



# Anti-Fraud and Corruption

## POLICY STATEMENT AND POLICY

### **Document Details:**

Owner/Lead Officer: Head of Internal Audit & Assurance Service, Corporate Resources Department

Date: October 2024

Review Arrangements: Biennially. Next Review Date - October 2026

## Anti-Fraud and Corruption Policy Statement

The Council takes its responsibilities to protect the public purse seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets. To achieve the objectives set out within the Council's Strategic Plan 2022-26, the Council needs to maximise the financial resources available to it. To do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption and other forms of financial irregularity.

The Council advocates **strict adherence** to its anti-fraud framework and associated policies. Whilst individual circumstances of each case will be carefully considered, there will be a **zero-tolerance** approach to fraud and corruption in all its forms. The Council will take all necessary steps to identify, investigate and disrupt instances of fraud and take appropriate action against any individuals or organisations involved in fraud or corruption.

The Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary, the investigation, of fraud and corruption is therefore seen as an important aspect of its duties which it is committed to undertake.



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**Mr. Lee Breckon JP, CC, Cabinet Lead Member for Resources**



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**John Sinnott, Chief Executive**



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**Declan Keegan, Director of Corporate Resources & s.151 Officer**



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**Lauren Haslam, Director of Law & Governance**

**October 2024**

# Anti-Fraud and Corruption Policy

## 1 Introduction

1.1 Leicestershire County Council (the Council) advocates **strict adherence** to its anti-fraud framework and associated policies. The Council takes a **zero-tolerance** approach to all forms of fraud, corruption and theft, arising both from within the Council and externally. What this means in practice is addressed in this Policy. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine standards of public service;
- Reduce the level of resources available to deliver services; and
- Damage public confidence in the Council.

1.2 This Policy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The Policy, the content of which is informed by relevant guidance<sup>1</sup>, sets out the Council's overarching approach to combatting fraud and corruption. It also sets out the Council's Fraud Response Plan (Appendix 5).

## 2 Policy Aims and Objectives

2.1 Through this Policy the Council aims to:

- Protect the Council's valuable resources;
- Create and promote a robust 'anti-fraud' culture;
- Ensure effective counter fraud systems and procedures are in place which:
  - Ensure that the resources dedicated to combatting fraud are sufficient;
  - Proactively deter, prevent and detect fraud, corruption and theft;
  - Identify emerging fraud risks;
  - Investigate suspected or detected fraud, corruption and theft;
  - Enable the Council to apply appropriate sanctions, including criminal and/or civil proceedings, to recover losses, where appropriate; and
  - Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.

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<sup>1</sup> the CIPFA Code of Practice on Managing the Risk of Fraud

- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resilience to fraud and corruption.

### **3 To who does this Policy apply?**

#### **3.1 This Policy applies to a wide range of persons, including:**

##### **Council employees (including volunteers, temporary staff and agency staff);**

*Council staff have an important role to play in helping to identify and combat fraud.*

*Managers and staff should have full awareness of this Policy and in particular an appreciation of the key fraud indicators in Appendix 2.*

*All staff are expected to comply with the Standards in Public Life (the "Nolan Principles") which require public officials to act with selflessness, integrity, accountability, openness and honesty.*

*The specific roles assigned to particular officers and departments is explained in Appendix 4.*

##### **Elected Members;**

*Elected Members and Senior Management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity.*

##### **The Council's partners including voluntary organisations & schools;**

*The Council expects partner organisations (and staff employed by those organisations) to abide by high standards of probity and ethical dealings.*

##### **Contracting partners;**

*The Council expects its contracting partners and their staff to comply with the law and to maintain high standards of probity in respect of their commercial dealings with the Council.*

##### **Service users and members of the general public;**

*The Council is committed to faithfully discharging its responsibilities to service users and the public.*

*For their part, the Council expects service users and members of the public to be honest in their financial and other dealings with the Council.*

### **4 What is Fraud?**

#### **4.1 Fraud covers a range of dishonest behaviours which may be addressed in either criminal or civil proceedings. In the context of criminal proceedings fraud is defined by the Serious Fraud Office as:**

