



**FAREHAM** BOROUGH  
COUNCIL

[www.fareham.gov.uk](http://www.fareham.gov.uk)

# **ANTI-FRAUD AND CORRUPTION POLICY**

**Version 7.1 (Dec 2009)**

# TABLE OF CONTENTS

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>4</b>
<b>2.</b>	<b>DEFINITIONS.....</b>	<b>4</b>
	Theft .....	4
	Fraud .....	4
	Corruption .....	5
	ICT Fraud and Abuse .....	5
<b>3.</b>	<b>COUNTER FRAUD STRATEGY .....</b>	<b>5</b>
	Maintaining an Integrated Framework .....	5
	Link to Council's Strategic Objectives .....	6
	Link to Risk Management and Control Assurance .....	6
<b>4.</b>	<b>CULTURE AND STRUCTURES .....</b>	<b>7</b>
	Propriety .....	7
	Key Structures and Roles.....	7
	Employee Conduct .....	9
	Member Conduct .....	9
	Training and Development .....	10
	Liaison with Others .....	10
<b>5.</b>	<b>DETERRENCE.....</b>	<b>11</b>
<b>6.</b>	<b>PREVENTION .....</b>	<b>11</b>
	Internal Control Systems .....	11
	Key Policies .....	12
	Management of Employees .....	13
	Fraud Warnings.....	13
	Housing and Council Tax Benefits.....	14
	Planning Applications .....	14
<b>7.</b>	<b>DETECTION.....</b>	<b>14</b>
	Whistleblowing .....	15
	Council Complaints .....	15
	National Fraud Initiative.....	15
	Probity Audits .....	15
	Standards Board Referrals .....	15
	Benefit Referrals .....	16
	ICT System Monitoring.....	16
	Income Shortfalls .....	16
<b>8.</b>	<b>INVESTIGATION.....</b>	<b>17</b>
	Initiating Investigations.....	17
	Carrying out Investigations.....	18
<b>9.</b>	<b>SANCTIONS AND REDRESS .....</b>	<b>18</b>

## STATEMENT OF COMMITMENT

Fareham Borough Council spends nearly £50 million each year providing a diverse range of services that affect the lives of the Borough's residents, businesses and visitors. It is essential that the Council protects and preserves its ability to provide these services by ensuring that its assets, both tangible and intangible, are protected against all risks of loss and damage.

The risk of loss through theft, fraud or corruption, both internal and external, is recognised nationally as a part of business life that needs to be managed effectively. This Council is committed to reducing such losses to a minimum throughout the organisation by using a fully integrated approach to maximise the prevention, deterrence and detection of fraud and corruption. All actions necessary will also be taken if fraud and corruption is suspected including actions to recover losses and punish those responsible.

This Anti-Fraud and Corruption Policy details our approach to managing the risk of fraud and corruption. It has the full support of the Executive Leader and Chief Executive Officer and the co-operation and commitment of all members and employees is expected.

Members and employees should always act honestly and with integrity and not take advantage of any situation for personal gain, for themselves, members of their family or friends.

It is also the responsibility of all members and employees to have regard for the risk of fraud and corruption, both external and internal, when carrying out their duties, recognising that such a risk, if uncontrolled, can result in a drain on resources that could better be directed to front line service provision, and to achieving the Council's objectives.

Councillor Seán D.T. Woodward  
Executive Leader

Peter K. Grimwood  
Chief Executive Officer

## 1. INTRODUCTION

- 1.1 The purpose of this policy is to clarify to members, employees, the general public and other organisations what the Council's policy and approach is to fraud and corruption.
- 1.2 Our approach is to effectively manage the risk of theft, fraud and corruption and minimise the losses incurred by:

Maintaining a fully integrated and on-going counter fraud **strategy**.  
Promoting a **culture** of honesty and propriety.  
Maintaining appropriate Anti-Fraud and Corruption **Structures**  
**Detering** would be fraudsters.  
**Preventing** fraud that can not be deterred.  
**Detecting** fraud that can not be prevented.  
Professionally **investigating** fraud that is detected.  
Applying **sanctions** against people who commit fraud.  
Seeking **redress** for assets defrauded.

- 1.3 The sections below detail each of these components of our framework. [Appendix A](#) summarises all the related policies and documents in the Council that support the anti-fraud and corruption culture of the organisation, and which are referred to in this policy and denoted by underlining.

## 2. DEFINITIONS

- 2.1 This policy is designed to cover risks associated with theft, fraud, corruption including ICT fraud and abuse, whether they are perpetrated by employees, councillors, FBC residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.

### Theft

- 2.2 This is defined as: *"appropriating property belonging to another with the intention of permanently depriving the other of it"*.

