



**Bromsgrove**  
District Council

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# Corporate Anti Fraud & Corruption Strategy



# Anti Fraud & Corruption Strategy Contents

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# 1. INTRODUCTION

Bromsgrove District Council is committed to protecting public funds against fraud and corruption. The Authority's Financial Regulations detail the Council's responsibility with regard to identifying and dealing with fraud and corruption. Financial Regulations also state that the Council should maintain an effective anti fraud and corruption culture and that all members and staff act with integrity and lead by example.

The Council's policy on fraud and corruption is detailed in the "Anti-Fraud and Corruption Policy Statement" in Section 3. The policy and strategy are designed to deter, prevent and detect fraud and to provide effective action against fraud and corruption both internally and externally.

Our policy for dealing with fraud applies to employees, members, contractors, consultants, suppliers, service users and members of the public who have dealings with the Council.

The Council has also adopted a "Fraud Strategy" that details the Council's approach to investigating Housing, Council Tax and Social Security Benefit fraud.

## **The Council's Expectations: Members and staff**

In all its dealings, the Authority will adhere to the principles of public life set out in the Nolan Committee's report on *Standards in Public Life*.

- **Selflessness**  
Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.
- **Integrity**  
Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity**  
In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability**  
Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness**  
Holders of public office should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Openness requires an inclusive approach, an outward focus and a commitment to partnership working.

- **Honesty**

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

- **Respect for Others**

Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.

- **Duty to Uphold the Law**

Holders of public office should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place on them.

- **Leadership**

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

## **The Corporate Framework**

The Council takes ultimate responsibility for the protection of its finances and those that are administered on behalf of the Government. The Council recognises that fraud and corruption are costly in terms of reputational risk and financial loss. The Corporate Framework which underpins the Council has a number of components that exist to protect the Council against fraud and corruption. These include:

- **Members Code of Conduct**

This contains guidance on pecuniary and non-pecuniary interests, confidentiality, access to documents and meetings, relationships between members and officers, gifts and hospitality, Contract Procedure Rules and Financial Regulations and Standards, and the Constitution. Also included is the code of practice for dealing with contraventions of Section 114 of the Local Government Act 1988 ('financial irregularities').

- **Code of conduct for Council Employees**

This covers general standards; financial and non-financial interests; relationships with colleagues, managers, councillors, contractors, the press and the public; health and safety; care of money and property; political neutrality and political restrictions; and responsibilities of Directors and Chief Officers.

- **Register of Interests, Gifts and Hospitality**

Gifts and Hospitality, for all staff, is covered in the Gifts and Hospitality Policy which gives clear advice when dealing with any situations concerning these elements. Currently there is only a Register of Interests for Members, Co-

opted Members and Parish Councillors. This Register is held within the Legal, Equalities and Democratic Services department.

- **The Council Constitution, financial regulations and standards**

The Council Constitution sets out how the Council will manage its affairs. Financial Regulations provide the framework within which the Council manages its finances and safeguards its assets. They are issued by the Council and are binding on all employees. Financial Standards are part of Financial Regulations, and define the minimum standards required to provide effective and efficient financial arrangements.

- **Internal Audit & Controls**

These are undertaken by the Authority's internal audit (IA) department in accordance with the requirements of the Accounts and Audit Regulations 1996 and associated professional guidelines. Reviews of control systems are conducted across all departments of the Council and coverage is determined using an objective risk based process. The reviews provide assurance on the effectiveness of internal controls, and alert managers to system weaknesses in order that corrective action can be taken to minimise risk. Ongoing advice on risk management and control improvement is also provided. An annual report on coverage and key findings is submitted to the Audit Board. See Appendix 1 for the role and responsibility split between IA and CAFT.

- **External Audits**

External Audits are currently undertaken by the Audit Commission in accordance with the provisions of the Audit Commission Act 1998, the Accounts and Audit Regulations of 1996, and the accompanying Code of Audit Practice. The external auditor undertakes a planned programme of work across the Authority, including an annual review of the Authority's arrangements for preventing and detecting fraud and corruption.

- **Contract Procedure Rules**

These promote good purchasing and public accountability and deter fraud and corruption. It also covers basic principles, officer responsibilities, competition requirements for purchase, disposal and partnership arrangements and waivers on contract procedure rules. Further detailed advice can be sought from the Procurement Officer.

