

## **London Borough of Croydon Anti-Fraud & Corruption Strategy**

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### 1. INTRODUCTION

- 1.1 This document sets out the Council's policy and strategy in relation to fraud and corruption. It is owned by the Director of Governance. It has the full support of the Council's General Purposes & Audit Committee, Governance Board and senior management.
- 1.2 We are responsible for paying or spending millions of pounds of public money in delivering services, assistance and paying benefits. In addition the Council is responsible for the management of various buildings and other assets. We are committed to ensuring that those funds and assets are legitimately used and only those entitled to services and benefits receive them. However, we recognise that all organisations within the public and private sector are at risk of fraud and in order to fulfil the Council's corporate strategy we will maximise the resources available to us by reducing fraud and misappropriation to a minimum.
- 1.3 The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and prosecution or a combination of these sanctions, we will also seek to recover losses incurred through fraud.
- 1.4 Central to this, we have a dedicated Corporate Anti-Fraud Team who will investigate allegations of fraud and corruption across all Council service areas. The Corporate Anti-Fraud Team includes two Financial Investigators whose role is to recover losses and make sure any person(s) defrauding the Council does not benefit from their ill-gotten gains. Our strategy is based upon five key themes as identified by the CIPFA Code of Practice on managing the risk of fraud and corruption:
- Acknowledge;
  - Identify
  - Develop
  - Resource
  - Respond
- 1.5 These themes exist within the overall context of an Anti-Fraud Culture promoted by the Council through its leaders, governance arrangements and general approach to fraud and corruption.
- 1.6 This Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements, including:
- Members Code of Conduct;
  - Officers Code of Conduct;
  - Whistle-blowing Policy;
  - Anti-Money Laundering Policy;

- Anti-Bribery Policy;
- Financial Regulations;
- Tenders and Contract Regulations; and
- The Procedures for the Investigation of Financial Irregularities and Fraud

1.7 Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the 'Nolan' principles of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

## 2. DEFINING FRAUD

### **What is fraud?**

2.1 The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For the purposes of this Strategy fraud is defined as: A dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the borough or the wider national community.

2.2 The definition covers various offences including: deception, forgery, theft, misappropriation, collusion and misrepresentation. Although use in this context is not intended to limit the full use of the Fraud Act 2006 in the investigation and prosecution, by the Council, of any offences.

### **What is Corruption?**

2.3 Corruption is the offering or acceptance of inducements designed to influence official action or decision-making. These inducements can take many forms including cash, holidays, event tickets, meals, etc.

2.4 The Bribery Act 2010 creates offences relating to Bribery and the Council's stance with regard to bribery is outlined in the Anti-Bribery Policy

### **What is Theft?**

2.5 The Theft Act 1968 details the legal definition of theft. For the purposes of this Strategy theft is defined as the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. client funds), including cash, equipment, vehicles, data, etc.

- 2.6 Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or Members whilst on Council property.

### **What is Financial Malpractice/Irregularity?**

- 2.7 This term is used to describe any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements. They do not have to result in personal gain.

## **3. STATEMENT OF INTENT AND STRATEGY**

- 3.1 We recognise that dealing with fraud is important and that it has a duty to Council Tax payers and Central Government to ensure that all public funds are administered correctly.

- 3.2 Our strategy combating fraud and corruption is based on the CIPFA Code of practice principals made up of the following key elements:

### **Acknowledge responsibility**

The General Purposes and Audit Committee (GPAC) is charged with governance on behalf of the Council. It acknowledges its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation and its Terms of Reference reflect that.

Specific steps include:

1 The Council's leadership team acknowledges the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.

2 The Council's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

3 GPAC acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes.

### **Identify risks**

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps include:

1 A register of fraud risks is being developed in conjunction with other London Boroughs as part of the London Counter Fraud Hub

2 The organisation recognises the risks of corruption and the importance of behaving with integrity in its governance framework.

### **Develop a strategy**

The Council needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps include:

1 GPAC formally adopts this counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals. The strategy is reviewed annually and approved by GPAC

2 The Council includes the use of joint working and partnership approaches to managing its risks, where appropriate.

3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.

4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight. See section 4 below.

### **Provide resources**

The Council makes arrangements for appropriate resources to support the counter fraud strategy.