### Fraud

- 2.3 This has been formally defined by the Audit Commission as: *"the intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain"*.
- 2.4 The Fraud Act 2006 describes 3 methods of committing fraud:

Fraud by misrepresentation.  
Fraud by failing to disclose information.  
Fraud by abuse of position.

## **Corruption**

- 2.5 This has been defined as: *"the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person"*.
- 2.6 In addition, the legislation relating to corrupt practices in public bodies also describes *"forbearing to do anything for reward"* as corrupt.

## **ICT Fraud and Abuse**

- 2.7 Although there is no general definition of ICT fraud and abuse in circulation as such the Audit Commission have devised the following list to determine the different acts that it covers:

<b>Type of Fraud or Abuse</b>	<b>Ways of Committing it</b>
<b>Business Disruption</b>	Virus infections / denial of service Hacking Sabotage
<b>Reputational Damage</b>	Accessing inappropriate material Invasion of privacy Using unlicensed software
<b>Financial Loss</b>	ICT related fraud <ul style="list-style-type: none"><li>• Unauthorised alteration of input</li><li>• Destroying, stealing or suppressing output</li><li>• Making unapproved changes to stored information</li><li>• Amending or misusing programs</li></ul> Using ICT facilities for private work Theft of information

## **3. COUNTER FRAUD STRATEGY**

### **Maintaining an Integrated Framework**

- 3.1 The Council's policy is to take a fully integrated approach to preventing, deterring, detecting and investigating internal and external theft, fraud and corruption.
- 3.2 A Counter Fraud Strategy will be maintained which will contain an assessment of the fraud risks to the Council and will include a programme of work designed to maintain and improve the framework in line with best practice.

- 3.3 The emphasis will, however, be on prevention through the measures described later in this policy and appropriate induction and training of employees and members.
- 3.4 The policy will apply to all areas of the Council and should be inherent in all service strategies and procedures. Managers at all levels are responsible for the communication and implementation of this policy in their work area and ensuring their employees are familiar with all appropriate rules and procedures.
- 3.5 As a major source of risk to this Council, the corporate policy and strategy will be supported by a specific Anti-Fraud Policy and Awareness Strategy in relation to Housing and Council Tax Benefits.

#### **Link to Council's Strategic Objectives**

- 3.6 Maintenance of this policy supports the Council's corporate objective to be "*a dynamic, prudent, progressive and best practice Council*" by demonstrating effective management of the risk of fraud and corruption and also by minimising the losses incurred.
- 3.7 The measures put in place will need to be balanced with their impact on the cost of service provision. However, reducing losses through fraud and reducing the need to spend time investigating suspected cases will free up resources for further service provision.
- 3.8 Success in achieving this objective will be measured by the expected outcome that we have "*confidence that the Council is effective in countering fraud and corruption*".
- 3.9 The indicators, as given in [Appendix B](#), will be used to measure the success of the Counter Fraud Strategy.

#### **Link to Risk Management and Control Assurance**

- 3.10 Theft, fraud and corruption are seen as business risks for this Council and therefore are being managed as part of the Council's risk management framework as follows.
- 3.11 **Corporate Risk Register:** The risk of internal or external fraud and corruption is included on the Corporate Risk Register and so is subject to the normal corporate monitoring and review arrangements.
- 3.12 **Fraud Risk Register:** The corporate risk is supplemented by a specific register of all the individual fraud and corruption threats faced by the Council's services which is used to set the areas of audit fraud testing for the year.
- 3.13 **Control Assurance:** Departments are required to report each year on the adequacy of arrangements in their department to minimise the risk of fraud and corruption.

- 3.14 The Nominated Chief Officer with responsibility for Counter Fraud and Head of Audit and Assurance will conduct an annual review of the adequacy of our arrangements to manage the risk of fraud and corruption and report on their findings to the Chief Executive's Assurance Group and the Audit Committee.

## 4. CULTURE AND STRUCTURES

### Propriety

- 4.1 The Council is committed to sound corporate governance and supports the "Nolan 7 Principles of Public Life" covering: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.
- 4.2 The Council will do everything possible to promote honesty and oppose fraud and corruption in all its work.
- 4.3 Members and employees are expected to:
- act with integrity, honesty and propriety in all their dealings as a Council representative and lead by example;
  - carry out their duties to the best of their ability for the benefit of the Council and not to take advantage of any situation for personal gain, for themselves, members of their family or friends;
  - take the risk of both internal and external fraud seriously and to follow systems and procedures designed to prevent or detect fraudulent activity;
  - secure all passwords, information, documents, money, equipment etc. in their control which can be stolen or used to perpetrate fraud.
- 4.4 Most professional bodies issue their own rules or policies on ethics and standards and employees also have a professional obligation to familiarise themselves and adhere to these. The Council will support all employees in their observance of such rules and policies.
- 4.5 Residents, other members of the public, suppliers and contractors will be expected to act with integrity in their business with the Council and not to behave dishonestly to the detriment of the Council.

