



Anti-Fraud and Corruption Strategy

2019

Anti-Fraud and Corruption Strategy

1. Introduction and Context

What is Fraud?

“Fraud is a form of dishonesty, involving false representation, failing to disclose information or it’s abuse of position, undertaken in order to gain or cause loss to another” and “Theft is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it ¹”.

For the purpose of this strategy, fraud may be defined as the use of deception with the intention of:

- Corruption- gaining an advantage, financial or otherwise, personally and for family or friends; or abuse of position – abusing the council’s resources for personal gain
- Theft – removal or misuse of funds, assets or cash causing a financial loss to the Council or,
- False accounting - dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another.

We have a duty to protect the public purse and the council’s assets, and the aim of the Strategy is to maintain and improve prevention, detection, awareness and response to fraud and corruption. To build on the organisational culture in the fight against fraud and corruption by raising the awareness and encourage staff to raise any issue or suspicion of malpractice at the earliest stage.

Fraud and Corruption amounts to unnecessary cost which the council would prefer to avoid. Finding fraud and corruption early will allow the council to deal with the issue in an efficient and robust way.

Bath and North East Somerset Council is determined to pursue a strategy of bringing to account those involved in fraud and corruption through its robust HR Policies, i.e. it applies a Zero tolerance approach in relation to Fraud and Corruption.

In certain types of investigation, the Council may (where necessary) apply for authorisation to complete covert surveillance under the Regulatory Investigations Powers Act. For internal fraud, disciplinary action will be taken. In addition to this, where appropriate, the case may be referred to the Police for criminal investigation and sanction.

It will take all appropriate action to prevent fraud and corruption and respond (**pursue**) when cases of attempted or committed fraud are identified. The Council will always seek to reduce any such risk of fraud.

The Council controls millions of pounds of assets and therefore employees, Members and Council partners need to be vigilant to the risk of fraud and corruption in everyday business.

¹ Fraud Act 2006 (<http://www.legislation.gov.uk/ukpga/2006/35/contents>)

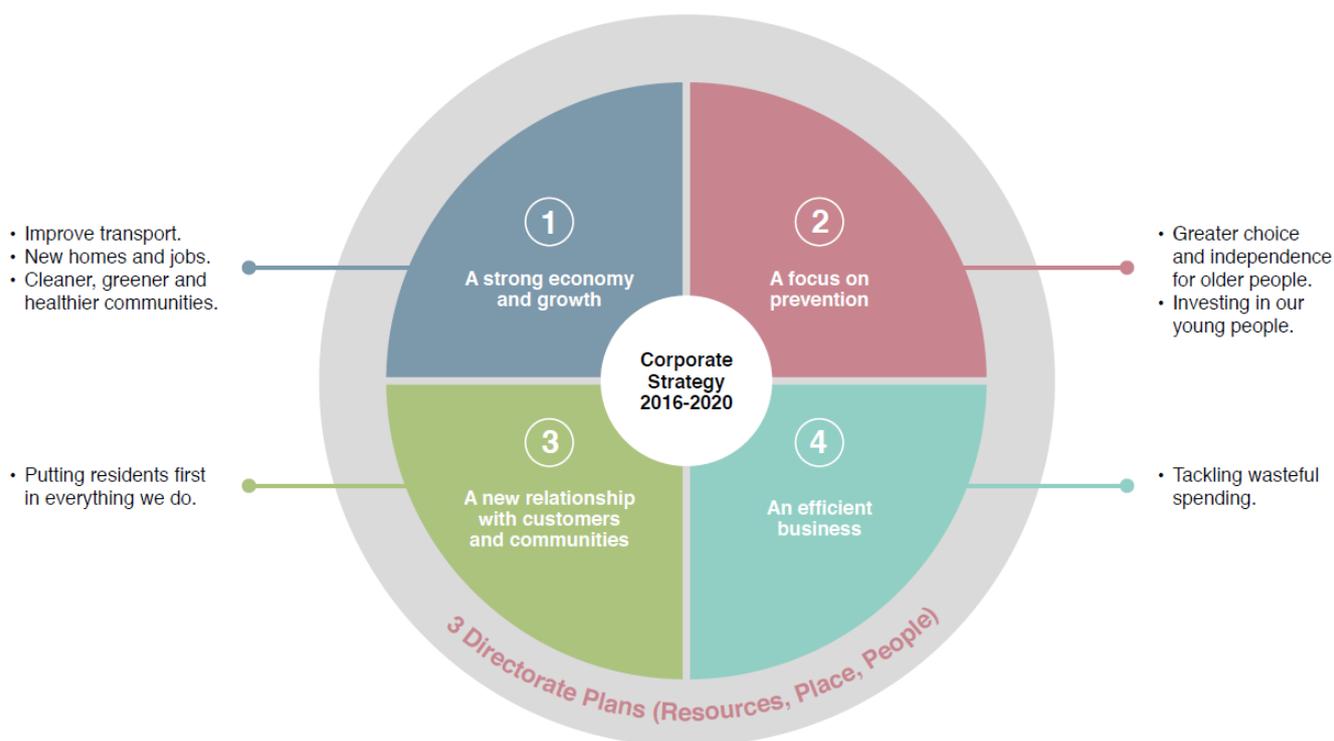
The services provided by a Unitary Council are varied and of significant financial value and volume and therefore the risk is high. The main conditions that are commonly found when fraud occurs are:-

