



GA.41 13/14

Governance and Audit
Committee

09/01/14

H

Subject: Anti-Fraud, Corruption and Money Laundering Policy 2014/15

Report by:

Alan Robinson, Head of Revenues and Benefits

Contact Officer:

Carol deHaney
Corporate Development Officer
01427 676578
Carol.dehaney@west-lindsey.gov.uk

Purpose / Summary:

To approve the updated Anti-fraud, corruption and Money Laundering Policy and action plan.

RECOMMENDATION(S):

- 1) That Members agree the Anti-Fraud, Corruption and Money Laundering Policy 2014/15**

IMPLICATIONS

Legal: None specifically

Financial : None specifically

Staffing :None specifically

Equality and Diversity including Human Rights :None specifically

Risk Assessment :None Specifically

Climate Related Risks and Opportunities :None Specifically

Title and Location of any Background Papers used in the preparation of this report:

Audit Commission Protecting the Public Purse 2013

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

1. Information

- 1.1 The Council is committed to the highest standards of openness, probity, honesty and integrity and operates a zero tolerance approach to fraud, money laundering, corruption and bribery.
- 1.2 A recent Internal Audit report identified that the Council's policy covering Fraud was not up to date and consequently did not reflect the latest guidance, or make reference to the Bribery Act.
- 1.3 Strong counter-fraud arrangements are essential to corporate governance and there is evidence that the current economic climate could give rise to an increase in fraud against local authorities.
- 1.4 The former policy was dated 2011, and the action plan that accompanied this was out of date, leading to little evidence of any proactive counter fraud work.
- 1.5 The audit found that there were areas of effective fraud management, particularly in the benefits section and that the investigations team had appropriate qualifications and set processes to follow when dealing with potential benefit fraud cases.
- 1.6 This policy incorporates reference to the Bribery Act and also reflects the new structure of the organisation.
- 1.7 It also includes in the action plan, the details of the communication and awareness raising that will take place (see leaflet attached), with staff, our partners, contractors and members.

Anti-Fraud, Corruption and Money Laundering

Policy and Strategy 2014

Contents

Pages

Anti-Fraud and Corruption Policy	-----	1
What is Fraud and Corruption?	-----	2
Aims and Objectives	-----	3
Roles and Responsibilities	-----	4
Approach to Countering Fraud	-----	7
Risk Register and Work Programme	-----	8
The Response Plan	-----	8
Benefit Fraud	-----	9
Training and Resources	-----	10
Embedding the process	-----	10
Risk of not embedding the Counter Fraud Strategy	-----	10
Appendix A – process map	-----	11

Acknowledgements

The Council would like to acknowledge Lincolnshire County Council's Internal Audit Team that has provided support, advice and guidance during the review of our approach.

Anti-Fraud, Corruption and Money Laundering Policy

The Council is committed to the highest standards of openness, probity, honesty, integrity, fairness and accountability to ensure:-

- That standards of public service are not undermined.
- That resources are not diverted from the services for local people.
- That public confidence is maintained.

The Council expects all staff, Councillors, visitors, partners and contractors to observe these standards which are defined within Codes of Conduct. It is committed to the prevention of any fraud, corruption, money laundering and bribery, operating a zero tolerance approach that will include the rigorous investigation of cases and application of appropriate sanctions, including the punishment of those involved and recovery of any losses.

We will ensure that our procedures, codes and policies reduce the risk to the lowest level possible.

In order to manage an effective and pro-active approach to eliminating fraud and corruption this policy sets out our approach. We will also take into account best practice and new ways of working.

In order to ensure that everyone in the Council and our partners and contractors understand our approach to eliminating fraud and corruption, the Council is committed to raising awareness and delivering the required training. This policy, along with the whistleblowing policy will be a key element in setting out the provisions of those arrangements.

The Council's Anti-Fraud and Corruption Policy will be considered alongside the following Policies and Strategies:

- Whistleblowing Policy
- Disciplinary Policy
- Covert Surveillance Policy
- Codes of Conduct for Members and Officers
- Risk Management Policy and Strategy
- Gifts and Hospitality
- Standing Orders

Definitions

FRAUD is a criminal activity involving deliberate deception, intended to provide personal gain, whether direct or indirect. The term “fraud” is also used to describe such acts as criminal deception, forgery, blackmail, corruption, theft, conspiracy, concealment of material facts and collusion. It can be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

CORRUPTION is the deliberate use of one’s position or entrusted power for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person. It also includes the manipulation of policies and procedures and the allocation of resources.

