

# ANTI-FRAUD AND CORRUPTION STRATEGY



## 1. INTRODUCTION

- 1.1 The Council is responsible for ensuring the public funds it administers are spent in a way that best serves the people of Cherwell District. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a **zero-tolerance** approach to fraud, corruption and theft.
- 1.2 The Director of Finance as the “Section 151 Officer” has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council’s financial affairs and has developed financial codes of practice and accounting instructions. The Director of Finance exercises a quality control on financial administration through delegation of responsibilities to the Assistant Director of Finance and the Strategic Finance Business Partners.
- 1.3 The Director of Law & Governance (Monitoring Officer) has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council’s actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council’s policies and procedures to demonstrate that the Council is acting in an open, transparent and lawful manner.
- 1.4 Cherwell District Council will thoroughly investigate all allegations of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:
- Undermine the standards of public service that the Council is attempting to achieve.
  - Reduce the level of resources and services available for the residents of Cherwell.
  - Result in consequences which reduce public confidence in the Council.
- 1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.
- 1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct, underpinned by its values.

## 2. DEFINITIONS

- 2.1 **FRAUD:** Is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if s/he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

The term “fraud” is usually used to describe depriving someone of something by deceit, to make a financial, material or other gain to themselves or loss to another. It has to have been intentional in order to qualify as being fraudulent.

- 2.2 **CORRUPTION:** Is the deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.
- 2.3 **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.
- 2.4 **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council’s Money Laundering Policy.

- 2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. The Council’s Money Laundering Reporting Officer (MLRO) is the Director of Finance.

2.6 **BRIBERY:** Prior to the Bribery Act 2010, bribery had been viewed within the definition of corruption. The Bribery Act 2010 introduces four main offences, simplified as the following:

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the County Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

2.7 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

### 3. SCOPE

3.1 This document applies to:

- All County Council Employees (including Agents and Agency Staff) and Councillors
- Staff and Committee Members of Council funded voluntary organisations
- Partner organisations
- Schools
- Council Suppliers, Contractors and Consultants
- General Public

### 4. AIMS AND OBJECTIVES

4.1 The aims and objectives of the Anti-Fraud and Corruption Strategy are to:

- Ensure that the Council is protected against fraud and loss.
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Cherwell residents and visitors.
- Create an "anti-fraud" culture which highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers).
- To provide a best practice "counter-fraud" service which:

- Proactively deters, prevents and detects fraud, corruption and theft in the Council.

- Investigates suspected or detected fraud, corruption and theft.
- Enables the Council to apply appropriate sanctions and recovery of losses.
- Provides recommendations to inform policy, system and control improvements, thereby reducing the Council’s exposure to fraudulent activity.

**5. PRINCIPLES**

- 5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy. The Council will ensure that the resources dedicated to “counter-fraud” activity are sufficient and all those involved are trained to deliver a professional “counter-fraud” service to the highest standards.
- 5.2 All fraudulent activity is unacceptable and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its “counter-fraud” work and that everyone is treated equally.
- 5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.
- 5.4 The Council will work with its partners (such as the Police, City/District/County Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

**6. RESPONSIBILITIES**

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
<b>Chief Executive Officer</b>	Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption.
<b>Director of Finance (Section 151 Officer)</b>	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver “counter-fraud” work.
<b>Director of Law &amp; Governance (Monitoring Officer)</b>	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
<b>Accounts Audit &amp;</b>	To monitor the Council’s strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at

<b>Risk Committee</b>	Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.
<b>Councillors</b>	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
<b>External Audit</b>	Statutory duty to ensure that the County Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
<b>Internal Audit and Counter Fraud</b>	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
<b>Strategic Directors, Directors, Deputy / Assistant Directors, Heads of Service and Service Managers</b>	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
<b>Staff</b>	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Raising Concerns at Work policy and Whistleblowing Procedures.
<b>Public, Partners, Suppliers, Contractors and Consultants</b>	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

## **7. APPROACH TO COUNTERING FRAUD**

- 7.1 Cherwell District Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:
- 7.2 **PREVENT AND DETECT:** The Council will promote and develop a strong “anti-fraud” culture, raise awareness and provide information on its counter-fraud work. This includes dedicated fraud web pages, a fraud e-learning tool for all staff,

delivering fraud training to Officers, undertaking proactive fraud detection work and investigations.

Internal Audit and Counter-Fraud will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks and anti-fraud controls are built in. Audit activity will also consider fraud risks as part of each review.

Fraud trends will be monitored and a Fraud Risk Register maintained and routinely updated to identify areas of new or existing fraud exposure – preventive and detective measures can then be taken.

The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption. Managers should pay particular attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix B.