- **Whistle-Blowing (or Confidential Reporting)**

The Authority has a Confidential Reporting Code, enabling staff to report concerns about a officers, or a Councillor, without the fear of resultant victimisation, whilst protecting officers and members from un-informed or vexatious allegations. Whistleblowers are protected by the Public Interest Disclosure Act 1998. Details of this policy can be found on the intranet.

- **Participation in the National Fraud Initiative (NFI)**

As part of the annual external audit process, the Audit Commission requires the authority to participate in the National Fraud Initiative (NFI). The Authority provides data from its computer systems, which is matched with that of other authorities and agencies, to identify possible fraud. Details of matches are

returned to the Authority where further internal investigations are undertaken to identify and pursue cases of fraud and irregularity.

- **The Corporate Anti-Fraud Team (CAFT)**  
CAFT was launched from 1 May 2009 and will investigate allegations of fraud and corruption involving the authority, its customers, suppliers, members, contractors, consultants and service end users. The work will be closely co-ordinated with IA so that the framework in place to deal with fraud is robust and thorough.
- **The Regulation of Investigatory Powers Act 2000 (RIPA)**  
The Council has clear policies surrounding the conduct of surveillance and accessing communications data. It provides clear direction in terms of roles, responsibilities and legal obligations when considering this action. Further advice can be gained from the Legal team or from CAFT.
- **Prosecution Policy**  
CAFT is responsible for drafting the Housing and Council Tax Benefit Prosecution Policy and for the Corporate Policy on matters of fraud and corruption. Advice should be sought from CAFT regarding these policies.
- **Effective recruitment, selection and disciplinary procedures**  
The Recruitment, Selection and Employment Policy plus the Council's disciplinary procedures can be found on the intranet.

The Council believes that countering fraud and corruption is the responsibility of everyone in the organisation and not just those involved in Internal Audit, or in the Corporate Anti-Fraud Team. Fraud prevention and detection is an integral part of delivering services and fraud threats need to be considered alongside other service factors.

### **The Council's Expectations: Third Parties**

The Council also expects that any individuals or organisations with whom the Council deals in any capacity will behave towards the Council with integrity and without intent or actions involving fraud or corruption.

The Council expects the highest standards of probity in all its activities and has in place a framework of systems and procedures to assist in the fight against fraud and corruption.

### **The Council's Expectations: Summary**

In summary, this document sets out the Council's clear commitment to fight fraud and corruption and also its arrangements for the prevention, detection, deterrence and investigation of such activities.

Investigations will not discriminate or condone unacceptable behaviour, in relation to race, colour, nationality, national or ethnic origin, sexual orientation, gender, gender re-assignment, religion, age, disability, income group, marital status or geographical location.

## 2. DEFINITIONS OF FRAUD, THEFT AND CORRUPTION

### Fraud

Fraud includes deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment and collusion.

"Fraud can be defined as those intentional distortions of financial statements or other records which are carried out to conceal the misappropriation of assets or otherwise for gain." (CIPFA)

"Fraud involves the use of deception to obtain an unjust or illegal financial advantage." (Auditing Practices Board)

Fraud can also be defined as "A deliberate deception perpetrated for unlawful or unfair gain"

### Corruption

A Member or employee is generally held to act corruptly when putting personal gain before public or corporate interests.

Corruption may be defined as a payment, favour or gift given to an officer or member of the Council as a reward, or as an incentive to that person for actions contrary to the proper conduct of their duties.

### Theft

The "Theft Act 1978" defines theft as:

- a) Obtaining services by deception - "A person who by any deception dishonestly obtains services from another shall be guilty of an offence".
- b) Evasion of liability by deception – "Where a person by any deception:
  - Dishonestly secures the remission of the whole or part of any existing liability to make a payment, whether his own liability or another's; or
  - With intent to make permanent default in whole or in part on any existing liability to make a payment, or with intent to let another do so, dishonestly induces the creditor or any person claiming payment on behalf of the creditor to wait for payment (whether or not the due date for payment is deferred) or to forgo payment; or
  - Dishonestly obtains any exemption from or abatement of liability to make a payment".
- c) Making off without payment – "A person who, knowing that payment on the spot for any goods supplied or service done is required or expected from him, dishonestly makes off without having paid as required or expected and with intent to avoid payment of the amount due shall be guilty of an offence".

