



# COUNTER FRAUD AND CORRUPTION STRATEGY

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## **1. Introduction**

This document sets out the Council's strategy in relation to fraud, bribery and corruption. It has the full support of the Council's elected Members and the Senior Leadership Team and is based on the latest best practice guidance.

Gedling Borough Council employs approximately 500 staff and has a gross revenue and capital budget of over £50m. As with other large organisations, the size and nature of our services puts us at risk of loss due to fraud, bribery and corruption, both from within the Council and outside it.

The Council is committed to reducing fraud, bribery and corruption, and to the promotion of high standards of conduct, to ensure that funds are used as they are intended. Our desire is to be a model of public probity, affording maximum protection to the funds we administer.

The Council will seek the appropriate disciplinary, regulatory, civil and criminal sanctions against fraudsters and where possible, will attempt to recover losses.

## **2. Purpose**

The purpose of this strategy is to:

- Improve the knowledge and understanding of all Gedling staff, irrespective of their position, about the risk of fraud, bribery and corruption within the organisation.
- Promote a counter fraud culture and an environment where staff feel able to raise concerns and understand that fraud, bribery and corruption is unacceptable.
- Set out the Gedling responsibilities in terms of the deterrence, prevention, detection and investigation of fraud, bribery and corruption.
- Ensure appropriate sanctions are considered following an investigation, which may include internal disciplinary action, civil recovery and/or criminal prosecution.

## **3. Scope**

This strategy applies to all individuals working at all levels including Members (including co-opted members), employees (whether permanent, fixed-term, or temporary), trainees, secondees, home-workers, casual staff and agency staff, interns and students, agents, sponsors, volunteers or any other person associated with the Council wherever located (collectively referred to as "Officers") in this Strategy, as well as contractors, suppliers and other internal and external stakeholders including service users and any other parties who have a business relationship with the Council.

This strategy is not intended to provide a comprehensive approach to preventing and detecting fraud, bribery and corruption.

Any abuse or non-compliance with this policy or procedures will be subjected to a full investigation and appropriate disciplinary action.

## 4. Definitions

### 4.1 Fraud

Fraud involves **dishonestly** making a false representation, failing to disclose information or abusing a position held, with the intention of making a gain or causing a loss. The gain or loss does not have to succeed, as long as the intent is there.

The Fraud Act 2006 came into force on 15<sup>th</sup> January 2007 and applies in England, Wales and Northern Ireland. It defines:

- Fraud by false representation (Section 2) – a representation can be in words, written or communicated by conduct. There must be knowledge that the representation was untrue or misleading.
- Fraud by failing to disclose (Section 3) – not declaring something (verbally or in writing) when there is a legal duty to disclose that information.
- Fraud by abuse of position (Section 4) – occupying a position in which you are expected to safeguard, or not to act against, the financial interests of another person or organisation, and abusing that position.
- Further sections for consideration are Section 6 – Possession of articles for use in fraud and Section 7 – Making or supplying articles for use in fraud.

Actions that could be seen to constitute fraud include, but are not limited to:

- Any dishonest or deceptive act;
- Making fraudulent statements e.g. falsifying timesheets, travel and subsistence, sick or special leave;
- Theft, destruction of property or data, or misappropriation of funds;
- Impropriety in the handling and reporting of money or financial transactions;
- Subletting;
- Profiteering because of inside knowledge of the company's activities;
- Disclosing confidential information;
- Obtaining goods, money or services by deception;
- Intimidation or exploitation;
- False accounting/invoicing and/or the destruction, removal or inappropriate use of records;
- Serious misuse of IT or communications systems.

### 4.2 Bribery and Corruption

Bribery and corruption involves offering, promising or giving a payment or benefit-in-kind in order to influence others to use their position in an improper way to gain an advantage. Bribery is a criminal offence.

Offences of bribing another person:

The Bribery Act 2010 makes a person guilty of an offence if either of the following two cases apply:

- He/she offers, promises or gives a financial or other advantage to another person, and he/she intends the advantage to induce a person to perform improperly a relevant function or activity, or to reward a person for improper performance of such a function or activity.
- He/she offers, promises or gives a financial or other advantage to another person, and he/she knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

Offences in relation to being bribed:

The Bribery Act 2010 makes a person guilty of an offence if any of the following applies:

- He/she requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly (whether by him/herself or another person);
- He/she requests, agrees to receive or accepts a financial or other advantage, and the request, agreement or acceptance itself constitutes the improper performance by him/her of a relevant function or activity;
- He/she requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance (whether by him/herself or another person) of a relevant function or activity;
- In anticipation of or in consequence of him/her requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly by him/her or by another person at his/her request or with his/her assent or acquiescence.

Failure of a commercial organisation to prevent bribery (Section 7 of the Bribery Act 2010):

A relevant commercial organisation (e.g. the Council) is guilty of an offence under this section if a person associated with the organisation bribes another person intending to obtain or retain business for the organisation, or to obtain or retain advantage in the conduct of business for the organisation.

**However**, it is a defence for the organisation to prove that it had in place adequate procedures designed to prevent persons associated with the organisation from undertaking such conduct.

# FRAUD AND CORRUPTION

## 1. Introduction

The Council is responsible for the proper administration of its finances. This not only includes direct income and expenditure but also monies that we administer on behalf of the Government, on behalf of our clients, and that for which we are the responsible accountable body. Anyone committing fraud, bribery or corruption, both inside and outside the organisation, attack all of these sources of income and expenditure and our valuable assets.

This Strategy encompasses any action taken by an individual, group or organisation which is designed to facilitate dishonest gain (or a loss) at the expense of the Council, the residents of Gedling, or the wider national community. It, therefore, includes fraud, bribery and corruption and any financial irregularity or malpractice.

The Council will be vigilant in all of these areas and will apply the same principles of deterrence, prevention, detection, investigation and resolution across all its services. The Council will not be afraid to tackle difficult or uncomfortable cases and will take a robust line and seek the maximum appropriate sanction in all areas of operation.

