



# East Herts Council

## Anti-Fraud and Corruption Strategy

Prepared October 2021

Meeting	Date
Leadership Team	26 October 2021
Audit and Governance Committee	9 November 2021

## Contents

East Herts Council policy statement on fraud and corruption .....	3
Definitions of Commonly Used Terms .....	4
Fraud .....	4
Bribery.....	5
Corruption .....	5
Money Laundering .....	5
Anti-Fraud and Corruption Strategy .....	6
Managing the Risk of Fraud and Corruption .....	7
Further Information .....	8
Strategy Review.....	8
Reporting fraud .....	9
Appendix 1 – Types of Fraud.....	10
Appendix 2 - Fraud Response Plan .....	12
Notifying Suspected Fraud .....	12
Investigation Process .....	13
Confidentiality .....	13
Summary .....	14
Appendix 3 - How the council evidences its Governance & Acknowledges, Prevents, and Pursues Fraud .....	15
Appendix 4 - Responsibilities.....	17

## **East Herts Council policy statement on fraud and corruption**

This policy outlines the council's attitude to fraud and corruption and the approach to be taken when faced with such matters. The council is committed to the prevention and detection of fraud and corruption, whether from within or outside the organisation.

The aims of this document are to:

- Be clear that the council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.
- Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.
- Detail the responsibilities of employees, management and Members with regards to fraud and corruption.
- Assist the Head of Strategic Finance and Property in the fulfilment of the role as the council's Section 151 Officer and the Head of Legal and Democratic Services in the role as the council's Monitoring officer.
- Explain the role of council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all dealings. (The council has Codes of Conduct for Members and officers.)

The council's employees and elected Members have a key role in maintaining an anti-fraud culture. The council has implemented effective whistleblowing arrangements and employees and Members are encouraged to raise any serious concerns about the council's work, including any reasonable belief that fraud or corruption is occurring.

The desired culture is also reinforced through our Human Resources policies and procedures and practices, where values of openness and honesty are highlighted; specifically the Code of Conduct for Employees.

The council aims to learn from any incidences of fraud or corruption and where there have been breakdowns in systems, procedures, or governance arrangements, these will be reviewed, and controls put in place to prevent a reoccurrence.

This policy statement is underpinned by an Anti-Fraud and Corruption Strategy, which sets out the key responsibilities regarding fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

The strategy is based upon four key themes: **Govern, Acknowledge, Prevent and Pursue**, and adheres to the *Fighting Fraud and Corruption Locally- A Strategy for the 2020s* published in March 2020.

**Appendix 3** sets out how these themes are addressed by the council.

## Definitions of Commonly Used Terms

### Fraud

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as:

“Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”

As a crime ‘Fraud’ is defined by the Fraud Act 2006 as:

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

In addition, the Fraud Act deals with offences relating to the possession of articles for use in fraud, making or supplying articles for use in frauds, participation by a sole trader in fraudulent business, and obtaining services dishonestly, either personally or for another.

## **Bribery**

The Bribery Act 2010 came into force in the UK on 1 July 2011. It amends and reforms UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. Employees need to be aware of their obligations under this Act, which sets out offences of accepting and giving bribes. This applies to both staff and the council corporately.

The Bribery Act creates the following offences:

- Active bribery: promising or giving a financial or other advantage;
- Passive bribery: agreeing to receive or accepting a financial or other advantage;
- Bribery of foreign public officials; and
- The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

The penalty under the Bribery Act is an unlimited fine and/or imprisonment up to a maximum of 10 years.

## **Corruption**

Corruption is the deliberate misuse of your position for direct or indirect personal gain. "Corruption" includes offering, giving, requesting or accepting a bribe or reward, which influences your actions or the actions of someone else. The Bribery Act 2010 makes it possible for senior officers to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

The Act also creates the Corporate Offence of "failing to prevent bribery on behalf of a commercial organisation" (corporate liability). To protect itself against the corporate offence, the Act also requires organisations to have "adequate procedures in place to prevent bribery". This strategy, and the council's Codes of Conduct (Members and Employees) and the council's Confidential Reporting Procedure (Whistleblowing) are designed to meet that requirement.

## **Money Laundering**

Money Laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origin and ownership whilst retaining use of the funds.