- Incentive / pressure
- Opportunity
- Attitude / rationalism

Fraud costs the UK economy around £200 billion a year. It dwarfs previous estimates produced by the UK Government which put the figure at around £50 billion in 2013. Fraud in the public sector is around £40.4 billion and in local government £7.8 billion is lost to fraud and corruption².

Within the Council's Corporate Strategy, priorities include tackling wasteful spending. For example, the national increase in procurement fraud requires extra vigilance in how contracts are awarded and how the Council spend money. Prevention is the best and most efficient way to tackle fraud and prevent losses to the Council.

Corporate Strategy Priorities



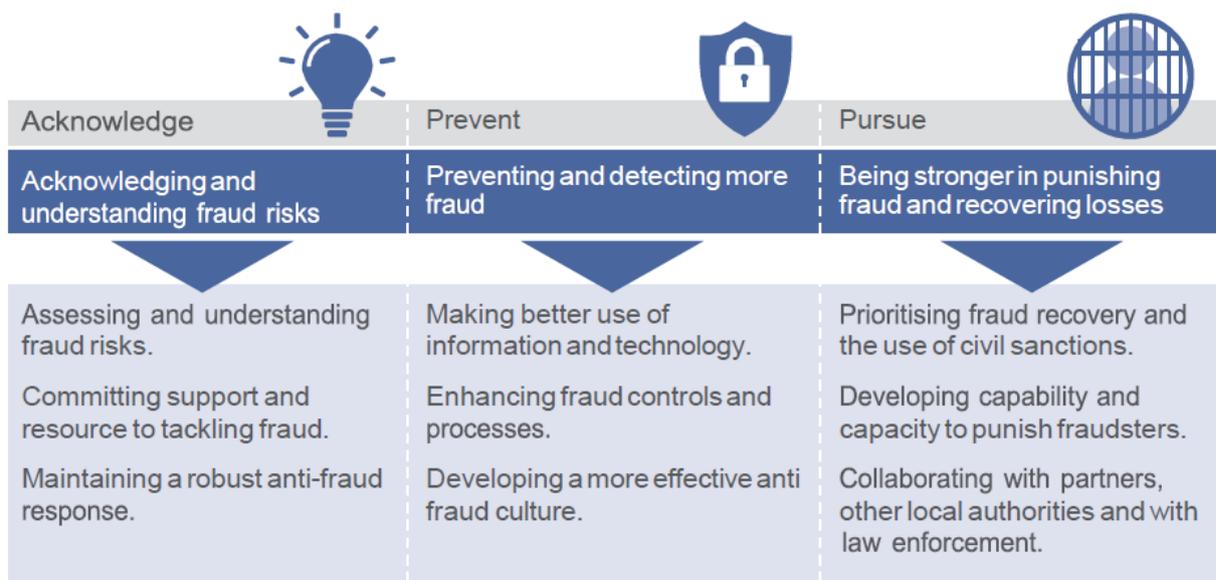
² Experian University of Portsmouth (<https://www.port.ac.uk/news-events-and-blogs/news/uk-foots-190bn-annual-fraud-bill>)

2. What Constitutes our Strategy

Scope - The Strategy applies to any individual undertaking Council specific activity, i.e.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in maintained schools (Local Education Authority)
- All contractors, agencies and partners working within the Council

The Anti-Fraud & Corruption Strategy is based upon three key themes: **Acknowledge**, **Prevent** and **Pursue** and adheres to the Local Government Counter Fraud and Corruption Strategy 2016 - 2019: Fighting Fraud and Corruption Locally, which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre.³



3. Acknowledge

CIPFA has highlighted the issue nationally in the Fraud and Corruption Tracker with the largest growing area of fraud as **business rates** fraud with an estimated £10.4 m lost in 2017/18 (compared to £4.3m in 2016/17). This is closely followed by disabled parking concessions (Blue Badges) and Council Tax fraud. In terms of volume, Council Tax accounted for two thirds of the number of fraud cases with a value of £9.8m.