## Fraud

The "Fraud Act 2006" repeals part of the Theft Act of 1968 and 1978, which came into force on the 15<sup>th</sup> January 2007. As of this date, the following sections of the Theft Acts no longer apply:

### Theft Act 1968

- Section 15 (obtaining property by deception);
- Section 15A (obtaining a money transfer by deception);
- Section 16 (obtaining a pecuniary advantage by deception);
- Section 20 (2) (procuring the execution of a valuable security by deception);
- Reference to "cheat" in Section 25 (going equipped).

### Theft Act 1978

- Section 1 (obtaining services by deception);
- Section 2 (evasion of liability by deception).

The Fraud Act 2006 replaces all deception offences in the Theft Acts and replaces with one single offence that can be committed in three different ways:

- false representation (section 2)
- failing to disclose information where there is a legal duty to do so (section 3);
- abuse of position (section 4).

The old Theft Acts offences will continue to apply for any offences **partly committed** before **15 January 2007**.



### **3. THE FRAUD RISKS**

The Council is responsible for administering public finances including direct income and expenditure and those activities that we administer on behalf of Central Government. Those seeking to defraud the Council may target these sources of income and expenditure and valuable assets.

The Council will be watchful in all these areas and will be proactive in prevention, detection, investigation and providing solutions. The Council will not be afraid to meet a difficult challenge head on and confront uncomfortable situations where it is felt appropriate.

#### **Members**

Members are expected to act in a manner which sets an example to the community whom they represent and to the staff of the council who deliver the services.

Members will comply with the Members Code of Conduct. This contains guidance on pecuniary and non-pecuniary interests, confidentiality, access to documents and meetings, relationships between members and officers, gifts and hospitality, Contract Procedure Rules, Financial Regulations and Standards, and the Constitution. Also included is the code of practice for dealing with contraventions of Section 114 of the Local Government Act 1988 ('financial irregularities').

After approving this policy, Members will be expected to play an important role through leading by example and supporting it.

Allegations about Members that are received by either IA or CAFT will be referred to the Monitoring Officer immediately. The Monitoring Officer may use the services of CAFT for the purposes of any investigations.

#### **Employees**

Our employees are the first line of defence against fraud and corruption. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. It is the responsibility of directors and managers to be aware of the appropriate financial and other anti-fraud regulations and to be responsible for ensuring compliance to them by the staff for which they are responsible.

We acknowledge that our systems are vulnerable from attack from within the authority, particularly by that intent on gaining knowledge of control weaknesses through their official position. Prevention is far better than cure and managers must establish and maintain systems of internal control ensuring that the Council's resources are properly applied on the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

IA will ensure that sound and effective audit is undertaken of the Council systems and processes. The CAFT will provide the Council's Investigation Service. The two branches of the operation will work closely in a seamless manner to assist

management to implement appropriate controls and provide solutions to control failures.

Advice and assistance will be provided by IA and CAFT to Human Resources relating to the recruitment process, staff conduct and the disciplinary process. The Council's Recruitment and Selection Procedure ensures that staff are appointed on merit and provides controls to eliminate the appointment of unsuitable persons:

Applicants are required to complete an application form and declare any criminal convictions that are not spent. Where appropriate, applicants are also required to declare all past offences or pending prosecutions and may also be subject to a police check.

Applicants are only required to produce documentary evidence of qualifications they claim to hold, if specific qualifications are a requirement of the job. If doubt arises as to the authenticity of a qualification, this will be verified with the examination board /professional body. The CAFT can provide assistance in this area.

Written references are requested for all successful applicants, one of which must be obtained from the most recent/relevant employer. If doubt arises as to the authenticity of references then further checks should be carried out to confirm. The CAFT can provide assistance in this area.

Applicants who are offered appointments are required to provide proof of eligibility to work in the UK prior to commencing employment, both at interview and at the initial corporate induction. Any suspicions concerning documentation confirming eligibility to work in the UK or identity documentation should be referred to the CAFT for further enquiries to be made.

The Council actively encourages employees to whistle-blow on colleagues who are suspected of committing fraud. The Confidential Reporting Code provides further details on how employees can utilise the protection offered by the Public Interest Disclosure Act 1998. All employees, the public and members are encouraged to contact IA or the CAFT with any suspicion of fraud, corruption, financial malpractice or the abuse of official position.

CAFT will utilise all methods to detect fraud. This includes data-matching, open source research, surveillance and intelligence led investigations.

