

**Title of report: Counter Fraud and Corruption Arrangements**

**Report of: Darren Collins – Strategic Director, Corporate Resources**

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### **Purpose of the Report**

1. Cabinet is asked to recommend that Council approve the proposed Counter Fraud and Corruption Strategy and the revised Council Counter Fraud and Corruption Policy.

### **Background**

2. To support the work of local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Code of Practice on Managing the Risk of Fraud and Corruption. Although the Code is not currently mandatory, it represents best practice, and compliance with the principles set out in the Code helping the Council to secure good governance and demonstrate effective use of public funds.
3. The Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan since 2011, but has not documented an overarching strategy.
4. The planned actions in the Annual Governance Statement action plan for 2017/18 included:
  - Review the Council's Counter Fraud and Corruption Policy
  - Develop an appropriate Counter Fraud and Corruption Strategy to mitigate the identified risks of fraud and corruption.
5. The Council's Audit and Standards Committee considered this issue on 29 January 2018. The Committee supported the proposed approach recommended within this Cabinet report. The minutes of the Committee meeting are attached as Appendix 5 to this report.

### **Proposals**

6. The report provides an overview of the proposed Counter Fraud and Corruption Arrangements, and includes the following draft documents:
  - Counter Fraud and Corruption Strategy
  - Counter Fraud and Corruption Policy
  - Fraud Response Plan

### **Recommendation**

7. Cabinet is asked to recommend to Council the approval of the following strategy and policy documents:
  - (i) Counter Fraud and Corruption Strategy (Appendix 2)
  - (ii) Counter Fraud and Corruption Policy (Appendix 3)

And also to recommend to Council that the following plan be noted:

- (i) Fraud Response Plan (Appendix 4)

For the following reasons:

- (i) Compliance with best practice to support strong internal governance and controls.
- (ii) The proposals are considered to be the optimum arrangement for the achievement of value for money and deliverability.

**Policy Context**

1. The proposals in this report are consistent with the Council’s vision and medium term priorities as set out in Vision 2030 and the Council Plan and in particular they ensure that effective use is made of the Council’s resources to ensure a sustainable financial position.

**Background**

2. To support the work of local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Code of Practice on Managing the Risk of Fraud and Corruption. Although the Code is not currently mandatory, it represents best practice and compliance with the principles set out in the Code, helping the Council to secure good governance and demonstrate effective use of public funds.
3. The five key principles of managing the risks of fraud and corruption are to:
  - Acknowledge the responsibility for countering fraud and corruption;
  - Identify the fraud and corruption risks;
  - Develop an appropriate counter fraud and corruption strategy;
  - Provide resources to implement the Strategy; and
  - Take action in response to fraud and corruption

**Counter Fraud and Corruption Strategy**

4. CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption states that an organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.
5. It is recognised that to minimise losses to fraud and corruption, a strategic approach with a clear remit covering all areas of fraud and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).
6. Since 2011 the Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan, but had not documented an overarching strategy. The Council’s proposed Counter Fraud and Corruption Strategy clearly identifies the Council’s commitment to an effective Counter Fraud and Corruption approach, as part of its overall Corporate Governance arrangements. The proposed strategy outlines the principles the Council is committed to in preventing and reporting fraud and corruption.
7. The proposed Counter Fraud and Corruption Strategy is attached at Appendix 2.
8. Regular reports on any activity relating to this Strategy, and progress against the fraud plan, will be provided to the Audit and Standards Committee.
9. An annual report will be provided to the Audit and Standards Committee on performance against the Strategy and the effectiveness of the Strategy. Conclusions will also form part of the Annual Governance Statement.

## **Counter Fraud and Corruption Policy and Fraud Response Plan**

- 10 A Counter Fraud and Corruption Policy and Fraud Response Plan forms an important part of the Counter Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework.
- 11 The Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan since 2011. A part of this review both documents have been updated to take account of current best practice and guidance.
- 12 The proposed revised Counter Fraud and Corruption Policy outlines the Council's attitude to and position on, fraud and corruption and sets out responsibilities for its prevention and detection. It also communicates important deterrence messages to employees, councillors, and third parties that fraudulent conduct will not be tolerated by the Council and that the stance against fraud is endorsed and supported at the most senior level.
- 13 The Fraud response Plan details the Council's procedures for responding to any incidents of suspected fraud or corruption. The Plan sets out how suspicions should be raised and how investigations will be conducted and concluded.
- 14 The proposed revised Counter Fraud and Corruption Policy is attached at Appendix 3 to this report and the Fraud Response Plan is attached at Appendix 4.

### **Consultation**

18. The Council's Audit and Standards Committee has been consulted on this report and was supportive of the proposed approach.

### **Alternative Options**

19. There are no alternative options as the documents are required to comply with best practice guidance.

### **Implications of recommended option**

20. **Resources:**
  - a) **Financial Implications** - The Strategic Director, Corporate Resources confirms that there are no additional financial implications associated with the report itself.
  - b) **Human Resources Implications** - There are no human resources implications arising directly from this report.
  - c) **Property Implications** – There are no property implications arising from this report.
21. **Risk Management Implications**

These proposals are designed to complement the Corporate Risk Management Policy and framework by addressing specific risks arising from fraud and corruption.

22. **Equality and Diversity Implications**

There are no equality and diversity implications arising from this report.

23. **Crime and Disorder Implications**

There are no crime and disorder implications arising from this report.

