

## CAMBRIDGE CITY COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY

### 1. INTRODUCTION

1.1 Cambridge City Council employs almost 1,000 staff and spends nearly £95m per year, receiving some £79m in income.

1.2 The Council both commissions and provides a wide range of services to individuals and households, working with a range of many other private and public and voluntary sector organisations

1.3 The size and nature of our services, as with any other large organisation, mean that there is an ever-present risk of loss due to fraud and corruption, from sources both internal and external.

1.4 The Council takes a responsible, long term view of the need to continuously develop anti-fraud initiatives and maintain its culture of anti-fraud awareness.

### 2. PURPOSE

2.1 The purpose of this document is to set a strategy for taking forward counter fraud and corruption work within the Council over the next three years. Whilst the catch-all term 'anti-fraud' is used in the document, the strategy also covers anti-theft and anti-corruption measures, including bribery.

2.2 The key objectives of this anti-fraud strategy are to maintain minimal losses through fraud and corruption and further embed the management of fraud risk within the culture of the organisation. These objectives will be achieved by ongoing revision and implementation of a plan of action based on a fraud self-assessment against the CIPFA<sup>1</sup> Code of Practice on Managing the Risk of Fraud and Corruption ("the Standards").

2.3 In the TEICCAF<sup>2</sup> publication, "Protecting the English Public Purse 2015", it encourages all public bodies, including local authorities, to assess themselves against this Code. This is a voluntary code that can be applied in any public service organisation and has five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action.

2.4 **Annex A** outlines each of "the Standards" and **Annex B** the specific actions required to ensure compliance. Additionally, several other actions have been identified, over and above the CIPFA requirements, which will strengthen arrangements.

2.5 The Council expects all Councillors, employees, consultants, contractors and service users to be honest, and to provide any information, help and support we need to prevent and detect fraud and corruption.

<sup>1</sup> CIPFA: Chartered Institute of Public Finance and Accountancy

<sup>2</sup> TEICCAF: The European Institute for Combatting Corruption and Fraud

### 3. WHAT IS FRAUD AND CORRUPTION?

#### 3.1 Fraud

3.1.1 The Fraud Act 2006 came into force on 15 January 2007 as a response to the recommendations of the Law Commission Report 'Fraud' published in 2002. The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways: -

- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

3.1.2 The Act also created four new offences of:-

- Possession of articles for use in fraud.
- Making or supplying articles for use in fraud.
- Obtaining services dishonestly.
- Participating in fraudulent business.

3.1.3 The Fraud Act 2006 has defined fraud in law for the first time, defining it in three classes: fraud by false representation; fraud by failing to disclose information; and fraud by abuse of position.

3.1.4 CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

#### 3.2 Theft

3.2.1 Theft is defined in the 1968 Theft Act:-

*'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.*

#### 3.3 Corruption

3.3.1 The Council defines the term "corruption" as:-

*"The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers."*

#### 3.4 Bribery

3.4.1 A bribe is:

*"A financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity" [CIPFA].*

3.4.2 The Bribery Act replaces the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also creates two further offences: namely that of bribing or attempting to bribe a foreign official (S6) and being a commercial organisation failing to prevent bribery (S7). An S7 offence can only be committed by a commercial organisation.

3.4.3 The 'Corruption Acts 1889 to 1916' are repealed in their entirety. Wider offences are created by the 2010 Act which render the more specific offences created by the old Acts otiose. Other statutes less relevant to Local Authorities have been repealed or amended by the 2010 Act and a full list is in one of the schedules of the Acts.

### 3.5 Money Laundering

3.5.1 Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

3.5.2 All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails.

## 4. SCOPE

4.1 This document applies to:

- All Council Employees (including Agents and Agency Staff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Council Suppliers, Contractors and Consultants; and
- General Public.

## 5. PRINCIPLES

5.1 **The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy.**

5.2 **All fraudulent activity is unacceptable, and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing.** The Council will ensure consistency, fairness and objectivity in all its "counter-fraud" work and that everyone is treated equally.

5.3 This strategy encourages those detailed in **Section 4: Scope** to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. **Section 8: Reporting, Advice and Support** details the reporting arrangements in relation to incidents of fraud or irregularity.