³ CIPFA Fighting Fraud and Corruption Locally <https://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>

Nationally, **Procurement Fraud** is on the increase in a constantly changing environment and can occur anywhere within the council. The amount of loss can be significant and nationally it is reported as circa £400m.

The impact of identified fraud and corruption can also be intangible including:

- Lowered morale of the colleagues of the fraudster
- Reduced levels of performance of the colleagues of the fraudster while the case is being investigated.
- Reputation and relationships with other Council Services and service users, i.e. 'trust'

Our objectives:

- Ensure on-going effectiveness and resilience of anti-fraud arrangements
- Ensure all senior staff within their respective services are aware of and comply with the anti-fraud & corruption Strategy and effectively disseminate guidance to all relevant staff.
- Whistle Blowing Policy and referral system in place to internal and external reporting
- Contractors/ third parties informed of the strategy and procedures
- Members & employees are aware of the need to disclose gifts, hospitality & conflicts of interest



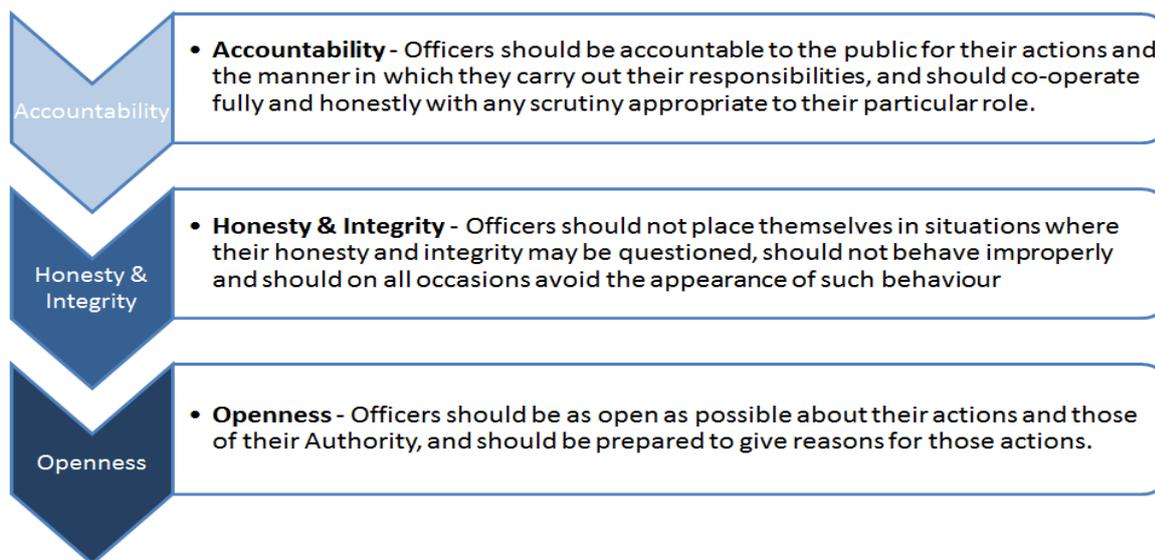
4. **Prevent**

Fraud continues to pose a major financial threat to councils and any losses are magnified based on the severe financial constraints and challenges on council finances. Therefore it is important to have the resilience and innovation within the council to ensure all staff, stakeholders and the public are aware of the fraud prevention threats and solutions to the ongoing fraud challenge to enable strong defences against fraud to be maintained.

Fraud attacks are becoming more complex and sophisticated and it is imperative that we have an effective response. Understanding that irregularities are promptly reported so allowing assigned Officers to investigate and pursue sanctions when deemed appropriate.

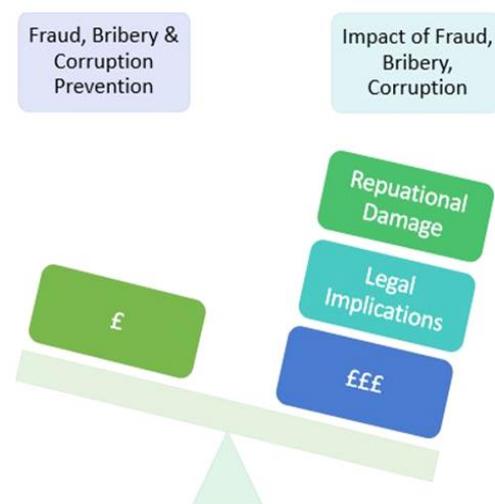
The best defence against fraud, corruption and bribery is to create a strong anti-fraud culture within the organisation. We promote the 'seven principles of public life' put forward by the Nolan Committee and expect all our staff and partners (including contractors), and councillors to be aware of and to follow principles, legal rules, procedures and practices, to protect legitimate interests at all times. (Nolan Principles⁴). Bath and North East Somerset Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the Council's Local Code of Corporate Governance.