The burden of identifying and reporting acts of money laundering rests within the council. Any service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance

is vital and any suspicion concerning the appropriateness of a transaction should be reported and advice sought from the Money Laundering Reporting Officer who is the Head of the Shared Anti-Fraud Service (SAFS).

The council recognises its responsibilities under the Money Laundering Regulations 2017 and the Proceeds of Crime Act 2002. These responsibilities are set out within the council's Anti-Money Laundering Policy

## **Anti-Fraud and Corruption Strategy**

The council will fulfil its responsibility to reduce fraud and protect our resources with a strategic approach consistent with that outlined in the Fighting Fraud and Corruption Locally Strategy 2020 and CIPFA's Managing the Risk of Fraud and Corruption.

The council will not tolerate any form of fraud and corruption, both from within the council and from external sources. We recognise fraud can:

- Undermine the standards of public service that the council is attempting to achieve;
- Reduce the level of resources and service delivery for the residents of Hertfordshire; and
- Reduce public confidence in the Council.

This strategy applies to:

- All council employees (including volunteers and agency staff) and Councillors;
- Staff and committee members of council funded voluntary organisations;
- Council's partners;
- Council suppliers, contractors and consultants; and
- All council service users and residents.

The strategy aims to:

- Protect the council's valuable resources by ensuring they are not lost through fraud but, are used for improved services to our residents and local taxpayers.
- Create and promote an 'anti-fraud' culture which highlights the council's approach of fraud and corruption;
- Provide a counter fraud provision which:

- Ensures that the resources dedicated are sufficient and those involved are trained to deliver a professional counter fraud service to the highest standards.
- Proactively deters, prevents, and detects fraud, bribery, and corruption.
- Investigates suspected or detected fraud, bribery and corruption; and
- Enables the council to apply appropriate sanctions and recover all losses through court action or by invoicing an individual.
- Provides recommendations to inform policy, system, risk management and control improvements, thereby reducing the council's exposure to fraudulent activity;
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, we will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, we may take disciplinary or legal action; and
- Work with our partners and other investigative bodies to strengthen and continuously improve our arrangements to prevent fraud and corruption.

**Appendix 2** to this report sets out the Fraud Response Plan for the council.

## **Managing the Risk of Fraud and Corruption**

As with any risk faced by the council, it is the responsibility of managers and officers to ensure that the risk of fraud is adequately considered when preparing risk assessments supporting strategic priorities, business plans, projects and programmed objectives. In making this assessment it is important to consider the risk of fraud occurring as well as any actual incidences of fraud that occurred in the past. Once the fraud risk has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis.

Any changes in operations or the business environment must also be assessed to ensure any impacts, which might increase or otherwise change the risk of fraud, bribery, and corruption, are considered.

Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, recruitment and selection, scrutiny and healthy scepticism should not be distrust but as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Whilst all stakeholders in scope have a part to play in reducing the risk of fraud, Elected Members, Directors and management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity.

### **Further Information**

Further information on relevant council policy and practice can be found in the following documents:

- The Constitution, including Financial Procedure Rules, Members' Code of Conduct and Contract Procedure Rules;
- Confidential Reporting Procedure (Whistleblowing);
- Fraud Prosecution and Sanction Policies;
- Employees Code of Conduct (intranet link for staff only);
- Risk Management Strategy;
- ICT User Policy (intranet link for staff only);
- [Access to Information Policy](#) (intranet link for staff only)

### **Strategy Review**

The Head of Strategic Finance and Property will ensure the continuous review and amendment of this strategy and the relevant associated policies as necessary to ensure that it remains consistent with good practice, national public sector Codes of Practice and meets the needs of the council.

Review date: Frequency as required by legislative changes or every three years.

## Reporting fraud

The council's fraud policies can be found at [Hyperlink to council fraud policy page](#)

East Herts Council is working with five other Hertfordshire authorities to investigate, detect and prevent fraud across council services.

The service includes a dedicated hotline for people to report their concerns and will provide robust fraud prevention, detection and investigation across council services including: business rates avoidance, blue badge fraud, tenancy fraud, housing waiting list fraud, contract and procurement fraud and council tax discount/reduction/exemption fraud. (Further examples of fraud against the council are listed in appendix one.)

