

Agenda Item No:	8	
Committee:	Audit and Risk Management	
Date:	26 September 2023	
Report Title:	Anti-Fraud and Corruption Policy	

1 Purpose / Summary

The Council requires an updated Anti-Fraud and Corruption Policy, and the attached policy provides the structure and processes that should be adopted by the Council against fraud & corruption.

The Policy was last reviewed in February 2017 (Minute CGC30/17).

2 Key issues

- The Anti-Fraud and Corruption Policy has been reviewed against the CIPFA Code of Practice on “Managing the risk of fraud and corruption 2014”, and
- Aligned to the format of the Anti-Fraud and Corruption Policy of Cambridgeshire County Council.

3 Recommendations

The Audit and Risk Management Committee (ARMC) should review and approve the updated Anti-Fraud and Corruption Policy.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	
Report Originator(s)	David Thacker – Interim Internal Audit Manager
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Amy Brown – Assistant Director, Deputy Monitoring Officer & Data Protection Officer
Background Paper(s)	“Managing the risk of fraud” – CIPFA Code of Practice 2014 “Fighting Fraud and Corruption Locally” – CIPFA Counter Fraud Centre “UK Anti-Corruption Strategy 2017-22” – HM Government “SFIS / Counter Fraud” – Cabinet report C7/15

4 Background / Introduction

- 4.1 The Anti-Fraud and Corruption Policy supports the Council's Local Code of Governance, in particular theme 3 "Promotion and demonstration of good governance values". The Policy is necessary to convey the commitment of the Council to its officers and members.
- 4.2 The Policy states that the Council is committed to sound corporate governance and is determined to prevent and eradicate fraud and corruption. It helps management, with oversight from the ARMC, maintain a culture of ethical behaviour with a strong control environment that both deters and prevents fraud.
- 4.3 Management has an ongoing responsibility to prevent and detect fraud. Internal controls, designed to mitigate fraud risk, are built into our systems and processes.
- 4.4 Internal controls are reviewed for effectiveness as part of the Internal Audit Plan, and fraud and error risk are determining factors in prioritising work.
- 4.5 There is a fraud team, as part of the Anglia Revenues Partnership (ARP), which continually reviews high fraud risk areas of housing, council tax and business rates.
- 4.6 External Audit considers potential for fraud and error when assessing financial statement risk. Review of accounting estimates, accounting journals, revenue and expenditure, provides assurance that the financial statements give a true and fair view.
- 4.7 The Policy has been reviewed to ensure that it remains effective.

5 Policy Update

- 5.1 The Anti-Fraud and Corruption Policy states the practices and activities that the Council undertakes to prevent and detect fraud and corruption.
- 5.2 Guidance and best practice is issued periodically from counter fraud agencies, such as the National Crime Agency, CIPFA, and the Cabinet Office. The Council is keen to maintain an effective policy by implementing good practice and controls as they develop.
- 5.3 CIPFA have produced a voluntary code of practice on managing the risk of fraud and corruption in public service organisations. The code illustrates good governance and operational arrangements to help counter fraud and corruption.
- 5.4 Assessment by the external auditors, and the self-assessment review, provide assurance that the Council has adequate arrangements in place for deterring fraud and responding to allegations of fraud. The Council has recognised the threats posed by the current economic conditions, and has balanced the resources that it has access to in order to mitigate and control the risk.
- 5.5 The Policy has been reviewed and is appended to this report. It continues to enable the Council to deliver and maintain best practice in its arrangements for managing fraud risk.
- 5.6 The table below summarises, and provides information on, how the Council has delivered each aim of the strategy.

Strategic aims	Progress
Aim to identify fraud being perpetrated against this organisation and prevent it.	Fraud risk is recorded on the Corporate Risk register. Management are responsible for identifying risks to their processes and systems. The Internal Audit plan considers fraud risk. The plan is agreed with the Corporate Management Team, Team Managers and the ARMC. Resources are prioritised and the internal controls are evaluated for effectiveness.

<p>Continually appraise our systems and policies for new fraud risks.</p>	<p>Fraud and error risk, and effective internal controls, are considered as part of project management when designing a new system.</p> <p>A cross cutting review of fraud also ensures we can highlight emerging and current risks.</p> <p>Professional networks, such as NAFN, CIPFA, are used to gain intelligence of emerging fraud risks.</p>
<p>Work with partners on tackling fraud that affects us and support the national agenda of fighting fraud.</p>	<p>The Council has approved that a dedicated fraud resource be retained as part of the ARP.</p> <p>The Council works with other public sector bodies in Cambridgeshire and Norfolk, and shares intelligence of emerging fraud risks.</p> <p>The Council participates in the National Fraud Initiative data matching exercise which supports the national agenda of fighting fraud.</p>
<p>Account for the effectiveness of our counter fraud arrangements to the public, partners and national stakeholders.</p>	<p>The Council publicly reports on its anti-fraud and corruption policy and strategy, and accounts for effectiveness of internal controls through the Annual Governance Statement. Where appropriate the Council works with partners and stakeholders, such as the externally appointed auditor.</p>