Corruption also includes offering, giving, requesting or accepting a bribe or reward to influence actions.

The Bribery Act 2010 extends the possibility of conviction to senior officers where they are deemed to have given consent or tacit approval to the giving or receiving of a bribe.

The Act also created a corporate offence, giving corporate liability for failing to prevent bribery on behalf of a commercial organisation, requiring us to have adequate procedures in place to prevent bribery.

THEFT is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if she or he dishonestly appropriates property belonging to another with the intention of permanently depriving them of it.

Aims, Objectives and Scope

Aims and Objectives

- To reduce the potential for fraud and loss within the Council to an absolute minimum and maintain that level.
- To protect the Council's valuable resources by ensuring that they are not lost through fraud but are used for the benefit of West Lindsey residents.
- To promote the counter-fraud culture of zero tolerance.
- To ensure that our approach is in accordance with good practice.
- To identify and manage the risks of fraud and corruption within the Council and to proactively deter and prevent corruption and fraud.
- To prioritise a work programme to minimise the impact and likelihood of the risks identified within the fraud risk register.
- To create a Counter Fraud culture which highlights the Council's zero tolerance of fraud, corruption and theft which defines roles and responsibilities and actively engages everyone.
- To apply appropriate sanctions and recovery of losses.
- To identify training needs on investigations and awareness raising as appropriate.
- To ensure that people carrying out investigations have the correct skills and training and appropriate capacity.
- To ensure that all staff, partners and contractors are aware of and abide by the relevant associated policies and procedures.

Scope

This policy applies to:

- All West Lindsey District Council Employees.
- Councillors and independent members
- Staff and members of Council funded voluntary organisations
- Partners
- Suppliers, contractors and consultants
- Residents

Roles and Responsibilities

Everyone in and associated with the Council is responsible for managing the risk of fraud and corruption and in reducing the potential for fraud and loss to the Council in some way and should be aware of their role. The roles are explained fully below:

Governance and Audit Committee

It is the role of the Governance and Audit Committee to monitor the Council's policies and be assured of the effectiveness of the Anti-Fraud and Corruption Policy. The Committee will receive an annual report on a summary of cases and the lessons learnt as well as progress with the anti-fraud and corruption action plan.

Members

It is the role of members to support and promote the development of a strong counter fraud culture. Members are required to operate within the law, council policies and procedures, regulations and codes of practice and conduct.

Chief Executive

The Chief Executive is ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption and for the conduct of members, officers, partners and contractors.

Head of Finance and Section 151 Officer

The Section 151 officer is a statutory position as the Responsible Financial Officer under section 151 of the Local Government Act 1972.

It is the role of the Section 151 officer to ensure lawfulness and financial prudence in decision making, in consultation with the Head of Paid Service and the Monitoring Officers. The Section 151 Officer will report to Council and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful, is likely to cause a loss or is about to enter an item of account unlawfully.

The Section 151 Officer has responsibility for the administration of the financial affairs of the Council.

The Section 151 officer is also responsible for making sure that the Council has an adequately resourced and effective Counter Fraud and Internal Audit Service, and to take overall responsibility for investigating all matters of suspected fraud or financial irregularity.

The Section 151 Officer will decide whether an allegation warrants an investigation and on the best way to do this.

Head of Central Services (Monitoring Officer)

The Monitoring Officer will work closely with the Section 151 Officer to ensure that the investigations policy and procedures are adhered to.

This role also oversees the fraud investigation team, ensuring that resources and risks are managed and appropriate action taken, that the counter fraud policy is up to date and reflects best practice and current legislation and that the action plan is delivered.

It is also the role of the Monitoring Officer to advise members and officers on ethical issues, standards and powers to ensure that the Council operates within the law and adopted Codes of Practice and standards.

Corporate Management Team

The Corporate Management Team – (what-ever it will look) is responsible for ensuring that there are effective arrangements for eliminating fraud and corruption and promoting the zero tolerance approach within the Council. They will receive annual summary reports on cases investigated, where necessary be provided with reports on current investigations and review the action plan to make sure that the policy is embedded.

Wider Management Team

The Wider Management Team comprises service managers and team managers. Each manager within the Team has a number of roles as follows:

- Ensure that all suspected or reported irregularities are referred and reported in accordance with the agreed procedure.
- Identify areas of risk of fraud or corruption within their service and taking the lead to reduce the likelihood and impact of risks identified.
- Applying a zero tolerance approach to fraud and corruption.
- Engendering a culture of fraud awareness through such measures as:
 - Ensuring that team leaders and other appropriate staff are appropriately trained .
 - Ensure that team leaders and other appropriate staff understand the process for reporting fraud.
 - Supporting the Section 151 Officer in developing the Council's approach to counter fraud and corruption.
 - Taking action on any issues referred by the Corporate Management Team, Section 151 and Monitoring Officer.