*'abuse of position, or false representation, or prejudicing someone's rights for personal gain'.*

4.2 Criminal offences defined by legislation<sup>2</sup> can include:

- *fraud by false representation;*
- *fraud by failing to disclose information where there is a duty to do so;*
- *fraud by abuse of a position.*

4.3 In the context of civil proceedings examples of fraudulent activity can include: -

- *Fraudulent representation;*
- *The tort of deceit;*
- *Wrongful or fraudulent trading;*
- *Double invoicing;*
- *Forged documentation.*

4.4 Although fraud can apply in a range of different contexts, when we speak about fraud in this Policy, we are referring to dishonest behaviour which is undertaken for personal gain.

## 5 What is Corruption?

5.1 **Corruption** is the deliberate misuse of a position for direct or indirect personal gain.

5.2 This includes offering, giving, requesting or accepting a bribe or reward, which influences actions or the actions of someone else. The [Bribery Act 2010](#) makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval to giving or receiving a bribe.

5.3 The Council has a separate [Anti-Bribery Policy](#) which addresses bribery and the provisions of the Bribery Act in detail, including advice for staff on escalating concerns.

## 6 What does “Zero Tolerance” mean in practice?

6.1 As with previous versions of this Policy, the Council takes a “zero tolerance” approach to fraud. A zero-tolerance approach emphasises the seriousness with which fraudulent activity is viewed by the Council.

6.2 However, to be understood in practice, when we talk about zero tolerance, we mean the following: -

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| <b><i>Adoption of Prevention measures</i></b>  | I. The Council will operate a range of suitable technical and organisational processes aimed at minimising opportunities for fraudulent or corrupt behaviour;                            |
| <b><i>Detection of Fraudulent activity</i></b> | I. The Council will operate suitable monitoring processes and governance arrangements intended to maximise opportunities to detect instances of actual or attempted fraud or corruption; |

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<sup>2</sup> The Fraud Act 2006

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| <p><b><i>Disruption of fraudulent activity</i></b></p>                | <ol style="list-style-type: none"> <li>I. Suspected fraudulent activity coming to the Council's attention will always be investigated;</li> <li>II. When Council staff have identified evidence of fraud or corruption, the Council will always expect to take action to disrupt that activity and prevent any further losses from occurring. This may involve a range of responses such as imposing technical controls, dismissing or suspending staff, / or other measures. The Loss Recovery Strategy is set out in Appendix 1.</li> </ol> <p><b>Actions re contracting partners</b></p> <ol style="list-style-type: none"> <li>III. Where the fraudulent or corrupt activity involves trading partners, the Council will look to take decisive action against the relevant body and / or its staff. This may involve terminating or suspending commercial contracts or reporting staff to their managers, regulatory bodies or to relevant law enforcement agencies.</li> </ol>  |
| <p><b><i>Actions taken following identification of fraud.</i></b></p> | <p><b>Disciplinary Action</b></p> <ol style="list-style-type: none"> <li>I. Unless exceptional circumstances apply, Council staff who have been identified as engaging in fraudulent activity connected with their role (<i>or who are complicit in the same</i>) should expect to face an internal disciplinary process.</li> <li>II. If allegations of fraudulent or corrupt conduct are upheld, it would be a matter for a disciplinary panel to determine an appropriate sanction. However, Human Resources (HR) Officers presenting evidence of fraud will be expected to advocate in favour of disciplinary outcomes (<i>up to and including dismissal</i>) which reflect the gravity of attempts to defraud the public purse.</li> <li>III. It is also to be noted that staff who engage in fraudulent activity typically cause irreparable damage to the "<i>relationship of mutual trust and confidence</i>" rendering it very difficult if not impossible to maintain an ongoing employment relationship.</li> </ol> <p><b>Recovery Action</b></p> <ol style="list-style-type: none"> <li>IV. Consideration will always be given to the practicality of recovery of any monies or any lost resources. This may involve options from: - <ol style="list-style-type: none"> <li>a. voluntary surrender of gains or repayment of monies;</li> </ol> </li> </ol> |

