trading has overall responsibility for:</p> <ul style="list-style-type: none"> <li>• developing, maintaining and implementing this strategy</li> <li>• maintaining adequate and effective internal control arrangements</li> <li>• ensuring that all suspected irregularities are reported to the Audit Manager or the Chief Executive and Chief Officer - Finance and Trading who will advise on the most appropriate course of action.</li> </ul>
Chief Officers and Chief Executive	<p>All Chief Officers and the Chief Executive are responsible for:</p> <ul style="list-style-type: none"> <li>• embedding a strong counter-fraud culture with an ethos of honesty and integrity</li> <li>• embedding an open and transparent culture where staff feel empowered to report suspicions of wrong-doing</li> <li>• maintaining the internal control system including those designed for the prevention and detection of fraud and other illegal acts</li> <li>• ensuring that all suspected irregularities or financial improprieties are reported to the Audit Manager and the Chief Officer - Finance and Trading</li> <li>• instigating the Council’s disciplinary procedures where the outcome of an Internal Audit or similar investigation indicates improper behaviour</li> <li>• maintaining and regularly reviewing a service register of staff disclosures of financial or commercial interests in the Council’s functions.</li> </ul>
Counter Fraud Manager	<p>The Counter Fraud Manager is responsible for:</p> <ul style="list-style-type: none"> <li>• proactively using appropriate tools and techniques and working with other relevant agencies to identify potential fraud</li> <li>• investigating and reporting on external cases of alleged or potential fraud (primarily Revenues and Benefits)</li> <li>• promoting counter fraud awareness within the organisation</li> </ul>

STAKEHOLDER	RESPONSIBILITIES
Audit Manager	<p>The Audit Manager is responsible for:</p> <ul style="list-style-type: none"> <li>• reviewing and updating the Counter Fraud and Corruption Strategy on behalf of the Chief Officer - Finance and Trading</li> <li>• maintaining the Council's Whistleblowing policy and arrangements</li> <li>• investigating and reporting of internal cases of alleged or potential fraud</li> <li>• promoting counter fraud awareness within the organisation</li> <li>• ensuring that fraud risks are considered as part of the annual audit planning process and during the course of individual internal audits</li> </ul>
Money Laundering Reporting Officer	<p>The Council's Money Laundering Reporting Officer (MLRO) is responsible for disclosing all known or suspected money laundering offences to the National Crime Agency. This role is filled by the Principal Accountant.</p>
Audit Committee	<p>Audit Committee is responsible for monitoring the Council's strategies and policies and considering the effectiveness of the arrangements for Whistleblowing and Counter-Fraud and Corruption Procedures.</p>
All Council Officers & Members	<p>All Council Officers and Members are responsible for:</p> <ul style="list-style-type: none"> <li>• leading by example in ensuring adherence to legal requirements, rules, procedures and practices</li> <li>• declaring all potential conflicts of interest that may affect their independence within their role as Members or officers</li> <li>• acting with integrity and conducting their business in a forthright and honest manner</li> <li>• paying regard to the requirements of the Bribery Act 2010 when acting on behalf of the Council or doing business with the Council</li> <li>• familiarising themselves with the Council's Whistleblowing Policy</li> <li>• reporting any suspicions of fraud or improper behaviour.</li> </ul>

#### 4. CULTURE

4.1. The Council is committed to a strong counter-fraud and corruption culture and has a zero-tolerance approach towards fraud, bribery and corruption activity.

4.2. The Council is determined that its ethos will be one of honesty and integrity. The Council supports the Seven Principles of Public Life (the 'Nolan Principles') as set out below:

- **Selflessness** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other 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 seek to 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 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.
- 4.3. To promote this culture all managers, supported by Council policies, are expected to create and embed an environment in which employees feel they can raise concerns without recrimination and are confident that all concerns will be thoroughly investigated.
- 4.4. Whistleblowing arrangements exist to enable concerns to be raised and for the whistleblower to be protected.

## **5. PREVENTION - FRAUD, BRIBERY AND CORRUPTION RISKS**

- 5.1. The Council and other Local Authorities face a range of risks regarding fraud, bribery and corruption.
- 5.2. Chief Officers and Service Managers are expected to ensure that fraud risks are considered as part of their risk management processes, both in terms of identification and mitigation measures.
- 5.3. The Internal Audit Team can support this process by providing advice and guidance on risks and controls as requested and providing assurance on the effectiveness of these controls in practice.
- 5.4. Some key fraud, bribery and corruption risks that the Council faces are set out below (this list is not exhaustive):

### **Member and Employee Fraud**

- False representation or failure to disclose information in order to gain employment at the Council
- Abuse of position in order to award a contract to a relative or friend without declaring an interest

- Offering or accepting a bribe in order to ignore a liability or award a grant or contract
- Offering or accepting a bribe in order to allow planning permission that does not meet the agreed criteria
- Abuse of position to make payments to someone who is not entitled to receive them

**Contractor Fraud**

- Charging for goods and services that have not been delivered or received

**External**

- False representation or failure to disclose information in order to gain social housing
- False representation or failure to disclose information to obtain Council Tax or Business Rates discounts or exemptions
- False representation or failure to disclose information in order to receive parking permits
- Submission of false invoices or false changes to bank details for existing suppliers
- Cybercrime, such as ransomware attacks
- Phishing, for example emails purporting to be from a senior officer requesting a payment to be made