24. **Health Implications**

There are no health implications arising from this report.

25. **Sustainability Implications**

There are no sustainability implications arising from this report.

26. **Human Rights Implications**

There are no human rights implications arising from this report.

27. **Area and Ward Implications**

There are no direct area and ward implications arising from this report.

28. **Background Information**

The following document has been used in the preparation of this report:

- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption



# **COUNTER FRAUD AND CORRUPTION STRATEGY**

**Gateshead Council**  
**Counter Fraud and Corruption Strategy**

**Contents**

1. Foreword
2. Introduction
3. Legal Definition
4. Corporate Framework and Culture
5. Prevention and Deterrence
6. Detection and Investigation
7. Training and Awareness
8. Summary
9. Review

## 1. Foreword

This document sets out Gateshead Council's Counter Fraud and Corruption Strategy which outlines the principles that Gateshead Council is committed to in preventing and reporting fraud and corruption. It has the full support of councillors and Strategic Directors.

The size and nature of Gateshead Council's services mean that there is an ever present risk of loss due to fraud and corruption, from both internal and external sources. By putting in place effective measures to counter the risk of fraud and corruption Gateshead Council can minimize losses which undermine standards of service and reduce the resources available for the good of the whole community.

Councillors and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud, corruption and by promptly identifying and reporting potential instances for investigation.

Good corporate governance and stewardship of the public funds and assets which are administered by Gateshead Council are crucial to the successful delivery of the corporate strategic aims.

High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. In promoting good governance standards Gateshead Council aims to create an anti-fraud culture and environment to deter those who may commit fraudulent and corrupt acts and encourage those who suspect such activity to report it promptly.

Gateshead Council therefore, expects the highest standard of probity, propriety and conduct from councillors and employees. This includes the requirement of those concerned to act lawfully and to comply at all times with Gateshead Council's policies, regulations and procedures.

Gateshead Council also expects the same level of commitment from all outside individuals and organisations, including partners, contractors and customers, ensuring that they act towards Gateshead Council with honesty and integrity.

Gateshead Council is determined to protect itself from fraud and corruption and will seek to identify and prevent fraud and corruption in all areas of its activities. Where any instances are discovered, Gateshead Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

**Signed:**

**Signed:**

**Leader of the Council**

**Chief Executive**



## 2. Introduction

2.1 Gateshead Council (hereafter referred to as the Council) has the responsibility of protecting the public purse. In order to meet this responsibility the Council is committed to maintaining an effective Counter-Fraud and Corruption Strategy which follows the principles contained in the Code of Practice on Managing the Risk of Fraud and Corruption, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). With this in mind the Council aims to:

- Ensure all employees and councillors are aware of their individual and collective responsibilities relating to the prevention and detection of fraud and corruption;
- Continually review and assess its fraud and corruption risks and implement actions to minimise the likelihood of them materialising;
- Discourage and prevent incidents of fraud and corruption from occurring, particularly in the areas of greatest risk;
- Promote and enhance detection routines to identify any incidents that do occur;
- Investigate and respond effectively to minimise the impact of any suspected or identified incidents of fraud or corruption affecting the Council;
- Strengthen any weaknesses in control systems identified from the investigative process to prevent any recurrence of the situation;
- Take the strongest possible action against proven perpetrators of fraud or corruption, including offences committed by employees, taking account of the circumstances of each case; and
- Recover any identified losses stemming from confirmed cases of fraud or corruption in addition to any associated investigation costs.

2.2 It is the responsibility of Strategic Directors to communicate this Counter-Fraud and Corruption Strategy to all managers and employees and to promote greater awareness of the risk of fraud and corruption within their Directorates.

## 3. Legal Definition

3.1 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

- **Fraud by false representation:**  
A person is in breach of this section if this is done dishonestly and there is intent, by making the representation, to make a gain for himself or another; or to cause or expose the risk of loss to another.
- **Fraud by failing to disclose information:**  
A person is in breach of this section if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, make a gain for himself or another; or to cause or expose the risk of loss to another.

- **Fraud by abuse of position:**

A person is in breach of this section if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person; dishonestly abuses that position with the intention to make a gain for himself or another; or to cause or expose the risk of loss to another.

There are further subheadings of fraud described, including possession of articles for use in fraud, making or supplying articles for use in frauds, participating in fraudulent business and or obtaining services dishonestly.

3.2 Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.

#### 4. Corporate Framework and Culture

4.1 The Council has a range of interrelated policies and procedures that provide a corporate framework to help counter any fraudulent or corrupt activity. These have been formulated in line with the appropriate legislative requirements and professional best practice and include:

- Code of Conduct for councillors and employees
- Manager and Employee HR Policy and Procedures
- Individual Job Profiles
- Code of Corporate Governance
- Council's Constitution – including Standing Orders, Contract Procedure Rules and Financial Regulations
- "Whistleblowing" Policy
- Fraud Awareness and Training
- Effective internal controls systems
- Internal Audit and Risk Service Fraud Response Plan
- Effective Recruitment and Selection procedures
- Anti- Money Laundering Policy
- Counter Fraud and Corruption Policy
- Statement on the Prevention of Bribery
- Information Security Policy

4.2 The Council also has an effective Internal Audit and Risk Service and Corporate Fraud Team that assists the corporate framework to help counter any fraudulent activity.

