

CAMBRIDGE CITY COUNCIL

REPORT OF: DIRECTOR OF BUSINESS TRANSFORMATION

TO: CIVIC AFFAIRS COMMITTEE

25/06/14

WARDS: All

ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY

1 Introduction

- 1.1 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in 1998 and in line with good practice, the Policy is reviewed and reported on annually. In previous years this report was brought to the Council's Standards Committee, but following the decommissioning of the Standards Committee in July 2012, this report is now brought to Civic Affairs.
- 1.2 One of the recommendations by the Ministry of Justice to support the implementation of the Bribery Act is that organisations need to monitor and review the effectiveness of their anti-bribery policy and procedures. This is achieved through the annual review of the Prevention of Fraud and Corruption Policy by Civic Affairs Committee
- 1.3 The PFC Policy sets out the culture for the organisation in terms of not tolerating any act of fraud or corruption and a commitment that all concerns raised will be properly investigated. The Policy also sets out the reporting and investigation arrangements for different types of allegation.
- 1.4 The PFC Policy was updated last year, and an addendum added to the Policy, to cover the implications of the Bribery Act 2010. The Officer Code of Conduct was also updated last year to reflect the Bribery Act and to provide further guidance on gifts and hospitality. A copy of the PFC Policy is attached at Appendix 1 to this report, but no further amendments have been necessary this year.
- 1.5 The purpose of this report is to provide Members of Civic Affairs with:
- a) A summary of fraud/whistle-blowing activity for the period 1 April 2013 to 31 March 2014; and
 - b) An overview of the outcomes from the 2012-13 National Fraud Initiative (NFI).

2 Recommendations

- 2.1 Members of Civic Affairs Committee are asked to note the details of fraud/whistle-blowing activity provided for the period 1 April 2013 – 31 March 2014 in section 3 of this report and the outcomes from the 2012-13 NFI in Section 5.

3 Fraud Investigation

- 3.1 Dependant on their nature, fraud investigations are currently carried out by either the Fraud Prevention Team (FPT); who are located within the Customer and Community Directorate; or by Internal Audit.

Fraud Prevention Team

- 3.2 The FPT prevents, detects and pursues those who commit fraud against Cambridge City Council. Historically the team has concentrated on benefit fraud, but for more than 12 months its remit has changed to cover:

- i. Social housing fraud,
- ii. Local taxation and discount fraud,
- iii. Local support scheme fraud,
- iv. Benefit fraud,
- v. Some internal investigations.

- 3.3 The team consists of 2.7 FTE officers, 1.0 of which is funded by a successful bid to DCLG. As a result of investigations, the following was achieved during 2013-14:

Identifiable Value	
Amount	Description
£129,422	Benefit fraud identified [can / is being recovered].
£185,672	A total of 45 benefit claims were terminated following investigation [this figure would otherwise have been paid out in a year].
£5,003	2 customers withdraw their claims for benefit when questioned about their validity [this would have been paid in a year].
£180,000	Investigations were conducted for City Homes, resulting in 10 Council owned properties being recovered). This means a new home for 10 households [plus DCLG estimates each recovered property saves a Local Authority £18,000].
£72,633	Customer error identified [can / is being recovered].
£7,071	Fines agreed by customers as an alternative to prosecution [Administration Penalties - can / are being recovered].
£20,268	Investigations resulted in Council Tax discounts/exemptions being removed, generating addition income.
£600,069	Total

- 3.4 The figure of £600,069 compares with £299,625 the previous year.
- 3.5 The total amount of benefit fraud identified this financial year was £129,422. Of this, the single largest fraud was £19,565.
- 3.6 During 2013-14 the FPT imposed a total of 34 Sanctions, including 17 successful prosecutions. There were not any unsuccessful prosecutions. The reduction in the number of sanctions imposed compared with the previous year (43) reflects the cost effective move towards prevention whenever possible.
- 3.7 In addition, other aspects of the team's work during 2013-14 included:
- Investigations conducted on behalf of Registered Social Landlords resulting in the recovery of two Housing Association properties. Whilst a specific monetary value can't be allocated to this achievement, it does mean a new home for two households and it assists in reducing local homelessness.
 - A suspicious benefit claim was refused, before any payments were made.
 - Two suspicious 'Right to Buy' applications were withdrawn.
 - A number of internal investigations were undertaken.
 - Intelligence was supplied to the police in relation to 158 properties or individuals (in line with Data Protection legislation).
 - Intelligence was also shared with other external agencies such as Trading Standards, UK Border Agency and DWP.
 - An alcohol licence was updated and a taxi licence was handed back to South Cambridgeshire District Council following investigation.