6 Anti-Fraud and Corruption Performance and Developments

- 6.1 The Council joined the ARP in April 2014 as part of the Council's service transformation. This included counter fraud staff that investigate fraud of council tax discounts and benefits, national non domestic rate discounts, and housing benefits. The Benefit Fraud teams at five ARP partner authorities were combined and have worked as a single team since April 2014. The Welfare Reform Act 2012 led to the creation of the Single Fraud Investigation Service (SFIS) to combine benefit fraud investigators from Councils, the Department of Works and Pensions and Her Majesty's Revenue and Customs into a single welfare benefits fraud investigation service. ARP investigators transferred in September 2015. The ARP Joint Committee agreed that a permanent fraud team should be retained, to review non-benefit related fraud, subject to the approval of ARP Partner Councils. This was agreed by Cabinet in June 2015 (C7/15). The fraud investigation service re-affirms the partnerships stance on fraud, with the capability to investigate Council Tax / Business Rate discounts, reliefs and exemptions, Council Tax Support, Housing applications and Tenancy fraud on behalf of social housing providers.
- 6.2 The Local Audit and Accountability Bill contained provision for the closedown of the Audit Commission. Consequently their counter fraud staff and functions transferred to other public bodies such as the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Cabinet Office. The Councils Internal Audit team extract data from Council systems, so that it can be processed through a national data matching service known as the National Fraud Initiative (NFI). It flags up inconsistencies in data that may indicate fraud and error, helping Councils to complete proactive investigation. Data is matched nationally and this work has identified £1.17 billion of local authority fraud, errors and overpayments since 1996. The NFI data matching exercises transferred to the Cabinet Office on 1 April 2015, enabling both ARP and Internal Audit to continue investigating potential matches. The Council has carried out the current exercise to the deadlines set by the Cabinet Office, and is currently working through the matches. This is a good achievement and the process continues to provide positive assurance that internal controls continue to operate effectively.
- 6.3 The Council is a member of the National Anti-Fraud Network, a public sector service which provides data and intelligence on fraud. There has been an increase in reports of corporate fraud attempts against Councils, such as "mandate fraud", "whaling" and "social engineering". Increased attempts suggest that fraudsters are hoping to take advantage of Councils, where reductions in resources could have weakened internal controls. No frauds of this type have been detected, which provides assurance that controls continue to operate effectively.
- 6.4 The Council maintains an Intranet page which provides guidance on managing fraud and corruption risks. This has been updated so that topical risks can be effectively communicated to employees. Internal Audit have considered fraud risks as part of the Audit Plan, proactively shared intelligence, and developed awareness so that all employees can be prepared as possible.
- 6.5 The Home Office conducted a pilot programme to explore the threat from Serious and Organised Crime to publicly procured services in Local Government. From this report some intervention strategies have been suggested to help reduce vulnerabilities identified in the pilot which will be adopted by the Internal Audit team. These include, establishing a Police contact, which is being done in collaboration with the Cambridgeshire Auditing Group, utilising a new auditing tool and checklist to scrutinise business operations to establish where there may be vulnerabilities and the creation of a non-involvement in Serious & Organised Crime Statement for use in invitations to tender as part of the public procurement process.

- 6.6 Following on from the Serious Organised Crime pilot programme the Home Office has introduced the 'UK Anti-Corruption Strategy 2017-22'. This strategy works towards achieving three long term goals of;
- Reduced threat to our national security, including from instability caused by corruption overseas
 - Increased prosperity at home and abroad, including for UK businesses
 - Enhanced public confidence in our domestic and international institutions

This strategy has been reviewed and considered in the Council's Anti-Fraud and Corruption Policy.

7 Outcomes

- 7.1 The Council completes both proactive and responsive work in managing the risk of fraud. We have participated in data matching exercises, plus used data and intelligence from partners and professional bodies, to proactively identify any potential cases of fraud and error.
- 7.2 Fraud risks have been routinely considered as part of the Council's Risk Management framework.
- 7.3 The Internal Audit Plan has evaluated fraud risks, to focus resources effectively on the most important internal control systems.
- 7.4 The outcome of this work provides assurance for the Annual Governance Statement.

8 Effect on corporate objectives

- 8.1 The Anti-Fraud and Corruption Policy is part of the Council's Local Code of Governance which supports the Quality Organisation corporate objective.

9 Conclusions

- 9.1 The Anti-Fraud and Corruption Policy sets out the Council's approach to managing the risk of fraud and error. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Anti-Fraud & Corruption Policy



Anti-Fraud and Corruption Policy

FENLAND DISTRICT COUNCIL IS COMMITTED TO A ZERO-TOLERANCE STANCE ON FRAUD AND CORRUPTION.

ANTI-FRAUD & CORRUPTION POLICY STATEMENT

This statement sets out Fenland District Council's (the Council's) policy in relation to fraud and corruption. It has the full support of both the Council's Senior Management, in the form of the Chief Officers, and elected members.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets. To achieve the objectives set out within the Council's Business Plan 2023-24, the Council needs to maximise the financial resources available to it. In order to do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption and other forms of financial irregularity.