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|  | <p>b. recoupment of monies from accrued pension entitlements<sup>3</sup></p> <p>c. recovery via litigation in the civil courts or via compensation orders in the criminal courts.</p> <p><b>Possible involvement of external agencies</b></p> <p>V. Depending on the particular circumstances of a case, consideration will also be given to reporting possible criminal activity to external agencies including the Police, HM Revenue &amp; Customs (HMRC) or the Serious Fraud Office (SFO).</p> <p>VI. Decisions on the sharing of evidence with third party organisations will be made by the Head of Internal Audit and Assurance Service following consultation with Legal Services and, where relevant, other sections, e.g. Information Governance.</p> |
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## 7 Governance

- 7.1 Good corporate governance procedures are a strong safeguard against fraud and corruption. The Council's Corporate Governance Committee plays a key role in scrutinising the Council's approach to both fraud and risk management.
- 7.2 The Council will play a proactive role in fraud prevention, as well as a robust reactive response where fraud is detected. Fraud prevention is key and fraud awareness raising is a vital tool in mitigating fraud risk at the outset, particularly in high-risk areas and surrounding emerging fraud risks, e.g. cyber-crime.
- 7.3 Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.
- 7.4 The Council's Internal Audit & Assurance Service undertakes risk-based assurance work each year centred on a management approved Internal Audit Plan. This assurance work involves a review of systems and procedures, including a review of the management of risk (of both fraud and other types of risk) whereby system vulnerabilities are brought to the attention of management along with recommendations to strengthen systems and procedures.

## 8 Reporting, Advice, Support

- 8.1 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If anyone believes that someone is committing a fraud or suspects corrupt practices, these concerns should be raised in the first instance directly with line management **or** to the Director of Law & Governance (Monitoring

<sup>3</sup> See Regulation 93 of the Local Government Pension Scheme Regulations.

Officer) or Director of Corporate Resources, in accordance with the Council's [Whistleblowing Policy](#) and Financial Procedure Rule 17. If preferred, concerns can be reported via the 'Reporting Fraud' mailbox – [fraud@leics.gov.uk](mailto:fraud@leics.gov.uk) or via the Council's digital fraud referral e-form accessible via the [fraud pages](#) of the Council's website. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

- 8.2 Where managers are made aware of suspected fraud by employees, they have responsibilities for passing on those concerns to the Director of Law & Governance (Monitoring Officer) and the Director of Corporate Resources. Managers should react urgently to allegations / evidence of potential fraud or corruption. Headteachers of Local Authority maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence should not be included in the notification procedure.
- 8.3 Employees who wish to raise a serious concern should refer to the detailed Whistleblowing Policy. The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. Our Whistleblowing Policy complies fully with PIDA.
- 8.4 The Director of Law & Governance (Monitoring Officer) will refer all concerns in relation to possible financial impropriety to the Director of Corporate Resources. Thereafter, where required, the Internal Audit & Assurance Service, in conjunction with other services such as Human Resources, Legal Services, ICT Services, will give advice and support to managers involved in fraud investigation including on evidence gathering, documentation and retention, disciplinary proceedings and, where relevant, referral to the Police and/or further actions to recover losses.

## 9 Investigations

- 9.1 **Investigations** - To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions of fraud or corruption, as detailed above. Particular care should be taken regarding preserving IT-based evidence and further advice can be sought from ICT Services.
- 9.2 In more complex cases, investigations may be carried out by either the Internal Audit & Assurance Service or externally commissioned support from fraud investigation professionals. In such cases of complexity, investigations should be assessed in conjunction with the Internal Audit & Assurance Service in order to decide the best approach to leading the investigation. Otherwise, the Internal Audit & Assurance Service will give guidance to departments (managers) on how to carry out investigations. In such circumstances the Internal Audit & Assurance Service, and other support services such as Human Resources, will continue to have a 'watching brief' throughout the course of the investigation and will continue to provide advice, where required.
- 9.3 **Managers are required to seek advice from key professional services, e.g. Human Resources, Legal Services, Internal Audit and, if relevant, ICT Services, prior to undertaking investigations.** Although the Council may undertake interviews as part of investigations there is a local agreement with the Police that these are not conducted under caution. There is a presumption therefore that contact with the Police will occur



at a relatively early stage, once there is sufficient evidence to justify it. Where there are grounds to suspect an offence then no further questioning will take place until a referral to the Police has been made. Otherwise, evidence gleaned prior to a caution may be inadmissible in a court of law.

