

# Anti-Fraud Strategy

Draft

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This policy is designed to apply to all staff except School based employees unless the school governing body has adopted it.

## 1. Policy Statement

Welcome to the Caerphilly County Borough Council Corporate Anti-Fraud Strategy. This policy has been endorsed by CMT (?) and approved by the Corporate Governance Panel (?) and the Governance and Audit Committee (?).

- Caerphilly County Borough Council (The Council) has a zero tolerance approach to fraud, bribery and corruption. It is clear that fraud, corruption and bribery is unacceptable, and everyone plays a part in eradicating them. The Policy and associated strategy outlines how the Council delivers an effective approach to managing the risk of fraud.
- The Council is committed to maximising the use of IT systems and controls to prevent fraud, corruption and bribery and to prevent the abuse of systems of systems and services.
- The Council is committed to this policy and to acting professionally, fairly and with integrity and to maintaining high ethical standards.
- The Council is committed to a culture that centres the prevention, deterrence, detection and investigation of all forms of fraud within all activities and services.
- The Council will support prosecutions where appropriate and will consider all appropriate and relevant sanctions such as disciplinary action against those who may commit acts of fraud or corruption.
- The Council will actively seek recovery and redress against such individuals.
- The Council actively encourages anyone who suspects fraud or corruption to report it and will support them in the process.

## 2. Introduction

- 2.1 The Council owns significant assets, provides a wide range of services to citizens, and works together with a wide range of private, public and voluntary sector organisations. The nature and diversity of these services together with the number of employees and budgets both revenue and capital, means that there is an ongoing risk of fraud and corruption from both internal and external sources.
- 2.1 Fraud is not a victimless crime, as well as financial loss against the public purse, fraud detrimentally impacts service provision and morale and undermines confidence in the Council. It should be stressed that there is little evidence that the Council is experiencing high levels of fraud, however there is strong evidence that across the public sector landscape fraud risk is increasing due to changes in ways of working and the sophisticated methods such as cyber-attacks, phishing etc being exploited by fraudsters.
- 2.3 Good Corporate Governance requires that the Council must demonstrate a clear commitment dealing with fraud and the Council's

commitment to the prevention and detection of fraud is set out in this document and specifically the following :

- The prevention, detection, deterring, investigation and correcting all forms of fraud and corruption, whether these are attempted from within or external to the organisation.
- Minimising losses caused by fraud, corruption and breaches of regulations.
- Embedding management of fraud risk throughout the organisation.
- Increasing awareness of counter-fraud responsibilities at all levels within and outside the Council.

- 2.4 The Well being of Future Generations ( Wales) Act requires Public bodies to carry out sustainable development which means the process of improving the economic, social and cultural well being of Wales . This strategy reflects the CIPFA code of practice on Managing the Risk of fraud and it applies to
- All employees of the Council and is recommended to School Governing Bodies and other associated employers as best practice.
  - All Members of the Council
  - Partner Organisations,
  - Third parties such as consultants, suppliers, contractors, volunteers, employees of suppliers and contractors
  - Citizens and the general Public
- 2.5 The Council requires all individuals and organisations, with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud or corruption. Members of the public are encouraged to report any concerns which they may have.
- 2.6 The Strategy has the full support of elected members and leadership team and it is approved by the Governance and Audit Committee.
- 2.7 This strategy needs to be read in conjunction with the following documents: Whistleblowing policy, Anti Money Laundering Policy, Gifts and hospitality policy, Code of Conduct and Information Security Policy and the Cyber Security Policy when it is issued.

### **3. Definitions**

- 3.1 All references to fraud in this strategy include fraud related offences including theft, corruption and bribery and refers to actions taken or intended to be taken by an individual to obtain gain for themselves or cause actual loss or increase the risk of loss to another.
- 3.2 The legislation that the strategy refers to are in the main; The Fraud Act; The Theft Act; and The Bribery Act.

- 3.3 Fraud is a criminal act of omission or deception intended for personal gain or to cause loss and can be committed in a number of ways i.e., false representation, failing to disclose information where there is a legal duty to do so and abuse of position. Fraud can be committed by individuals internal or external to the Council, groups or businesses.
- 3.4 Theft is where a person dishonestly appropriates property belonging to another with the intention of permanently depriving them of it.
- 3.5 Corruption is where a person has gained an advantage through illegal or immoral means which are inconsistent with their duty to the Council and the rights of others. This will include giving or accepting bribes or incentives or seeking to influence others through the offering of, giving, soliciting or accepting reward or inducement.
- 3.5 Irregularity is an administrative or financial mistrust that arises by act or omission. Actual or suspected irregularities may initially be investigated internally and may lead to referral to the police.
- 3.6 Money laundering is the process by which criminals “recycle” the proceeds of criminal activities through legitimate processes in order to conceal the origin of the funds.