Fraud Team within Revenues, Benefits and Customer Services

The Team is responsible for all aspects of Benefit Fraud and to carry out investigations into other areas of fraud as requested by the Monitoring Officer and Section 151 officer.

Internal Audit

The Internal Audit function is carried out by Lincolnshire Audit.

They will follow agreed practice and report to the Chief Executive and the Governance and Audit Committee under this policy and strategy and the Confidential Reporting Code. They will also carry out investigations at the request of the Chief Executive, Monitoring Officer and Section 151 Officer.

External Audit

It is the role of External audit to provide reasonable assurance that the financial statements are free from material misstatement, whatever the cause. There is a statutory duty to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud, corruption and theft.

Human Resources and Managers involved in recruitment

A key preventative measure against fraud, theft and corruption is at the recruitment stage by establishing, as far as possible, the previous record of potential employees in terms of their propriety and integrity. In this regard, temporary employees and agency workers will be treated in the same manner as permanent employees. The Human Resources service develops policies and procedures around recruitment and officer codes of conduct that will be adhered to.

It is the role of the Human Resources to ensure that recruitment and whistle blowing policies are adhered to.

Staff

It is the responsibility of all staff to comply with the Council's policies, procedures and codes of conduct, to be aware of the possibility of fraud, corruption and theft and to report any genuine concerns to the Head of Service or Director or through the Council's Whistleblowing policy

Public, Partners, Suppliers, Contractors and Consultants

It is the responsibility of everyone to be aware of the possibility of fraud and corruption against the Council and report any genuine concerns/ suspicions.

APPROACH TO COUNTERING FRAUD

The Council is committed to fulfilling its responsibility to reduce fraud and corruption and protect its resources in accordance with the Local Government Fraud Strategy – Fighting Fraud Locally, Protecting the Public Purse, by completing work in each of the following key areas:

ZERO TOLERANCE

All cases of fraud will be dealt with in accordance with this policy.

ACKNOWLEDGE the threat of fraud and opportunities that exist by developing a risk profile to focus on areas at highest risk.

DETERRENCE by creating and developing a culture, raised awareness and provision of information on all aspects of counter fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions and any recovery of losses due to fraud.

PREVENTION by establishing systems of control and procedures, ensuring that new and existing systems and policy initiatives are adequately fraud protected. The fraud team will ensure that preventative measures are in place to reduce the risk of fraud.

DETECTION - Fraud risk assessments will be completed to continuously assess those areas within the Council most vulnerable to the risk of fraud. These assessments will inform the Council's Counter Fraud work plan.

INVESTIGATION - Appropriately trained investigators will investigate any fraud detected through the planned proactive work, cases of suspected fraud and/or corruption referred from internal or external stakeholders.

As part of our response to allegations of fraud, theft and corruption it may be necessary to carry out surveillance in the course of investigation. This is permitted provided that it is reasonable, necessary and proportionate and that it is appropriately authorised.

SANCTIONS - Applying realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity, including legal action in addition to criminal and disciplinary action, where appropriate.

REDRESS - By seeking financial redress – the recovery of defrauded monies is an important part of the Council's strategy and will be rigorously pursued where appropriate.

MONEY LAUNDERING - The Proceeds of Crime Act 2002 (POCA) describes a number of actions that constitute the act of money laundering. These include concealing, disguising, converting, transferring or removing criminal property and being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use of criminal property.

CIPFA guidance in 2009 details the obligations and responsibilities of public service organisations under money laundering legislation and regulations, recommending a

prudent and responsible approach. We will ensure that there are in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements designed to help to detect and avoid involvement in such crimes.

FINANCING OF TERRORISM - Terrorist financing is in principle different from money laundering, even though once such funds are in the financial system, they may seek to be laundered in the same sorts of ways. This relates to financial support for terrorist activities which could, for example, develop revenue generating activities of their own or derive some of their funding from individuals or entities that have legitimately earned income.

These obligations, responsibilities and risks to the Council are taken into account during investigation.

PURSUE – Ensuring the capability and capacity to punish fraudsters, collaborating across organisations in investigation and law enforcement through planned proactive work and cases referred to them.