5.4 The Council will work with its partners (such as the Police, other Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

## 6. RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.

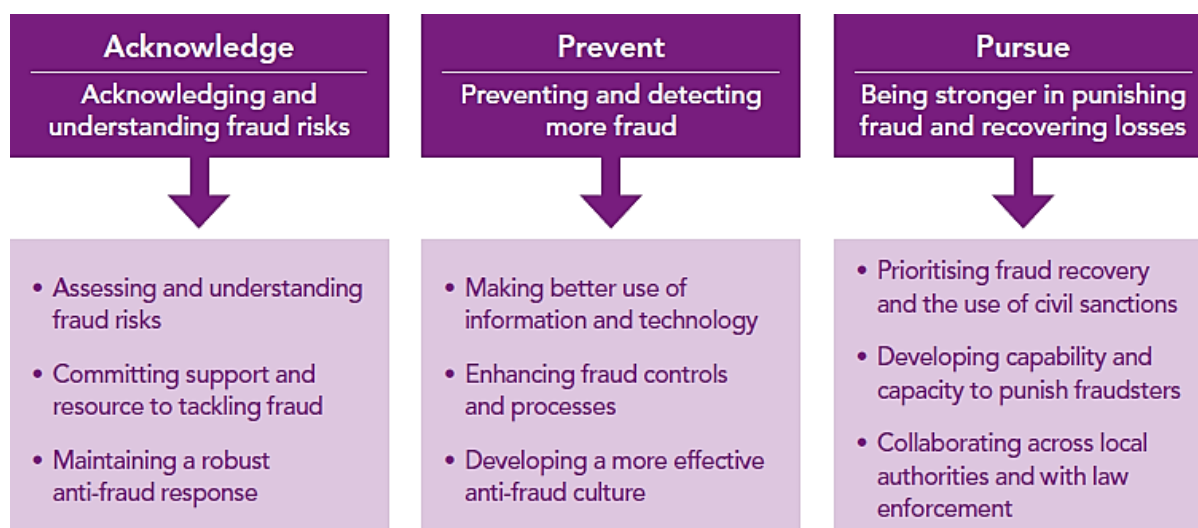
Section 151 Officer	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver “counter-fraud” work.
Monitoring Officer	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice
Civic Affairs Committee	To monitor the Council’s strategies and policies and consider the effectiveness of the arrangements for Whistle-blowing and Anti-Fraud and Corruption Procedures.
Members	To comply with the 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.
Internal Audit	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Strategic Directors / Heads of Service / Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. 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.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Procedures.
Public, Partners, Suppliers, Contractors, Consultant	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

## 7. APPROACH TO COUNTERING FRAUD

7.1 “The Standards” were published in 2014 to provide support to organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. The Council will continue to review its counter fraud arrangements and align its approach to the best practice advice.

7.2 The Council aims to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy

'Fighting Fraud Locally'. The three key themes of this approach are Acknowledge, Prevent and Pursue:-



### **7.3 How will we acknowledge and recognise fraud and corruption / the risk of fraud and corruption?**

#### 7.3.1 Accessing and understanding the fraud risks:

- The ongoing development of this strategy will be informed through gaining a clear understanding of the threat, emerging risks, trends and the savings that can be achieved by investing in countering fraud and corruption.
- This will focus on greater use of technology and interrogation of data to assess vulnerability and proactively target higher risk areas.
- We will also be focusing on raising staffs awareness of the risks of fraud and corruption and what they can do to prevent or identify it.

#### 7.3.2 Committing support to tackling fraud and corruption:

- We will continue to work in partnership with other Councils we share services with to investigate allegations of fraud and corruption.

#### 7.3.3 Maintaining a robust Anti-fraud response:

- Whistleblowing remains the most common way that fraud and corruption is detected in large organisations. The Council will raise awareness and continually promote its whistle blowing policy, and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon. Thereby developing a robust and proportionate response to counter any threats

### **7.4 How will we prevent fraud and corruption?**

#### 7.4.1 Enhancing fraud and corruption controls and processes

- The best way to fight fraud and corruption is to prevent it happening in the first place. The Council will continually work towards realigning counter fraud resources away from enforcement towards prevention; ultimately, aiming to deter all would be offenders.
- An effective internal control framework covering all the Council's systems both financial and non-financial is essential in the fight against fraud and corruption.

The governance and risk management arrangements form an integral part of this arrangement and we will look to develop a fraud risk register.

- Preventative measures will be supported by the ongoing assessment of those areas most vulnerable to the risk of fraud and corruption, in conjunction with risk management arrangements and risk based audit reviews. The annual publication 'Protecting the Public Purse' provides details of the key fraud risks faced by local government. The Council will undertake a review of the high risk areas identified in the publication.