⁴ <http://intranet/ethical-governance>



Balancing the cost of control (**PREVENTION**) against the impact (**COST**) of fraud, bribery and corruption within Bath and North East Somerset Council and the need to protect the public purse, requires the Council to have **zero** tolerance to fraud and corruption and take all the necessary steps to investigate all allegations of fraud or corruption and pursue sanctions.

Comprehensive fraud prevention strategies combined with appropriate HR procedures must be the cornerstone of the Council's work. By providing guidance and maximising awareness it will help instil our zero tolerance attitudes to fraud and corruption, meaning that staff, contractors and our volunteers neither have the motivation nor the opportunity to commit fraud.



Our objectives:

- Maintain an effective internal audit function to assist the organisation in maintaining a robust framework of internal control.
- Provide guidance and training to staff, Councillors and partners to identify and report attempted or actual fraud.
- Effective use of data matching and sharing e.g. participation in the National Fraud Initiative (NFI).
- Implement robust audit/control procedures to respond to issues identified through investigation of irregularities.
- Publicise anti-fraud issues across the organisation.
- Recruitment vetting is maintained to highlight issues with potential employees.
- Continuously review national research documentation to keep informed of emerging fraud risks.
- Continue to provide fraud awareness sessions to staff working in areas of increased risk of fraud.

5. Pursue

The Council will be proactive in combatting fraud and responding to attempted or actual incident of fraud. The information below details our fraud response plan, and offers guidance on what to do if a wrong doing is suspected.

How to report Fraud & Corruption

DO	DON'T
<p><u>Make a note of your concerns</u></p> <p>Write down the nature of your concerns Make a note of all the relevant details, such as what is said over the telephone or any other conversations Note the names and, if known, the position of those involved Notes do not need to be overly formal, but should be timed, signed and dated Notes should be held in a secure place Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened Note the date and time when the suspicion was reported onwards</p>	<p><u>Don't be afraid of raising your concerns</u></p> <p>The Public Interest Disclosure Act provides protection to employees who raise reasonably held concerns through the appropriate channels. The Council's Confidential Reporting Codes provides guidance on how to do this. You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially. The Public can report concerns in confidence to the Internal Audit Team Audit West through the online portal.</p>
<p><u>Report your concerns promptly</u></p> <p>In the first instance, for internal fraud report your suspicions to your line manager. If this action is inappropriate further guidance on disclosure can be found in the Confidential Reporting Code.</p> <p>If you are unsure who to report to, contact the Internal audit team for advice. All concerns must be reported to the Head of Audit and Assurance External fraud concerns should be reported to the Internal Audit Team</p>	<p><u>Don't convey your concerns to anyone other than authorised persons</u></p> <p>There may be a perfectly reasonable explanation for the events that give rise to your suspicions. Spreading unnecessary concerns may harm innocent persons and the reputation of the Council. Don't discuss your suspicions with anyone other than the officer you formally raised the issue with. Don't report the matter to the police unless you have been authorised to do so by internal audit.</p>
<p><u>Retain any evidence you may have</u></p> <p>The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective action. Retain and keep all relevant records/evidence that may have been handed over or discovered as a result of the initial suspicion in a secure and confidential location.</p>	<p><u>Do not approach the person you suspect or try and investigate the matter yourself</u></p> <p>There are special rules relating to the gathering of evidence for use in criminal cases and to protect human rights. Any attempt to gather evidence by persons who are unfamiliar with these rules may prevent appropriate action being taken.</p> <p>Don't interfere with or alter any documentary or computer based evidence as a result of any suspicion Don't attempt to interview or question anyone unless authorised to do so.</p>

Under the guidance of the Whistle Blowing Policy, reporting a wrong doing is straightforward and the online reporting tool on the public facing website pages or the staff intranet site is

easily accessed using this link <https://beta.bathnes.gov.uk/report-whistleblowing-concern>)

The Council will regularly review its approach to tackling fraud, with a focus on emerging risks (themes and trends) in local government and other public and private sectors.

The Council is committed to the highest ethical standards. High standards of corporate and personal conduct is essential and explicitly stated through the Council's Employee Code of Conduct and the Code of Conduct for Members and Co-Opted Members.