4.3 The Council believes the best defence against fraud and corruption is to create a strong anti-fraud culture within the organisation and that a culture of honest and openness is a key element in tackling fraud and corruption. The codes of conduct for councillors and employees are based upon the Nolan principles of Standards in Public Life, namely:

- **Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

- **Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- **Objectivity** – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness** – Holders of public office should be as open as possible about all decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- **Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
- **Leadership** – Holders of public office should promote and support these principles by leadership and example.

4.4 The Council expects all of its employees and councillors to comply with the seven principles of public life in all of its activities and to embrace these principles as the cornerstone of its Counter Fraud and Corruption Strategy.

## 5. Prevention and Deterrence

5.1 An effective internal control system is a vital factor in helping to prevent fraud and corruption. The internal control system comprises the whole range of financial, operational and managerial systems and procedures established within the Council to ensure its objectives are achieved in an effective and efficient manner.

5.2 It is management's responsibility to establish sound systems of internal control designed to reduce the risk posed by fraud and corruption within service areas. To this end, Internal Audit endeavours to provide appropriate advice to managers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work.

5.3 When delivering the Internal Audit Plan to the Council, Internal Audit has the key function of monitoring the effectiveness of internal controls in operation. The Internal Audit Plan includes a programme of work based on key risk areas as identified under the Council's risk management arrangements. This programme of work is not restricted solely to the investigation of detected fraud but also includes anti-fraud assurance work intended to deter and prevent fraud.

5.4 The Internal Audit Plan also includes fraud risk identification and assessment work which forms part of the Council's strategic risk management process.

5.5 The Council will continue to identify and assess fraud and corruption risks by:

- Increasing the understanding of potential for fraud and corruption in each Service.
- Undertaking detailed risk assessments of those specific areas potentially at risk of fraud and corruption.

5.6 The Council will seek to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts by:

- Deploying robust systems of internal control, to mitigate the opportunity for fraud and corruption.
- Publicising the fact that the Council will not tolerate fraud and corruption, demonstrated by this Counter Fraud and Corruption Strategy and the Whistleblowing Policy.
- Acting robustly and decisively when fraud or corruption is suspected and proven.
- Taking action to effect the maximum recoveries for the Council, engaging with the Press and Public relations media, to optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.

5.7 The Council does not act in isolation to counter fraud and corruption. Links have been established with a number of external agencies, including:

- National Anti-Fraud Network
- Northumbria Police
- CIPFA Better Governance Forum and Counter Fraud Centre
- Networks of Heads of Internal Audit
- External Audit
- Cabinet Office
- Department for Work and Pensions
- HM Revenues and Customs
- North East Fraud Forum
- North East Tenancy Fraud Forum
- North East Regional Investigation Officers Group

5.8 As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored throughout the Council and beyond. This enables the information and intelligence to be generated, which is a recognised means of detecting and preventing fraud and corruption.

5.9 The Council is committed to exchanging information with other local and national agencies; activities such as these are carried out in full compliance with the Data Protection Act 1998 and with the codes of practice for National Fraud Initiative data matching exercises and includes provision of information to other agencies for data matching purposes.

## **6. Detection and Investigation**

6.1 The Council will continue to detect fraud and corruption by:

- Exchanging data with external parties such as other local authorities and other public bodies in line with the requirements of the Data Protection Act.
- Participating in the Cabinet Office biennial National Fraud Initiative data matching exercise.

- Undertaking proactive anti-fraud audits in areas of known fraud risk and having regard to the possibility of fraud and corruption in all relevant Internal Audit reviews.
- Encouraging councillors, employees, members of the public and those we work in partnership with the Council to report allegations of fraud and corruption.

6.2 It is the responsibility of Strategic Directors and managers to maintain good control systems and procedures, and ensure that all employees comply with such instructions.

6.3 When information relating to alleged fraud or corruption is obtained it is reviewed and subject to a risk assessment. Some allegations are followed up with a full investigation; others are better dealt with as management issues. Where appropriate managers shall:

- Report allegations to Internal Audit.
- Report allegations promptly and follow any guidance given.
- Where appropriate, contact other agencies, e.g. the Police.

6.4 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with:

- Senior Managers
- Human Resources
- Corporate Services and Governance
- Other agencies, such as the Police and the Department for Work and Pensions

This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.

6.5 The Council's External Auditor also has powers to independently investigate fraud and corruption.

6.6 The Council is committed to pursuing all possible sanctions for proven cases of fraud and corruption. The Council's Counter Fraud and Corruption Policy and Response Plan will be adhered to regarding the appropriate level of investigation of suspected cases. The Council is committed to pursuing disciplinary, criminal and civil sanctions where there is evidence to support the occurrence of fraud and corruption. These sanctions will be sought pursuant to the Council's Counter Fraud and Corruption Policy and Response Plan.

6.7 The Council is committed to seeking to minimise any potential loss due to fraud and corruption. In all cases of suspected fraud and corruption the Council will take action to minimise the risk of further loss. In all cases of proven fraud and corruption the Council will take action where it is available to seek to recover any funds lost due to fraud. The provisions of the Council's Counter Fraud and Corruption Policy and Fraud Response Plan will be adhered to in all instances.

6.8 Where fraud or corruption has occurred, management will need to take action to ensure that any control weaknesses which provided the opportunity for this are addressed. Any lessons learnt will be disseminated to relevant staff.

## **7. Training and Awareness**

7.1 The Council recognises that the continuing success of its Counter Fraud and Corruption Strategy will depend largely on the effectiveness of training, communication and responsiveness of employees throughout the organisation.