## 2. The Fraud Threats

The key threats of fraudulent and corrupt activity occurring within the Council are from, in no particular order:

- a. Members;
- b. Officers;
- c. Contractors and Partners;
- d. Public.

## 3. Members

Our elected Members are expected to act in a manner which sets an example to the community whom they represent and to the Officers of the Council who implement their Policy objectives. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. This includes placing the Council's interests above their own and the observance of the *Seven Principles of Public Life* (ethical standards expected of public office holders as set out by Government) as required by the Members' Code of Conduct in the Council's Constitution.

Members should be particularly careful to ensure that all relevant interests including any conflict of interest are properly declared in any and all of their financial dealings. No financial malpractice will be tolerated and where evidence indicates such malpractice has taken place, a report will be made to the Monitoring Officer who will inform the Police if appropriate.

#### **4. Officers**

Officers are also expected to observe the *Seven Principles of Public Life*, acting with integrity, objectivity and honesty. It is recognised that the vast majority of Officers are hardworking and conscientious who conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. However, fraud, bribery and corruption will not be tolerated and where evidence indicates such activity has taken place, the allegation will be investigated under the Council's Disciplinary Procedure and, if proven, action will be taken that may include dismissal. Criminal and/or Civil proceedings will also be pursued if appropriate. The Officer Code of Conduct which sets required standards of behaviour is included in the Employee Handbook.

There is a special responsibility on our Senior Leadership Team to lead their Officers by example. The Council expects these Officers to set the standard by their own behaviour. This includes placing the Council's interests above their own and the whole-hearted promotion of the *Seven Principles of Public Life*.

It is the responsibility of Directors and Service Managers to be aware of the appropriate financial and other counter fraud regulations and to be responsible for ensuring compliance with them by the Officers for whom they are responsible. Directors and Service Managers are also responsible for the enforcement of disciplinary action for staff who fail to comply with policies and procedures

#### **5. Contractors and Partners**

The increase in partnership arrangements to deliver services places an additional burden on the Council to ensure that public money invested in these services is appropriately used.

Those organisations undertaking work on behalf of the Council are expected to maintain strong counter fraud and bribery principles. We are happy to work with such organisations and to provide advice on counter fraud measures. Through contract documentation and service level agreements we will ensure that our service providers and partners take the issue of fraud and bribery seriously and the Council is able to terminate the arrangement where fraud or bribery is discovered.

The Council requires partnerships to adopt appropriate governance arrangements as detailed in the service level agreement, which amongst other things, sets out the standards of conduct expected of the Council's partners. This includes the promotion of the *Seven Principles of Public Life*.

In an era of increasing emphasis on partnership working, it is vitally important that our key partners, advocate and promote the principles of good governance, accountability for decisions, effective risk management and the appropriate stewardship of public funds.

#### **6. The Public**

Members of the public receive financial assistance and benefits from the Council through a variety of sources. These include, for example:

- Housing Benefit and Council Tax Reduction;
- Temporary accommodation and homelessness prevention assistance;
- Renovation and other housing related grants;
- Community Grants.

All of these areas have been the subject of attack by people committing fraud. This means less money is available for those in genuine need. Our fraud effort will be balanced against our desire to ensure genuine claimants receive their full entitlement.

Because of the scale of expenditure, Housing Benefit fraud receives significant attention from Central Government. A number of initiatives have been implemented which are fully supported by the Council. These include:

- National Fraud Initiative;
- Housing Benefit Matching Service (DWP);
- Verify Earning and Pensions Service (DWP).

The Council will participate in these schemes to the fullest extent.

## **7. Identifying the Specific Threats**

Each Service will be challenged to identify the risk of fraud, bribery and corruption occurring in their area. Where risks are identified, they will be responsible for ensuring they are placed on the Risk Register and that actions are undertaken to address those risks.

Internal Audit, through its programme of work will also test the control environment within Services and compile reports on its findings, highlighting any weaknesses in controls. Services will be required to act upon those recommendations and Internal Audit will monitor progress.

In situations that require a fraud investigation Internal Audit will highlight any system weaknesses that are identified and those will be addressed through an agreed Action Plan. The relevant Service Manager is responsible for implementing the Action Plan and Internal Audit will monitor implementation. The Department for Work and Pensions (DWP) has responsibility with regard to Housing Benefit Fraud through its Single Fraud Investigation Service and the Council works closely with the DWP to combat fraud in this area.

The Council will develop tools to identify and quantify the amount of fraud to inform decision making on the resourcing of counter fraud activity and how and where that resource is deployed.

The Council will evaluate the impact of the harm that each fraud risk can have on delivery of its aims and objectives and service users.



# THE COUNCIL'S STRATEGIC APPROACH

## Introduction

The Council already has a number of policies and processes in place (at Appendix 1), which underpin the operation of the Council and exist to fortify the Council against fraud, bribery and corruption. The Counter Fraud and Corruption Strategy underpins this framework.

Our Strategy to combat fraud, bribery and corruption is built upon seven key themes:

- Counter fraud Culture;
- Deterrence;
- Prevention;
- Detection;
- Investigation;
- Sanction;
- Redress.

The themes exist within the overall context of a counter fraud culture promoted by the Council through its leadership, governance arrangements and general approach to fraud.

This Counter Fraud and Corruption Strategy provides details of the ways in which these themes will be developed and executed to embed the counter fraud culture as part of the good governance of the Council.

Everyone in the Council has a duty to protect the public purse and should be aware of the potential for fraud, bribery and corruption in their area of work. However, to ensure the successful implementation of this Strategy, specific responsibilities are detailed in Appendix 2 – Roles and Responsibilities.

## 1. The Counter Fraud Culture

The Council must have a strong and recognised counter fraud culture. One where the Council's leadership, both elected and employed, uphold the highest standards of conduct both in their duties and in their own personal financial dealings.