CAFT is charged with the responsibility of working in partnership with IA leading the fight against fraud and corruption. The team reports directly to the Head of Financial Services and is authorised to investigate allegations of fraud and corruption. All personnel employed by or on behalf of the Council have a duty to assist with an investigation. Failure to do so may be considered a breach of trust or failure to comply with financial regulations which could lead to disciplinary action.

Those that commit fraud against the Council will be subject to disciplinary action, or prosecution or civil action or the entire afore-mentioned where deemed appropriate. We will also recommend disciplinary action against those that commit fraud against other Local Authorities, the Department for Works and Pensions or any other agency administering public funds.

## **Contractors and Suppliers**

Those organisations employed to work on behalf of the Council are expected to maintain strong anti-fraud principles. Our contract partners will be expected to have adequate recruitment procedures and controls when they are administering finance on behalf of the Council.

We expect our partners to have controls in place to minimise fraud and to provide access to their financial records as they relate to our finances, and their staff will be required to assist fully in any investigation.

We will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. We will request that the organisation takes necessary action against the individual and we will require them to be removed from the Bromsgrove account.

## **The Public and External Organisations**

Members of the public receive financial assistance and benefits from the Council through a variety of sources. These include Temporary Accommodation, Renovation and other housing related grants, Housing and Council Tax Benefit, Council Tax discounts, Right to Buy discounts, and Parking concessions. At some time or another, these areas have been subject to attack by those intent on committing fraud which means that there is less money available for those in genuine need.

Historically, Housing Benefit has received significant attention from Investigation personnel due to the sheer scale of the financial support the scheme receives from Central government. Projects such as the National Fraud Initiative, the Housing Benefit Matching Service and Partnership working with agencies like the DWP, HMRC and the Pensions Service have strengthened the good work already being done.

Nevertheless it is recognised that the above mentioned areas require the same focus but will perhaps not receive the same volume of cases in terms of investigations as Housing Benefit. The same principles of investigations will apply across the board where fraud and corruption is alleged.

All applications for financial or other assistance will be verified to the highest standard and all data available to the Council will be used to corroborate information provided by applicants for the purposes of preventing and detecting fraud. All staff involved in assessing applications will be provided ongoing fraud awareness training.

Fraud trends will be analysed to identify high risk areas and this will be supported by pro-active fraud drives based upon that analysis.

Information exchange will be conducted where allegations are received within the framework of the Data Protection Act 1998 for the purposes of preventing and detecting crime.

The Council will make full use of its statutory powers including the power to enter business premises and obtain information regarding benefit customers and the

authority to seek information from financial institutions and utilities companies in respect of benefit claims.

We will apply appropriate sanctions in all cases where it is felt that fraud or attempted fraud has been perpetrated against the authority. These will range from official warnings to crown court prosecution. We will also seek to recover any monies obtained fraudulently, including freezing assets, confiscation orders, civil recovery and general debt recovery.

We will use the Council's Legal Services Department, the Department for Work and Pensions Solicitors Branch and the Crown Prosecution Service to bring offenders to justice. Prosecutions will not be limited to Housing and Council Tax Benefit fraud cases but will include any area within the Council where there is evidence to indicate a fraud related offence has been committed. As a deterrent, we will publicise our successful sanctions through the Council's Communications Department and in the local press where the law allows us to do so.

Any suspicion of fraud and corruption should be referred to CAFT using the appropriate referral form found on the Councils' website ([www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)), or by e-mailing [fraud@bromsgrove.gov.uk](mailto:fraud@bromsgrove.gov.uk) .

## **4. ANTI-FRAUD AND CORRUPTION POLICY**

### **Statement of Intent**

Bromsgrove District Council is committed to sound corporate governance and protecting the public funds that it administers.

The Council's policy on fraud is to:

- Prevent and deter it in the first instance.
- Detect it quickly.
- Investigate it efficiently.

The Council will not tolerate abuse of its services. Where our investigations show that fraud, theft or corruption has taken place, we will take positive and appropriate action against the perpetrators. The form of action taken will depend on the level and circumstances of the fraud discovered.

We will:

- Take disciplinary action against Council employees who have broken our rules and procedures.
- Prosecute offenders.
- Seek recovery of Council assets or funds or compensation if this is appropriate.

All members and officers must help the Council to apply this policy, by working to discourage, prevent and punish fraud and corruption by others.