7.2 To facilitate this, the Council is committed to ensuring employees and councillors are aware of their responsibilities with regard to preventing fraud and corruption. To this end, the Council will ensure that there is an on-going training programme regarding measures to minimise the risk of fraud and corruption.

7.3 The Council also recognises that the organisation is exposed to risk from external partners and suppliers and that the reporting of malpractice can be in relation to third parties working for or on behalf of the Council. To this end, the Council will ensure there is an on-going programme of awareness to ensure external partners and suppliers are aware of the Council's commitment to protect its funds against fraud and corruption.

7.4 The review of the Council's internal control systems and the investigation of corporate fraud and corruption centres on Internal Audit. Officers working to counter fraud and corruption are professionally accredited and keep abreast of new developments and legislation by regularly attending relevant training courses.

## **8. Summary**

8.1 The Counter Fraud and Corruption Strategy provides a framework for preventing and tackling fraudulent and corrupt acts against the Council. The approval of the Strategy by the Audit and Standards Committee, on behalf of Gateshead Council, demonstrates the Council's commitment to the protection of public funds and the minimising of losses.

8.2 Having made this commitment it is imperative that arrangements for the circulation of this Strategy and promoting fraud awareness across the Council are maintained.

8.3 Gateshead Council is determined to keep pace with any future developments in preventative and detection techniques and to be able to respond and make changes to its Counter Fraud and Corruption Strategy.

## **9. Review**

9.1 Regular reports on any activity relating to this Strategy, and progress against the fraud plan, will be provided to the Audit and Standards Committee.

9.2 Internal Audit and Risk will ensure that this Strategy is subject to regular review, to ensure its accuracy, and to ensure that the Strategy is being successfully delivered. The success of the Strategy will be measured by the extent to which:

- Fraud is minimised, particularly within the areas that Councils are deemed most at risk from fraud and corruption.
- Proven cases of fraud, corruption or other irregularity are subject to the severest sanctions being imposed, depending on the circumstances of each case.
- Proven cases involving employees are dealt with through the Council's disciplinary process.
- Any identified losses are recovered and where appropriate a financial investigation will be conducted in line with the Proceeds of Crime Act 2002.
- Successful prosecutions and disciplinary hearings are publicised, taking account of any restrictions on reporting.
- Employees and councillors are provided with training and are aware of their anti- fraud and corruption responsibilities.

9.3 An annual report will be provided to the Audit and Standards Committee on performance against the Strategy and the effectiveness of the Strategy. Conclusions will also form part of the Annual Governance Statement.



# **COUNTER FRAUD AND CORRUPTION POLICY**

Reviewed March 2018



**Gateshead Council**  
**Counter Fraud and Corruption Policy**

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1. Foreword by the Chief Executive
2. Introduction
3. Corporate Framework
4. Legal Definitions
5. Prevention
6. Deterrence
7. Detection and Investigation
8. Raising Fraud Awareness
9. Notifying Actual or Suspected Fraud or Corruption

## **1. Foreword by the Chief Executive**

- 1.1 Gateshead Council is opposed to fraud and corruption in all forms, whether perpetrated from within or outside of the organisation. We advocate a zero tolerance approach and will seek to prevent fraud and corruption, including bribery, in all areas of our activities. Where any instances are discovered the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

Fraud and corruption cheats the local tax payer and undermines the aims of our Council to achieve our vision of 'Making Gateshead a place where everyone thrives', by providing value for money services in an open, honest and accountable way.

As the Council considers how to maintain core services against the background of public sector funding cuts it is essential that we continue to maintain strong defences against fraud and corruption by directing resources most effectively to mitigate the risks we face. This will involve working closely with partners, contractors and other stakeholders to overcome any barriers to effective fraud fighting and making the best use of available information and intelligence.

All councillors and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud, corruption and other irregularities and by promptly identifying and reporting potential instances for investigation.

**Sheena Ramsey**  
**March 2018**

## **2. Introduction**

- 2.1 The Policy is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and corruption and to take effective action against any attempted or actual fraudulent or corrupt act affecting the Council.
- 2.2 Gateshead Council's Internal Audit and Risk Service has the key function of monitoring the effectiveness of internal controls in operation. This also includes carrying out investigations into suspected cases of fraud and corruption.
- 2.3 The purpose of this policy is to outline Gateshead Council's approach, as well as defining roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally. It applies to:
- Councillors
  - Employees
  - Agency Staff
  - Contractors
  - Consultants
  - Suppliers
  - Service users
  - Employees and committee members of organisations funded by Gateshead Council
  - Employees and Principals of Partner Organisations

In addition to the above, the Council also expects the residents of Gateshead to adhere to the principles set out in this policy and be honest in their dealings with the Council.

- 2.4 This policy sets out Gateshead Council's commitment to tackling fraud and corruption. This makes it clear to all concerned that appropriate and decisive action will be taken against those committing or attempting to commit, fraudulent or corrupt acts against the Authority.

## **3. Corporate Framework**

- 3.1 Gateshead Council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:
- Codes of Conduct for Councillors and Officers
  - Manager and Employee HR Policy and Procedures
  - Individual Job Profiles
  - Code of Corporate Governance

- Council's Constitution – including Standing Orders, Contract Procedure Rules and Financial Regulations
- "Whistle Blowing" Policy
- Fraud Awareness and Training
- Effective Internal Control Systems
- Internal Audit and Risk Service Fraud Response Plan
- Effective Recruitment and Selection Procedures
- Anti-Money Laundering Policy
- Counter Fraud and Corruption Strategy
- Statement on the Prevention of Bribery
- Information Security Policy

3.2 Gateshead Council believes that a culture of honesty and openness is a key element in tackling fraud. The Codes of Conduct for Councillors and Staff are based on the Nolan Principles of Standards in Public Life. Where councillors or employees fail to adhere to these codes appropriate action will be taken against them.