Internal Audit

- 3.8 Part of the Internal Audit remit is to investigate any other type of fraud, whistleblowing allegation or theft. Internal Audit look to ensure that employees follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Matters referred to Internal Audit can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Internal Audit, who will investigate those concerns.
- 3.9 During 2013-2014 Internal Audit undertook two investigations concerning potential breaches of the Officer Code of Conduct and the Council's Financial Regulations. Action was taken in accordance with the Council's employment policies.

Corporate Fraud Delivery Arrangements

- 3.10 From next April, changes to the arrangements for investigating Housing Benefit fraud will come into force as a result of Welfare Reform. This will introduce a Single Fraud Investigation Service, which will be operated by the Department for Work and Pensions (DWP), covering all Social Security and Universal Credit fraud investigation.

In light of this change, and in compliance with best practice set out in the Audit Commission's report 'Protecting the Public Purse', it is proposed that an organisational review of the Council's counter-fraud delivery arrangements is conducted. The purpose of this review will be to agree the most effective way of delivering counter-fraud arrangements corporately, covering all potential types of fraud faced by the organisation. This review is one of the actions included in the Annual Governance Statement (AGS) Action Plan, later on this agenda.

4 Fraud Prevention

- 4.1 The Council continues to give out a strong deterrent message about fraud in both publicly issued and internal documents, for example, on Council Tax leaflets and Housing Benefit claim forms.
- 4.2 Revenues and Benefit Services follows appropriate DWP 'Security Guidance' and has adopted a Risk Based Verification process. It has a Fraud Referral Procedure for staff to refer cases of suspected fraud through to the Fraud Prevention Team. A process is in place to remind people claiming benefit of their responsibilities in respect of overpayments; the aim being to prevent overpayments building up which can make repayment difficult and can encourage concealment and therefore fraud.
- 4.3 The National Fraud Hotline Scheme continues to be publicised in the Council Tax leaflet and publicity is sought for successful benefit prosecutions through the local papers and via the Council's website, as this is seen to have a deterrent effect.

5 Fraud Detection

- 5.1 A Social Housing Fraud Hub has been set up with Huntingdon, Peterborough, South Cambs and Fenland District Councils. This involves the sharing of data to detect social housing fraud, such as vacant or illegal sub-letting of council properties.
- 5.2 The authority is required to participate in the National Fraud Initiative (NFI), a national data-matching exercise organised by the Audit Commission every other year that matches data within and between audited bodies to prevent and detect fraud. This includes police authorities, fire & rescue authorities as well as other councils and Housing Associations.

5.3 The NFI is now a wide-ranging exercise and includes the following datasets:

- Housing Benefits
- Payroll
- Housing Rents
- Insurance claims
- Creditors
- Market trader licences
- Taxi-driver licences
- Personal licences to supply alcohol

5.4 Work to investigate the results of the 2012-13 is initially undertaken by Internal Audit and any cases of suspected fraud are referred to the FPT, Housing or Human Resources for further detailed investigation, as appropriate.

5.5 This time, 21 cases were referred to the FPT for further investigation and the key outcomes from these investigations were as follows:

- Identification of over £23,000 of overpaid Housing and Council Tax Benefit, Employment & Support and Job Seekers Allowance;
- Personal details updated on one HB case;
- An alcohol licence was updated;
- A taxi licence was handed back to South Cambridgeshire District Council.
- Single Person Discount was removed in one case, generating an extra £114.37.

5.6 A very small number of minor errors were also highlighted by the NFI in relation to Creditor payments. These have all been rectified.

5.7 The authority also participates in the Housing Benefit Matching Service operated by the DWP.

6 Conclusions

6.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to investigate all concerns arising.

IMPLICATIONS

- (a) **Financial Implications**
None
- (b) **Staffing Implications**
This policy applies to all members of staff.
- (c) **Equality & Poverty Implications**
None
- (d) **Environmental Implications**
None
- (e) **Community Safety**
None

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Appendix 1

CAMBRIDGE CITY COUNCIL

PREVENTION OF FRAUD AND CORRUPTION POLICY

1 INTRODUCTION

- 1.1 The purpose of this document is to outline the policies and procedures, which the Council has in place for deterring, reporting and investigating fraud, corruption and theft.
- 1.2 The Prevention of Fraud & Corruption Policy covers cases of fraud, corruption and theft committed by employees, Councillors, contractors, partners and members of the public and relates to allegations of such cases, which originate from anyone including Councillors, employees, partners and members of the public.
- 1.3 Following the introduction of the Bribery Act 2010, a supplementary section has been added to the end of this document setting out the City Council's policy on anti-bribery and the implications of the new Act for the City Council.