The Council advocates **strict adherence** to its anti-fraud framework and associated policies. In many cases this would be a **zero-tolerance** approach to all forms of fraud, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine the standards of public service that the Council seeks to achieve.
- Reduce the level of resources and services available for the residents of Fenland; and
- Result in major consequences which reduce confidence in the Council.

This policy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council with regards to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

The policy provides overarching governance to the Council's suite of counter fraud policies and procedures which include:

- Employee Whistleblowing Policy
- Gifts & Hospitality Policy
- Declaration of Personal Interests
- Anti-Money Laundering Policy
- Procurement Policy
- Risk Management Policy & Strategy
- Information Security & Acceptable Use Policy

This policy adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014 (The Code). The Code requires leaders of public sector organisations to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management.

The five key elements of CIPFA Code are to:

- Acknowledge the responsibility of the governing body – in the Council's case Elected Members and the Corporate Management Team (CMT) – for countering fraud and corruption.
- Identify the fraud and corruption risks.
- Develop an appropriate anti-fraud and corruption policy.
- Provide resources to implement the policy.
- Take action in response to fraud and corruption.

Anti-Fraud and Corruption Policy

The five elements link to five key themes: **Govern, Acknowledge, Prevent, Pursue and Protect**, contained within the Local Government Fraud Strategy: Fighting Fraud Locally (2020):

Govern – Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.

Acknowledge – Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance.

Prevent – Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its activity and successes.

Pursue – Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.

Protect – Protecting itself and its residents. Recognising the harm that fraud can cause in the community. Protecting itself and its residents from fraud.

The aims of this policy are to:

- Help Council staff identify when there are reasons to suspect fraud or corruption.
- Enable and encourage everyone to raise concerns relating to fraud, corruption, bribery, or theft by contacting the Internal Audit Manager.
- Provide a variety of alternative contacts with whom concerns can be raised.
- Give confidence to anybody raising concerns that they will be investigated seriously and in line with this policy.
- Show how concerns raised will be dealt with and escalated.
- Set out the Council's commitment to a zero-tolerance stance on fraud and corruption.
- Reinforce an anti-fraud culture across its employees and members.
- Outline measures already in place to prevent and detect fraud.

This policy has been developed in line with to the Council's core values, CIPFA best practice, and the statutory requirements set out by the Fraud Act 2006 and the Bribery Act 2010. The Council expects all its employees, members and associated persons to act legally, with integrity, and in accordance with the Council's values and policies at all times. Any concerns raised regarding possible instances of fraud or corruption will be investigated seriously.

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Anti-Fraud and Corruption Policy

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Anti-Fraud and Corruption Policy

1. Introduction

- 1.1. This Anti-Fraud and Corruption Policy sets out the Council's corporate approach to suspected fraud, theft, corruption and bribery. It explains how the Council seeks to maintain an anti-fraud culture, with zero tolerance for fraud and corruption.
- 1.2. The Council recognises that most people are honest and would never intentionally defraud the Council. This policy provides a safeguard against the risk of fraud as well as guiding staff, Members and service users on what to do if fraud or corruption is suspected.
- 1.3. This policy covers both internal and external fraud against the Council. As such, it applies to:
 - All members and employees of FDC.
 - Any person working for, or on behalf of, the Council. This includes contractors, consultants, or subsidiary agents who work for the Council.
 - All users of FDC services. This includes Fenland residents; those in receipt of money, goods or services from the Council; and those who communicate with the Council.
- 1.4. Please see Appendix 1 for a detailed breakdown of how this policy is relevant to different roles across the Council. This includes Council officers and members, and contractors.

2. What is fraud and corruption?

2.1. What does fraud and corruption look like?

- 2.1.1 Fraud, corruption, and bribery can appear in many forms. These offences may be committed by individuals external to the Council, such as suppliers. Or they could be committed by individuals internal to the Council, such as Council staff. Technical legal definitions of these offences are included in Appendix 2. This policy covers:

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- **Theft** of Council assets, including money.
- **Bribery** i.e., offering or accepting money (or other forms of advantage) to influence the actions of someone in charge of a public duty. Bribery can include inappropriate gifts and hospitality.
- **Fraud** i.e., a deception committed for financial or personal gain. For example, internal fraud could include a member of staff falsifying timesheets in order to get paid for overtime that was not worked. External fraud could involve an organisation submitting false information in order to get a grant payment.
- **Corruption** i.e., someone abusing their position to obtain any type of financial or personal advantage for themselves or others.

2.2. What are the warning signs of possible fraud or corruption?

2.2.1 To identify fraud and corruption taking place, staff and members should be alert for suspicious behaviour. This could include anything that just 'doesn't seem right'.

2.2.2 In the context of FDC, examples of some warning signs that might suggest possible internal fraud or corruption include:

- Individuals who refuse to follow Council policies and procedures. This is especially concerning with regards to policies which require financial approval, or where multiple people are supposed to be involved in a process, but one person insists on doing everything instead.
- Individuals applying pressure to staff to make decisions they would not normally make, or to cut corners.
- Individuals who have a very close relationship with a particular supplier or partner.
- Senior staff members becoming involved in low-level operational decision making.
- Cash or IT equipment going missing.
- Individuals submitting false information or documentation with the intent to gain from this. For example, this could include submitting false overtime or expenses claims. It would also include individuals lying about or falsifying their qualifications.
- Officers who repeatedly request to work extra hours or to work in the office outside normal business hours. Individuals who refuse to take holiday.