#### **4. The Strategy**

- 4.1 The “fraud triangle” is often used to as a framework to explain how successful frauds occur. In general, all three parts of the triangle need to be in place for successful fraud to take place. These are:-
- Pressure or motivation – this is the financial or emotional force that pushes the individual towards committing a fraudulent act. These are factors such as financial difficulties, debts, gambling or substance abuse. This is very personal to the individual and is accordingly difficult for the organisation to affect in any meaningful way.
  - Rationalisation – this is the personal justification of the dishonest actions that the person has taken. This may be spite/ payback against the organisation, a weak anti-fraud organisational culture with little or no sanction against fraud or irregularity or pure desperation. Again, these factors tend to be very personal to the individual concerned although an overall culture of openness and a strong anti-fraud culture may mitigate these.
  - Opportunity – this is the ability or circumstance/s that has allowed the individual to execute the fraud without being detected or caught. This will include a culture that does not have a clear anti-fraud ethos, a weak internal control framework or inadequate processes and practices in relation to financial management. This is the one factor that is clear that the organisation can control.

Breaking at least one of these pieces of the fraud triangle should cause it to collapse and is therefore key to fraud deterrence. However, in order to

be effective action should be taken by the organisation to eliminate more than one if possible, and this is achievable by embedding a clear anti-fraud strategy into the organisation, together with a strong internal control framework and clear signposting /awareness of best practices in relation to financial management.

## **5. Culture and structure**

- 5.1 The Council is committed to the Nolan Principles of Standards in Public Life and the Councils commitment to the highest standards of governance is supported by a strong framework including The Constitution, Code of Corporate Governance, Member and Officer Codes of Conduct and specific policies such as The Whistleblowing Policy, and the Anti Money Laundering Policy.
- 5.2 There is also an expectation that all officers and elected members demonstrate support for all anti-fraud measures by adhering to rules and regulations and that they support all investigations into allegations made from whatever source. Where any significant frauds are identified, support will be given to evaluating lessons learnt and what if any actions are needed to correct deficiencies.
- 5.3 Service Managers, Head of Service and Directors have the responsibility to establish sound systems of internal controls and an opinion on the effectiveness of this is given every year by the Internal Audit Manager in the Annual Governance Statement.
- 5.4 The Accounts and Audit (Wales) Regulations require every local authority to maintain adequate and effective Internal Audit Service. One of the roles of Internal Audit is to promote anti-fraud and corruption best practice and to ensure management has effective systems in place to detect and prevent corrupt practices. Financial regulations section 10 relates to the role of Internal Audit within CCBC
- 5.5 Financial Regulations 10.04 and 10.05 (Check this numbering in any updated version) refer to the reporting and investigation of financial irregularities and state that Internal Audit have a mandate to investigate any such reported on behalf of the Head of Financial Services & S151 officer. The powers and authority to investigate fraud are also specified in the Internal Audit Charter (updated 2019)
- 5.6 Where appropriate the Council will cooperate with other local authorities and public sector bodies in the prevention and detection of fraud and the investigation of same by the participation in the NFI and by liaison with the Police, DWP, HMRC or any other bodies as appropriate.

5.7 Individual roles and responsibilities of Directors, SMT, officers, individual service areas, and other stakeholders are shown in the table below.