- 9.4 The outcome of an investigation would typically be a full report produced for the relevant department which can then be used, if appropriate, in further disciplinary action (or as part of a criminal investigation).
- 9.5 **Criminal Offences** - The Director of Law & Governance will provide guidance as to whether a criminal offence has been committed. In such cases the Council will seek a prosecution unless the decision is taken, following advice from the Director of Law & Governance, that it would be inappropriate to do so and that other courses of action are more appropriate (e.g. civil action).
- 9.6 **Disciplinary Action** - The Director (after taking relevant HR advice) will decide whether disciplinary action should be taken against an employee. Cases of fraud or corruption are likely to represent gross misconduct and therefore the employee could be liable to dismissal.
- 9.7 **Elected Members** - The Chief Executive and the Director of Law & Governance, acting as Monitoring Officer, will advise on action in relation to Members.
- 9.8 **Loss Recovery** - Where a case has been proved, the relevant Director and the Director of Corporate Resources, with advice from the Director of Law & Governance, will agree whether there is sufficient ground to seek redress for financial losses incurred. The Council's Loss Recovery Strategy ([Appendix 1](#)) sets out a range of options available to the Council regarding recovering financial loss.
- 9.9 **Other Actions Associated with Zero Tolerance** – The Head of Internal Audit & Assurance Service (HoIAS) and the Director of Law & Governance will provide advice on whether other actions may be appropriate in line with the Council's zero-tolerance approach to fraud and financial irregularity. This could include, for example, termination of contractual arrangements with a third party, withdrawal of service provision to a service user, refusal to provide clean references about an (ex) employee or referral of an individual to their professional body where the body's ethical and professional code may have been broken.
- 9.10 **Recording** – The Head of Internal Audit & Assurance Service will maintain a fraud database where summary details of financial irregularities will be recorded.
- 9.11 **Reporting** - The Head of Internal Audit & Assurance Service's (HoIAS) routine progress reports to the Corporate Governance Committee will include summary details on investigations into suspected fraud or corruption once the outcomes are finalised especially with any cases that are subject to Police investigation. In addition, the HoIAS also reports regularly on fraud and corruption activity through: -
- The National Fraud Initiative (biennially)
  - The Local Government Transparency Code (annually)

## 10 Action Plan

- 10.1 Supplementary to this Policy, the Internal Audit & Assurance Service develops a two-yearly action plan which sets out the developments / actions the Council proposes over the medium-term future to further improve its resilience to fraud and corruption.

## 11 Additional Information

- 11.1 Further information on relevant Council policy and practice can be found in the following internal documents: -

- The [Constitution](#) (includes Financial Procedure Rules, Contract Procedure Rules, Members' Code of Conduct and Officers' Code of Conduct);
- Employee [Whistleblowing Policy](#);
- [Gifts & Hospitality Policy](#);
- [Policy on the Declaration of Personal Interests](#);
- [Anti-Bribery Policy](#);
- [Anti-Money Laundering Policy](#);
- [Prevention of Facilitation of Tax Evasion Policy](#);
- [Supplier Code of Conduct](#);
- [LCC Risk Management Policy and Strategy](#) (internal link only);
- [Information Security and Acceptable Use Policy](#) (internal link only);
- Loss Recovery Strategy ([Appendix 1](#));
- Key Fraud Indicators ([Appendix 2](#));
- Types of Fraud ([Appendix 3](#));
- Stakeholders and their Specific Responsibilities ([Appendix 4](#));
- Fraud Response Plan ([Appendix 5](#)).