2 CULTURE

- 2.1 Cambridge City Council is committed to providing best value services carried out in accordance with the highest ethical standards. The Council will not tolerate any act of fraud, corruption or theft by either a Councillor or an employee, as such acts reduce the public's confidence in the ability of the Council to be managed in an honest, fair and effective manner. Neither will the Council tolerate fraud or corruption attempted by parties external to the Council.
- 2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 2.3 Where sufficient evidence exists in any fraud or corruption case it is the policy of the Council to refer the matter to the Police.
- 2.4 The Council's employees, Councillors and members of the public are encouraged to raise any concerns relating to possible cases of fraud, corruption or theft. Such concerns will be properly investigated and the outcome reported as appropriate.

- 2.5 The Council will endeavour to recover any losses as a result of fraud or corruption from the perpetrators, as appropriate.
- 2.6 The Head of Internal Audit will report annually on the effectiveness of the Policy to the Council's Civic Affairs Committee, including a summary of any investigations concluded during the year.
- 2.7 The Head of Internal Audit will be responsible for identifying lessons learnt from the outcome of any investigation and for ensuring that, where necessary, controls are strengthened in the areas concerned. The Head of Internal Audit will also consider whether it is appropriate to share the outcome of an investigation with managers across the Council, with a view to preventing similar situations arising.

3 PROCEDURES FOR THE PREVENTION AND DETECTION OF FRAUD

- 3.1 The Council has well-defined procedures for the prevention and detection of fraud, corruption and theft:

Internal Control Systems

- 3.2 The Council's Constitution sets out Financial Regulations and Financial Procedure Rules which Councillors and employees are required to comply with in the conduct of Council business.
- 3.3 The Council has developed and is committed to maintaining systems and procedures which incorporate efficient and effective internal controls to manage the Council's risks and which include adequate separation of duties. These controls prevent and detect irregularities occurring. Directors are required to ensure that such controls are properly maintained and documented. Their existence and appropriateness are independently monitored by Internal Audit and the Council's external auditors.

Recruitment and Employees

- 3.4 Employees are recruited in accordance with procedures laid down by Human Resources. The HR Recruitment Team is responsible for carrying out all the relevant pre-employment checks of potential employees. Criminal Records Bureau (CRB) checks are also undertaken by Human Resources for certain posts identified by management where the employee will be working with children, young people or vulnerable adults. Management are responsible for reviewing references in terms of performance, suitability and integrity.
- 3.5 The Officer Code of Conduct requires employees to maintain conduct of the highest standard such that public confidence in their integrity is sustained. The Code includes guidance on declaring any conflicts of interests, particularly in relation to any commitments outside of the workplace; acceptance of gifts, hospitality and sponsorship and maintaining separation of roles during tendering.

Councillors

- 3.6 All Councillors on accepting office are required to declare that they will be guided by the National Code of Local Government Conduct. The code sets out the requirements for disclosing pecuniary and other interests and gives guidance on accepting any offers of gifts or hospitality including reporting these matters to the appropriate senior officers of the Council.

Complaints Procedure

- 3.7 The Council has an established procedure for dealing with complaints from the public. Details are kept of all complaints and there is a complaints co-ordinator for every service. The way in which complaints are dealt with and the need for changes in response to complaints are monitored on a regular basis. If anyone is dissatisfied with the response to their complaint they can contact the Council's Internal Ombudsman. Where the complaint indicates possible fraud or corruption it is referred to the Head of Internal Audit for investigation.

Benefit Fraud

- 3.8 The Council has a dedicated team in Revenue and Benefits to identify and investigate suspected fraudulent Housing and Council Tax Benefit claims.

4 REPORTING AND INVESTIGATING POTENTIAL FRAUD AND CORRUPTION

- 4.1 Allegations of fraud and corruption can be made **by** or **against** employees, members of the public, Councillors, contractors, suppliers or partners.
- 4.2 Senior managers are responsible for addressing any allegation of fraud or corruption reported to them and should do so by informing the Head of Internal Audit immediately they are discovered.
- 4.3 The Council is committed to the highest possible standards of openness and accountability. In line with that commitment, we expect employees with genuine serious concerns about any aspect of the Council's work to report their concerns to the Head of Internal Audit and this is covered by the Council's Whistleblowing Policy – see [Human Resources Intranet](#).
- 4.4 Employees who report their concerns in good faith will be protected from reprisals or victimisation. However, if employees are found to have made allegations for malicious or vexatious reasons, disciplinary action may be taken against the employee concerned.
- 4.5 The Whistleblowing policy adds an additional method of raising concerns for employees where it is felt inappropriate to approach their line manager, or if their line manager has failed to address their concern properly.