### Key Structures and Roles

- 4.6 This policy recognises the following key structures and roles in relation to the Anti-Fraud and Corruption Framework.
- 4.7 **Standards Committee:** The Council has established a Standards Committee in accordance with national guidance whose role is "*to advise on an internal framework of ethical governance and to promote the required standards of conduct amongst members*".

- 4.8 In accordance with the Local Government Act 2000, 25% of the Committee, including the chairman, consists of independent members who are neither councillors nor officers of the Council.
- 4.9 **Audit Committee:** The Council has established an Audit Committee in accordance with national guidance whose role is *“to provide independent assurance of the adequacy of the Council’s risk management framework and associated control environment and to provide effective leadership on audit and governance issues”*.
- 4.10 In accordance with best practice guidance the chairman of this committee does not routinely chair either the Executive or Scrutiny Board.
- 4.11 **Section 151 Officer:** The Acting Chief Finance Officer has the statutory responsibility, under Section 151 of the Local Government Act 1972, *“to ensure the proper arrangements of the Council’s financial affairs”*. Proper arrangements include appropriate rules and procedures and employing well trained professional staff.
- 4.12 **Monitoring Officer:** The Solicitor to the Council has the statutory responsibility under Section 5 of the Local Government and Housing Act 1989 to *“to make a report to all members of the Council or the Executive, as appropriate, if it appears that any proposal or decision of the authority or any of its bodies or officers has given rise to or would give rise to a contravention of the law”*. This includes a duty to formally report if the Council, or its employees with delegated authority, act unlawfully.
- 4.13 **Counter Fraud Team:** Fareham Borough Council currently maintains a counter fraud team of appropriately qualified individuals to carry out investigations as needed. They also carry out a proactive programme of work in accordance with the Counter Fraud Strategy aimed at maintaining and strengthening all elements of the framework.
- 4.14 A member of the team is an Accredited Financial Investigator under the National Policing Improvement Agency scheme. This allows the Council access to some additional investigatory powers under the Proceeds of Crime Act, including accessing information held by banks and building societies.
- 4.15 **Internal Audit:** Fareham Borough Council currently maintains an audit establishment of approximately 3.5 auditors using in-house and external resources. The Audit team carry out reviews of the adequacy of controls in systems to prevent fraud, amongst other risks, and report on control weaknesses found. They also carry out a few probity tests on the Council’s transactions to confirm they are appropriate.
- 4.16 **External Audit:** Part of the External Auditor’s statutory duties is to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud and corruption. Complaints of fraud and corruption can be taken directly to the External Auditors for the Council.



- 4.17 **Housing Benefit Fraud Investigators:** Fareham Borough Council has a dedicated team of investigation officers who are accredited Counter Fraud Officers through the National Professionalism in Security qualifications (foundation and advanced).
- 4.18 They are also "Authorised Officers" and therefore are able to use investigative powers in accordance with the Social Security Administration Act 1992. A detailed work plan is in place for the team, based on the guidance contained within the DWP Action Plan for Tackling Fraud and Error.
- 4.19 **Management and Communication:** Anti-Fraud and Corruption information and documents are maintained corporately on the corporate filing system and the intranet.

### **Employee Conduct**

- 4.20 **Policies:** All employees shall be made aware of and are expected to follow relevant council policies including:

Employee Code of Conduct and Disciplinary Rules  
Contract Standing Orders  
Procurement Guiding Principles  
Financial Regulations.  
Information Management Policies  
Code of Practice for Confidential Reporting (Whistle blowing).

- 4.21 **Induction:** Managers should ensure that new employees receive appropriate induction training which includes what is required of them in relation to anti-fraud and corruption. An anti-fraud and corruption briefing sheet is attached to the Council's induction checklist and is required to be read by all new employees.

### **Member Conduct**

- 4.22 **Policies:** Both elected and non-elected members are expected to operate within:

The Code of Conduct for Members adopted by the Council under the Local Government Act 2000 and revised in 2007.  
The Council's Standing Orders.  
The Council's Financial Regulations.  
Any Information Management Guides for Members.

- 4.23 **Induction:** New members will receive appropriate induction training covering issues pertinent to this anti-fraud and corruption policy. They will also be required to sign that they will observe the Code of Conduct for Members.