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- Individuals who deliberately conceal information required by the Council. For example, staff who do not disclose convictions or outside interests which conflict with their role at the Council.

2.2.2 Examples of some warning signs to look out for that might suggest possible external fraud or corruption include:

- Contractors submitting false performance or financial information. This might be done to obtain payments or keep a contract.
- Service users, grant recipients or suppliers who refuse to engage with the Council. This could manifest as refusing or avoiding providing documentation when it is requested.
- Individuals providing false or misleading documentation in order to access services or advantages to which they are not entitled. For example, obtaining a direct payment, school place, or a disabled blue badge when they are not eligible.
- Cybercrime such as 'phishing'. For example, officers may receive fake emails which appear to be from real suppliers requesting payment.

2.3. What should I do to prevent fraud and corruption?

2.3.1 Everyone can play a vital role in identifying and reporting any possible instances of theft, fraud or corruption. If you suspect theft, fraud or corruption, you must report it via the procedure set out at Section 3, below.

2.3.2 It's important to ensure you are familiar with the Council's policies and procedures, and that you follow them in the course of your work. Many different Council policies include requirements which are there to prevent fraud and corruption. You should also ensure that other staff you work with are following policies and procedures as well. If you work with contractors or partners who deliver services on behalf of the Council, you should ensure that they meet the same high standards of ethical conduct expected of Council staff.

2.3.3 Appendix 1 gives full details of the roles and responsibilities placed on different groups of staff, Members and partners in preventing and detecting fraud and corruption.

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3. How can I raise concerns?

- 3.1. All staff and Members of the council **must** report concerns if they have any suspicion that theft, fraud or corruption may have occurred. If fraud or corruption is suspected, staff must not undertake an investigation themselves. This is because ad-hoc investigations risk accidentally compromising evidence (and making it inadmissible if the case did go to court). They also run the risk of tipping off the individual(s) under suspicion.
- 3.2. Concerns about theft, fraud or corruption should be reported to the Council's Internal Audit team.

Internal Audit	Whistleblowing Service
Internal Audit: amybrown@fenland.gov.uk	Head of HR: santhony@fenland.gov.uk
You can also contact the Internal Audit Manager or the Chief Finance Officer directly.	More information on reporting concerns via the Whistleblowing service can be found in the FDC Whistleblowing Policy.

- 3.3. If you do not feel able to raise concerns through Internal Audit, any of the named contacts in the Council's Whistleblowing Policy can be contacted instead. Members of the public can also report any concerns they have via the Internal Audit department or Whistleblowing service.
- 3.4. Internal Audit lead the corporate response to all whistleblowing referrals relating to theft, fraud, corruption and financial impropriety. They can ensure that an appropriate investigation will be undertaken. This reduces the risk of evidence being compromised or destroyed. Internal Audit also maintain records of suspected theft and fraud for the Council's transparency data.
- 3.5. Anybody who suspects that a crime is being committed in respect of FDC property or against/by FDC staff or members should contact their line manager or Internal Audit initially. Internal Audit will refer reports to the police only when required. If theft is suspected, officers should also alert the Council's Insurance team.