This policy will be reviewed every three years or amended to reflect current best practice and changes in legislation as appropriate.

Development of counter fraud work plan

The Council initially carried out a risk workshop to identify areas across the Council at risk of fraud or corruption. The risk register is used to help determine a counter fraud work plan to tackle the higher risk areas identified through the process. The compilation of the risk register is carried out in accordance with the Council's Risk Management Policy and Strategy.

The work programme is prioritised and will be reviewed and updated annually. The purpose of the work plan is to reduce the likelihood and/or impact of that risk happening.

The Response Plan

Any employee, Councillor, resident or contractor may wish to raise an allegation of fraud and corruption within the Council. The process map set out as Appendix A sets out the procedure to determine whether an investigation will be carried out. A procedure note has been developed to provide guidance on managing allegations of fraud or corruption that will be dealt with through this policy.

The National Fraud Initiative

The Council takes part in the Audit Commissions National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Reporting Fraud

There are five main routes as follows:

- Use the Council's Whistleblowing Policy; or
- Speak to a Manager; or
- Speak to the Section 151 Officer or Monitoring Officer directly; or
- Speak to the Head of Internal Audit; or
- Report a suspicion of benefit fraud to the benefit fraud team or benefit fraud hotline.
- Report a suspicion of housing fraud to relevant Social Landlords

Matters relating to allegations of internal fraud or corruption will be referred to the Section 151 and/or Monitoring Officer to determine from the information provided whether an investigation needs to be carried out. The decision as to whether to carry out an investigation will be based on proportionality. There will be a record of all allegations and this will be reviewed every year, and any significant matters or lessons learnt will be reported to the Governance and Audit Committee.

If it has been decided that the matter will not be investigated, the reasons for that decision will be explained to the originator and any managers involved.

If a decision is taken to investigate, then the Section 151 or in their absence, the Monitoring Officer will decide the most appropriate method to carry out the investigation. This will usually be by the Benefit Fraud Team situated within the Council, or by Internal Audit, which is provided by the County Council.

All investigations will meet the standards set out in procedure notes including whether the matter should be reported to the Police.

The circumstances of the particular case will dictate when the Police and external auditors are informed, but that the Police should be informed when:

- There is evidence of an irregularity which needs to be confirmed by witness interview if criminal prosecution is contemplated;
- Interview of the suspect is desirable to confirm the evidence of records; and
- A prima facie case of fraud has been established but the perpetrator could not be identified.

Benefit Fraud

The Council has a dedicated Benefit Fraud Team within Revenues, Benefits and Customer Services which is responsible, amongst other duties, for the investigation of suspected benefit fraud. It also investigates cases of suspected Income Support and Jobseekers Allowance fraud under the Social Security Administration Act 1992. The section aims to investigate these cases and make recommendations about its findings for adjudication. In this way, an element of independence is maintained from the remainder of the benefits administration functions.

All allegations of benefit fraud are risk scored in order to prioritise and make best use of resources. Any response to an allegation has to be proportionate and cost-effective in relation to the alleged wrongdoing.

Pro-active exercises are conducted in order to seek out and investigate potential areas of benefit abuse. Such exercises test the effectiveness of benefit control systems and highlight possible areas of weakness.

To maximise referrals and highlight benefit fraud issues, regular fraud awareness sessions are held for both Council employees and external partners.

Where appropriate, it is also the practice of the team to co-operate with other agencies (Department for Works and Pensions; Police; other Local Authorities), in order to maximise results. Joint working liaison meetings are regularly held to ensure best practice is adhered to. The Fraud Team is an active member of the Local Authorities Investigation Officer Group (LAIOG) and uses the services provided by the organisation.

The Benefit Fraud Team conducts sanctions against proven fraudsters and publicises cases that result in the prosecution of offenders.

As a reflection of this Strategy, the Fraud Team will develop quality procedures that form part of its procedure manual. The Team also refers closely to the Fraud Investigators Manual issued by the Department for Works and Pensions.

As part of the audit plan, a number of days will be used by internal and external audit to examine internal procedures and guard against internal fraud and to make sure that we are complying with policies and checks.

Training and Resources

For the introduction of any new or revised strategy or framework to be successfully implemented and embedded throughout the Council, we need to ensure that adequate resources and training needs are identified.

All members of staff and contractors have received a leaflet explaining how fraud can be reported and this will be updated and reissued annually.

Awareness on fraud is included as part of the Council's Induction process for all new staff.