Specific steps include:

1 An assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

2 The Council utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.

3 The Council grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.

4 The Council uses joint working and data and intelligence sharing (where possible) to support counter fraud activity.

### **Take action**

The Council has in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps include:

1 The Council has put in place a policy framework which supports the implementation of the counter fraud strategy. The framework includes:

Counter fraud policy

Whistleblowing policy

Anti-money laundering policy

Anti-bribery policy

Anti-corruption policy

Gifts and hospitality policy and register

Pecuniary interest and conflicts of interest policies and register

Codes of conduct and ethics

Information security policy

Cyber security policy.

2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.

3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

4 Providing for independent assurance over fraud risk management, strategy and activities.

5 There is a report to GPAC at least annually on performance of the Corporate Anti-Fraud Team and the success of the strategy. Conclusions are featured in the annual governance report.

## 4. RESPONSIBILITIES

### Corporate Responsibilities

4.1 The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and fraud hotline bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.

4.2 The endorsement of this strategy sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified will be dealt with in a professional and timely manner using the strongest punishment available in accordance with available guidance. In addition restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong Anti-Fraud Culture the Council aims to deter potential perpetrators from targeting its finances and services. Within the corporate framework there are a number of facets that exist to protect the Council against fraud. These include:

- The Constitution, Financial Regulations, and the Scheme of Delegation;
- An established Committee fulfilling the role of an audit committee;
- An established Ethics Committee and an adopted code of conduct for Members;
- Statutory responsibility for the oversight of all financial and legal affairs;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures - recruitment checks and DBS where appropriate and a detailed staff Code of Conduct;
- Internal controls regularly reviewed and annually certificated by directors;

- Periodic checks by Internal Audit in line with a risk based Audit Plan;
- A confidential reporting code (Whistle-blowing procedure);
- A Complaints procedure available to the public;
- An External Audit;
- A Corporate Anti-Fraud Team and Financial Investigators;
- Participation in the National Fraud Initiative, and membership of the National Anti-Fraud Network; and
- Webpages on the intranet offering governance and anti-fraud advice to employees.

### **Councillor Responsibilities**

- 4.3 The Council's Members lead by example at all times, maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct, available on the Council's internet and intranet sites.
- 4.4 Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value.

### **Manager Responsibilities**

- 4.5 Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertake independent assessments of the key risks and associated controls within systems across the Council.
- 4.6 Managers will ensure that staff receive training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
- 4.7 Managers are required to report all instances of suspected, reported or detected fraud to the Director of Governance or the Head of Anti-Fraud, who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation.

### **Employee Responsibilities**

- 4.8 Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The Officers' Code of Conduct explains the requirement for all staff to be vigilant and describes how they should raise any concerns they may have.

- 4.9 The Code requires that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to the Head of Service or independently to the Head of Governance.
- 4.10 Through its Whistle-blowing Policy the Council provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the Council's policies. The policy offers employees and councillors protection from recrimination and allows them anonymity if they so choose.

### **Contractor Responsibilities**

- 4.11 The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. Contractors or their employees may report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager or they may make a report using the Council's whistle blowing policy.

### **Internal Audit and Corporate Anti-Fraud Team Responsibilities**

- 4.12 As part of the Council's system of internal control the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
- 4.13 The Council provides an anti-fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.
- 4.14 The Head of Anti-Fraud is responsible for making appropriate arrangements to co-ordinate the Council work on the Audit Commission's National Fraud Initiatives and to undertake internal data matching across council systems.
- 4.15 The Head of Anti-Fraud will advise Directors of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.
- 4.16 The Head of Anti-Fraud is responsible for reporting to and liaising with the local police on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

### **General Public – Responsibilities**

- 4.17 The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.



4.18 The public are made aware of the Corporate Anti-Fraud Team's hotline and the DWP's National Benefit Fraud Hotline. A dedicated investigation mailbox and appropriate media campaigns including handouts and posters. The contact numbers/ addresses are secure and all referrals are treated professionally and in confidence.

### **5. Reporting a Fraud**

5.1 The telephone numbers/email addresses to report of concerns relating to fraud corruption or other financial irregularities to are:

- The Corporate Anti-Fraud Team on 020 8760 5645
- Internal Audit on 020 8760 5788
- National Benefit Fraud Hotline 0800 854 440
- Public Concern at Work on 0207 404 6609 (whistleblowing advice line – Employees only)