The team is based at the county council's Stevenage offices. If you have a concern you can report:

On line: [Hyperlink to Hertfordshire County Council's fraud pages](#) and select the **REPORT FRAUD** link

Email: [fraud.team@hertfordshire.gov.uk](mailto:fraud.team@hertfordshire.gov.uk)

Telephone: Contact the fraud hotline on 0300 123 4033 in confidence.

Housing Benefit Fraud can be reported on line to the Department for Work and Pensions at [Hyperlink to Government fraud reporting page](#)

## **Appendix 1 – Types of Fraud**

Local authorities have reported a wide range of fraud risks. The main areas of fraud that were reported in Fighting Fraud & Corruption Locally 2020 continue to feature as significant risks. However, there are also new fraud types emerging. Some examples of fraud risk relevant to the council are:

**Blue Badge** – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.

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

**Identity fraud** – False identity / fictitious persons applying for services / payments.

**Internal fraud** – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain;

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

**Council Tax** – False claims for discounts or exemptions to reduce liability.

**Housing Benefit** – False claims regarding income, capital, rent liability or family makeup to increase entitlement to benefit.

**Business Rates** – Deliberate withholding of information or relevant facts to evade or reduce liability.

**Housing/ Tenancy Fraud** – providing false information to obtain social housing, sub-letting or parting with occupation, false succession applications and right to buy applications supported by money laundering.

**Procurement** – Tendering issues, split contracts, bribery, double invoicing or failure to deliver.

**Commissioning of services, including joint commissioning, and third sector partnerships** – conflicts of interest, collusion.

**Concessionary travel schemes** – Use of concession by ineligible person, including Freedom Passes.

**Cyber dependent crime and cyber enabled fraud** – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

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

**Immigration, including sham marriages** – False entitlement to services and payments.

**Insurance Fraud** – False claims including slips and trips and claims for damages.

**Local Enterprise Partnerships** – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.

**New Responsibilities** – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.

**Money laundering** – Exposure to suspect transactions.

**Licensing** – false ID or rights to reside, impersonation to facilitate false applications.

## **Appendix 2 - Fraud Response Plan**

Immediately that fraud is discovered or suspected, the matter should be reported to a line manager, head of service or the Shared Anti-Fraud Service (SAFS), who will decide what further action is appropriate.

SAFS provides the council's anti-fraud function and have access to data and information held by the council to conduct its investigations working with relevant council officers.

Contact details for SAFS can be found below:

On line: [Hyperlink to Hertfordshire County Council's fraud pages](#)

Email: [\*\*fraud.team@hertfordshire.gov.uk\*\*](mailto:fraud.team@hertfordshire.gov.uk)

Telephone: 0300 123 4033 in confidence.

The aims and objectives of the Fraud Response Plan are to:

- Prevent further losses of funds or other assets where fraud has occurred;
- Minimise the risk of inappropriate action or disclosure taking place which would compromise an investigation;
- Ensure there is a clear understanding over who will lead any investigation and to ensure managers, HR, Internal Audit are involved as appropriate;
- Establish and secure evidence necessary and ensure containment of any information for disciplinary, civil and/or criminal action;
- Maximise recovery of losses;
- Ensure appropriate and timely action is taken against those who are suspected of fraud;
- Identify the perpetrators and take appropriate action with any disciplinary, civil and/or criminal action; and
- Minimise any adverse publicity for the council

### **Notifying Suspected Fraud**

The council relies on its employees, its agents and the public to help prevent and detect fraud and corruption. Often employees are the first to realise there is something seriously wrong internally, as they are in positions to be able to spot any possible cases of fraud or corruption at an early stage.

Council employees and Members must report any concerns they may have regarding fraud, bribery and corruption, whether it relates to dishonest behaviours by council employees, Members or by others.

The action taken when a suspected case of fraud, bribery, or corruption is first found might be vital to the success of any investigation that follows, so it is important that employees' actions are in line with the information given in this document. Members, service users, suppliers, partner organisations and members of the public are encouraged to report concerns about fraud and corruption.

Whilst you can remain anonymous, it does help if your details are provided as concerns expressed anonymously are often much more difficult to investigate. For example, we may need to contact you to obtain further information or verify the information supplied.

### **Investigation Process**

Any suspicion of fraud will be treated seriously and will be reviewed in accordance with legislation, local policy and processes.

Suspected fraud will be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both the council and the suspected individual(s).