Risks of not embedding the Counter Fraud Policy

There are potential threats that will stop us from embedding this Strategy:

- Lack of clear processes and procedures for investigating fraud
- Staff not reporting any allegations
- Not adequately seeking redress for any proven allegations
- Not following Police and Criminal Evidence Act Codes of Conduct or the Regulation of Investigatory Powers Act 2000
- Not following policies and procedures aimed at reducing the risk of fraud.

Embedding the Process

We will ensure that we communicate and inform all staff and Members of the strategy, the importance of reporting alleged fraud and of following the fraud procedure.

We will also ensure that there are links to other relevant strategies.

Internal System

DOCUMENT ENHANCEMENT FOR THE VISUALLY IMPAIRED OR TRANSLATION FROM ENGLISH IS AVAILABLE ON REQUEST.

TELEPHONE: 01427 676578

OR E-MAIL: customer.relations@west-lindsey.gov.uk

INFORMATION REGARDING EQUALITY AND DIVERSITY CAN BE ACCESSED FROM OUR WEBSITE AT West-Lindsey.gov.uk

West Lindsey District Council

The Guildhall

Marshall's Yard

Gainsborough

Lincolnshire DN21 2NA

Telephone: (01427) 676578

Fax: (01427) 675170

Counter Fraud, Corruption and Money Laundering Work Plan

Generic Area of Action	Task/Objective	Lead Officer	Target Date	Completed/current position
Counter Fraud Arrangements	<ol style="list-style-type: none"> 1. Counter fraud risk assessment – refresh with officers and consider Governance and Audit member training and awareness raising. 2. Counter fraud work plan agreed by Governance and Audit Committee. 	Carol deHaney	January 2014	
	<ol style="list-style-type: none"> 3. Develop County wide approach through Lincs Fraud Group 		Update whether the County wide group is current	
	<ol style="list-style-type: none"> 4. Annual review of policies covering sanctions and redress in enforcement policy to include civil penalties. 		January 2014	
Creating an anti-fraud culture	<ol style="list-style-type: none"> 5. Presentations – Introduce information about Counter Fraud and corruption arrangements to all new staff 6. Leaflets <ul style="list-style-type: none"> • Send out Counter Fraud, Corruption and money laundering leaflet to all staff • Distribute Counter Fraud, Corruption and money laundering leaflets to contractors and partners 7. Articles and Newsletters – submit one article in the staff newsletter 		December 2013	

Generic Area of Action	Task/Objective	Lead Officer	Target Date	Completed/current position
	8. Develop Counter Fraud, Corruption and Money Laundering Intranet Site <ul style="list-style-type: none"> • Develop and maintain information on the Intranet • Develop and maintain information on the website 9. CF Awareness Survey <ul style="list-style-type: none"> • CF Awareness Survey 		April 2014 Once coms and leaflet etc June 2014	
Deterring Fraud	10. Publicise all prosecutions ongoing through press releases 11. Produce targeted publicity to stress zero tolerance		Ongoing March CT Booklet	
Preventing Fraud	12. Produce annual report to Audit Sub-Committee on instances of fraud to incorporate review and appraisal of effectiveness. 13. Liaison with Internal Audit (IA) <ul style="list-style-type: none"> • Regular liaison with Internal Auditors to identify control weaknesses with specific fraud risks • Ensure Internal Auditors are aware of proactive counter fraud work plan and investigations • Liaise with Internal Auditors on outcome of investigations that highlight any weaknesses in current procedures 		June 2014 6 monthly	
Detecting Fraud	14. Ensure that the Fraud Strategy complies with the National Fraud Initiative and reflects best practice	Monitoring Officer	Annually - June	

Generic Area of Action	Task/Objective	Lead Officer	Target Date	Completed/current position
	<ul style="list-style-type: none"> • Complete proactive work as required by NFI • Risk score and identify allegations pointing to potential fraud 			
Investigating Fraud	15. Carry out investigations in line with relevant procedures legislation and guidance 16. Ensure that officers have the relevant training through needs assessment and training plan 17. Incorporate review and assessment of effectiveness post case 18. Cases to be reviewed by Officer in Charge		Ongoing	
Seeking to apply sanctions where fraud is proven	19. Maintain a close working relationship with Human Resources re parallel sanctions – civil, disciplinary and criminal 20. Ensure that investigations are to a criminal standard			
Supplying information so that redress may be sought	21. Take appropriate action to secure redress: <ul style="list-style-type: none"> • Identify losses to the Council and seek to ensure that funds and assets remain within the Council • In all cases where losses are identified seek to recover funds where possible 		Ongoing	