- 11.2 The County Council seeks to fulfil its responsibility to reduce fraud and protect our resources by a strategic approach consistent with that outlined in both: -

- [CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014); and
- [Local Government Fraud Strategy – Fighting Fraud Locally \(2020\)](#)

- 11.3 The Council's fraud awareness training is mandatory for all staff, either through e-learning or through a manual workbook equivalent. Additionally there is a process of recertification through refresher training every two years. Additional fraud awareness training is available specifically on procurement fraud risk. This additional training is strongly recommended for staff with procurement activity in their job descriptions. These are all accessible via the [Learning Hub](#).

## 12 Policy Review

- 12.1 The Director of Corporate Resources (s.151 Officer) and the Council's Corporate Governance Committee will ensure the continuous review and amendment of this Policy.

Responsible Officer: Head of Internal Audit & Assurance Service

Review date: October 2026 and biennially thereafter

## APPENDIX 1

### Leicestershire County Council – Loss Recovery Strategy

#### Strategy Adopted

1. In keeping with its zero-tolerance approach, the Council will consider options for recovery, disciplinary proceedings (where appropriate) and it will also consider whether to make a referral to outside agencies including the Police.
2. If a fraud or financial irregularity is suspected, the Council will determine on a case-by-case basis, after seeking the advice of the Director of Law & Governance, or a solicitor in legal services with delegated authority, what further action (if any) should be taken to recover its losses from individual(s) or responsible organisations.
3. At the earliest available opportunity, the Council will consider whether it is appropriate to pursue civil remedies and / or refer the matter to law enforcement agencies for investigation and/or prosecution.
4. When the Council can demonstrate that it has suffered financial loss and, where it is practical, priority should be given to civil recovery as opposed to criminal proceedings. If, however, it is believed that civil proceedings will not achieve a significant or any recovery then the Council should consider reporting the allegations to relevant law enforcement agencies.
5. Before reaching any decision on how to proceed, the Council will seek to avoid any activities which may unnecessarily alert the perpetrator, encourage them to dispose of evidence or otherwise hamper a criminal investigation.

#### Redress through civil means

6. Fraud and corruption activity have the potential to deprive the Council of resources which it needs to deliver vital services. Accordingly, recovery options should be considered in each case where any financial losses have been sustained. Options may include: -

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| Voluntary surrender / voluntary repayment. | In some cases it may be possible to negotiate the repayment of monies.  |
| Civil proceedings                          | <p>This may include court proceedings provided such proceedings offer a reasonable prospect of achieving a financial recovery. This option is dependent upon several factors including the costs, the availability of evidence proving the fraud as well as the ability of the Defendant to meet any judgment.</p> <p>If a judgment is obtained this may open up a range of enforcement options including: -</p> <ol style="list-style-type: none"><li>a. Third Party debts orders (e.g. to recover monies from bank accounts);</li></ol> |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>b. Charging orders (to place a charge over title to land or shares);</li> <li>c. Writs of control (to take goods);</li> <li>d. Attachment of earnings orders (to receive payments from salaries / wages).</li> <li>e. Insolvency proceedings – e.g. bankruptcy in the case of personal insolvency or winding up in the case of companies.</li> </ul> |
| Recovery and Retention of Pension / Pension Forfeiture | Where an employee is a member of the Local Government Pension Scheme (LGPS) and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme.   |
| Insurance  | Whilst the Corporate Resources Insurance Section will give advice where it is believed an insurance claim can be made under the Council's fidelity guarantee insurance, the Council's preferred approach, is to seek recovery of losses from the perpetrator and fidelity guarantee insurance will generally be a method of last resort.  |

### Reports to the Police and External agencies

7. It is not automatically the case that individuals will be reported to external law enforcement agencies although such a step may be warranted in appropriate cases.
8. Decisions on whether to make a referral to the Police should be taken in light of the Council's objectives regarding financial recoveries (to which priority is given) and the likelihood of disciplinary proceedings. Beyond that, legal advisors should consider all the circumstances of the case and make a recommendation on suitable action to the Head of Internal Audit and Assurance Service.
9. It is unnecessary for the solicitors to apply the Crown Prosecution Service (CPS) two stage prosecution test when considering whether a case should be referred (*as the purpose of referring a case is so the Police may conduct an investigation which may or may not lead to further action*).
10. However, solicitors advising on whether to make a referral will take account of aggravating and mitigating factors of a particular case. Aggravating factors might include wilful destruction of evidence or collusion between suspects. Mitigating factors might include co-operation with an investigation and early repayment of monies.