### **Reporting of Fraud and Corruption**

The Council expects all its Members and employees to report any concerns that they may have in respect of fraud and corruption.

Employees are an important element in the stand against fraud and corruption and are positively encouraged to raise any concerns, which might impact on Council activities. The methods by which concerns should be raised are contained in Appendix A.

Employees who raise genuine concerns about fraud or corruption in the Council are fully protected by the "Public Interest Disclosure Act 1998". The procedure for raising concerns is detailed in the Council's "Confidential Reporting Code".

Members of the public are also encouraged to report concerns about fraud and corruption.

### **Responsibilities for the Investigation of Fraud and Corruption**

The responsibility for the investigation of fraud and corruption perpetrated against the Council rests with the Corporate Anti-Fraud Team. In some cases, Police or external agencies may also be involved.

## **5. STRATEGY FOR DEALING WITH FRAUD, THEFT AND CORRUPTION**

### **Introduction**

The Council recognises that it is impossible to prevent all theft, fraud and corruption. The Council's objective is to operate in ways that make theft, fraud and corruption difficult to commit, likely to be detected and then certain to be punished.

The Council's strategy covers the prevention, deterrence, detection and investigation of fraud and corruption.

### **Responsibilities**

Each Member and employee is responsible for his or her own conduct, and for playing a part in the safeguarding of corporate standards.

This means that:

- Their own behaviour should be above reproach.
- They have a duty to report to an appropriate officer instances where they are aware of, or suspect that others may be behaving improperly or have reason to believe that the Council's systems may be unsound.

Elected members are required to operate within Sections 94 – 97 of the Local Government Act, 1972.

In addition, some officers have specific roles in particular areas as follows:

### **Section 151 Officer**

The Council has a statutory responsibility, under Section 151 of the Local Government Act, 1972, to ensure the proper administration of its financial affairs and also to nominate one of its officers to take responsibility for those affairs. The Council's nominated officer is the Executive Director for Finance and Corporate Resources.

The Section 151 Officer is responsible under Financial Regulations for:

- the development and maintenance of an anti-fraud and anti-corruption strategy.
- effective systems of internal control, which will ensure that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.

### **Monitoring Officer**

The Council's Monitoring Officer (Head of Legal, Equality and Democratic Services) is responsible under Section 5 of the Local Government and Housing Act, 1989, to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs.

## **Preventative Measures**

The Council will take all reasonable steps to ensure that theft, fraud and corruption are difficult to perpetrate. The Council operates within a framework of:

- A Constitution.
- Members Code of Conduct.
- Officer Code of Conduct.
- Financial Standards and Regulations.
- Proper Systems and Controls.
- Corporate Anti-Fraud Team
- Internal Audit Section.
- External Audit.

These are designed to prevent fraud and corruption and to enhance accountability to the public.

## **Constitution**

The Council's Constitution regulates the behaviour of individuals and groups through codes of conduct, protocols, roles and responsibilities.

## **Member Code of Conduct**

Members are required to observe the Members Code of Conduct when acting as a representative or conducting the business of the Council.

Members are required to register financial interests in the Authority's register by providing written notification to the Monitoring Officer (Head of Legal, Equality and Democratic Services).

The Member Code of Conduct incorporates general principles governing the official conduct of members and co-opted members.

## **Officer Code of Conduct**

The Officer Code of Conduct sets out the standards which employees are expected to meet in conducting Council business. Staff who fail to live up to the standards are liable to disciplinary action.

In accordance with Section 117 of the Local Government Act, 1972, employees must disclose any personal interest in contracts that have been, or are proposed to be, entered into by the Council.

Section 117 also prohibits the acceptance of fees, gifts or rewards other than by way of proper remuneration from the Council. The Officer Code of Conduct (Section 14) provides detailed guidance to employees on offers of gifts or hospitality and the use of public funds entrusted to them.

## **Financial Standards and Regulations**

Financial Standing Orders, Financial Regulations and Contract Procedure Rules set out the financial policies of the Council and provide the framework for managing the Council's affairs. They apply to every member and officer of the Council and anyone acting on its behalf.

## **Proper Systems and Controls**

Management bears the main responsibility for ensuring that reasonable measures are in place to prevent fraud and corruption and the Council has proper systems and internal controls to ensure that public funds are properly safeguarded and used.