#### **4. Legal Definitions**

4.1 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

4.2 Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing favour or disfavour which may influence any person to act improperly.

#### **5. Prevention**

##### **Employees**

5.1 Gateshead Council recognises that employees are often the first line of defence in preventing fraud. A key preventative measure in that fight is the effective recruitment of employees.

5.2 Employee recruitment will be undertaken in accordance with Council's policies for Recruitment and Selection. Strategic and Service Directors should ensure that procedures laid down in the HR Policies and Procedures in respect of recruitment are followed and that, in particular, references are obtained before employment offers are confirmed.

5.3 For certain posts, Gateshead Council will undertake checks on potential new employees, to ascertain whether they are or have been falsely claiming Housing and/or Council Tax Benefit. These posts are based in the Benefits, Housing and

Council Tax areas plus any additional posts the relevant Strategic Director considers appropriate.

- 5.4 Employees of the Council are expected to follow any Code of Conduct related to their Professional Institute and are also required to abide by the Code of Conduct for Local Government Employees adopted by the Council in April 1998. This includes provisions in respect of the declaration or registration of interests, gifts and hospitality.
- 5.5 Employees must operate under Section 117 of the Local Government Act 1972 regarding the disclosure of pecuniary interests in contracts relating to the Council, or the non-acceptance of any fees or rewards whatsoever, other than their proper remuneration, subject to the provisions of the Council's Code of Conduct for Employees.
- 5.6 The Council recognises that training and the responsiveness of employees is important to the continuing success of its counter fraud and corruption strategy. Employees should therefore be alert to the possibility of fraud and corruption and report any concerns. Gateshead Council has a "Whistle Blowing" Policy in place to assist employees and other stakeholders in reporting concerns about fraud and other issues without fear of reprisal.
- 5.7 The Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the Police for investigation and possible prosecution, in accordance with the Fraud Response Plan. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.

### **Councillors**

- 5.8 Councillors are expected to operate honestly and without bias. Their conduct is governed by:
  - The Code of Conduct for Councillors of Gateshead Council
  - The Council's Constitution
  - Council Protocols
- 5.9 These matters are specifically brought to the attention of councillors at their induction course and are in the Councillor Engagement and Development Framework. They include rules on the declaration and registration of potential areas of conflict between council duties and responsibilities and any other areas of their personal or professional lives.
- 5.10 Gateshead Council has in place an Overview and Scrutiny process. Its remit includes the decisions and actions undertaken by the Council. Any matter arising from this process, in which fraud is suspected, can be referred to Internal Audit for independent investigation.

- 5.11 Gateshead Council's Audit and Standards Committee has included within its terms of reference a responsibility to consider the effectiveness of the Council's internal control environment and its associated counter fraud and corruption arrangements.
- 5.12 The Local Government Act 2000 requires all councillors to give a written undertaking to comply with the Code of Conduct, if they are to remain on the Council.

### **Internal Control Systems**

- 5.13 Financial Regulations of the Council provide the framework for financial control. The Council's Financial Regulations require each Strategic Director to establish effective internal controls so that the activities under their responsibility are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of control and methods, both financial and otherwise, which are established to: -
- Safeguard the Council's assets;
  - Ensure the reliability of records; and
  - Monitor adherence to policies and procedures.
- 5.14 The Council's Internal Audit and Risk Service independently review, appraise and report on the soundness, adequacy and application of internal controls. Strategic and Service Directors are required to notify at once, and before proceeding with any further investigation, the Strategic Director, Corporate Resources of any matters involving, or thought to involve theft, fraud, corruption or financial irregularity which involves the Council's interests.
- 5.15 The Council's external auditors also provide safeguards for the stewardship of public monies. The external auditor has a specific responsibility to review the adequacy of the Council's financial systems and its arrangements for the prevention and detection of fraud and corruption.

### **Working / Liaison with Others**

- 5.16 There are a variety of arrangements in place, which facilitate the regular exchange of information between Gateshead Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators / inspectorates and include Internal Auditors, Trading Standards Officers and the Department for Work and Pensions.
- 5.17 With the increase in recent years of frauds perpetrated against a variety of public bodies, the necessity for liaison with other organisations has become paramount. The Council recognises that to prevent fraudsters using multiple identities and addresses, it cannot work in isolation and must liaise with other organisations. It has therefore developed a number of external contacts which include:-

- National Anti-Fraud Network
- Northumbria Police
- CIPFA Better Governance Forum and Counter Fraud Centre
- Networks of Heads of Internal Audit Group
- External Audit
- Cabinet Office
- North East Fraud Forum
- North East Tenancy Fraud Forum
- North East Regional Investigation Officers Group
- Department for Work and Pensions
- HM Revenue and Customs

5.18 The Council is committed to exchanging information with other local and national agencies; such activity is carried out in full compliance with the Data Protection Act 1998 and with the Code of Practice for National Fraud Initiative data matching exercises and includes providing information to other agencies for data matching purposes.