### **Training and Development**

- 4.24 All employees and managers involved with counter fraud activity should be appropriately trained for their role. Appropriate professional accreditation of key employees will be sought where appropriate.
- 4.25 A regular review of the skills base will be maintained and refresher courses attended as necessary.
- 4.26 An Anti-fraud and Corruption awareness plan will be maintained in order to maintain standards of conduct and awareness in relation to fraud and corruption responsibilities amongst employees and members.
- 4.27 This will be supplemented with a plan for continuous training and development of counter fraud skills as part of the Counter Fraud Strategy.

### **Liaison with Others**

- 4.28 Arrangements will be encouraged to ensure the open exchange of relevant information to ensure officers are fully aware of potential fraudulent and corrupt activities which have occurred elsewhere and could occur against this Authority.
- 4.29 Other bodies which share a common interest in this topic include:
- the External Auditor;
  - the Standards Board for England;
  - the Local Government Ombudsman;
  - the Department for Works and Pensions;
  - the Police Authority;
  - professional bodies such as the Chartered Institute of Public Finance and Accountancy.
- 4.30 Existing forums where these matters are discussed include:
- bi-monthly meetings of the Chief Financial Officers in Hampshire;
  - professional meetings in the local area, mainly attended by internal audit and benefits fraud staff;
  - specific seminars arranged by such bodies as the Audit Commission or CIPFA.

4.31 Specific anti-fraud support is provided by the following bodies:

National Anti-Fraud Network (the Council is a subscribing member);  
CIPFA Better Governance Forum – Fraud stream (the Council is a subscribing member);  
Hampshire Fraud Sub-Group;  
Public Eye on Fraud email group.

## **5. DETERRENCE**

- 5.1 The best deterrent is a clear framework of procedures and responsibilities which make fraud and corruption hard to perpetrate and will be likely to disclose fraud and corruption at the earliest opportunity.
- 5.2 The council's framework will include clear guidance on investigation of all allegations and ensure sufficient professional resources are available for detection.
- 5.3 The police will invariably be informed in cases where a criminal offence may have been committed. Complaints against members will be referred to the Standards Board for England.
- 5.4 It is the Council's policy to publicise all successful prosecutions for fraud and corruption.
- 5.5 The existence of such a competent response should give a strong warning to any person contemplating acting dishonestly against the best interests of this Council.
- 5.6 In addition the Council will publish a quarterly fraud newsletter to members and employees featuring local and national cases which highlight the consequences for committing fraud.

## **6. PREVENTION**

### **Internal Control Systems**

- 6.1 Appropriate policies and procedures will be maintained to ensure that internal controls designed to prevent or detect fraud and corruption are built into the Council's systems of operation.
- 6.2 However, the cost of controls will be balanced against the cost to service provision in relation to the risks posed.
- 6.3 All employees shall be made aware of and be expected to adhere to any internal control system designed to prevent or detect fraud and corruption.

- 6.4 The Council's ongoing training and development programme should regularly cover internal control systems relevant to the employee's responsibilities.
- 6.5 All employees are also required to bring any concerns they have on the adequacy of control measures to the attention of their line manager.
- 6.6 Each year the approved internal audit plans are designed to prioritise resources to those activities at greatest risk but also to ensure that most services are audited at some time over a five year cycle.
- 6.7 A significant amount of routine audit work concentrates on fraud prevention by examining and testing the adequacy of system controls and reporting on control weaknesses found and actions required.
- 6.8 Any systems failures found as a result of a fraud investigation will also be reported to the appropriate manager and action agreed to prevent recurrence.

### **Key Policies**

- 6.9 **Financial Regulations:** A full set of Financial Regulations and support documents stipulating appropriate operational procedures are maintained by internal audit for easy employee and member reference. These are reviewed annually to ensure they are still appropriate to the workings of the Authority.
- 6.10 Key Financial Regulations in relation to anti-fraud and corruption are:
  - Regulation 3: Responsibilities of Other Officers, Employees & Agents
  - Regulation 4: Authorisation Limits
  - Regulation 10: Risk Management – 10.4 Fraud and Corruption
  - Regulation 10: Risk Management – 10.5 Financial Irregularity
  - Regulation 11: Audit Arrangements - 11.2 Powers of Auditors
  - Regulation 13: Fixed Assets – 13.5 Disposal of Assets
  - Regulation 15: Contracts and Procurement Procedures
  - Regulation 18: Payments to Employees and Members
  - Financial Regulation Support Document 17 – Gifts and Hospitality
  - Financial Regulation Support Document 18 – Propriety and Probity
  - Financial Regulation Support Document 19 – Registers of Interest
- 6.11 **Contract Standing Orders:** The Contract Standing Orders are maintained by the Monitoring Officer for employee and member reference on appropriate procedures to follow when purchasing goods and services. These are reviewed regularly to ensure they are still appropriate to the workings of the Authority.
- 6.12 **Information Security Policy:** This policy is maintained by the Information Officer and defines what is expected of the Council, its employees and elected members in respect of keeping the Council's information systems and data secure.