Leadership is a cornerstone of any organisation. Leaders set the example that the rest of the organisation follows. The elected Members are expected to set an example to each other, our Officers and the community that we serve. The Council as a whole also has a statutory duty to promote high standards of conduct by its Members. To this end the Council has approved a robust Members' Code of Conduct which is included in the Constitution.

Similarly, there is a special onus upon the Chief Executive, Senior Leadership Team and Senior Officers to lead by example in their financial dealings, which are beyond reproach and fully accountable. This includes financial dealings away from the workplace.

The message must be clear and simple that the Council will not tolerate any fraudulent or corrupt activity. Every pound lost through a fraudulent or corrupt act is a pound stolen from the residents of Gedling.

All new employees will receive Counter Fraud and Corruption Awareness training as part of their induction into the Council. In addition, all employees will be required to participate in refresher programmes. These will be in various formats (for example e- learning).

All Directorates will be required to address the risk of loss due to fraud and/or corruption through the Council's Corporate Risk Strategy and appropriate Directorate Risk Action Plans.

This Counter Fraud and Corruption Strategy will be available to all employees, contractors and partners and will link into other relevant policies and guidance, such as the:

- Disciplinary Procedure;
- Member Code of Conduct;
- Officers Code of Conduct;
- Gifts and Hospitality Code of Practice for Members and Officers;
- Whistleblowing Policy and Procedure.

## **2. Deterrence**

We recognise that our systems are vulnerable from attack, particularly by those who gain inside knowledge of control weaknesses. The most effective way to minimise fraud and bribery entering into any system is to deter those who may consider defrauding from committing the offence in the first place.

The Council will ensure that this Strategy and other supporting policies are publicised to the widest possible audience, including staff, partners and the public. We will actively promote the anti-fraud culture and the consequences for those found to have committed such offences.

The Council will seek the most appropriate sanction and redress against all those who commit fraud against the Council. We will publicise details of criminal convictions and provide statistical information in relation to disciplinary action to deter others who may have considered committing such offences themselves.

All Managers have a responsibility for ensuring that control measures are in place to minimise the risk of fraud, bribery and corruption. They must consider these risks whenever new guidance or procedures are written or existing ones revised.

Managers must ensure that all staff are aware of these procedures and of the controls in place. Where effective controls are in place, there is less opportunity to commit fraud and therefore, this may act as a deterrent.

## **3. Prevention**

Fraud, bribery and corruption are costly, both in terms of reputational risk and financial losses. To reduce the risk of loss we must aim to prevent it from happening in the first place. There are a number of key processes, which can assist in the prevention of fraud and corruption, including:

- a. Internal Control systems (and the work of the Audit Committee);
- b. Employee Recruitment and Conduct;
- c. Members Roles and Conduct;
- d. Public Contracts – prevention of bribery
- e. Joint working to prevent and combat fraud and bribery

(a) Internal Control Systems

The Council takes ultimate responsibility for the protection of our finances and those that are administered on behalf of the Government or the Community. In turn, our Managers have a duty to protect their service area from losses due to fraud and irregularity, and are responsible for implementing proper internal controls and ensure compliance with Financial Regulations and Standing Orders. Our Managers are expected to be fully familiar with the services they provide and must be cognisant of the fraud and bribery risks in their service area. Some services will be at particular risk of attack from external sources, for example:

- Housing Benefit;
- Renovation Grants;
- Homelessness and Housing;
- Council Tax;
- IT Systems (cyber fraud).

In fact any service which pays money directly, reduces a liability or gives a service of value where there is some sort of claim or application made, is at a high risk of fraud. In addition, all Council services are susceptible to internal fraud through false pay, allowance or sickness claims and abuse of their position by Officers for private gain. or the gain of relatives or friends.

Internal controls are only effective if they are properly conducted. Therefore, it is the responsibility of all Managers to establish and maintain systems of internal control and to assure themselves that those controls are properly applied and on the activities intended. This includes responsibility for the prevention and detection of fraud, bribery and corruption. The Council has developed an Anti-Money Laundering Policy which is attached at Appendix 4.

We will implement strong systems of verification of all claims for all types of financial assistance, for example, risk-based verification for housing benefit claims. We will utilise all data available to corroborate information given by applicants for the purposes of prevention and detection of fraud. We will also monitor and review grants and assistance given to external organisations to ensure applications are genuine.

We will also expect our voluntary sector partners which receive grant funding from the Council to have adequate governance procedures and controls in place to minimise the risk of fraud. This expectation will be written into all relevant agreements. We will provide Fraud Awareness training to our partners as required.

Our partners are expected to have adequate Whistle-blowing Procedures and the Council's own procedure, which is contained in the Employee Handbook, will be promoted to contractor staff working on behalf of the Council.

Internal Audit will ensure that an adequate and effective audit is undertaken of the Council's systems and processes. Any system weaknesses that are identified as a result of these investigations will be reported to the relevant Director/Service Manager. These will be addressed through an agreed Action Plan. The relevant Service Manager is responsible for implementing the Action Plan and Internal Audit will monitor

Failure to implement adequate system controls following a loss to fraud may be investigated under the Disciplinary Procedure and will be the subject of a report to the relevant Director and/or Audit Committee. The Audit Committee will receive regular reports from Internal Audit regarding system failures, proposals for action and feedback on the implementation of Action Plans.

(b) Employee Recruitment and Conduct

All employees must abide by the Council's rules. These are contained in the Council's Constitution and in the Employee Handbook. Policies that have been formally adopted and included in the Employee Handbook form part of each employee's contract of employment. Employees of the Council are also expected to follow any additional Codes of Conduct, either related to any professional body to which they are registered, or additional Council Codes of Conduct relevant to their post, and immediately notify the Council if they come into conflict with any such Code. The Employee Code of Conduct and Gift and Hospitality Code of Practice which contain counter fraud and anti-bribery behaviour expectations are included in the Council's Employee Handbook.