<b>Individual or Group</b>	<b>Role and Responsibilities</b>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>• Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.</li> </ul>
<b>Head of Legal Services and Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Advise members and employees on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes.</li> <li>• Reports to Council where the authority has or is about to do anything which would be in contravention of the law or which would constitute maladministration.</li> </ul>
<b>Head of Financial Services &amp; S151 officer</b>	<ul style="list-style-type: none"> <li>• Ensure proper arrangements are made for the Council's financial affairs.</li> <li>• Maintain an adequately resourced internal audit team.</li> </ul>
<b>Senior Information Risk Officer (SIRO)</b>	<ul style="list-style-type: none"> <li>• Maintains a system of data and system security particularly in relation to the risk of cyber-attacks and IT related fraud.</li> </ul>
<b>Corporate Management Team</b>	<ul style="list-style-type: none"> <li>• Oversees the corporate approach to counter-fraud, sets the tone to embed a culture of high standards and integrity.</li> </ul>
<b>Heads of Service and Service Managers</b>	<ul style="list-style-type: none"> <li>• Notify Internal Audit of all suspected fraud or corruption incidents in their area (Financial Regs)</li> <li>• Ensuring that adequate systems of internal control exist within their areas of responsibility, and that such controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity.</li> <li>• Respond to risks and recommendations made in Internal Audit reports.</li> <li>• Regularly need to assess the types of risks and scope for potential fraud associated with the operations in their area.</li> <li>• Ensure that employees receive fraud awareness training. The extent of this will depend on the work that individual carry out.</li> <li>• Remind employees who are an integral part of the control framework of fraud and risk issues.</li> <li>• Ensure this Strategy and the Fraud Response Plan are available to all employees.</li> </ul>
<b>Officers and staff</b>	<ul style="list-style-type: none"> <li>• A duty to act if they believe there is a possibility of fraud or corruption taking place.</li> <li>• Acknowledge their own conduct and contributing towards the safeguarding of corporate standards (including</li> </ul>

	<p>declaration of interest, private working, whistleblowing, etc.).</p> <ul style="list-style-type: none"> <li>• Acting with propriety in the use of official resources and in the handling and use of corporate funds.</li> <li>• Be alert to any financial transactions that may suggest money laundering.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Providing a pro-active corporate anti-fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption.</li> <li>• Completion of any and all investigations that do not fall within the remit of other investigative bodies, such as Housing Benefit.</li> <li>• Receiving and reviewing notifications of all frauds reported within the Council.</li> <li>• Making appropriate arrangements to co-ordinate the Council's work on the National Fraud Initiative.</li> <li>• Undertake internal data matching across Council systems.</li> <li>• Reporting to and liaising with the local police on individual cases.</li> <li>• Issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.</li> <li>• Provide advice and guidance on internal controls to prevent or detect fraud or corruption.</li> <li>• Promoting fraud awareness and training.</li> <li>• Acting as the Council's consultant on issues of fraud and corruption.</li> </ul>
<b>External Audit</b>	<ul style="list-style-type: none"> <li>• Considering if the Council has adequate arrangements in place to prevent and detect fraud and corruption.</li> </ul>
<b>Trade Unions</b>	<ul style="list-style-type: none"> <li>• Notifying the appropriate individuals if they believe there is a possibility of fraud or corruption taking place or the rules are being breached.</li> <li>• Support their members throughout the process of an investigation</li> </ul>
<b>Elected Members</b>	<ul style="list-style-type: none"> <li>• Notifying the appropriate individuals if they believe there is a possibility of fraud or corruption taking place or the rules are being breached.</li> <li>• Responsible for their own conduct.</li> <li>• Contributing towards the safeguarding of corporate standards, as detailed in the Members Code of Conduct.</li> </ul>
<b>Governance and Audit Committee</b>	<ul style="list-style-type: none"> <li>• Reviewing and monitoring policies for preventing and detecting fraud.</li> <li>• Reviewing reports relating to fraud from internal and external auditors.</li> </ul>
<b>Corporate Governance Panel</b>	<ul style="list-style-type: none"> <li>• Reviewing Corporate Governance arrangements, policies and procedures</li> </ul>



<b>Other stakeholders – suppliers, contractors and citizens (local or national)</b>	<ul style="list-style-type: none"> <li>To be aware of the possibility of fraud and corruption within their organisation or against the Council and report any genuine concerns / suspicions.</li> </ul>
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## 6 Tackling the problem

6.1 Tackling the problem of fraud involves a number of core elements which will work together in synergy and run through the strategy. These are “**Deter, Prevent, Detect, Investigate**”

### 6.2 Deter

Deterrence covers the following actions, policies and processes and will include

- Open promotion of a counter fraud culture and anti-fraud measures on a variety of media such as press, newsletters, the intranet, council website and social media.
- When new employees join the Council, induction pack material will contain copies of or links to relevant policies.
- Opportunities offered by the Transformation programme and service reviews will be used to develop and enhance the counter fraud culture.
- Training and awareness raising will make all members of the workforce aware that fraud is treated as a serious matter and they may face disciplinary action if there is evidence that they are involved in such activities.
- All cases of suspected fraud or financial irregularity will actively be considered for referral to the police for criminal investigation and officers and managers will support the police during such investigations.
- There are a suite of policies and procedures in place to manage the risk of fraud and corruption and these are easily accessible to staff and members. (Do we need a list here?)
- Where there are proven cases of fraud resulting in financial losses to the Council, action will be taken to recover the value of any losses. In some cases this will involve civil proceedings through the courts and the Council will see to publicise the outcomes appropriately.