Where necessary the council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs, UK Borders Agency, NHS Counter Fraud Authority and other Local Authorities.

Investigations into suspected fraud or corruption will be conducted in a professional manner in accordance with the relevant statutory provisions and local protocols to ensure any actions are carried out both fairly and lawfully.

If sufficient evidence is established, the case will be reviewed to decide on the appropriate course of action to be taken. The council's fraud sanction policies provide further guidance of what appropriate action will be taken against the persons concerned.

### **Confidentiality**

Details of any investigation are strictly confidential and will not be discussed with anyone other than the relevant management representatives.

If the media becomes aware of an investigation and attempts to contact employees or Members, no disclosure of the alleged fraud and investigation can be given. All matters relating to statements to the media will be dealt with through the council's communications team.

## **Summary**

This Fraud Response Plan, in conjunction with the Counter Fraud and Corruption Strategy, provides a framework for preventing and investigating fraud, corruption and bribery against the council. It is imperative that awareness of this plan is promoted both across the council and externally.

The plan will be reviewed at least annually and following any major fraud or changes in legislation.

## Appendix 3 - How the council evidences its Governance & Acknowledges, Prevents, and Pursues Fraud

Governs	Executive Support	Our Leadership Team will set the tone for a zero tolerance of fraud and corruption and will ensure that an anti-fraud culture is embedded across the council and the services it delivers.
	Robust Arrangements	The council will adopt and apply appropriate policies and procedures that seek to reduce the risk of fraud and corruption and encourage staff to report fraud where they see it.
Acknowledge	Committing Support	<p>The council's commitment to tackling the threat of fraud is clear.</p> <p>We have strong whistleblowing and fraud reporting procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon.</p> <p>We will not, however, tolerate malicious or vexatious allegations.</p>
	Assessing Risks	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities.
	Robust Response	<p>We will strengthen measures to prevent fraud.</p> <p>We will respond positively, taking appropriate action, where fraud is reported or suspected.</p> <p>We will review all incidences of fraud to ensure that any weaknesses in systems or processes that allowed the fraud to occur as removed.</p>
Prevent	Better use of information technology	<p>We will make greater use of data and analytical software to prevent and detect fraudulent activity.</p> <p>We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud.</p>

	Anti-Fraud culture	We will promote and develop a strong counter fraud culture, raise awareness, provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work, fraud investigations and any recovery of losses due to fraud.
--	--------------------	---

Pursue	Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where possible.
	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action, where appropriate.

## Appendix 4 - Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Accountable for the effectiveness of the council's arrangements for countering fraud and corruption.
Head of Legal and Democratic Services - <i>Monitoring Officer</i>	Statutory responsibility to ensure that the council operates within the law. Overall responsibility for the Members' Code of Conduct and the maintenance and operation of the Confidential Reporting Procedure for Employees (Whistleblowing).
Head of Strategic Finance and Property - <i>Section 151 Officer</i>	Ensure the council has adopted and implemented an appropriate Anti-Fraud and Corruption Policy/Strategy and that the council has an adequately resourced and effective "counter fraud" provision.
Audit and Governance Committee	Monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption.
Members	Comply with the Members' Code of Conduct and related council policies and procedures, to be aware of the possibility of fraud, corruption, bribery 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, bribery and theft.
Internal Audit (Shared Internal Audit Service)	Provide assurance to senior management and the Audit and Governance Committee that the council adheres to its own policies to deter, prevent and respond to suspected fraud.
The Shared Anti-Fraud Service	Responsible for developing and promoting the requirements of the Anti-Fraud and Corruption Strategy and monitoring and/or undertaking 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. Providing guidance and support to senior management on new and emerging fraud risks and

	management recommendations where fraud has arisen due to system weaknesses.
Leadership Team and Service Managers	Promote an anti-fraud and corruption culture. Ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, bribery and theft and to reduce these risks by implementing strong internal controls.
Staff	Comply with council policies and procedures, to be aware of the possibility of fraud, corruption and bribery Report any genuine concerns to management or via the Whistleblowing procedure. Undertake all mandatory, relevant or recommended anti-fraud and corruption training.
Public, Service Users, Partners, Suppliers, Contractors and Consultants	To report any genuine concerns / suspicions in accordance with the council's reporting procedure