## **Internal Audit**

The Council maintains an adequate and effective system of internal audit of its accounting records and control systems as required by the Accounts and Audit Regulations, 2006. The Internal Audit Section plays a proactive role in ensuring that systems and procedures are in place to prevent and deter fraud.

The Internal Audit Section carries out systems based reviews of all areas of Council activity and provides advice and assistance to management on procedures and controls.

The Internal Audit Section also identifies operational risks, and the relevant controls to mitigate them, in conjunction with Service Managers.

## **Corporate Anti-Fraud Team**

Under Section 151 of the Local Government Act 1972, the Council needs to ensure that reasonable provision is made for the prevention and detection of fraud, including benefit fraud.

The Council administers Housing and Council Tax Benefits on behalf of the Department for Work and Pensions. Corporate Investigation Officers will investigate cases involving various combinations of Housing Benefit, Council Tax benefit and Social Security Benefits. The officers work within the following legislation:

- Police and Criminal Evidence Act 1984
- Data Protection 1998
- Social Security Legislation
- Regulations of Investigatory Powers Act 2000
- Fraud Act 2006
- Departmental Lone Working Policy
- Fraud Strategy
- National guidelines on Social Security and Criminal Investigations.

The Corporate Anti-Fraud Team (CAFT) will also undertake investigations into all allegations of fraud, bribery and corruption, theft, deception, false accounting and



collusion affecting the authority, involving customers, service end users, suppliers, contractors, employees, members and other stakeholders.

Each referral will be risk-scored, and investigated appropriately. System weakness or system error cases will be investigated by the Internal Audit Section, whilst those cases that could involve high level disciplinary or criminal charges to be brought, will be investigated by CAFT.

## **Verification Framework**

In September 2002 the Government introduced the Verification Framework, which is a “Good Practice Guide” developed by the Department for Work and Pensions and is applied to all benefit claims. The guidance is designed to:

- Detect and prevent fraudulent benefit claims.
- Set a minimum standard of evidence needed for a benefit claim to be assessed.
- Encourage accuracy in calculating benefit claims from the start of a claim.

Evidence in support of claims can be received in a number of ways, from a number of sources (e.g. Department for Work and Pensions, Pension Service, Benefit customer) via:

- post/written documentation
- verbal information
- electronic information

## **External Audit**

The external auditor has a responsibility to review the Council’s arrangements in respect of preventing and detecting frauds and irregularities, and arrangements designed to limit the opportunity for corrupt practices.

Whilst it is not the external auditor’s responsibility to prevent fraud and irregularities, they are always alert to the possibility of fraud and corruption and will take action if grounds for suspicion are identified.

## **Deterrence and Detective Measures**

### **Management Checks**

It is important that managers at all levels within the Council are alert to potential problems in their work area and that adequate and effective safeguards are in place to prevent financial irregularities. However, managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity would be picked up promptly, so minimising any loss to the Council.

## **Whistle-blowing**

Employees play a vital role in detecting fraud, theft and corruption. All employees are encouraged to discuss their concerns with line management. The procedure for raising concerns is detailed in the Council's "Confidential Reporting Code".

## **Prosecution**

The Council is determined to deal with fraudsters in the strongest possible terms.

The Council will prosecute offenders, either in conjunction with the Police or independently. This is designed to deter others from committing offences against the Council.

## **Disciplinary Action**

The Council will treat fraud and corruption committed against it by employees as a serious offence. Employees will face disciplinary action where there is evidence that they have been involved in these activities. Disciplinary action may result in dismissal from the Council's service.

## **Publicity**

Press releases and publicity about theft, fraud and corruption may be used to act as a deterrent to potential fraudsters.

## **Restitution**

Where fraud and corruption is proved and the Council has suffered a financial loss, then the Council will seek to recover the full value of any loss from the perpetrators.

## **Investigation and Reporting**

### **Investigation**

The Council will ensure that all investigations carried out into suspected fraud and corruption will comply with legislative requirements.

CAFT are responsible for the investigation of all suspected fraud and corruption, dependent on the level of risk and fraud involved. CAFT will also handle specific Housing, Council Tax and Social Security Benefit fraud cases.

### **Investigation Reporting and Follow Up**

Most instances of fraud and corruption highlight a lack of adequate internal control. It may be that the system was weak or that the controls were bypassed or not in existence.