Where agency workers are deployed in positions where they have access to finance, personal data or other assets, Service Managers will check their references direct with their previous employer. The Council will not rely only on references supplied by staffing agencies.

The Chief Financial Officer/Deputy will be proactive in raising awareness of the Council's Counter Fraud and Corruption culture to staff through appropriate mechanisms including Fraud Awareness training at all levels. Fraud and Corruption awareness will also form part of the new entrants' induction package.

(c) Members Roles and Conduct

All Members are bound to comply with the Members' Code of Conduct and any ancillary Codes that we implement. We will provide Fraud and Corruption Awareness training to our Members and encourage an open and honest dialogue between Members and Officers. The Members' Code of Conduct is included in the Council's Constitution with requirements for the disclosure of interests at meetings and notification of interests and gifts and hospitality to be included in the Register. These documents incorporate counter fraud expectations and are linked documents to this strategy.

We will ensure that the processes that are particularly vulnerable, such as planning, licensing, disposals and tendering are adequately protected through internal control mechanisms and regular reminders to Members regarding requirements for declaration of interests.

(d) Public Contracts - prevention of bribery

Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. The Regulations do not include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This Council has the discretion to exclude organisations convicted of this offence.

The Council requires, through its contract procedure that all procurement activity be undertaken to the highest standards of ethics and probity. The Council insists on ethical standards from its suppliers which are fully reflected in contract terms and conditions and in turn it must exhibit the highest ethical standards itself as reflected in Member and Officers Codes of Conduct including requirement for declaration of interests. The Contract Standing Orders also require any officer who has a conflict of interest or any material interest, financial or otherwise, which may affect the procurement process to declare that interest to the Director and take no further part in the procurement process, unless the Monitoring Officer agrees. Officers and Members must not only be fair and above board in all business dealings, but should also avoid any conduct that is capable of having an adverse interpretation put on it.

(e) Joint Working to Prevent and Combat Fraud and Bribery

The Internal Audit team will work with other local authorities and public sector bodies, as appropriate, to investigate allegations of fraud including:

- Department of Health;
- Department for Work and Pensions (DWP);
- Police;
- Her Majesty's Revenue & Customs (HMRC);
- Border & Immigration Agency.

Where appropriate, we will participate in data-matching exercises and will share information using legislation or legal gateways available to us and our partners. The Government Cabinet Office has drawn up a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.

The Council will make full use of its statutory powers to obtain information, and will utilise appropriate bodies to support such information gathering.

#### **4. Detection**

Whilst it is possible to reduce the potential for fraud and corruption within the Council, it is important to remember that it is not possible to eradicate it. Therefore, it is essential that Officers are aware of what to do should they detect or suspect fraud or bribery has, or is taking place.

All officers, the public and Members are encouraged to contact nominated officers with any suspicion of fraud, bribery or corruption, or the misuse of official position. The Council operates a Whistle-blowing procedure for those who wish to utilise the protection offered by the Public Interest Disclosure Act 1998. The Whistleblowing procedure is contained in the Employee Handbook and published on the Council's website.

The nominated officers are:

- Head of Paid Service (Chief Executive);
- Chief Financial Officer or Deputy (Deputy Chief Executive and Director of Finance and Service Manager, Financial Services);
- Monitoring Officer or Deputy (Director of Organisational Development and Democratic Services and Service Manager, Legal Services);
- Service Manager, Organisational Development.

The Fraud Response Plan provides guidance on what to do should an individual suspect fraud or corruption and can be found at Appendix 3 of this Strategy. Alternatively, where benefit fraud is suspected we encourage the public to report it to the National Benefit Fraud Hotline on 0800 854 440 or write to them at PO Box 224, Preston, PR1 1GP

Internal Audit reviews will have regard to the possibility of fraud. Where the same is externalised, contract arrangements will ensure that investigators are appropriately trained to ensure that they have a full understanding of system controls and potential fraud areas.

We will utilise all methods available to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigations where appropriate. We will participate fully in the Government's National Fraud Initiative.

We will analyse fraud trends in order to identify high risk areas and undertake pro- active counter fraud exercises based on that analysis.

## **5. Investigation**

As a matter of potential serious wrongdoing, all allegations of fraud, bribery and corruption will be investigated in accordance with the procedures contained in the Council's Whistleblowing Policy. The Corporate Whistleblowing Team (as set out above in Section 4) will consider the allegation and determine the appropriate method of investigation ensuring the appropriate alignment with relevant Council Policies e.g. Disciplinary Procedures, Members Code of Conduct to ensure their correct and consistent application. The investigating team will include officers with appropriate expertise e.g. Internal Audit, Human Resources, Legal Services, related Service Manager.

The Chief Financial Officer or Deputy will manage the overall investigation of allegations of fraud, bribery and corruption in consultation with appropriate officers depending upon the nature of the allegation.

This may or may not result in the investigation being referred to professional investigators appropriately trained in criminal investigation and will be required to work within the parameters of the relevant Criminal Law.

Cases will be referred to the Police where their additional powers are required to secure evidence or recovery of funds, or where the matter cannot be pursued in-house.

There is an expectation that any employee will assist the Council with any matter under investigation. Any employee suspected of deliberately taking action to hide, remove or alter evidence relevant to an investigation will themselves be investigated under the Council's Disciplinary Procedure as a potential act of misconduct, possibly gross misconduct.

If an allegation of fraud or corruption against a Member also results in a complaint of breach of the Members' Code of Conduct, the complaint will be dealt by the Monitoring Officer in accordance with the approved arrangements for dealing with complaints. If the complaint gives rise to a criminal offence it will be referred to the police.

Our partners will provide full access to their financial records, as they relate to our finances, and their Officers will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements.

## **6. Sanction**

We will seek the strongest available sanctions against all who commit fraud against the Council, its clients or the public purse. This may include disciplinary action, prosecution, civil proceedings or a combination. Where the fraud is committed by an employee of a contractor or partner organisation, we will request that the organisation takes appropriate disciplinary action against the individual and/or we will require that they are removed from the Gedling account.