#### 7.4.2 Making better use of technology

- A key feature in the drive towards preventing fraud and corruption at the outset will be the ongoing use and development of information sharing as well as better use of data to verify and validate transactions.
- The sheer diversity of the services the Council and its partners provide and the multiplicity of systems used to manage them generate huge volumes of records and data. The Council will continue to reengineer its fraud detection processes by comparing data from a variety of its systems, as well as, partners systems to identify anomalies, improve information sharing across services and inform the risk management process.
- We will continue to participate in the bi-annual National Fraud Initiative data matching exercise and liaise with Cambridgeshire Anti-Fraud Network. We will also carry out proactive exercises in key areas susceptible to fraud. Data matching software will be developed for routine checks across a range of datasets.

#### 7.4.3 Anti-fraud culture

- The Council is resolute that the culture and tone of the authority is one of honesty with zero tolerance towards fraud and corruption, this is already demonstrated through its codes of conduct for employees and members. The right organisational culture will be continually reinforced by:
  - Raising awareness of fraud with new and existing employees with the online interactive fraud training module which all staff are required to complete.
  - Publicising the results of all proactive work, sanctions and recovery of losses due to fraud and corruption increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.

### 7.5 **How will we pursue fraud and corruption?**

#### 7.5.1 Prioritising fraud recovery and the use of civil sanctions

- Fraud must not pay, where fraud or corruption is discovered the full range of sanctions will be deployed, including civil, disciplinary and criminal action. Every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity.

#### 7.5.2 Maintaining capability to punish fraudsters

- Criminal prosecutions deter offenders and reinforce a culture of zero tolerance towards fraud. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff are adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions.

### 7.5.3 Collaborating across local authorities, other organisations and with law enforcement.

- Organised fraud has no respect for boundaries and can cross a range of organisations and services. Effective cooperation and joint working between local authorities and with other agencies including the Police will be essential in the ongoing development of the Council's strategic response.

## 8. REPORTING, ADVICE AND SUPPORT

8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Council Policies, Financial Regulations, Contract Rules and any Departmental Procedures.

8.2 **The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management.** It is essential that employees of the Council report any irregularities, or suspected irregularities to the senior management in line with corporate policies. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with Grievances and Whistleblowing policies.

8.3 The officer who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated. They include Chief Executive; Strategic Director; Section 151 Officer; Head of Audit or Head of Human Resources.

8.4 The Investigating Officer will follow the appropriate guidelines which includes the need to:

- Deal promptly with the matter
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other agencies if necessary e.g. Police
- Notify the Council's insurers (if appropriate)
- Implement Council disciplinary procedures where appropriate.

8.5 All reported fraud and outcomes of investigations is reported in the Annual report on Fraud and Corruption submitted to Civic Affairs Committee.

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

Central Government	Other Bodies
Cabinet Office (for National Fraud Initiative)	Local Government Ombudsman
HM Revenue and Customs	External Audit
UK Border Agency	Police
Department for Work and Pensions	

8.7 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015. The Code sets out key principles for local authorities in creating greater transparency through the publication of public data. The Government believes that local people are interested in how their authority tackles fraud and have introduced a mandatory requirement in respect of fraud data. Information on CCC counter fraud work is published on the Councils website annually to meet the Local Government Transparency Code 2015 requirements.

8.8 We rely on the local community to help us detect fraud. This can be reported by calling the Fraud Hotline 0800 328 0572 or email [fightfraud@cambridge.gov.uk](mailto:fightfraud@cambridge.gov.uk).

## 9. FURTHER INFORMATION

9.1 Further information on Council policy can be found in the following documents:

- Codes of Conduct (Councillors and Officers) incorporating Gifts and Hospitality
- Whistleblowing Policy
- Anti-Fraud and Corruption Policy
- Declaration of Interests
- Financial Regulations
- Contract Procedure Rules and the Contract Procedure Rules - Exemption Procedure
- Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA).

## 10. STRATEGY REVIEW

10.1 The Civic Affairs Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

10.2 Success will be measured by focusing on the real outcomes achieved from key actions outlined in this Strategy, and in the Action Plan. The outcomes to be measured include:

- awareness levels; through induction, questionnaires, undertaking fraud module;
- the number of whistleblowing reports to raise suspicions;
- the number of successful investigations compared with previous years;
- the number and range of sanctions applied;
- financial losses avoided or recovered, and financial savings where appropriate;
- improved management controls;
- comprehension and compliance with the framework of policies and procedures

10.3 An annual fraud report to the Civic Affairs Committee will outline the action taken towards implementing this Strategy and any barriers encountered. It will also detail performance targets, and evaluate the extent to which these objectives have been achieved. In this way, the Council's exposure to fraud will be continually reassessed, ensuring that the actions taken and the resources used to target fraud remain both efficient and effective, thereby reducing losses to the public purse to an absolute minimum.

Responsible Officer: Head of Internal Audit

Date: April 2016