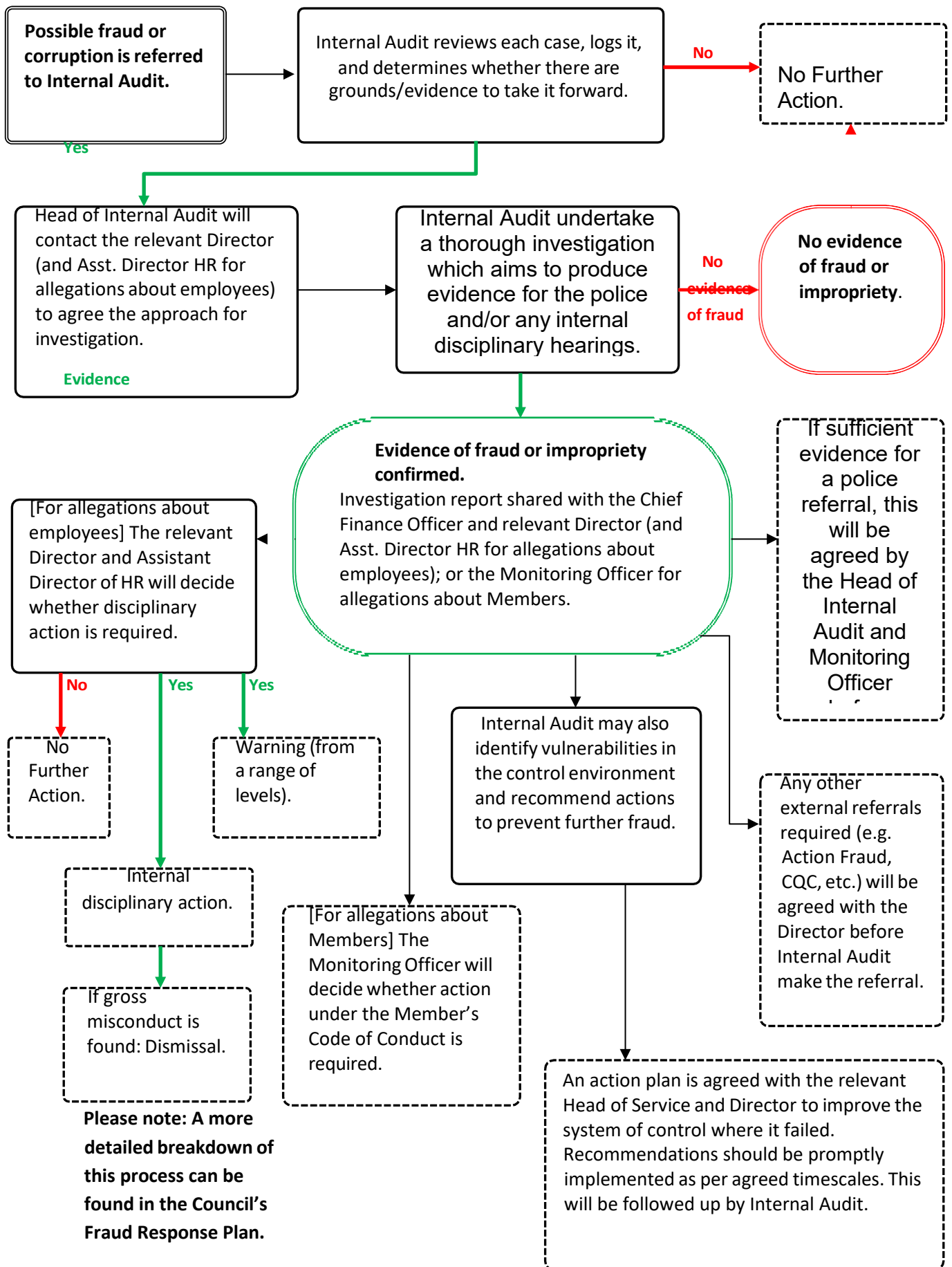
4. How will my concerns be dealt with?

- 4.1 The Fraud Investigation Flowchart at Section 4.4 below sets out how allegations of theft, fraud and corruption will be dealt with once a concern is raised. A more detailed breakdown of the process can be found in the Council's Fraud Response Plan. This is maintained by Internal Audit.

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- 4.2 Investigations may be carried out solely by Internal Audit, or by management with support and guidance from Internal Audit. In some instances, if a concern about theft, fraud or corruption is closely linked to other allegations (such as safeguarding or Respect at Work concerns) it may be agreed on a case-by-case basis that another service, such as HR, will take the lead on the investigation with Internal Audit supporting and contributing to the process. suspicions of fraud, corruption or bribery relating to elected Members will be referred for investigation under the Member's Code of Conduct.
- 4.3 Concerns raised in good faith that turn out to be unfounded or cannot be proved will never result in any negative consequences for those who reported them. However, unfounded allegations made by Council officers for malicious purposes may be referred to HR. Malicious allegations may constitute misconduct and have potential disciplinary consequences.

4.4 High-Level Fraud Investigation Flowchart



5. How does the Council prevent fraud and corruption from occurring?

5.1. Zero-tolerance for fraud and corruption:

5.1.1 FDC is committed to taking a zero-tolerance stand against theft, fraud, bribery and corruption. The Council commits to the following key principles in responding to fraud and corruption:

- Police referral wherever appropriate.
- Prosecution, including prosecution through civil and criminal courts in the Council's name or through the police.
- Seeking full recovery of stolen or fraudulently obtained public funds by all legal means.
- Disciplinary action and termination of employment where employees are proven to have defrauded or to have attempted to defraud the Council. This includes where employees are complicit with another person's attempts to defraud the Council., or any involvement in bribery or corruption.
- Referring concerns about fraud, corruption, theft or bribery relating to an elected Member for investigation in line with the Member's Code of Conduct.
- Taking action against Members or employees shown to be involved in fraud, theft or corruption under the relevant Code of Conduct, even if the incident does not involve the Council or its finances.
- Termination of contracts with partners and contractors.
- Referring the case to other external agencies, partners or licensing bodies.
- Settlements between the Council and employees/contractors may be deemed necessary as a way of dealing with a case of alleged fraud or corruption. This will only be undertaken following agreement by the Chief Executive and Monitoring Officer and following an independent review by Counsel.

5.2 How the Council tries to prevent fraud and corruption:

5.2.1 The Council seeks to maintain a culture of high ethical standards, probity and openness. The authority's culture supports its zero-tolerance stance on theft, fraud, bribery and corruption. The Council seeks to engage all staff, members, contractors and members of the public to raise concerns about fraud and corruption, in the knowledge that such concerns will be dealt with appropriately.