The decision to recommend any or all of the above sanctions will be made on a case by case basis, having regard to the Disciplinary Procedure in place at the time.

### Disciplinary Action

The Council's Disciplinary Procedure specifically identifies fraud and theft as potential acts of gross misconduct. Other related acts may be similarly viewed as potential gross misconduct including corruption, serious financial malpractice, or use of position for personal gain or for the gain of others. Any proven act of gross misconduct may lead to dismissal from the service of the Council. In the event of a dismissal on a count of fraud, this will be declared in reference requests received from prospective future employers.

The concept of fraud, theft or similar activity applies to employees who improperly benefit from the Council as a corporate body, and not just those who steal funds from their own area of business. It also applies to employees who defraud or steal from the Council's clients. We will also investigate under the Council's Disciplinary Procedure any action of Officers who appear to commit fraud against other Local Authorities, the Department of Work and Pensions or any other agency administering public funds.

Any case of fraud, theft or corruption involving a Member will be dealt with in accordance with the Council's arrangements for dealing with complaints. This may involve a referral to the Police if there is potentially criminal conduct/breach of other regulations.

### Criminal Sanctions

In addition to any disciplinary action, the Chief Financial Officer or Deputy in consultation with Legal Services will decide whether further action is appropriate in respect of any criminal offences. This decision will be made on a case by case basis and further action may include a recommendation of prosecution.

We will use the Council's own Legal team and the Crown Prosecution Service, through the Police, to bring offenders to justice. As a deterrent, we will also publicise our successful sanctions in the local press.

## **7. Redress**

In all cases we will seek recovery of any fraudulently obtained amounts and we will utilise all means available to us to recover these amounts. This can include freezing assets, Compensation Orders, Confiscation Orders, Civil Litigation, recoup of monies paid through the Local Government Pension Fund, and general debt recovery.

The Council Debt Recovery procedures provides clear guidance on the measures it will take to effectively recover monies owed to the Council.

Additionally, where a criminal conviction has been secured, we will utilise the power of the Courts to obtain Compensation Orders where appropriate. We will also consider the use of our partners' specialist skills in financial investigation to recover losses using the Proceeds of Crime Act 2002.

All partners and contractors will be responsible for any losses affecting Council funds attributable to their employees. Bribery and corruption clauses are included in contract terms and enable the termination of the contract and the recovery of funds in the event of fraud.



# REVIEW AND REPORTING

## Updates

This Strategy will be the subject of regular review to ensure it continues to meet statutory requirements and supports the strategic objectives of the Council. It will be formally reviewed on a tri-annual basis.

Internal audit will also conduct a periodic review of the Council's operation against the Strategy to ensure the Counter Fraud and Corruption culture is embedded within Council services.

A report on the Council's activity in relation to cases of fraud and irregularities will be submitted to the Audit Committee on an annual basis to include an assessment of whether the level of resource invested in counter fraud and corruption is proportionate to the level of risk.

## APPENDIX 1 – THE CORPORATE FRAMEWORK

- The Constitution (including Financial Regulations, Contract Standing Orders and the Scheme of Delegation);
- An established Audit Committee;
- An established Standards Committee and an adopted Code of Conduct for Members;
- A comprehensive Members' Induction programme delivered following elections which included expected standards of behaviour and interests;
- Employee rules of conduct contained within the relevant policies and procedures;
- Employees' Conditions of Service;
- An Officer appointed under Section 151 of the Local Government Act 1972, with statutory responsibility for the oversight of all financial affairs;
- An Officer, appointed as Monitoring Officer under section 5 of the Local Government and Housing Act 1989, with statutory responsibility for monitoring the legality of the Council's affairs;
- Register of Interests and Gifts and Hospitality
- Gifts and Hospitality Code of Practice for Members and Officers;
- Effective employee recruitment procedures (recruitment checks and DBS where appropriate) and a detailed Officer Code of Conduct;
- A Corporate Induction programme for all Officers which includes expected standards of probity;
- Effective Disciplinary Procedures;
- An Internal Audit function with a responsibility for assessing and testing the Council's control environment;
- A Whistle-blowing Policy and Procedure;
- A Counter Fraud and Corruption Strategy;
- A Complaints procedure available to the public;
- Public inspection of accounts and questions to the External Auditor;
- An External Audit function;
- Dedicated Internal Audit service whose work programmes includes proactive work determined by a formal risk assessment;
- Participation in National anti-fraud initiatives;
- A proactive IT security function and an Information Security Policy;
- Risk-based Verification policy (benefits);
- A Data Protection Policy;
- Local Code on Corporate Governance

## APPENDIX 2 – ROLES AND RESPONSIBILITIES

Role	Responsibility
Council	<ul style="list-style-type: none"> <li>• Facilitate a Counter Fraud and Corruption culture.</li> <li>• Demonstrate a commitment to this Strategy and ensure it has the appropriate profile within the Council.</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>• To approve the Counter Fraud and Corruption Strategy.</li> <li>• Ensure the Strategy is effectively implemented across the Council.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• To monitor and review the Counter Fraud and Corruption Strategy for referral to Cabinet for approval.</li> <li>• To monitor and review the effectiveness of the Council's risk management arrangements, internal controls and related counter fraud and corruption arrangements.</li> </ul>
Standards Committee	<ul style="list-style-type: none"> <li>• Role in promoting the highest standards of conduct by Members including advising on what should be included in the Code of Conduct and reviewing the Gifts and Hospitality Code of Practice</li> </ul>
Appointments and Conditions of Service Committee	<ul style="list-style-type: none"> <li>• To approve robust employment policies.</li> </ul>
Appeals and Retirements Committee	<ul style="list-style-type: none"> <li>• To consider appeals made against dismissals relating to fraud, bribery and corruption in order to ensure measures taken are in accordance with policies and are fair and proper.</li> </ul>
Chief Executive	<ul style="list-style-type: none"> <li>• Ensure that there is strong political and executive support for work to counter fraud and corruption.</li> <li>• Ensure adequate policies and procedures are in place to protect the organisation i.e. this Strategy, and ensure that there is consistency across Directorates in its implementation.</li> </ul>
Monitoring Officer	<ul style="list-style-type: none"> <li>• Ensure that expected standards of ethical conduct are developed and effectively communicated.</li> <li>• Ensure Registers of Interests, Gifts &amp; Hospitality are maintained.</li> <li>• Ensure Members and Officers are fully aware of their obligations in relation to probity.</li> <li>• Ensure resources are available to pursue appropriate criminal and civil proceedings.</li> </ul>