## **6. Deterrence**

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, from both inside and outside of the Council, and these include: -

- Publicising the Council's stance against fraud and corruption and stating this at every appropriate opportunity.
- Acting robustly and decisively when fraud and corruption are suspected and proven.
- Taking action to effect the maximum recoveries for the Council.
- The Service Director, Policy, Performance and Communications optimising the publicity opportunities associated with counter fraud and corruption activity within the Authority.
- Having sound internal control systems, that still allow for innovation, but at the same time do not provide opportunity for fraud and corruption.
- The Council's "Whistle Blowing" Policy
- The operation and advertising of a fraud hotline and online fraud reporting form.

6.2 It is the responsibility of Strategic and Service Directors to communicate the Counter Fraud and Corruption Policy to their staff and to promote a greater awareness of fraud within their Services.

## **7. Detection and Investigation**

### **Detection**

- 7.1 The preventative systems within the Council, particularly internal control systems and audit, generally should be sufficient in themselves to deter fraud but they have also been designed to provide indications of any fraudulent activity. In performing their duties, internal auditors will:
- Endeavour to reveal any serious defects in systems of internal control which might lead to the perpetration of fraud;
  - Be alert to the possibility of malpractice or corruption;
  - Take nothing for granted; and
  - Be aware of the possibility of collusion.
- 7.2 It is often the alertness of councillors, employees and the public that enables detection to take place and they are positively encouraged to raise any concerns that they have in connection with the Council's activities. Such concerns will be treated in confidence and properly investigated. These concerns can be raised through any of the following routes:
- Line Managers
  - Internal Audit and Risk Service
  - Strategic Director, Corporate Resources
  - Chief Executive, Strategic Director or Service Director
  - Council's Complaints Procedure
  - Council's "Whistle Blowing" Policy
  - Corporate Fraud Hotline or online fraud reporting form

### **Investigation**

- 7.3 The Strategic Director, Corporate Resources is responsible for following up all allegations of fraud and corruption received and will do so by arranging for the Internal Audit and Risk Service to carry out an investigation. The Internal Audit and Risk Service will ensure that:
- Investigations are both independent and objective;
  - Matters are dealt with promptly;
  - All evidence is recorded;
  - Evidence is sound and adequately supported;
  - All evidence is held securely;
  - Liaison with the Police is undertaken if appropriate;
  - In consultation with Human Resources and the Strategic Director, Corporate Services and Governance and the relevant Strategic Director, the Council's disciplinary procedures are implemented;
  - The Council's insurers are informed if appropriate;
  - Rules of natural justice are applied; and
  - The Council's "Whistle Blowing" Policy is adhered to.



- 7.4 Where financial impropriety is discovered, either from employees defrauding the Council or from persons committing criminal offences against it (such as members of the public who have dishonestly obtained benefits to which they are not entitled), then the general rule is that the matter will be referred to the Police. The final decision on referral will lie with the Strategic Director, Corporate Resources and, where appropriate, in consultation with the Strategic Director concerned. The following factors will be taken into account:
- The amount of the loss and the duration of the offence;
  - The person's physical and mental condition;
  - Voluntary disclosure and arrangements for restitution;
  - How strong the evidence is;
  - Whether the prosecution is in the public interest; and
  - The deterrent effect of any publicity associated with the case.
- 7.5 In the case of 'internal' fraud, disciplinary action does not depend upon the instigation or success of a prosecution; there are different standards of evidence and materiality required.
- 7.6 There is a need to ensure that any investigation process is not misused. Any abuse therefore such as raising unfounded malicious allegations may be dealt with as a disciplinary matter in accordance with the Council's "Whistle Blowing" Policy and may leave the complainant open to an action for defamation.
- 7.7 Gateshead Council will seek to utilise all measures to recover any losses arising from fraud or corruption. This will include the raising of debtor invoices, insurance cover, pension seizure and civil action under the Proceeds of Crime Act 2002.

## **8. Raising Fraud Awareness**

- 8.1 Gateshead Council recognises that the success and credibility of its Counter Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and externally. Every opportunity will be taken to bring it to the attention of employees, councillors and other stakeholders. This policy will also be published on the Council's website and Intranet.
- 8.2 The Council recognises that the continuing success of its Counter Fraud and Corruption strategy and its general credibility will depend largely on the effectiveness of programmed training and the responsiveness of employees throughout the organisation.
- 8.3 Gateshead Council supports the concept of induction training, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The possibility of disciplinary action against officers who ignore such training and guidance is clear.

- 8.4 The officers involved in the review of internal control systems and investigative work will be properly and regularly trained. The Chief Internal Auditor maintains a Training and Development Plan for Internal Audit and Risk staff to satisfy this requirement and this is subject to regular review.
- 8.5 The Internal Audit and Risk Service offers tailored programmes in Internal Audit and Fraud. In the regular Council News bulletins the Internal Audit and Risk Service will publicise fraud related issues as well as giving details of the outcomes of some of its investigations where necessary. These newsletters are distributed to all employees and are displayed on the Council's Intranet.
- 8.6 Any relevant highlights on current issues and practices will also be communicated via the monthly employee team brief, for inclusion in staff briefings.

## **9. Notifying Actual or Suspected Fraud or Corruption**

- 9.1 Suspected fraud or corruption can be discovered in a number of ways but in all cases it is important that individuals feel able to report their concerns and are also aware of the means by which they are able to do so. Matters of concern regarding suspected fraud or corruption should be reported, no matter how minor they appear.