- 4.6 Any allegations against an employee are investigated by the Head of Internal Audit and Human Resources. The relevant Director is informed of the investigation at the outset.
- 4.7 Where Council employees are suspected of fraud or corruption, Human Resources are responsible for ensuring that the investigation is conducted in accordance with Council procedures and employment law to protect the rights of both the Council and the individual(s) concerned. Internal Audit works closely with Human Resources during the investigation. The Manager, supported by Human Resources, is responsible for invoking any disciplinary procedures against the employee(s) concerned.
- 4.8 Allegations about a Councillor should be reported to the Council's Monitoring Officer. Allegations against a Councillor are investigated by the Chief Executive and the Monitoring Officer.
- 4.9 Allegations against members of the public or external organisations must be notified to the Head of Internal Audit immediately they are discovered. The Head of Internal Audit investigates the allegation in conjunction with the relevant department.
- 4.10 The Council also encourages members of the public to raise any genuine concerns, which will be appropriately investigated. If members of the public wish to report an allegation they should contact the Chief Executive or any Director of the Council.
- 4.11 Councillors who wish to report an alleged case of fraud or corruption should contact the Chief Executive, Head of Internal Audit or the relevant Director, as appropriate to the allegation.
- 4.12 In cases of suspected Money Laundering, this should be reported to the Money Laundering Reporting Officer, currently the Head of Internal Audit. More information on the procedures to follow in such cases is included in the Managers' Guide to Anti-Money Laundering.
- 4.13 The process for raising and investigating different types of concern is summarised in the flowchart at Appendix A.
- 4.14 The decision to involve the Police will be made by the Head of Internal Audit in consultation with the relevant Director.
- 4.15 Clear procedures are in place for briefing Members and senior officers of the Council of fraud investigations. See Appendix B for details.

5 LIAISON WITH OTHERS

- 5.1 The Council has arrangements in place for the exchange of information with other agencies in relation to the detection and investigation of fraud and corruption, for example with the Audit Commission for the National Fraud Initiative and the Department for Work and Pensions for Housing Benefit Data Matching. Any transfer of data between the Council and other organisations is conducted in a secure manner.

6 COMMITMENT TO FIGHT FRAUD AND CORRUPTION

- 6.1 The Council considers it has taken reasonable and appropriate steps to combat fraud and corruption within the Council. It is determined that these arrangements will continue to be effective in the future. The Council will therefore consider any future measures to combat fraud and corruption where the proposal can be demonstrated to be cost effective and successful. The Council is also committed to participating in any appropriate Central Government led fraud initiatives.
- 6.2 This strategy will be subject to review to ensure it is kept up to date and relevant.

Definitions of fraud and corruption

For the purpose of this strategy fraud and corruption are defined as:

FRAUD: dishonest or improper behaviour or acts intended to secure an advantage, whether financial or non-financial, for the perpetrator or for a third party, or to cause loss or risk of loss to another.

CORRUPTION: the offering, giving, soliciting or acceptance of an improper inducement or reward in order to influence the action of a Member of the Council, employee, contractor or partner.

Relevant Contact Numbers

Chief Executive	(01223) 457001
Head of Internal Audit	(01223) 458181
Head of Human Resources	(01223) 458101
Monitoring Officer	(01223) 457001
Fraud Prevention Team Leader (Revenue and Benefit Services)	(01223) 457731

FRAUD INVESTIGATIONS: PROCEDURE FOR BRIEFING MEMBERS AND SENIOR OFFICERS

This procedure note is intended to advise Directors, Internal Audit and other staff who may be involved in fraud investigations about the points at which they should ensure that appropriate senior officers and members are briefed. The procedure has to respect the need for confidentiality and the maintenance of proper impartiality where disciplinary action is contemplated. It supplements the requirement in the Council's Financial Regulations section 3.51 for Directors to notify the Head of internal Audit of all suspected irregularities.

The procedure applies to all cases where the alleged fraud involves City Council staff or contractors. It also applies to fraud by members of the public.