Chief Financial Officer	<ul style="list-style-type: none"> <li>• Ensure appropriate financial regulations are documented and implemented.</li> <li>• Ensure that those working to counter fraud and corruption are undertaking this work in accordance with a clear ethical framework and standards of personal conduct.</li> <li>• Ensure that those working to counter fraud and corruption are professionally trained and accredited for their role and attend regular refresher courses to ensure they are up to date with new developments and legislation.</li> <li>• Ensure that there is a level of financial investment in counter fraud and corruption work that is proportionate to the risk that has been identified.</li> <li>• Ensure that reports on investigations include a section on identified policy and system weaknesses that allowed the fraud/corruption to take place where appropriate.</li> <li>• Ensure that effective Whistle-blowing arrangements are established.</li> </ul>
Service Manager, Organisational Development	<ul style="list-style-type: none"> <li>• Ensure effective pre-employment checks at the recruitment stage for all employees, implemented by appropriately trained Officers;</li> <li>• Provide advice to promote consistency, ensuring appropriate use of the Disciplinary Procedure and advise on matters of employment law;</li> <li>• Ensure employment policies support the Counter Fraud and Corruption Strategy;</li> <li>• Advise on and monitor that effective and appropriate sanctions are applied in all appropriate cases.</li> </ul>
Directors	<ul style="list-style-type: none"> <li>• Ensure the risks of fraud and corruption are identified, entered on the Risk Register and Action Plans implemented to reduce the risk to an acceptable level.</li> <li>• Ensure the Counter Fraud and Corruption Strategy is implemented within their Directorate, and that all staff understand the importance of protecting the organisation from fraud, bribery and corruption.</li> <li>• Ensure the risk of fraud and corruption is considered in all new processes.</li> <li>• Report instance of actual or suspected fraud to the Chief Financial Officer or deputy. It is important that Directors do not investigate suspected financial crimes themselves.</li> </ul>

Service Managers	<ul style="list-style-type: none"> <li>• Ensure the Counter Fraud and Corruption Strategy is implemented within their service and all employees are aware of their responsibilities and understand the employee rules of conduct;</li> <li>• Ensure the risks of fraud and corruption are identified, entered on the Risk Register and Action Plans implemented to reduce the risk to an acceptable level.</li> <li>• Ensure that as part of the risk management process the Council attempts to identify accurately the nature and scale of losses to fraud and corruption, and also takes into account fraud and corruption risks in relation to significant partnerships.</li> <li>• Ensure that there are framework agreements in place to facilitate working with other organisations and agencies.</li> <li>• Consider fraud and corruption risks within all new Policies and systems, and to revise existing ones to remove possible weaknesses.</li> <li>• Report instance of actual or suspected fraud to the Chief Financial Officer or deputy. It is important that Service Managers do not investigate suspected case of fraud or financial irregularity without consulting the Chief Financial Officer or deputy.</li> <li>• Ensure employees are aware of the process for reporting allegations of fraud.</li> <li>• Ensure all employees understand the Whistle-blowing Policy and Procedure and reporting arrangements.</li> <li>• Ensure accurate and timely reporting of gifts and hospitality.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Ensure understanding of and compliance with the Council's Counter Fraud and Corruption Strategy.</li> <li>• Report suspected fraud or corruption and take responsibility for understanding the appropriate methods to do so.</li> <li>• Report gifts and hospitality and take responsibility for understanding the process to do so.</li> <li>• Declare interests and take responsibility for understanding the process to do so.</li> <li>• Not take part in decisions where they have a conflict or material interest, financial or otherwise.</li> </ul>
Risk Management Group (SLT)	<ul style="list-style-type: none"> <li>• Ensure any risks identified due to potential fraud or corruption are properly mitigated.</li> </ul>

Internal Audit	<ul style="list-style-type: none"> <li>• Support Directors and their Managers in identifying and mitigating risks for fraud and corruption.</li> <li>• Review controls and systems ensuring compliance with Financial Regulations</li> <li>• To undertake investigation into allegations of fraud and corruption to identify weaknesses in controls in line with legislation and to provide supporting evidence to managers investigating allegations under the Council’s Disciplinary Procedure.</li> <li>• Make recommendations where weaknesses are identified, and ensure Action Plans are implemented to prevent reoccurrences.</li> <li>• Notify the Nominated Officers (see at the outset of investigations into employees and at the conclusion of investigation, and liaise as appropriate during the investigation.</li> </ul> <p>The nominated officers are:</p> <ul style="list-style-type: none"> <li>• Head of Paid Service (Chief Executive);</li> <li>• Chief Financial Officer or Deputy (Deputy Chief Executive and Director of Finance and Service Manager, Financial Services);</li> <li>• Monitoring Officer or Deputy (Director of Organisational Development and Democratic Services and Service Manager, Legal Services);</li> <li>• Service Manager, Organisational Development.</li> </ul>
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## APPENDIX 3 – FRAUD RESPONSE PLAN

### 1. Introduction

Gedling Borough Council is committed to the highest possible standards of openness, honesty, integrity and accountability in the conduct of all its business and decision making.

In line with that commitment, the Council's Counter Fraud and Corruption Strategy outlines the principles we are committed to in relation to preventing, reporting and managing fraud and corruption.