- 6.13 **Key Policy Induction:** The key policies are included in the employee induction process and they are required to confirm that they have been inducted on the key policies and understand how they apply to them.
- 6.14 In addition all permanent, temporary, casual and contract employees are required to sign an Information Management and ICT Compliance Form.
- 6.15 **Key Policy Publicity:** Key policies are also available publicly along with this policy as part of the Council's constitution and on the Council's intranet and member's extranet pages. Any changes to the policies are widely publicised.
- 6.16 **Policy Compliance Survey:** An annual policy compliance review is carried out to ascertain service understanding and compliance with the policies and identify any areas where action is needed. This will include a specific counter fraud control questions each year.
- 6.17 The internal audit team also monitors the effectiveness and operation of key policies and reports on any breaches found to the managers concerned. The number and type of breaches found are also compiled as an assurance indicator as part of the Head of Audit's annual report.

### **Management of Employees**

- 6.18 **Pre-Employment Screening:** Appropriate screening, as stipulated in the Recruitment & Selection Policy, will be used before the employment of new employees. In particular written references will be sought and any internal or external offer of appointment must be subject to receipt of satisfactory references regarding known honesty and integrity.
- 6.19 After starting at the council, employees are required to bring to their manager's attention any new criminal convictions.
- 6.20 **Interests, Gifts and Hospitality:** As part of the induction process, relevant employee interests will be ascertained in accordance with the Guidelines on Registering Interests.
- 6.21 After starting at the council, employees are required to register any subsequent interests or incidents of Gifts and Hospitality using a specifically designed process. However, Gifts and Hospitality can only be accepted in accordance with the Council's guidelines.
- 6.22 The registration process produces an annual reminder to the manager to take appropriate action to manage any conflicts of interest in the operation of their service.

### **Fraud Warnings**

- 6.23 The counter fraud audit team formally manages any fraud warnings it receives on potential external threats or attacks that have occurred in

other organisations in order to identify or prevent similar incidents occurring at this Council.

- 6.24 A log of any companies associated with these threats is maintained. This is referred to by the designated “Spend Group Managers” as part of their procure to pay processes and before a new supplier is set up enabling payments to be made.

### **Housing and Council Tax Benefits**

- 6.25 The Benefits team have adopted a number of specific anti-fraud prevention measures, as stipulated in their own Benefit’s Anti-Fraud Policy, which include:

**Plain English:** adoption of plain English wherever possible for benefits documentation.

**Verification:** obtaining original documentation when assessing benefit entitlement and proof of identity when the claimant first applies.

**Electronic Payments:** encouraging the use of electronic payments as opposed to cheques; Claimants and landlords are encouraged to accept payments by electronic transfer, so that payments are made directly to bank/building society accounts.

**Random Checks:** regular random checking of claims is undertaken to ensure that claims have been processed correctly and that all supporting documentation is correct.

**Redirected Mail:** use of the redirected mail service to prevent payments being directed to a claimant who has left a residence.

### **Planning Applications**

- 6.26 Propriety in relation to planning applications is maintained by a clear scheme of delegation of decisions which can be taken by Directors as opposed to the Development Control Committee. All decisions in relation to an employee, councillor, or close relative of either, have to be disclosed and taken by the Committee.
- 6.27 The Council has also adopted guidance for members and officers dealing with planning matters and procedures to be followed where more than half of the members of the committee declare personal interests.

## **7. DETECTION**

- 7.1 Appropriate systems of internal control will be built into procedures in order to detect fraud and corruption. The following specific systems of fraud detection will also be used.

### **Whistleblowing**

- 7.2 The Council will encourage any individual to raise, with the appropriate officer, genuine worries regarding the integrity of anyone acting on behalf of, or in business with, the Council. To this end it has adopted a Code of Practice on Confidential Reporting (aka the “whistle blowing policy”) which affords certain protections for employees reporting concerns.
- 7.3 Forms are made available on the intranet to allow concerns to be documented by the person making or receiving the suspicion.
- 7.4 Failure to report any suspicions of financial irregularity will be dealt with under the Council's disciplinary procedures.
- 7.5 Contractors with the Council are also encouraged to raise genuine concerns as part of their contract terms and conditions.