1. At the point where officers decide there is sufficient evidence to warrant either:
 - a) commencing formal disciplinary proceedings; or
 - b) referring an investigation to the police

the appropriate Director must ensure that the following are informed:

Officers: CEX and the Monitoring Officer

Members: The leaders of the political groups (CEX) and the party spokespersons (Director) for the relevant committee. This may be impractical if more than one committee is involved. In this case, CEX will brief the Group Leaders.

The content of the briefing required will depend on the nature of the case. Briefing for members can be done orally and if information is particularly sensitive this should be discussed in advance with CEX or Monitoring Officer so that the amount of information to be disclosed can be agreed. The contents of any briefing should be kept confidential by those that receive them.

You should bear in mind that if Members are briefed in any detail they may not be able to be involved in any subsequent disciplinary process. It is unlikely that the party leaders or spokespersons would be needed for this role, but this aspect should be discussed with the CEX or Head of Human Resources in advance.

2. As the investigation proceeds, it is important to keep the information to senior officers and members up-to-date and the Director should repeat the briefing to the CEX and Monitoring Officer and agreed Members as necessary and certainly where:
 - a) an internal disciplinary case is likely to go to Members on appeal;
 - b) an employee is summarily dismissed or resigns in circumstances which were likely to lead to dismissal;
 - c) the police/CPS decide to either drop a case or proceed with charges;

- d) in the case of a prosecution, the court hearing date is given (or amended);
 - e) there is likely to be media interest for some other reason.
 - f) the investigation finds there is no case to answer.
3. In the case of court proceedings the Head of Internal Audit is responsible for checking regularly with the police, the Clerk to the Court or another relevant contact to obtain information on hearing dates and informing the CEX and the relevant Director(s) who need to ensure that Members are informed.

Addendum 1

CAMBRIDGE CITY COUNCIL

ANTI – BRIBERY POLICY & PROCEDURES

1. Introduction

- 1.1. The purpose of this document is to supplement the Council's Prevention of Fraud and Corruption Policy and specifically covers the criminal offence of Bribery.
- 1.2. The Bribery Act 2010 came into force on 1 July 2011 and places additional requirements on 'commercial organisations'. Whilst the Council is not a 'commercial organisation' in terms of its normal local authority activities, to ensure that the City Council does not fall foul of the new legislation, the Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures.
- 1.3. The Bribery Act 2010 (http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a new separate offence of bribing a foreign public official. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery.
- 1.4. The Act extends to all persons associated with the City Council, including employees at all levels and grades, those permanently employed and temporary agency staff; Members (including co-opted or external Members); suppliers; contractors; partners; volunteers and consultants.
- 1.5. The definition of 'Bribery' for the purposes of this policy is given below:

Definition of Bribery:

'Bribery' is defined as:

The promise, giving, request, acceptance or receipt of a financial or other advantage (e.g. hospitality) to induce or reward a person for improper performance of a relevant function of activity. The advantage can be promised, given, requested, accepted or received either directly or via a third party.

The advantage can be for the benefit of the person performing the function or another person.

2 Policy Statement

- 2.1 Bribery is a criminal offence. Cambridge City Council does not, and will not pay, offer, or request bribes to anyone for any purpose, nor does it or will it accept or receive bribes or improper inducements from anyone for any purpose. To use a third party as a means to channel bribes to others is also a criminal offence.
- 2.2 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance attitude towards bribery. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 2.3 Areas of the Council's business that could be exposed to the risk of bribery include:
- Procuring of supplies, goods, or services;
 - Awarding concessions, grants, and licences;
 - Approving planning applications;
 - Selling or letting commercial properties;
 - Cancelling liabilities (e.g. business rates, debtors);
 - Allocating housing;
 - Recruiting staff;
 - Determining the course of enforcement action.

This is not an exhaustive list, but sets out some of the areas where there may be a risk of bribery arising.

- 2.4 This Policy does not change the Council's policy on gifts & hospitality, which is set out in the Employee Code of Conduct:
http://intranet.ccc.local/hr/documents/policy_code_of_conduct.doc.

The Code of Conduct makes it clear that you should:

- refuse any gift you are offered by external people you come into contact with at work, with the exception of small, low value items or where refusal is likely to offend the donor.
- only accept hospitality where it is on a corporate rather than a personal basis, and it is appropriate to the occasion.
- ensure there is a record of any gift or hospitality in the Gifts and Hospitality Register and that your Manager has authorised this.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for, or associated with, the City Council. If you witness (or have reasonable grounds to suspect) that any act of bribery has/ is taking place, it is your responsibility to report the matter to the Head of Internal Audit (by telephone: extension 8181 or (01223) 458181 or by e-mail: whistleblowing@cambridge.gov.uk