This Fraud Response Plan reinforces the Council's robust approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption. It also outlines how the Council will deal with such complaints.

### 2. What do we want to know about?

This plan is intended to be implemented where suspicions of fraud, bribery or corruption have been raised.

Fraudulent or corrupt acts may include:

- Systems issues - for example, abuse of a process/system by either employees, Members, or the public such as planning applications;
- Financial Issues – for example, where individuals or companies have fraudulently obtained money from the Council such as invoicing for work that was not undertaken;
- Equipment Issues – for example, where Council equipment is used for personal or private business use, such as Council vehicles, phones, laptops or iPads;
- Resource Issues – for example, where there is a misuse of resources such as theft of materials;
- Other Issues - activities undertaken by Officers of the Council which may be:
  - Unlawful;
  - Against the Council's Financial Procedure Rules and Contract Standing Orders;
  - Fall below established standards or practices; or
  - Amount to improper conduct – for example, receiving hospitality that is not in accordance with the approved policy.

This is not an exhaustive list.

### 3. What Should an Employee do if they Suspect Fraud, Bribery or Corruption?

Employees are often the first to realise that there is something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, they may feel that it would be easier for them to ignore the concern rather than report what may just be a suspicion of malpractice.

The Council's Whistle-blowing Policy and Procedure contained in the Employee handbook is intended to encourage and enable Officers to raise concerns about serious wrongdoing, which includes all allegations of fraud, bribery and corruption, within the Council, rather than overlooking a problem, informing the media, or other external bodies.

Employees should report any concerns related to fraud, bribery and corruption in accordance with the Whistle-blowing Policy and Procedure. The nature of the complaint will determine the Council's course of action.

The employee must **not**:

- Approach the person, people or organisation they suspect;
- Attempt to collect evidence or question anybody, (but if they have documents etc which they think are relevant, they should where possible secure them safely);
- Attempt to investigate on their own.

If an employee is unsure about what they have seen or heard, they should seek advice in confidence in accordance with the Whistle-blowing Policy and Procedure contained in the Employee Handbook.

#### **4. Safeguards**

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect those who raise a concern in good faith.

The Council will not disclose information regarding the identity of the complainant without their prior consent, and they cannot be compelled to give evidence. However, it must be appreciated that in some situations the investigation process may not be concluded unless the source of the information and a statement by the individual can be produced as part of the evidence.

Allegations of fraud, bribery or corruption can be made anonymously. However, concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account would include:

- The seriousness of the issues raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, individuals make malicious or vexatious allegations, action may be considered against the individual making the allegation. In the case of an employee making malicious or vexatious allegations, this may include disciplinary action or dismissal.



## 5. **How will Allegations of Fraud, Bribery or Corruption be dealt with by the Council?**

The Whistleblowing Policy and Procedure sets out a number of nominated officers that you should raise concerns with. However, you also have the option to make contact with the Internal Auditors.

Internal Audit operates independently of all other Council Services. Their work includes establishing procedures with the following aims:

- To develop and embed a Counter Fraud and Corruption culture;
- To deter, prevent, detect and investigate fraud, bribery and corruption;
- To seek appropriate action against those who commit or seek to commit some sort of fraud, bribery or corruption;
- To obtain compensation in respect of any losses to the Council; and
- To recommend system and control improvements to reduce the Council's exposure to fraudulent activity.

To this end Internal Audit will work with other stakeholders to provide a joined up approach to prevention, detection, investigation and prosecution of fraud, bribery and corruption within the Council.

When allegations are received the action taken by the Council will depend on the nature of the concern. Where there are concerns about the potential conduct of a Member then the matter will be investigated under the Members Code of Conduct. Where there are concerns about the potential conduct of an employee then the matter will be investigated under the Council's Disciplinary Procedure. The matter may also be referred to the Police.

## 6. **Alternative Methods for Taking a Complaint Forward**

If either a member of the public or an employee feels that it is right to take the matter outside these processes, the following organisations can be contacted:

- If you live within the Gedling Borough Council boundary, your local Councillor can be contacted. If you are unsure how to contact them, call the Council on 0115 9013901 for advice or look at the Council website;
- The Council's external auditor: Mazars;
- Employees may invite their Trade Union to raise a matter on their behalf;
- The Police;
- The relevant regulatory body e.g. Planning Inspectorate
- The Local Government and Social Care Ombudsman, an independent body set up by the Government to deal with complaints against Councils in the United Kingdom;
- Protect, a charity that provides free and strictly confidential legal help to anyone concerned about a malpractice which threatens the public interest. They operate a helpline on 0203 3117 2520 or via the website [www.pcaw.co.uk](http://www.pcaw.co.uk)

## 7. **External communications**

Individuals (be they Members, officers, partners, contractors) must not communicate with any member of the press, media or another third party about a suspected fraud as this may seriously damage the investigation and any subsequent actions to be taken.

All media referrals in respect of fraud activity must comply with the Council's approved Media Protocol and be completed by the Communications Team.

**8. Review of Fraud Response Plan**

The Fraud Response Plan will be reviewed following each occasion it is deployed and any necessary improvements will be implemented to ensure it operates effectively.

## **APPENDIX 4 – ANTI-MONEY LAUNDERING POLICY**

### **1. Introduction**

- 1.1 Money Laundering can be defined as “a process that makes money with an illegal origin appear legal so that they may be used”. Legislation concerning Money Laundering (Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 and 2007) have broadened the definition of Money Laundering and increased the range of activities caught by the statutory framework. As a result, the obligations impact on areas of local authority business although the Council is not directly covered by Money Laundering Regulations.
- 1.2 However under the CIPFA Treasury Code of Practice local authorities are required to establish internal procedures to prevent the use of their services for Money Laundering (Treasury Management Practice 9).