### **Council Complaints**

- 7.6 Members of the public are encouraged to report genuine concerns through the appropriate channels.
- 7.7 The Council has a formal Complaints Procedure which can deal with a wide range of issues including allegations of fraud and corruption. Alternatively the complaints can be taken directly to the independent Local Government Ombudsman or the Standards Board for England.

### **National Fraud Initiative**

- 7.8 The Council will take an active part in the National Fraud Initiative organised by the Audit Commission. This involves submitting data for matching with that of other organisations and following up promptly any matches received back.

### **Probity Audits**

- 7.9 Specific time will be allocated in the Internal Audit Plan to carrying out probity audits aimed specifically at identifying irregularities or providing assurance that they do not exist.
- 7.10 This work is determined from a risk assessment of the sources of fraud and corruption within the Counter Fraud Strategy.

### **Standards Board Referrals**

- 7.11 Complaints about the conduct of members which involve possible breaches of the Council's Code of Conduct for Members are first considered by the Standards Board for England who may then refer these to the Monitoring Officer for local determination.

## **Benefit Referrals**

- 7.12 The Benefits team have adopted a number of additional detection measures, as stipulated in their own Benefit's Anti-Fraud Policy, which include:

**Telephone Hot Line:** use of a dedicated fraud telephone hot-line, on-line form and email address.

**DWP Partnership:** a Partnership Agreement has been agreed with the DWP. This agreement sets out the principles for effective partnership working between the DWP Fraud Investigation Team and the Local Authority.

**Interventions:** using risk based data on claims as provided by the DWP on a monthly basis and local based risk criteria to carry out reviews of existing benefit claims. They will also undertake specific checks on claims and request ad-hoc data scans.

**Data Matching:** Fareham's benefits data is matched against other data sources (internal and external) to identify inconsistencies that may indicate the existence of incorrectness on a Housing and/or Council Tax Benefit award.

**Targeting Specific Groups:** if a high level of benefit fraud is established within a particular area or amongst a particular group, it may be appropriate to carry out a detailed review to ensure that there are no further cases.

## **ICT System Monitoring**

- 7.13 The Council will monitor the use of the Internet and the contents of e-mail and file transfers that pass through its networks. This includes incoming, outgoing and internal mail. Monitoring of e-mail is automated, and e-mails which fail the tests set up or which require further inspection, will be checked by authorised staff.
- 7.14 Internet access is continually monitored with regular reports sent to managers detailing individual internet activity.

## **Income Shortfalls**

- 7.15 Services are required to complete a standard form if any cash-ups or reconciliations identify an income imbalance of £25 or more, and these are forwarded to Internal Audit for investigation as appropriate.

## **Money Laundering Reports**

- 7.16 Any payment made at the Council by cash over £2,000 should be recorded and checked in accordance with the Council's Money Laundering Policy.



- 7.17 Where the transaction is considered unusual or the identification of the payee cannot be verified then a Suspicious Activity Report will be submitted to the Serious Organised Crime Agency.

## **8. INVESTIGATION**

### **Initiating Investigations**

- 8.1 It is the responsibility of the Nominated Chief Officer with responsibility for Counter Fraud to ensure that arrangements are made whereby all identified irregularities are reported to her/him and are properly investigated and the outcomes addressed by the Chief Executive Officer and/or Management Team, and if necessary reported to members.
- 8.2 It is important to establish that:
- there is consistent treatment of fraud and corruption issues;
  - there is proper investigation carried out by suitably qualified officers;
  - this Authority's interests are protected at all times.
- 8.3 It is also essential that the establishment, qualifications and training of the employees involved is such that their work may be relied on by other employees and/or the police when further action or disciplinary procedures are considered.
- 8.4 In particular consideration must be given to the following legislation and their associated codes of practice:
- Police and Criminal Evidence Act 1984 (PACE)
  - Criminal Procedure and Investigations Act 1996 (CPIA)
  - Public Interest Disclosure Act 1998 (PIDA)
  - Human Rights Act 1998
  - Data Protection Act 1998
  - Regulation of Investigatory Powers Act 2000 (RIPA).
  - Proceeds of Crime Act 2002 (POCA)
- 8.5 Therefore employees and members must not start their own investigations into suspected irregularities as this may jeopardise what future action can be taken.
- 8.6 The initial point of contact will, in conjunction with the Chief Executive, Nominated Chief Officer with responsibility for Counter Fraud, Head of Audit and Assurance or Head of Personnel Services, initially establish whether the allegations can be substantiated. Once this has been done, or there is no reason to question the motive of any allegations, the appropriate manager or the Nominated Chief Officer with responsibility for Counter Fraud, will initiate the appropriate investigation.