The Council expects all managers to respond to, and act upon, reports issued following any investigation. Recommendations made in any investigation reports should be implemented to reduce the risk of the event recurring.

### **Confidential Reporting Code**

The Council will deal promptly with suspicions and allegations of theft, fraud or corruption. The Council's "Fraud Response Plan" gives basic guidance to employees and managers of the authority to help them take the right action and contact the right people. It also outlines the way in which fraud and irregularity investigations will be conducted.

The "Fraud Response Plan" is based on guidance issued by the Audit Commission and is attached at Appendix A.

In addition to the "Fraud Response Plan", the:

- Internal Audit Section has also adopted (with CAFT) a Fraud Risk Assessment Policy that enables all allegations and referrals to be risk assessed and prioritised.
- Benefit Investigations have a "Fraud Strategy" that outlines how Housing, Council Tax and Social Security Benefit investigations will be conducted.

### **External Reporting**

The Audit Commission requires the Council to report cases of fraud and corruption on an annual basis as follows:

#### **a) Fraud**

- Where there has been intentional distortion of records to conceal the misappropriation of assets or other for gain.
- Individual cases with a value exceeding £1,000.

#### **b) Corrupt Acts**

- Where the offering, giving, soliciting or acceptance of inducements may have influenced a person's actions.
- All cases regardless of value.

A "Fraud and Corruption Annual Return" is sent to the Audit Commission via the Authority's external auditors.

Records are kept by CAFT and Internal Audit of all cases referred for investigation, which includes levels of financial (or other) gain.

## **6. CONCLUSION**

Bromsgrove Council has in place a robust network of systems, policies and procedures to assist in the fight against fraud and corruption. It is determined that these arrangements will keep pace with future developments, in both preventative and detection techniques regarding fraudulent and corrupt activity affecting its operation or related responsibilities.

The Corporate Anti-Fraud and Corruption Strategy provides a comprehensive framework for tackling fraudulent and corrupt acts against the authority. The approval of this policy by the Corporate Management Team and Cabinet demonstrates Bromsgrove's commitment to protecting public funds and minimising losses to fraud and corruption. Having made this commitment it is vital that Chief Officers put in place arrangements for disseminating the policy and promoting awareness throughout their departments.

## FRAUD RESPONSE PLAN

### 1. Reporting Suspected Fraud, Corruption or Other Malpractice

#### Employees

Employees are encouraged, and indeed expected, to raise any concerns that they may have about fraud or corruption in the workplace, without fear of reprimand. Such concerns will be treated in the strictest confidence and will be properly investigated. If you suspect a fraud within the workplace, there are a few simple guidelines that should be followed:

#### **DO:**

- Make an immediate note of your concerns.
- Convey your suspicions to someone with the appropriate authority and experience (see below).
- Report the matter promptly, if you feel your concerns are warranted.

#### **DO NOT:**

- Do Nothing.
- Be afraid of raising your concerns.
- Approach or accuse any individual directly.
- Try to investigate the matter yourself.
- Convey your suspicions to anyone other than those with the proper authority.

Report your suspicions to the Corporate Anti-Fraud Team (CAFT). If you think that management is involved, let CAFT know and they will then inform (as appropriate), any/all of the following:

- The Chief Executive.
- Section 151 Officer (Executive Director for Finance and Corporate Resources).
- Monitoring Officer (Head of Legal, Equality and Democratic Services).
- Internal Audit Section.

#### **Elected Members**

Elected members should normally report any concerns to any of the following:

- The Chief Executive.
- Section 151 Officer (Executive Director for Finance and Corporate Resources).
- Monitoring Officer (Head of Legal, Equality and Democratic Services).
- Corporate Anti-Fraud Team (CAFT)
- Internal Audit Section.

## **The Public**

The General Public are also encouraged to report any concerns to the Council. An online web-referral has been made available to both staff and the public to report any fraudulent activity that affects the Council.

Where an Elected Member has been reported to be involved in any fraud or corruption, the Chief Executive will be informed.

In the event that any person feels unable to raise their concerns with the Council, either in person or via the web-referral form, they may wish to report those concerns to the Council's external auditor.

## **2. Action Following Allegations of Theft, Fraud or Corruption**

### **Managers**

There are some commonsense guidelines that managers should apply in all cases where fraud or corruption is suspected in the workplace and you have been informed of potential fraud or corruption.

#### **DO:**

- Be responsive to staff concerns.
- Note details.
- Report the matter to CAFT if you feel your concerns are warranted.