5.2.2 Internal control measures are embedded throughout all the Council's procedures and systems which aim to prevent or detect theft, fraud and corruption. The Council's

computer systems enforce many of these controls. This means staff cannot bypass controls, especially in relation to high-risk functions such as treasury management and payment of funds. Examples of the key internal controls within the Council include:

- Internal policies and procedures (including this Anti-Fraud & Corruption Policy, the Whistleblowing Policy, the authority's Financial Procedures and Contract Procedure Rules, the Anti-Money Laundering Policy, and Officer/Member Codes of Conduct).
- Declarations of Interest, Gifts & Hospitality and Related Parties processes. These require members and staff to declare their outside interests.
- Separation of duties and access controls in financial functions.
- Clear roles and responsibilities for all staff, Members, partners and contractors in preventing and detecting fraud, bribery and corruption (see Appendix 1).
- The role of the Audit & Risk Management Committee. The Committee has oversight of the Council's governance arrangements and control systems to prevent and detect fraud.
- External audit of the Council's financial statements.
- Anti-Fraud and Corruption e-learning is available to all Council staff.
- Regular awareness-raising exercises about the risk of fraud and corruption, led by Internal Audit.

5.2.3 Internal Audit conduct regular reviews across the Council's system of internal control. These aim to highlight weaknesses in the control environment and identify any instances where the system of internal control has been breached. If an audit investigation concludes that fraud or corruption has occurred, the Council will identify the vulnerabilities in the system of internal control which allowed the misconduct to occur and rectify them.

6 How is this policy reviewed and monitored?

6.1 FDC Internal Audit is responsible for oversight and maintenance of this Anti-Fraud and Corruption Policy. The Audit & Risk Management Committee is the body responsible for approving any changes made to the policy.

6.2 Internal Audit will review and update this policy at least every three years to ensure it remains up to date. More frequent updates will be undertaken if required by a change in legislation or the risk environment. Outcomes of reviews will be reported to the Audit & Risk Management Committee.

Appendix 1

• Roles and Responsibilities for Countering Fraud

1. All employees

- 1.1 All employees are responsible for complying with this policy, the Authority's Constitution and Financial Regulations, the Anti-Money Laundering Policy and other Codes of Conduct and policies pertaining to their job role. These include guidance on personal conduct, declaring any possible conflicts of interest, and receiving gifts or hospitality. In addition, all employees must follow instructions given to them by management, particularly surrounding the safekeeping of Council assets.
- 1.2 All employees must ensure that they avoid situations where there is a potential for a conflict of interest and disclose any possible conflicts of interest via the procedure set out in the Code of Conduct.
- 1.3 Employees should always be vigilant to the possibility of fraud, theft or corruption occurring in their workplace and be able to share their concerns with management. Employees may raise concerns with their line manager, who should report concerns on to Internal Audit, or they can raise concerns directly with Internal Audit. Employees can also raise concerns via the Whistleblowing Service, which can be used to make reports anonymously.

2. Elected Members:

- 2.1 As elected representatives, all members of the authority have a duty to protect the Council from all forms of abuse, including fraud and financial impropriety. Members must comply with core Council policies which seek to prevent fraud and corruption, including the Code of Conduct for Members, the Council's Financial Regulations, Constitution, and the relevant legislation.
- 2.2 In addition, Members must lead by example in demonstrating the highest standards of probity and conduct to champion the culture of zero tolerance on fraud throughout FDC. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of pecuniary and non-pecuniary interests, declaring the potential for a conflict of interest, and recording the receipt of all gifts and hospitality. The Monitoring Officer advises members of new legislative or procedural requirements.

3. Audit & Risk Management Committee:

- 3.1 The Audit & Risk Management Committee and its members have specific responsibility regarding the oversight of the Council's governance arrangements and the adequacy of control systems to prevent and detect fraud. The Audit & Risk Management Committee receives periodic reports from Internal Audit on suspected and proven incidents of theft, fraud and corruption.

4. CMT and Directors:

- 4.1 CMT and Directors must lead by example in demonstrating the highest standards of probity and conduct to champion the culture of zero tolerance on fraud throughout FDC. They are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.
- 4.2 CMT and Directors are responsible for the communication and implementation of this policy in their work area, ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities. They are also responsible for ensuring that the Council's expectations around the ethical conduct of contractors, partners and anyone else acting on behalf of the Council is communicated, and the conduct of contractors and partners is monitored.
- 4.3 CMT and Directors also have the responsibility for ensuring that effective systems of control are in place corporately and within their directorate to prevent and detect fraud, and that those systems operate properly. CMT and Directors submit an annual self-assessment of these processes, to be included in the Council's Annual Governance Statement.

5. Heads of Service/Managers:

- 5.1 All managers (including Heads of Service) are responsible for the communication and implementation of this policy in their work area, ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities. Managers must lead by example in demonstrating the highest standards of probity and conduct to champion the culture of zero tolerance on fraud throughout FDC. They are expected to strive to create an environment in which their staff feel able to

approach them with any concerns they may have about suspected irregularities.