- 7.3 **INVESTIGATION:** The Council will securely record all fraud referrals and cases, which will be robustly investigated to conclusion by the Counter-Fraud team. Please see Appendix A for the Protocol for Investigating Irregularities.
- 7.6 **SANCTIONS:** The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.
- 7.7 **REDRESS:** A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council's strategy and will be pursued, where appropriate.
- 7.8 In addition to the above, Internal Audit also prepares an annual Counter-Fraud Work Plan that details the key objectives and areas of work for the year and when actions are due to be completed. The work plan is agreed and monitored by the Audit & Governance Committee and Section 151 Officer.

## 8. REPORTING, ADVICE AND SUPPORT

- 8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules and directorate Procedures.
- 8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Head of Service or Service Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Raising Concerns at Work, Grievances and Whistle-blowing policies.

8.3 The line manager, Service Manager or Assistant Director/Head of Service who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the Counter-Fraud team ([corporatefraud@cherwell-dc.gov.uk](mailto:corporatefraud@cherwell-dc.gov.uk)) and where appropriate the following people, to determine how the potential irregularity will be investigated:

- Director of Finance (Section 151 Officer)
- Director of Law & Governance (Monitoring Officer)
- Relevant Director
- Chief Internal Auditor
- Director of HR
- HR and Finance Business Partners

8.4 Where appropriate, the Director of Law & Governance (Monitoring Officer) will liaise as appropriate with the Leader, Deputy Leader and relevant portfolio holder where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Finance, as appropriate. The Media Team should also be informed if the matter is likely to be communicated externally.

8.5 The Investigating Officer will follow the Protocol for Investigating Irregularities (Appendix A), which includes the need to:

- Deal promptly with the matter
- Recover and record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other agencies if necessary e.g. Police (see appendix A - Police Involvement)
- Notify the Council's insurers if applicable
- Implement Council disciplinary procedures where appropriate

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman
- External Audit – Relationship Manager
- National Fraud Initiative and related Audit Networks
- Central Government Departments
- HM Revenue and Customs
- UK Border Agency
- Department for Work and Pensions
- Police

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

- Chief Internal Auditor – Tel: 07393 001 246
- Audit Manager and Counter-Fraud Lead – Tel: 07393 001 217



Confidential e-mail: [corporatefraud@cherwell-dc.gov.uk](mailto:corporatefraud@cherwell-dc.gov.uk)

#### 8.8 Other Council means for raising concerns:

▪ Chief Executive Officer	Write to: <b>Cherwell District Council</b> Bodicote House Banbury OX15 4AA
▪ Director of Finance (Section 151 Officer)	
▪ Director of Law & Governance (Monitoring Officer)	
▪ Relevant Director	
▪ Audit Committee Chairman	

#### 8.9 External means of raising concerns:

▪ External Audit (Ernst & Young)	0118 928 1234
▪ Citizens Advice Bureau	Website: <a href="http://www.citizensadvice.org.uk">www.citizensadvice.org.uk</a>
▪ Police	Website: <a href="http://www.thamesvalley.police.uk">www.thamesvalley.police.uk</a>
▪ Your Local Councillor	Website: <a href="http://www.cherwell.gov.uk">www.cherwell.gov.uk</a> Click on: About your Council > Councillors.

#### 8.10 Attached are the following Appendices:

- Appendix A: The Protocol for Investigating Irregularities
- Appendix B: Examples of Fraud Indicators

## 9. FURTHER INFORMATION

#### 9.1 Further information on Council policy can be found in the following documents:

- The Constitution
- Codes of Conduct (Councillors and Officers)
- Raising Concerns at Work – Grievances
- Whistle-Blowing Procedure
- Bribery Act Policy
- Gifts and Hospitality Policy
- Policy on Declaring and Registering Interests
- Financial Regulations
- Contract Procedure Rules and the Contract Procedure Rules - Exemption Procedure
- Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA)

## 10. STRATEGY REVIEW



10.1 The Accounts Audit & Risk Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: Chief Internal Auditor

Date: July 2021

Review Date: July 2023

## APPENDIX A

### PROTOCOL FOR INVESTIGATING IRREGULARITIES

#### **a) Fraud Referral and Investigation**

Employees, Councillors and other groups are encouraged to report suspected fraud and irregularities in accordance with section 5.3 of the Strategy and the Council's Raising Concerns at Work, Grievances and Whistle-blowing policy.

When a referral or allegation is raised, the Deputy Director/Head of Service or Service Manager will report the incident to the Counter-Fraud team ([corporatefraud@cherwell-dc.gov.uk](mailto:corporatefraud@cherwell-dc.gov.uk)) and key contacts detailed in section 8.3 above, as appropriate.