**6. PREVENTION - INTERNAL CONTROL**

6.1. The Council has a series of policies and codes which form part of the internal control framework and a key part of the fight against fraud. These are communicated to all employees and Members to ensure they are aware of activities that are permitted and prohibited, including relevant actions that will be taken if requirements are breached. Key relevant policies are detailed below:

Employees	Members
<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Disciplinary Procedure</li> <li>• Standing Orders on Declarations of Interest</li> <li>• Financial Procedure Rules</li> <li>• Contract Standing Orders</li> <li>• Local Taxation/Council Tax Support Fraud and Compliance Strategy</li> <li>• Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• Member Code of Conduct</li> <li>• Gifts and Hospitality Protocol</li> <li>• Standing Orders on Declarations of Interest</li> <li>• Financial Procedure Rules</li> <li>• Contract Procedure Rules</li> <li>• Whistleblowing Policy</li> </ul>

6.2. The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of their

propriety and integrity. In this regard temporary and contract employees should be treated in the same manner as permanent employees.

- 6.3. Employee recruitment must comply with HR Policy. In particular references will be obtained regarding the honesty and integrity of all prospective employees prior to commencing employment with either Council. Also where appropriate, a Disclosure and Barring Services (DBS) check will be undertaken before commencement of employment for certain roles.

## **7. DETECTION AND INVESTIGATION**

- 7.1. The array of preventative measures, including internal control systems within the Council, has been designed to deter fraud. Monitoring controls, if properly applied, should facilitate the identification of any unusual activity.
- 7.2. Managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.
- 7.3. All Officers and Members have a duty to report any allegations or suspicions of fraud, bribery or corruption, as follows:

## **8. External Fraud**

- 8.1. Suspicions about external fraud (Revenues and Benefits) should be reported to the Counter Fraud Manager for investigation.
- 8.2. An investigation will be carried out in accordance with the Sanctions and Prosecution Policy.

## **9. Internal Fraud**

- 9.1. Employees may report their suspicions to their line manager or Chief Officer, or can utilise the arrangements set out in the Whistleblowing Policy, which exists to provide further support and guidance to employees regarding raising concerns and to provide protection to these employees.
- 9.2. The line manager, Service Head or Chief 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
  - Chief Officer - Finance and Trading
  - Audit Manager
- 9.3. If an investigation is required, an investigating officer will be appointed who will carry out an investigation in line with the Council's investigation processes. This



investigation will seek to confirm or refute the allegation of fraud, bribery and corruption but will also look to identify any improvements to prevent similar incidents occurring.

- 9.4. On conclusion of the investigation, a report will be presented to the Chief Officer - Finance and Trading and the Chief Executive for a decision on the next steps.
- 9.5. Where a fraud has occurred, management must subsequently make any necessary changes to systems and procedures to minimise the risk of similar frauds recurring. The investigation may have identified where there has been a failure of supervision, breakdown or an absence of control.

## 10. **SANCTIONS**

- 10.1. The Council considers all fraudulent activity to be unacceptable and operates a 'zero tolerance' approach to fraud. As such, on the conclusion of an investigation with regard to both internal and external fraud it will consider applying the full range of sanctions available including prosecution. Decisions on sanctions will take into account relevant legislation and internal policies, the Code for Crown Prosecutors and the aggravating and mitigating factors in the case. The Council will also consider referral to the police.
- 10.2. Where the outcome of an investigation indicates improper behaviour by a Council employee, this will be dealt with through the Disciplinary Policy. Where financial impropriety is discovered or it appears that a criminal offence may have been committed, the Council may also refer the matter to the police.
- 10.3. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing.

## 11. **WORKING WITH OTHERS**

- 11.1. In view of the rapid increase in fraud perpetrated against local authorities and benefits agencies, including fraudsters having multiple identities and addresses, there is a need to liaise and share information with other agencies and regulators in the fight against fraud and corruption.
- 11.2. Arrangements are in place to develop and encourage the exchange of information between other external agencies on national and local fraud and corruption activity, to help both prevent and detect these activities.
- 11.3. This includes data sharing and matching using records from other public sector bodies through the National Fraud Initiative and the Kent Intelligence Network. Other bodies with whom the Council works includes the Police, the Department for Work and Pensions, and the Kent Investigating Officers Group.
- 11.4. Whilst the ethos and required outcome of this Strategy is expected to remain constant, the procedures and processes by which this is undertaken may alter

over time due to the changing nature of fraud, improvements in investigation techniques, and alterations to legislation.

## **12. REPORTING**

- 12.1. The Audit Committee will receive reports on counter fraud activity and outcomes and are responsible for approving and monitoring this strategy. These reports will be publicly available on the Council's website.

## **13. TRAINING AND AWARENESS**

- 13.1. The Council recognises that the continuing success of its Counter-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of awareness, training and responsiveness of employees throughout the organisation.
- 13.2. This strategy will be available to all Members, officers and the public on the Council's internal and external website.
- 13.3. Counter fraud awareness will be promoted periodically throughout the organisation.

## **14. STRATEGY REVIEW**

- 14.1. This strategy will be reviewed and updated on a two-yearly basis, unless earlier changes are required. All changes will be subject to approval and endorsed by the Audit Committee.