## **Carrying out Investigations**

- 8.7 Due to their independent status, most detailed investigations into fraud and corruption will invariably be undertaken by the counter fraud team in accordance with the Irregularity Response Plan. A special investigation contingency is maintained in the in-house annual audit plan for this work.
- 8.8 In accordance with the Employee Code of Conduct employees are required to co-operate fully with any investigation process. Conscious misdirection or failure to disclose when asked any keys, equipment, documents, passwords, de-encryption codes or any other item or information needed to assist with a investigation could constitute an act of gross misconduct.
- 8.9 Where the suspicion relates to benefit fraud this will be investigated and sanctions applied by the Benefits fraud team in accordance with the Benefits Anti Fraud Policy.
- 8.10 The Standards Board for England will investigate where a complaint of a breach of the Code of Conduct is made against a member. Local Determinations will be investigated as deemed appropriate by the Monitoring Officer and in accordance with the Standards Committee Determinations procedure.
- 8.11 Where any surveillance activity is required as part of an investigation this will be done in accordance with the Councils Surveillance Policy.
- 8.12 The “*Single Points of Contact*” for this Council in respect of the Regulation of Investigatory Powers (Communications Data) Order 2003 will be the Head of Audit and Assurance and the Head of Revenues and Benefits.
- 8.13 These officers will be trained to access communications data, when needed for an investigation, in accordance with the Home Office guidelines. All requests for communication will be managed in accordance with the Use of Communications Data Policy.
- 8.14 Where financial impropriety is discovered, it is the Council's intention to notify the Police and their advice will be requested concerning the nature of more detailed investigations.
- 8.15 Progress being made on investigations carried out by the counter fraud group will be reported monthly to the Nominated Chief Officer with responsibility for Counter Fraud.

## **9. SANCTIONS AND REDRESS**

- 9.1 When an investigation supports the suspicion that fraudulent or corrupt activity has occurred, action will be taken in accordance with the

Corporate Fraud Sanctions and Redress Policy, which requires that wherever possible the following “triple sanction” approach will be taken:

appropriate disciplinary action will be taken in accordance with the Council’s Disciplinary Code of Practice;

criminal proceedings will be brought whenever appropriate;

civil proceedings will be brought to recover lost assets whenever appropriate.

- 9.2 Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body), will also be used wherever appropriate.
- 9.3 Sanctions applied in relation to cases of Housing and Council Tax Benefit Fraud will be applied in accordance with the Benefits Anti-Fraud Policy. Options include formal cautions, administrative penalties and prosecution.

## OVERVIEW OF THE ANTI-FRAUD AND CORRUPTION FRAMEWORK IN THE COUNCIL

### STRATEGY

#### COUNTER FRAUD STRATEGY

Achievements - strategy  
 Achievements - fraud risks  
 Factors affecting the Strategy  
 Adequacy of Arrangements  
 Training and Education  
 3 year Programme of anti-fraud and corruption work  
 3 year Review of Fraud Risks and Risk Assessment  
 Planned Audit Coverage

|

### STUCTURES, CULTURE, SANCTIONS & REDRESS

#### ANTI-FRAUD & CORRUPTION POLICY

Sets culture of honesty and zero tolerance to Fraud  
 Stipulates action will be taken on allegations of impropriety  
 Defines Counter Fraud Structures and Processes  
 Gives overview of mechanisms to prevent and detect irregularity  
 Gives overview of arrangements to investigate irregularities  
 Gives overview of approach to sanctions and redress

#### FRSD 18 – PROPRIETY & PROBITY

Defines what constitutes an act of impropriety  
 Stipulates what level of probity is expected (avoidance of fraud and corruption)  
 Lists the high risk areas that managers and employees need to be aware of

#### FRSD 30 - ANTI-MONEY LAUDERING POLICY STATEMENT & INTERNAL GUIDELINES

Policy outlining how the Council embraces the money laundering legislation

#### BENEFITS ANTI-FRAUD POLICY

Sets council's attitude to benefit fraud  
 Gives overview of mechanisms to prevent and detect fraud  
 Gives overview of arrangements to investigate potential fraud  
 Defines the penalties and actions that can be taken  
 Summarises the responsibilities of the benefits fraud team