11. The primary rationale for reporting cases to the Police should not be the expectation that this will lead to a financial recovery<sup>4</sup>. Despite this criminal justice can offer a potent means of combatting criminal behaviour and it can have a positive deterrent effect.
12. Broadly, cases involving organised criminal activity or fraud which exposes the Council to significant losses are regarded as particularly serious and are more likely to be reported to the Police or other agencies.
13. It should be borne in mind that law enforcement agencies, such as the Police and/or Action Fraud, are unlikely to wish to pursue a criminal case if the matter has already been pursued in the civil courts. Police may also be less inclined to act where alleged perpetrators have had an opportunity to conceal evidence or make restitution for their alleged wrongdoing.

### Avoiding a multiplicity of proceedings and investigations

14. It is not generally in the Council's interests to pursue all available avenues (*i.e. civil proceedings, referrals for criminal action and disciplinary proceedings*) simultaneously. Pursuing multiple avenues simultaneously may present a number of disadvantages: -

|                                  |   |
|----------------------------------|---|
| It may be unnecessary            | Sanctions arising from disciplinary processes (such as dismissal) may already be sufficient to reflect the gravity of the wrongdoing without the additional penalty of a criminal conviction.   |
| It may create delays             | Pursuing multiple processes may result in the need for one investigation or process to be put on hold whilst another takes precedence (for example the Police may wish to conduct their investigation in priority to other investigations). |
| It may lead to complications     | If different processes lead to conflicting outcomes this could create complications for the Council.  |
| It consumes additional resources | Supporting different processes consumes additional resources.   |

Advising solicitors should advise on the merits of pursuing different options and the interplay between different processes.

<sup>4</sup> Confiscation orders or proceedings under the Proceedings of Crime Act 2002 (commonly referred to as "POCA") which can, following criminal convictions, result in monies being recouped by the Council. However, the Director of Law & Governance reports that legal advice received by the Council suggests that criminal prosecutions do not tend to result in high levels of recovery of assets for the Council.

## APPENDIX 2

### Key Fraud Indicators

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. However, the following are indicators 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; refuses 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), 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 / transactions between accounts; false accounting, 'splitting' expenditure to avoid control thresholds, 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.
- **Poor 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 only 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 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 photocopied or lacking essential information; lack of rotation of duties; unauthorised changes to systems of work practices.

## APPENDIX 3

### Types of Fraud

The Local Government Counter Fraud and Corruption Strategy (Fighting Fraud & Corruption Locally) sets out the risks considered to be prevalent, nationally. *n.b. not all of these are relevant to an upper-tier County Council:*

**Tenancy:** Fraudulent applications for housing or successions of tenancy and subletting of the property.

**Procurement:** Tendering issues, split contracts, double invoicing.

**Payroll:** False employees, overtime claims, expenses.

**Council Tax:** Discounts and exemptions, council tax support.

**Blue Badge:** Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge.

**Grants:** Work not carried out, funds diverted, ineligibility not declared.

**Economic Support Grants, e.g. support for disadvantaged families:** Fraudulent applications.

**Pensions:** Deceased pensioner, overpayments, entitlement overstated.

**Schools:** Procurement fraud, payroll fraud, internal fraud, cybercrime, e.g. ransomware.

**Social Care Fraud:** Personal budgets and direct payments, overstatement of needs through false declaration, multiple claims across authorities, third party abuse of a service user, posthumous continuation of claims, deprivation of assets.

**Internal Fraud:** Diverting council monies to a personal account, accepting bribes, stealing cash or assets, working elsewhere whilst claiming to be off sick, false overtime or expense claims, stealing information, etc.