### **2. The Scope of this Policy**

- 2.1 This Policy applies to all employees of Gedling Borough Council and its elected Members and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through Money Laundering. The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations.
- 2.2 Anti-Money Laundering legislation places a responsibility upon Council employees and elected Members to combat Money Laundering and covers a very wide area of financial transactions, including possessing, or in any way dealing with, or concealing, the proceeds of any crime. It applies to all employees/elected Members involved with monetary transactions. In this context, monetary transactions includes any business of the Council which involves any transfer of assets or obligations to or from the Council and where there is opportunity for the other party to receive or divert cash or convert assets or obligations into cash. Many types of criminal activity would fall under the scope of Money Laundering (for instance falsely claiming benefits and tax evasion etc.).
- 2.3 It is a criminal offence to:-
- Assist a money launderer;
  - “Tip off” a person suspected to be involved in Money Laundering, that they are the subject of Police investigations;
  - Fail to report a suspicion of Money Laundering, and
  - Acquire, use or possess criminal property.

### **3. Purpose and Intent**

- 3.1 The statutory requirements concerning Anti-Money Laundering procedures are extensive and complex. The purpose for this Policy is to enable the Council to meet its legal obligations in a way that is proportionate to the low risk to the Council of contravening the legislative framework.
- 3.2 It is necessary to make all employees and elected Members aware of their responsibilities and the consequences of non-compliance with the Policy.

- 3.3 Whilst the risk to the Council of contravening the legislation is minimal, it is vitally important that all employees and Elected Members are familiar with their responsibilities.

#### **4. When this Policy Applies**

- 4.1 When the Council is carrying out relevant business and:

- (a) Forming a business relationship, or
- (b) Considering undertaking a one-off transaction.

- 4.2 Relevant business is defined by the legislation to include, but is not restricted to, investments, accountancy and audit services, and the financial, company and property transactions undertaken by Legal, Financial Services and Property Services.

#### **5. Client Identification Procedures**

- 5.1 Note that 'client' refers to the customer, be it a private individual or a business representative, asking the Council to accept and bank money.
- 5.2 Any employee involved in relevant business should ensure the client provides satisfactory evidence of their identity personally, through a passport or photo driving licence plus one other document with their name and address e.g. utility bill, mortgage/building society/bank documents, pension/benefits book, or corporate identity – through company formation documents or business rates.
- 5.3 In any circumstances where the client cannot be physically identified the employee should be aware:-
- (a) That there is greater potential for Money Laundering where the client is not physically present when being identified;
  - (b) If satisfactory evidence is not obtained the relationship or transaction should not proceed;
  - (c) If the client acts or appears to act for another person, reasonable measures must be taken for the purposes of identifying that person.

#### **6 Record Keeping**

- 6.1 The Council and contractors working for the Council conducting relevant business must maintain records of:-
- (a) Client identification evidence obtained, which must be kept for 5 years after the end of the transaction or relationship;
  - (b) Details of all relevant business transactions carried out for clients for at least 5 years from the completion of the transaction. This is so that they may be used as evidence in any subsequent investigation by the relevant authorities into Money Laundering.
- 6.2 The Chief Financial Officer or Deputy must be informed of the existence and location of such records.

## **7 The Money Laundering Reporting Officer (MLRO)**

- 7.1 The Council must nominate officers that take the lead role in combatting money laundering, and these are known as the MLRO
- 7.2 The Officers nominated to receive disclosures about Money Laundering activity within the Council are the Chief Financial Officer (Deputy Chief Executive and Director of Finance) and Deputy (Service Manager, Financial Services).

## **8 Reporting Requirements**

- 8.1 Where an employee or elected Member is aware, or has sound and valid suspicions that Money Laundering may have taken place (or may be taking place), he or she must contact the MLRO for guidance as soon as possible regardless of the amount being offered. In such circumstances, no money may be taken by anyone until this has been done. If money has been received this should be held and kept separate from Council monies.
- 8.2 Any person knowing or suspecting Money Laundering, fraud or use of the proceeds of crime, must report this to the MLRO on the forms attached. When in doubt it is best to report any suspicions.
- 8.3 Upon receipt of receiving the report the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect Money Laundering.
- 8.4 If the MLRO determines that the information on matters should be disclosed it will be reported to the National Crime Agency (NCA).
- 8.5 At no time and under no circumstances should any employee or elected Member voice any suspicions to the person(s) suspected of Money Laundering, even if the NCA has given consent to a particular transaction proceeding, otherwise the employee/elected Member may be committing the offence of "tipping off". The MLRO will keep the appropriate records in a confidential manner.

## **9 Related Procedures**

- 9.1 The Council will establish other procedures for internal control and communication as may be appropriate for the purpose of the prevention of Money Laundering:
  - (i) Regular receipts – the Council in the normal operation of its business accepts payments from individuals and organisations in respect of a range of activities. For all transactions under £2,000 the Money Laundering Regulations do not apply but if an employee/Member has reasonable grounds to suspect Money Laundering activity or proceeds of crime or is simply suspicious, the matter should still be reported to the MLRO.
  - (ii) Cash receipts – if the money offered in cash is £2,000 or more then payment must not be accepted until the employee has received guidance from the MLRO or the Deputy MLRO.
  - (iii) Refunds – any significant overpayment that results in a repayment will need to be properly investigated and authorised before payment.

## **10 Effectiveness**

- 10.1 The impact and effect of this Policy shall be reviewed at least annually by the Chief Financial Officer.
  
- 10.2 Anti-Money laundering training will be provided to appropriate officers on a regular basis.

**MONEY LAUNDERING REPORTING OFFICER**  
**DISCLOSURE FORM**

Date of Disclosure:

Officer making disclosure (inc. Job Title):

Contact Details:

Subject Details:

Title:

Surname:

Forename:

Date of Birth:

In the case of a legal entity (company):

Name:

Address:

Company No. (if known):

Type of Business:

VAT No. (If known):

Reason for disclosure:

Receipt: MLRO or Deputy MLRO will confirm receipt of a completed Disclosure Form within 3 working days.