The routes to report concerns are:

- **Strategic Director, Corporate Resources**

The Council's Strategic Director, Corporate Resources can be contacted on 0191 433 3582

- **Monitoring Officer**

The Council's Monitoring Officer, Strategic Director, Corporate Services and Governance can be contacted on 0191 433 2102

- **Internal Audit**

Any cause for concern can be reported to the Internal Audit and Risk Service:

- Chief Internal Auditor, 0191 433 3711
- Audit and Risk Manager, 0191 433 3476

- **Corporate Fraud Team**

Internal Audit and Risk, Gateshead Council, Civic Centre, Gateshead, NE8 1HH

- Telephone number 0191 433 2805
- Email: [fraudreporting@gateshead.gov.uk](mailto:fraudreporting@gateshead.gov.uk)

- [Online Fraud Reporting Form](#)

- **Line Managers**

Officers should normally raise concerns through their immediate line manager. They should then report this to the officers mentioned above. For more information refer to the Council's "Whistle Blowing" Policy.

- **Chair, Audit and Standards Committee**

Cause for concern can also be reported to the Chair of the Council's Audit and Standards Committee who can be reached through the councillors' secretariat on 0191 433 2074

- **External Auditor (Mazars)**

The Council's External Auditor is Mazars and they too can be contacted to report areas of concern. They can be contacted on 0191 433 3662



# FRAUD RESPONSE PLAN

March 2018

## **1. Introduction**

- 1.1 The purpose of a Fraud Response Plan is to define responsibilities for action and reporting lines in the event of suspected fraud or corrupt activity. The use of the Plan should enable the Council to prevent loss of public money, recover losses and establish and secure the evidence necessary for any civil, criminal or disciplinary action.
- 1.2 The Response Plan should also provide direction to take appropriate action against those responsible for any fraud or corrupt act.
- 1.3 The Response Plan complements the Counter Fraud and Corruption Policy and forms part of the overall Counter Fraud and Corruption Strategy of the Council.

## **2. Prevention**

- 2.1 In some circumstances it is not possible to deter fraudsters, so the next most preferable course of action is to prevent fraud from succeeding before there is any loss to Council funds. This can be achieved by developing systems with administrative or technical features, which make them less vulnerable to fraud, referred to as Internal Controls.
- 2.2 It is management's responsibility to establish and maintain systems of internal control and to ensure that the Council's resources are applied appropriately. The Internal Audit and Risk Service operates as an aid to management to give assurance as to the effectiveness of internal control and to make recommendations for improvement. Management should strive to design the potential for fraud out of all new policies and procedures.
- 2.3 It is recognised that in organisations in which fraud occurs, frauds are often perpetrated by employees who familiarise themselves with controls in order that they can circumvent these controls for personal gain. The honesty and integrity of employees is therefore paramount. It is management's responsibility to ensure that in line with the Council's recruitment and selection process appropriate pre-employment screening is operated diligently to prevent unsuitable candidates from securing positions within the Council. This includes agency staff.

## **3. Detection and reporting suspected fraud**

- 3.1 All employees and councillors should be aware of the possibility of fraud and corruption and should report any concerns they have without fear of recrimination. There are a variety of ways of making reports, both personally and anonymously, by using the Council's Whistleblowing Policy, reporting to management or to the Internal Audit and Risk Service Corporate Fraud team - using either the online Fraud Reporting Form or by contacting the fraud reporting hotline 0191 433 2805.
- 3.2 All concerns will be treated in confidence and will be investigated promptly and fully in a professional manner, in line with this Fraud Response Plan. It should be noted that an allegation does not mean the individual person or organisation

is guilty of any wrong-doing, and so they will not be treated as such until the case is proven.

- 3.3 There is a need to ensure that the investigation process is not misused, therefore, if it is found that an allegation has been made in bad faith, maliciously, or for personal gain, then disciplinary action may be taken against that employee.
- 3.4 The Council is committed to the exchange of data with external parties such as other local authorities and other public bodies which are aimed at detecting fraud. In line with the requirements of the Data Protection Act, the Council has in place fair processing notices to facilitate this data exchange. Gateshead Council fully participates in the Cabinet Office's National Fraud Initiative (NFI); a biennial data matching exercise aimed at detecting fraud.
- 3.5 All Internal Audit reviews will have regard to the possibility of fraud. In addition, a series of pro-active counter fraud reviews are undertaken annually in areas of known fraud risk.

#### **4. Investigation**

- 4.1 Where it is appropriate to do so (i.e. without alerting the alleged fraudster), initial enquiries may be made by the manager or the Corporate Fraud team, as agreed with the Chief Internal Auditor, to determine if there actually does appear to be an issue of fraud or other irregularity.
- 4.2 During the initial enquiries, managers should:
  - Determine the factors that gave rise to the suspicion;
  - Examine the factors to determine whether a genuine mistake had been made or whether a fraud or irregularity has occurred;
  - Where necessary, carry out discreet enquiries with staff and / or review documents; and
  - Contact the Chief Internal Auditor to discuss the allegation and agree any proposed action.
- 4.3 An evaluation of the case should include the following details:
  - Outline of allegations;
  - Officers involved, including job role and line manager;
  - Amount involved / materiality / impact;
  - Involvement of any other parties;
  - Timescales – one off or ongoing; and
  - Evidence – where held and access.
- 4.4 In accordance with the Counter Fraud and Corruption Strategy, without prejudice to any action required of Chief Officers under any disciplinary codes, procedures or regulations, the Chief Internal Auditor will, in consultation with the Strategic Director, Corporate Resources, and the Monitoring Officer, make a decision on the action to take, including any preliminary audit investigation or

referral to the Police.