#### **DO NOT:**

- Ridicule suspicions raised by staff.
- Approach or accuse any individuals directly.
- Convey your suspicions to anyone other than those with the proper authority.
- Try to investigate the matter yourself.

### **Fraud and Corruption**

Any manager who has received information about any suspected fraud or corruption must report it immediately to CAFT.

### **Theft**

In the case of theft, the manager should contact the Chief Executive. A decision will then be made on the most effective action to take and whether the Police should be contacted, if sufficient evidence exists to indicate that a theft has occurred. The Council's insurance officer should also be notified.

### **3. Investigating and Acting Upon Suspected Theft, Fraud or Corruption**

#### **Investigation**

Any information concerning suspected fraud or corruption involving an elected member will normally be referred to the external auditor and / or the Police. However CAFT may be involved in the investigation, either to assist or to undertake specific tasks as requested.

CAFT, in conjunction with the Internal Audit Section, will investigate all other potential or alleged cases of fraud, corruption or breach of "Financial Standards and Regulations".

Managers will co-operate fully with the CAFT or Internal Audit and/or the Police during any investigation.

#### **Interviews**

Interviews will only be conducted by the Police or by Investigation Officers who have received appropriate training and have a full understanding of the correct procedures to be followed. Formal interviews may be conducted in accordance with the Police and Criminal Evidence Act (1984).

#### **Evidence**

Evidence of fraud or corruption must be gathered objectively, systematically, and in a well-documented manner.

#### **Criminal Proceedings**

Senior Management will deal swiftly fairly and firmly with those who offend against the Council.

The Monitoring Officer (Head of Legal, Equality and Democratic Services) will be consulted when referring a case for prosecution (whether dealt with in-house or by the Police) where there appears to be sufficient evidence for criminal proceedings.

#### **Disciplinary Action**

Senior managers will implement the Council's disciplinary procedure where appropriate, taking into account all the information available from an investigation.

### **4. Reporting and Follow Up of Fraud and Corruption**

#### **Investigation Reporting**

Following all investigations, a report will be prepared and distributed to the appropriate personnel, including (where appropriate):

- The Chief Executive.
- Executive Director.
- Corporate Director.
- Monitoring Officer (Head of Legal, Equality and Democratic Services).
- Service Manager.

### **Report Recommendations**

All investigation reports will make appropriate recommendations to improve internal control, if weaknesses in systems have presented the opportunity to perpetrate a corrupt or fraudulent act.

Managers will take prompt action to implement any recommendations made by the report.

### **Reporting to External Audit**

The Council will inform their external auditors of cases of theft, fraud or corruption in the following circumstances, where the:

- value is significant (in excess of £1,000).
- the case may be relevant to other organisations.
- the case is politically sensitive.
- the fraud may be material to the authority's accounts.
- wider powers of interview from the external auditor can assist the investigation.



**Key Roles and Responsibilities**

<b>Audit and Risk Function</b>	<b>Corporate Anti-Fraud Team Function</b>
Audits of the Council's overall anti-fraud function	Drafting/Updating of Anti-Fraud and Corruption Strategy including financial irregularities, fraud investigation guidelines
Audits of the Council's investigation arrangements (CAFT)	National Anti-Fraud Network liaison, fraud/scam alerts, police liaison/protocols, bulletins, newsletters
Systems based anti-fraud reviews in high risk areas	National Fraud Initiative investigations and co-ordination
Investigation of irregularities which appear to stem from errors or system weaknesses	Investigation of irregularities which appear to stem from fraud, theft, deception, bribery and corruption or collusion. To include internal and external cases and any surveillance/RIPA activities.
Systems advice on fraud prevention and detection	Advice and guidance on fraud investigation, fraud awareness raising activities including e-learning, group learning and new employee inductions
Reporting to the Audit Board on irregularities arising from system weaknesses	Reporting to the Head of Resources on activities and areas of concern. Trend analysis. Working with IA with a view to concerns being raised with the Audit Board
Assisting external audit in their annual review of anti-fraud arrangements	Assisting external audit in their review of anti-fraud arrangements
To work with other departments, e.g. HR on internal enquiries where irregularities found and minor disciplinary action is appropriate.	To work with other departments, e.g. HR, on internal enquiries where more serious disciplinary charges or criminal charges could be brought against individual(s)