Guides on Appropriate Behaviour  
 MEMBERS CODE OF CONDUCT  
 EMPLOYEE CODE OF CONDUCT  
 GUIDELINES ON REGISTERING INTERESTS (employees)  
 GUIDELINES ON GIFTS & HOSPITALITY (employees)

|

### PREVENTION

SCHEME OF DELEGATION  
 FINANCIAL REGULATIONS & SUPPORT DOCUMENTS  
 CONTRACT STANDING ORDERS  
 PROCUREMENT GUIDING PRICIPLES  
 INFORMATION MANAGEMENT POLICIES  
 RECRUITMENT & SELECTION POLICY

|

—

|

—

|

## **DETECTION**

### **FINANCIAL REGULATION 10.5 (Financial Irregularities)**

Specifies duty to report  
Specifies duty to investigate in line with procedure  
Specifies duty to act on problems found

### **CODE OF PRACTICE ON CONFIDENTIAL REPORTING (Whistle blowing)**

Sets culture encouraging suspicions raised through appropriate channels  
Sets protection for the whistle blower  
Defines how to raise a concern  
Defines how to take the matter further

### **COMPLAINTS PROCEDURE**

How complaints can be made  
What to do if complaint received  
How to proceed with formal complaint  
Appeal Process

### **GRIEVANCE PROCEDURE**

Internal employment issues raised by employee

|

—

|

## **INVESTIGATION PROCEDURE**

### **IRREGULARITY RESPONSE PLAN** **(suspicions of internal or external irregularity)**

When to conduct investigation  
Authorisation and monitoring of Investigations  
Reporting procedures

### **FBC INVESTIGATION MANUAL** **(Corporate Fraud)**

How to conduct investigations and enforcement  
Record keeping (evidence etc.)  
Methods of Investigation (surveillance, computer forensics, interviews)  
Post Investigation Procedures

### **DWP LOCAL AUTHORITY FRAUD INVESTIGATORS CODE OF PRACTICE** **(Housing & Council Tax Benefits fraud)**

### **DISCIPLINARY CODE OF CONDUCT** **(suspicions of employee misconduct)**

How to conduct employee investigations and disciplinary hearing

### **STANDARDS COMMITTEE DETERMINATIONS PROCEDURE**

How to conduct investigations into member conduct

|

—

|

## Methods of Investigation

### **CORPORATE SURVEILLANCE POLICY**

Authorisation procedures  
Record Keeping  
Corporate Notification

### **USE OF COMMUNICATIONS DATA POLICY**

Authorisation procedures  
SPOC Roles  
Record Keeping

|  
|

## SANCTIONS & REDRESS

### **ANTI-FRAUD & CORRUPTION POLICY**

Gives overview of corporate approach to sanctions and redress

### **CORPORATE FRAUD SANCTIONS & REDRESS POLICY**

Sets out the procedure that the Council will follow when an investigation supports the suspicion that fraudulent or corrupt activity has occurred which could lead to such action being taken

### **BENEFITS ANTI-FRAUD POLICY**

Defines the penalties and actions that can be taken

### **DISCIPLINARY CODE OF CONDUCT**

How to conduct a disciplinary hearing

## MEASURES TO BE USED TO ASSESS THE SUCCESS OF THE COUNTER FRAUD STRATEGY

Required Outcome	Measures of Success
<b>The Counter Fraud Framework supports local and national counter fraud strategies</b>	<p>External and self assessments against best practice.</p> <p>Delivery of Hampshire Fraud Group initiatives.</p> <p>Active participation in the National Fraud Initiative.</p>
<b>Council members and employees act with propriety and in accordance with Council Policies</b>	<p>Interests and Gifts and Hospitality are being readily declared and/or acted upon.</p> <p>Financial Regulations, Contract Standing Order and Asset Disposal Guidelines are not breached.</p>
<b>Employees are aware of their role and responsibilities to fight fraud.</b>	<p>Results of corporate awareness voting and surveys.</p> <p>Control weaknesses found are promptly addressed.</p> <p>Prompt referrals are made to the fraud teams.</p>
<b>Employees and residents are aware of the likely consequences of trying to defraud the Council.</b>	<p>Trends in the number of incidents of local fraud.</p> <p>Success in publicising successful sanctions and redress recovered.</p>
<b>Systems across the Council are designed to adequately prevent and detect fraud.</b>	<p>Fraud audit results collated in Annual Anti-Fraud and Corruption report.</p> <p>% of appropriate sanctions or claims not attempted or unsuccessful due to service procedural issues.</p>
<b>Investigation processes are effective and maximise the potential for sanctions and redress.</b>	<p>% of appropriate sanctions or claims not attempted or unsuccessful due to quality of investigation.</p>
<b>Active and appropriate sanctions and redress action is taken against perpetrators of fraud</b>	<p>Appropriate and consistent reasons exist for cases where sanction and redress not sought.</p> <p>Number of sanctions that are successful.</p> <p>% of fraud losses that are recovered</p>