- 4.5 The Chief Internal Auditor should be informed of the results of the initial enquiry so that the case can be closed or a more detailed investigation organised. Internal Audit and Risk staff have the power to access documents, and obtain information and explanations from any officer for the purpose of audit.
- 4.6 Where the initial enquiry appears to indicate misconduct by a Council employee the manager should inform Internal Audit and Risk of:
  - All the evidence gathered; and
  - The actions taken with regard to the employee (e.g. suspension or redeployment) or any other action taken to prevent further loss.
- 4.7 The manager should liaise with Human Resources and be aware of the Council's requirements regarding the disciplinary process. If suspension is necessary, this requires the prior approval from the Service Director.
- 4.8 Depending on the size of the fraud or the circumstances of its perpetration, the Chief Internal Auditor will consider whether the Corporate Fraud team should undertake the investigation. If appropriate, advice and guidance will be provided by Internal Audit and Risk and Human Resources to enable an investigation to be undertaken by an appropriate officer within the service area.
- 4.9 Internal Audit and Risk will review the outcome of the investigation (irrespective of whether undertaken by its own staff or the staff from the service area), to ensure that appropriate action is taken to help detect/prevent similar frauds and make recommendations to strengthen internal control systems.
- 4.10 The Investigating Officer will:
  - Deal promptly with the matter;
  - Record all evidence that has been received;
  - Ensure that evidence is sound and adequately supported;
  - Secure all of the evidence that has been collected;
  - Where appropriate, contact other agencies;
  - When appropriate, arrange for the notification of the Council's insurers;
  - Report to senior management, and where appropriate, recommend the action to be taken by management in accordance with the Counter Fraud and Corruption Strategy and the Council's Disciplinary Procedure; and
  - If a criminal act is being investigated seek advice from the Monitoring Officer to ensure that the investigation is undertaken in accordance with the Police and Criminal Evidence Act 1984 (PACE).
- 4.11 Where circumstances merit, close liaison will take place between the Investigating Officer, Internal Audit and Risk, Strategic Director, Corporate Resources, Monitoring Officer, the respective Service/Directorate and Human Resources as appropriate.

## **5. Sanctions and Recovery of Losses**

5.1 The Council will seek the strongest sanctions against individuals/ organisations who commit fraud against the Council. The Council will in appropriate cases:

- Take disciplinary action where it involves an employee and this may lead to dismissal.
- Refer the case for local investigation by the Audit and Standards Committee where it involves a Member.
- Pursue a criminal prosecution. This will act as a deterrent to other fraudsters.
- Pursue civil proceedings to recover all amounts due to the Council.
- Where appropriate the results of any action taken, including prosecutions will be reported in the media.

5.2 If the Chief Internal Auditor determines that the Police need to be involved, either from the start or at a later stage in the investigation, Internal Audit and Risk will support the police investigation as necessary.





**Minute from Audit and Standards Committee Meeting Monday, 29 January 2018**

**ASC 101 Counter Fraud and Corruption Arrangements**

The Committee has been provided with details of the outcome the recent review of the Council's overall Counter Fraud and Corruption Arrangements, including the revised Counter Fraud and Corruption Policy and Fraud Response Plan and the proposed Counter Fraud and Corruption Strategy.

CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption states that an organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

It is recognised that to minimise losses to fraud and corruption, a strategic approach with a clear remit covering all areas of fraud and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).

Since 2011 the Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan, but had not documented the overarching strategy. The Council's draft Counter Fraud and Corruption Strategy clearly identifies the Council's commitment to an effective Counter Fraud and Corruption approach, as part of its overall Corporate Governance arrangements. The draft strategy outlines the principles the Council is committed to in preventing and reporting fraud and corruption.

Regular reports on any activity relating to this Strategy, and progress against the fraud plan, will be provided to the Committee.

An annual report will be provided to the Committee on performance against the Strategy and the effectiveness of the Strategy. Conclusions will also form part of the Annual Governance Statement.

A Counter Fraud and Corruption Policy and Fraud Response Plan forms an important part of the Counter Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework.

The Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan since 2011. A part of this review both documents have been updated to take account of current best practice and guidance.

The Counter Fraud and Corruption Policy outlines the Council's attitude to and position on, fraud and corruption and sets out responsibilities for its prevention and detection. It also communicates important deterrence messages to employees, councillors, and third parties that fraudulent conduct will not be tolerated by the Council and that the stance against fraud is endorsed and supported at the most senior level.

The Fraud Response Plan details the Council's procedures for responding to any incidents of suspected fraud or corruption. The Plan sets out how suspicions should be raised and how investigations will be conducted and concluded.

In response to a query on how these documents would be shared with employees, the committee was informed that they would be subject to a report to the Council's SMG Services and Performance and then to Cabinet. Following this they would be the subject of employee briefings. It is intended that a six monthly report will be presented to this Committee providing updates on the work of the Corporate Fraud Team.

The Chair suggested that this topic could form a theme for the Committee to consider at a future meeting or form the basis of a councillors' seminar.

RESOLVED - That the Counter Fraud and Corruption Strategy, Counter Fraud and Corruption Policy, and Fraud Response Plan be approved.