### 6.3 Prevent

Prevention covers the following actions, policies and processes and will include

- A robust set of Financial Regulations, Procurement Code and Standing orders for Contracts which are clear accessible and relevant and include instructions or links to these for the correct application of compliant processes within Service areas.
- All Service Managers, Heads of Service and Directors are aware of their responsibility for the prevention of fraud and corruption within their areas of responsibility, and for implementing controls and processes to minimise risk effectively. These will include, ensuring compliance with policies, procedures, guidance internal audit recommendations and advice, promoting fraud awareness, assuring compliance with Financial regulations and ensuring that sufficient levels of internal controls are maintained.
- Internal Audit reports identify internal control weaknesses and will specifically refer to the risk of potential or actual fraud or loss and related recommendations will be made. Recommendations will be risk rated and reports will be discussed with managers and recommended actions and timescales agreed. Managers will then be responsible for implementing agreed recommendations and progress will be reported periodically to the Governance and Audit Committee. Failure to implement agreed recommendations may result in management being required to attend Governance and Audit Committee.
- Identifying a Fraud Risk champion that sits on the top table i.e. senior management identify a representative having responsibility for managing fraud risk and response, goals and performance, ethics and compliance on an organisational basis and communicating with directors and managers.
- Fraud risk and risk exposure to be considered in the preparation and evaluation of all Service area and Directorate risk registers.
- Internal audit work to a risk based plan which reviews the internal control framework of the authority including reviewing high risk areas of operations where the potential for fraud is included in those reviews.
- Where new systems, processes and procedures are introduced financial regulations state that S151 officer must be consulted and approve these.

#### 6.4 Detect

Detection covers the following actions, policies and processes and will include

- Service Managers, Heads of Service and Directors play a key role in ensuring that systems and processes are in place and are complied with in order to detect fraudulent activity.

- Diligence of individuals, alertness and good citizenship can often play a part in the detection of acts of fraud.
- Ensuring that the range of counter fraud measures deployed are effective and appropriate to the range of fraud risks that are identified. This may involve networking and collaboration, keeping aware of emerging risks and horizon scanning. Using tool kits and self assessments. Fraud may be discovered during routine audits, proactive work or through the use of data matching. Fraud may also be detected as a result of participation in national exercises such as the NFI. Fraud may also be detected by participation in membership of bodies such as CIFAS or NAFN and local networks sharing intelligence.
- Employees, elected members and stakeholders are expected to report suspected fraud in accordance with Financial Regulations and the Whistle blowing policy.
- Providing a method by which anonymous allegations are recorded, evaluated and dealt with appropriately.
- Resourcing and equipping the Internal Audit team to ensure that there is adequate capacity to perform effectively.

## 6.5 Investigate

Investigation covers the following actions, policies and processes and will include

- A clear process for the reporting of suspected fraud, irregularity and corruption laid out in Financial Regulations together with an assessment process of whether further investigation is merited and if so by whom.
- Having a fraud investigation process or protocol in place.
- Not all reports will be fraud related and the evaluation will determine if the investigation is to be undertaken by departmental managers, internal audit or immediate referral to external partners such as Police, DWP, banks or specialist agencies.
- Where necessary the Council's disciplinary police may be used to facilitate allegations of improper behaviour by employees. Decisions to invoke this pathway will be taken in consultation with and following the advice of the Head of People services.
- It is also understood that in some cases investigations may be commenced internally and then be referred to the police as the investigation progresses.
- Consider developing a Memorandum of Understanding between the Council and Gwent Police to provide mutual

support and advice on the Counter fraud approach and to formalise arrangements for referring, coordinating and handling investigations. It is understood that ultimately any decisions to proceed to prosecution will be determined by the Crown Prosecution Service.

- Where fraud and financial loss has been proven the Council will always seek to pursue recovery via appropriate sanctions and in conjunction with appropriate partners.

## **7 Conclusion**

- 7.1 In conclusion it should be clear that Caerphilly County Borough Council has in place a clear framework of systems and processes which are appropriately resourced and reviewed in order to deter, prevent, detect and investigate fraud, irregularities and corruption.
- 7.2 The Council will monitor performance of the Anti-Fraud and Corruption Strategy through regular reports submitted to the Governance and Audit Committee.
- 7.3 The Audit Manager will, in addition, keep this policy under review in order to take account of any changes in Council policy and government legislation.