- 5.2 A key preventative measure against fraud and corruption relies on managers taking effective steps during recruitment processes to establish, as far as possible, the honesty and integrity of all employees. Managers must comply with the Authority's formal recruitment procedures during this process. After employment, managers are responsible for ensuring that relevant training is provided and special arrangements implemented, when necessary, where staff are dealing with cash or financial systems that generate payments. Checks must be carried out at least annually to ensure that proper procedures are being followed, in order to inform the directorate annual self- assessment.
- 5.3 Similarly, managers must ensure that any contractors, partners or other organisations or individuals acting on behalf of the Council commit to the Council's requirement to act with honesty and integrity at all times. Managers must ensure that contractors, partners and anyone else working on behalf of the Council do not give or offer any inducement, advantage or bribe to any other individual or organisation with the intention of using this to obtain or retain business, or to obtain or retain an advantage in the conduct of business. This applies whether the intention is to obtain or retain business/advantage for themselves, or on behalf of the Council.
- 5.4 Managers must report any suspicions of possible fraud or corruption to Internal Audit. No action should be taken which may alert those suspected of involvement. The handling of evidence at the early stages of an investigation can be critical to the outcome, so managers should seek advice from Internal Audit before trying to investigate any allegations.

6. Internal Audit and Risk Management:

- 6.1 The Head of Internal Audit (in consultation with the Assistant Director of HR) shall determine whether a concern or suspicion regarding fraud requires investigation by Internal Audit as opposed to management or HR. In all cases where employees are involved, Audit will work with HR and appropriate senior management to ensure that correct procedures are followed and that this policy and the Council's Fraud Response Plan are adhered to.
- 6.2 Internal Audit shall ensure all cases of suspected irregularity are investigated in accordance with the requirements of the Police and Criminal Evidence Act 1984,

Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation. Internal Audit also plays a vital preventative role in ensuring that effective systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit liaise with management to recommend changes in procedures to prevent losses to the Authority.

- 6.3 Internal Audit shall report to CMT and the Audit & Risk Management Committee regarding the application of the zero-tolerance statement within this policy. Additionally, Internal Audit maintains records of all reported cases of suspected theft, fraud, corruption or irregularity and report on these as required by the Transparency Code, Central Government and External Audit.

7. External Audit:

- 7.1 Independent External Audit is an essential safeguard in the stewardship of public money. This role is delivered through carrying out specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is always 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.

8. Contractors and Partners:

- 8.1 Contractors and partners are expected to create an environment in which their staff feel able to approach them (or the Council directly) with any concerns they may have about suspected irregularities including fraud and corruption or other whistleblowing concerns. Where they are unsure of the procedures, they should refer to the relevant Director for that area or may approach the Head of Internal Audit & Risk Management directly on any Whistleblowing issue.
- 8.2 Contractors, partners and anyone else working on behalf of the Council must operate to the same standards of ethical conduct expected from Council staff. Contractors, partners and anyone else working on behalf of the Council must not give or offer any inducement, advantage or bribe to any other individual or organisation with the intention of using this to obtain or retain business, or to obtain or retain an advantage in the conduct of business. This applies whether the intention is to obtain or retain business/advantage for themselves, or on behalf of the Council.

9. External Bodies:

9.1 Internal Audit has arranged, and will keep under review, procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity, in relation to Local Authorities with external agencies such as: police, county, unitary and district council groups, the external audit service, Department of Work and Pensions and other government departments.

10. Stakeholders and Customers:

10.1 Whilst this policy is primarily aimed at implementing an anti-fraud culture and processes within the Council, its stakeholders and customers may become aware of issues that they feel may indicate fraud or corruption. All stakeholders and customers can report any concerns about theft, fraud or irregularity involving the Council via the Whistleblowing Policy.

Appendix 2

• Legal Definitions of Relevant Offences

This appendix seeks to provide a summary of the main criminal offences relating to fraud, theft, bribery and/or corruption which are likely to be relevant to a public authority such as FDC.

1. Fraud:

1.0.1 The Fraud Act 2006 introduced one general offence of fraud, which could be committed in three ways, as set out below:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

1.1 Fraud by false representation:

1.1.1 A person commits fraud by false representation if they dishonestly make a false representation and intend in doing so to make a gain for themselves, cause loss to another, or expose another to a risk of loss.

1.1.2 Representations may be express or implied. A representation is false if it is either untrue or misleading, and the person making the representation knows it might be untrue or misleading. Under the Fraud Act 2006, a representation may be regarded as made if it (or anything implying it) is submitted in any form to any system or device designed to receive, convey or respond to communications (with or without human intervention).

1.2 Fraud by failing to disclose information:

1.2.1 A person commits fraud by failing to disclose information if they dishonestly fail to disclose information which they are under a legal duty to disclose and intend in doing so to make a gain for themselves, cause a loss to another, or expose another to a risk of loss.

1.3 Fraud by abuse of position:

1.3.1 A person commits fraud by abuse of position if they occupy a position in which they are expected to safeguard, or not to act against, the financial interests of another person; they dishonestly abuse that position, and intend in abusing that position to make a gain for themselves, cause a loss to another, or expose another to a risk of

loss. A person can be regarded as having abused their position where their conduct consisted of an omission rather than an act.