**Identity Fraud:** False identity/fictitious persons applying for services/payments.

**Business Rates:** Fraudulent application for exemptions / reliefs, unlisted properties.

**Right to Buy:** Fraudulent applications under the right to buy/acquire.

**Money Laundering:** Exposure to suspect transactions.

**Insurance Fraud:** False or exaggerated claims including slips and trips.

**Disabled Facility Grants:** Fraudulent applications for adaptations to homes.

**Concessionary Travel Scheme:** Use of concession by ineligible person.

**No Recourse to Public Funds:** Fraudulent claim of eligibility.

**Activity-Related Payments (Payments by Results):** Over-inflated claims.

**Commissioning of Services:** Including conflicts of interest, collusion.

**Cyber-dependent Crime and Cyber-enabled Fraud:** Mandate fraud, malware, ransomware, phishing, etc.



## APPENDIX 4

### Stakeholders and their specific responsibilities

#### Chief Executive

Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption; duties in relation to members' interests.

#### Director of Law & Governance (Monitoring Officer)

To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Conduct/Practice. Overall responsibility for the maintenance and operation of both Officers' and Members' Codes of Conduct, the Whistleblowing Policy and other policies.

Professional advice regarding whether a case should be referred to the Police.

Advice on recovery of losses under the Council's Loss Recovery Strategy (see [Appendix 1](#))

#### Director of Corporate Resources (s.151 Officer)

Legal duties with regard to the proper administration of financial affairs including ensuring that the Council's accounting control systems include measures to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records and a requirement for an adequate and effective internal audit of accounting records and of the system of internal control in accordance with the proper practices in relation to internal control. Additionally, a Head of Profession responsibility to implement appropriate measures to prevent and detect fraud and corruption.

#### Corporate Governance Committee

To monitor the adequacy and effectiveness of the arrangements in place for ensuring an adequate internal control environment and for combating fraud and corruption. Further responsibility for oversight of the Council's risk management processes.

#### Elected Members

To comply with the Members' 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.

#### External Audit

Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.

#### Head of Internal Audit & Assurance Service



Responsible for developing and maintaining advice and guidance on the Council's approach to managing the risks of fraud, bribery and corruption.

The HoIAS compiles a risk-based annual Internal Audit Plan designed to evaluate the effectiveness of the control environment.

Responsible for undertaking a regular (biennial) Fraud Risk Assessment for the Council.

Responsible for providing counter fraud updates / reports to the Corporate Governance Committee.

Responsible for undertaking a periodic self-assessment of compliance against the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption.

Responsible for ensuring that all suspected or reported irregularities are dealt with promptly and in accordance with this Policy and that action is identified to improve controls and reduce the risk of recurrence. Advises on (or, where appropriate, carries out) investigations.

Advice to services on fraud-proofing major system developments / changes at design stage.

Proactive counter fraud advice surrounding both common and emerging risk areas, e.g. cyber-crime.

#### Human Resources

Provision of advice to managers on internal disciplinary investigations, including suspensions. Maintenance of the Council's disciplinary policies and procedures. Promotion of the Council's **zero-tolerance** approach in HR-supported investigations.

#### Senior Management, Departmental Management Teams (DMTs), Service Managers

To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Director of Law & Governance (Monitoring Officer) and the Director of Corporate Resources (s.151 Officer).

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.

To ensure that due consideration is given to 'fraud-proofing' major system developments and changes during an early stage, and to seek specialist advice from Business Partner Teams and/or Internal Audit accordingly.

#### Learning & Development Service

To facilitate fraud awareness training through both the Council's Corporate Induction Process and through the development of mandatory e-learning platforms.

LCC Staff

To comply with Council policies and procedures, to be aware of the possibility of fraud and corruption, and to report via line management or, where appropriate, the Whistleblowing procedure any genuine concerns to management or the Director of Law & Governance (Monitoring Officer) or Director of Corporate Resources (s.151 Officer).

To undertake mandatory fraud awareness and other relevant counter fraud training, including at induction stage.

Public, Service Users, Partners, Contractors etc.

To be aware of the possibility of fraud and corruption against the Council and to report any genuine concerns / suspicions.

Contractors to abide by contractual Terms & Conditions and the Council's Supplier Code of Conduct.

## APPENDIX 5

### Fraud Response Plan