The referral will then be assessed by the Counter-Fraud Team and if after a risk assessment it is determined that it meets the threshold for referral, a case will be opened on the Council's Fraud case management system.

Where necessary a strategy meeting will be called to discuss the matter between the relevant parties (eg. the Service, HR, Legal, Counter-Fraud). The decisions and actions from this meeting will be documented and circulated to attendees.

For very large, sensitive or complex investigations, an independent Investigation Manager (internal or external) may be identified to lead on the investigation. In these cases, the case will be steered and monitored by the relevant Director(s). Specialist professional advice should be sought from HR, Legal and Counter-Fraud. The Investigation Manager will have access to management and records as appropriate to conduct the investigation.

For smaller or more routine fraud investigations, these will be undertaken by the Counter-Fraud team, who will liaise with others as necessary to complete the investigation.

Where issues are of an HR nature – these will be investigated by HR. Where they are of a fraudulent nature – these will be investigated by the Counter-Fraud Team. In some cases, the Service is best placed to investigate the matter. The responsibility for investigation will be clarified between the various parties. In all cases that are logged on the Counter-Fraud case management system, these will be monitored for progress by the Counter-Fraud team.

#### **b) Evidence and Interviews**

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees or others.

If it is necessary to interview employees, the Deputy Director/Head of Service or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in

accordance with the relevant Council standards and procedures, with allowances for proper representation.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on the Counter-Fraud and the case management system. Hard evidence will be stored in the appropriate evidence store.

Some investigations may require either covert surveillance or a covert operation to obtain information. If this is required, formal authorisation will need to be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA). Authorising any action under RIPA regulation needs to be obtained from the Director of Law and Governance (Monitoring Officer).

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and Acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998 and GDPR
- Proceeds of Crime Act 2002 (POCA)

The investigation team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation. These must also adhere to Disclosure requirements.

### **c) Disciplinary and Criminal Proceedings**

Assistant Directors/Heads of Service and Service Managers will be expected to take action in accordance with the Council's Disciplinary and Capability Procedures, where the outcome of the investigation indicates improper behaviour. This must be undertaken upon advice and support from HR.

If an investigation requires that an employee is suspended, this must be done in accordance with the Disciplinary Procedure upon completion of a suspension risk assessment. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees should record in writing a decision to suspend and any subsequent review of that decision, setting out the reasons for the decision and whether alternative options have been considered.

The Assistant Director/Head of Service or Service Manager should ensure, normally through the investigation team, that the relevant written reports are available timely, for disciplinary and criminal proceedings. Necessary members of the investigation team may be required to give written evidence and attend at hearings to give verbal evidence and answer questions.

Where there is a possibility of criminal proceedings, the disciplinary process should ensure that any relevant evidence is gathered and reported in such a way that it could be admissible in court. It should also ensure that it doesn't compromise a potential criminal

proceeding, such as for fraud. In these cases therefore, careful collaboration between the Service, HR and Counter-Fraud should be ensured and clarity on roles and outcomes documented. Normally, any internal disciplinary process can take place at the same time as the fraud investigation. However, this should be agreed in advance by all parties to ensure both investigations are not compromised.

#### **d) Police Involvement**

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police once sufficient evidence has been gathered. Approval to report the matter to the Police must be obtained from the Director of Finance, Service Director and Director of Law & Governance.

The Counter-Fraud team in most cases are best placed to report the case to the Police as they have an agreed reporting route for fraud and economic crime cases to TVP. In these cases, the Counter-Fraud team would then maintain ongoing contact with the TVP Officer in Charge in order to progress the investigation and report back to the relevant Service managers or Directors, as appropriate.

#### **e) Post Investigation**

For the larger or more impactful investigations, once the investigation work has been concluded, the team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation.

The report should also detail any breakdown in management, operational or financial controls to the Assistant Director/Head of Service or Service Manager, who will have to agree the necessary actions to address the issues.

The report should be circulated to the Director of Finance, Director of Law & Governance, Service Director, Chief Internal Auditor and Director of HR (as appropriate). Other officers should be notified on a strictly confidential, need to know basis.

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures or employee training.

Any publicity arising from an investigation will be co-ordinated by the Council's Media Team.

#### **f) Training**

The Council acknowledges that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Councillors throughout the organisation. To facilitate this, the Council has introduced a Fraud Awareness e-learning package that has been rolled out across the organisation and is encouraged to be included as part of officer induction arrangements. The subject is also included as part of Councillor training.

The Counter Fraud team also delivers anti-fraud awareness sessions as required, or as a result of their investigations and audits.

## APPENDIX B

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.
- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.
- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.
- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.
- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.
- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.
- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.