2. Theft:

2.1 The Theft Act 1968 outlines that a person is guilty of theft if they dishonestly appropriate property belonging to another, with the intention of permanently depriving the other of it.

3. Bribery:

3.0.1 The Bribery Act 2010 provides offences for bribing another person and offences relating to being bribed:

3.1 Offences of bribing another person:

3.1.1 A person is guilty of an offence if they offer, promise, or give a financial or other type of advantage to another person, and:

- The person providing the advantage intends it to either induce or reward any person for the improper performance of a relevant function or activity; or
- The person providing the advantage knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

3.2 Offences relating to being bribed:

3.2.1 A person is guilty of an offence if they request, agree to receive or accept a financial or other type of advantage, and:

- The person on the receiving end of the advantage intends that, in consequence, a relevant function or activity should be performed improperly (whether by them or another person); or
- The request, agreement or acceptance itself constitutes the improper performance of a relevant function or activity.

3.2.2 Similarly, an offence is committed if a person requests, agrees to receive or accepts a financial or other type of advantage as a reward for the improper performance of a relevant function or activity, or if a relevant function or activity is performed improperly by anybody in anticipation of a person requesting, agreeing to receive or accepting a financial or other type of advantage.

3.3 Offences relating to failure to prevent bribery:

- 3.3.1 The Bribery Act created the offence, under Section 7, which can be committed by commercial organisations failing to prevent persons associated with them from bribing another person on their behalf. Note that it is not an offence for an organisation to fail to prevent persons associated with them from receiving bribes.
- 3.3.2 The definition of a commercial organisation may include public organisations involved solely or jointly in commercial activities. In 2015, CIPFA and the NCA issued an alert stating that “a local authority may be liable to prosecution under Section 7 of the Act if a person ‘associated’ with it bribes another person, intending to obtain or retain business or a business advantage for the local authority. An ‘associated’ person may be an employee, agent or subsidiary of the local authority”. (Local Authorities and the UK Bribery Act, National Crime Agency Amber Alert Reference A0186-ECC.)
- 3.3.3 This broad scope means that contractors could be seen as associated persons if they are performing services for, or on behalf of, a local authority. A supplier may also be an associated person if they are performing services for a local authority rather than simply acting as a seller of goods. See Appendix 3 for a summary of how the Council demonstrates that it has adequate procedures in place to prevent bribery taking place.

4. Corruption:

- 4.1 Corruption is the abuse of entrusted power for private gain. The UK Government’s 2017-2022 Anti-Corruption Strategy states that corruption involves “the abuse of office and position to benefit a third party (an individual, business or other organisation), in return for payment or other reward”. Offences in the UK relating to corruption are contained across multiple pieces of legislation, including but not limited to the Fraud Act 2006 and the Bribery Act 2010.

5. Money Laundering and Terrorist Financing:

- 5.1 See FDC’s Anti-Money Laundering Policy, Appendix 1 for details of these offences.

Appendix 3

• **The Six Principles of Anti-Bribery**

Secretary of State guidance around the Bribery Act 2010 advises that organisations wishing to prevent bribery being committed on their behalf should build their anti-bribery procedures based on six principles. These are listed below, along with high-level summaries of how FDC ensures that it has met the requirements of each principle.

Please note that while the guidance refers to ‘commercial organisations’, CIPFA and NCA guidance confirms that in this context the definition of a commercial organisation may include public organisations involved solely or jointly in commercial activities.

- 1) Proportionate procedures** – *An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.*

This Anti-Fraud and Corruption Policy sets out FDC’s corporate anti-fraud policy framework, which seeks to prevent bribery along with other forms of corruption and fraud. The policy framework includes a range of key policies such as the Council’s procedures for gifts and hospitality, declaration of interests, and the Financial Regulations.

- 2) Top-level commitment** – *The top-level management of a commercial organisation (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery by persons associated with it.*

FDC’s Anti-Fraud and Corruption Policy sets out this commitment of zero tolerance to all forms of fraud, bribery and corruption.

- 3) Risk assessment** – *The commercial organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.*

FDC conducts regular reviews of its exposure to the risk of internal and external bribery, fraud, corruption and theft, and the risk of money laundering, as part of its ongoing risk management process.

- 4) Due diligence** – *The commercial organisation applies due diligence procedures, taking a proportionate and risk-based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.*

FDC's corporate due diligence procedure is set out in Section 6 of its Anti Money Laundering Policy.

- 5) Communication (including training)** – *The commercial organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training, that is proportionate to the risks it faces.*

FDC's Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy and Whistleblowing Policy are available to staff on the Council's intranet, and periodic awareness-raising campaigns are conducted by the Internal Audit and Risk Management team. The Council's Fraud Prevention e-learning module is also available to all staff and includes training on identifying and responding to bribery and corruption, fraud and money laundering.

- 6) Monitoring and review** – *The commercial organisation monitors, and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.*

The Council's Anti-Fraud and Corruption policy and associated policies and procedures are owned by the Internal Audit service. These policies will be reviewed and updated at least every three years by Internal Audit, or more frequently if required.