Our Objectives:

- deliver financial benefits in terms of efficiency savings or increased revenue whilst utilising data analytics
- effective sanctions including appropriate legal action against anyone found guilty of committing fraud and corruption
- determine the appropriate action against fraudsters
- Investigate issues and weaknesses of instances of proven fraud and corruption,
- Scrutinise and feed back to relevant departments to ensure robust systems are in place for the future
- Full reporting of all cases of fraud and corruption to the Audit Committee
- Instil effective methods for seeking recovery of money defrauded

References:

(CIPFA Counter Fraud Centre, 2014; CIFA Counter Fraud Centre, 2018)

Strategic Objectives 2019 - 2020

CIPFA principles	Objectives	Goals & 6C's	Activities	Timeframe	Progress
Acknowledge	Ensure on-going effectiveness and resilience of anti-fraud arrangements	Fraud is acknowledged as a risk to the Council CULTURE	The Council has in place an Anti-Fraud & Corruption Strategy The Council has a fraud response plan and action plan	Nov-19	scheduled
	ensure all senior staff within their respective services are aware of and comply with the anti-fraud & corruption Strategy	Share risks and action plans in a timely fashion with the audit committee and leadership teams COMMUNICATON	AuditWest will provide fraud reporting tools Provide fraud alerts to appropriate staff and / officers/services	April 19- March 20	Ongoing
	Whistle Blowing Policy and referral system in place to internal and external reporting	The Council has a robust Policy which demonstrates its commitment to prevent fraud. COMMUNICATION	Audit West will provide a robust on-line reporting mechanism which complies with the 1998 Public Interest Disclosure Act	Jul-19	Complete
	Contractors/ third parties informed of the strategy and procedures	Joint responsibility for anyone acting on our behalf to adhere to the Council's strategy COLLABORATION	We will seek out opportunities to share details of our Strategy to mitigate the consequences of risk of fraud Working across all areas of services means fraud enablers will be highlighted and may lead to fraud being uncovered	Jan - March 20	scheduled
	members & employees are aware of the need to disclose gifts, hospitality & conflicts of interest	Creating a culture in which beating fraud and corruption is part of daily business CULTURE	there are clear policies that are applied consistently across the Council to encourage the register of interests reports are made available to members detailing themes, sanctions and strategy updates Managers at a minimum of annually, review DOI and hospitality within teams	Annually	Ongoing

Strategic Objectives 2019 - 2020

Prevent	Effective use of data matching and sharing .	→	Co-ordinated approach to data analytics across West of England COLLABORATION	→	develop the data hub to investigate the use of NFI App Check and Recheck products There is a programme of data matching exercises which looks at Fraud, efficiencies, income generation, assurance	Jan - March 20	scheduled
	Participate in the National Fraud Initiative(NFI) data matching exercise	→	Participate in the sophisticated data matching exercise which takes data from 1200 participating organisations across private and public sector COLLABORATION	→	Continue to participate in the annual exercise providing data to highlight error or fraud in service areas such as Payroll, pensions, Ctax, Blue Badge etc.	Annually	Ongoing
	Develop robust audit/control procedures following investigations	→	The council has arrangements in place through its audit reporting to highlight fraud thematic CULTURE	→	Auditors are equipped with fraud awareness and expertise when conducting routine assurance audits to identify fraud and corruption and take the necessary steps	Annually	Ongoing
	Publicise anti-fraud issues across the organisation	→	Raising awareness to help promote probity and propriety in the conduct of the Council's business CULTURE	→	Deliver a programme of work to ensure a strong counter fraud culture across all departments and deliver counter fraud training and awareness. Promote awareness through continued publicity such as newsletters, case studies, attendance at team meetings etc..	Jan- March 20	scheduled

Bath & North East Somerset Council

Strategic Objectives 2019 - 2020

Pursue	deliver financial benefits in terms of efficiency savings or increased revenue whilst utilising data analytics	➔	Provide detailed analytical reporting which highlights areas of savings, efficiency and maximising income generation & errors CAPACITY	➔	the delivery of analysis of data across the Council's services will provide evidence of duplication of payments, through to procurement and financial risk	Quarterley activity	Ongoing
	determine the appropriate action against fraudsters	➔	Having a Zero tolerance to fraud & corruption means that the council will take sanctions against any perpetrators CULTURE	➔	The Council will respond to all reports of fraud and / or irregularity and where appropriate, carryout a full investigation. Where appropriate, the case will be referred to the police for criminal investigation/ sanction.	reactive	Ongoing