



Basingstoke
and Deane

ANTI-FRAUD AND CORRUPTION STRATEGY

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Contents

1. Introduction	3
2. Scope.....	4
3. Linked policies and procedures.....	5
4. Definitions	5
Fraud.....	5
Corruption	7
Bribery.....	7
Money Laundering.....	7
Theft.....	8
Financial Malpractice/Irregularity.....	8
5. Counter Fraud Approach.....	9
Acknowledge	9
Assessing and understanding fraud risks.....	10
Committing support and resources to the tackling of fraud	10
Maintaining a robust anti-fraud response.....	11
Prevent.....	11
Making better use of information and technology.....	12
Enhancing fraud controls and processes currently in place	13
Developing a more effective anti-fraud culture.....	14
Pursue.....	15
Prioritising fraud recovery and the use of civil sanctions.....	15
Developing capability and capacity to punish fraudsters.....	15
Collaborating across local authorities and with law enforcement.	16
6. Review and monitoring effectiveness.....	17

1. Introduction

- 1.1 Basingstoke and Deane Borough Council aims to conduct its affairs with integrity, honesty and openness. The public also expects the council to safeguard public funds and ensure they are available and used for their intended purpose that of providing services for the residents and service users of Basingstoke and Deane Borough Council.
- 1.2 Fraud and corruption undermine these aims and expectations by diverting resources from legitimate activities. This can have a substantial impact on residents, businesses and vulnerable individuals within the local area. Losses attributable to fraud and corruption reduce the finances available to provide services and may have a dramatic impact on the wellbeing of residents within the community. Fraud and corruption can also damage public confidence in the council and may also adversely affect employee morale.
- 1.3 The threat from fraud and corruption is both internal and external. The council's expectation is that councillors and council employees at all levels will lead by example to ensure the highest standards of probity and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times. The council also expects that individuals and organisations (for example, suppliers, contractors, service providers) that it comes into contact with, will act towards the council with integrity.
- 1.4 This strategy:
 - assists in meeting the legislative requirement to have effective arrangements for tackling fraud as stated under Section 151 of the Local Government Act 1972. The act requires that all local authorities "...make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".
 - represents a commitment by the council to implement a robust anti-fraud and corruption approach in order to protect public funds. Specifically the council will ensure probity in local administration and governance by making sure that the opportunity for fraud and corruption is reduced to the lowest possible risk, minimising losses and also taking positive action against all forms of fraud and corruption.
 - assists the council to comply with the Local Code of Corporate Governance requirement to ensure "effective counter fraud and anti-corruption arrangements are in place" and the Chartered Institute of

Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption.

1.5 The content of this strategy takes account of professional guidance and best practice including that from (but not limited to):

- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Fighting Fraud and Corruption Locally (FFCL) initiative and board

The content also takes account of relevant legislation including (but not limited to):

- Criminal Procedure and Investigations Act 1996
- Regulation of Investigatory Powers Act 2000 and Investigatory Powers Act 2016
- Police and Criminal Evidence Act 1984
- Human Rights Act 1998
- Data Protection Act 2018 and General Data Protection Regulations 2018

1.6 In accordance with the councils *Anti-Fraud and Corruption Policy*, the basis of this strategy is that the council:

- Acknowledge the responsibility of the governing body 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.
- Take action in response to fraud and corruption.

2. Scope

2.1 This strategy applies to all cases of suspected or detected instances of fraud and corruption both internally and externally.

2.2 The scope of the strategy extends to:

- Employees and councillors
- Contractors, agencies and suppliers
- Partners and other third parties including the voluntary sector who receive funding or support from, or deliver services on behalf of the council
- Service users
- Members of the public.

3. Linked policies and procedures

- 3.1 The council has already established a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This strategy is an integral part of a series of interrelated policies, procedures and controls designed to deter any attempted fraudulent or corrupt acts. These policies, procedures and controls are listed in the council's *Anti-Fraud and Corruption Policy*.
- 3.2 A *Fraud Response Plan* is available to all employees, councillors and members of the public/other agencies and provides guidance on what actions to take in the event of becoming aware of or suspicious of a fraud or act of corruption being committed against the council, either internally or externally by individuals or organisations.
- 3.3 A *Sanction Policy* is also available outlining the sanctions available to the council where fraud and or corruption is found to have been committed.

4. Definitions

- 4.1 Although this strategy specifically refers to fraud and corruption, the two terms can and are often used to describe other acts such as bribery, theft, money laundering and financial malpractice/irregularity. It is not uncommon for an act or acts to comprise a combination of these.

Fraud

- 4.2 Our *Anti-Fraud and Corruption Policy* defines fraud as:

“Most fraud is a type of criminal activity. This can include abuse of position, false representation or prejudicing someone’s rights for personal gain. Put simply, fraud is an act of deliberate deception intended for personal gain or to cause a loss to another party.”

- 4.3 This definition is derived from the Fraud Act 2006 which defines three types of action which could constitute fraud. The important point here is that it is the “intent” to make a gain or cause another to make a loss – whether a person is successful or not in their outcome is not important, for an offence to have been committed.

Fraud by:	Committed when a person:
False representation	<ul style="list-style-type: none">• Makes a false representation for example claims to be someone that they are not• Is dishonest for example by lying• Knows that the representation was or might be untrue or misleading

	<ul style="list-style-type: none"> • Acts with intent to make a gain for himself or another, to cause loss to another or to expose another to risk of loss.
Failing to disclose information	<ul style="list-style-type: none"> • Failed to disclose information to another person • Are under a legal duty to disclose that information • Dishonestly intends, by that failure, to make a gain or cause a loss.
Abuse of position	<ul style="list-style-type: none"> • Occupies a position in which they are expected to safeguard, or not to act against, the financial interests of another person • Abuses that position • Is dishonest for example by lying • Intends by that abuse to make a gain/cause a loss. <p>The abuse may consist of an omission rather than an act.</p>

4.4 The Fraud Act also created four related criminal offences of:

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

	Definition	Note
Corruption	<p>“The abuse of entrusted power for private gain”</p> <p>(as given in <i>Anti-Fraud and Corruption Policy</i>)</p>	<ul style="list-style-type: none"> • This involves the deliberate use of one’s position for direct or indirect personal gain through activities which could include fraud or bribery. • Corruption is a serious criminal offence originally set out in the Prevention of Corruption Acts 1889 – 1916 but later repealed by the Bribery Act 2010.
Bribery	<p>“Giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so.”</p> <p>(as given in <i>Anti-Fraud and Corruption Policy</i>)</p>	<ul style="list-style-type: none"> • Such inducements can take many forms including cash, holidays, event tickets or other advantages whether monetary or otherwise. • There are four key offences under the Bribery Act 2010: <ul style="list-style-type: none"> ○ Bribery of another person. ○ Accepting a bribe. ○ Bribing a foreign public official. ○ A corporate offence of failing to prevent bribery. • Also see the <i>Anti-Bribery Policy</i>.
Money Laundering	<p>A term applied to any method used to convert or exchange money or assets obtained from criminal activity into money or assets that are “clean”, in such a way that the “clean” money can no longer be linked back to the criminal activity.</p>	<ul style="list-style-type: none"> • The Proceeds of Crime Act 2002, Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on the council and its employees with respect to suspected money laundering and makes it a criminal offence to help a criminal ‘launder’ the proceeds of crime. • Also see the <i>Anti-Money Laundering Policy</i>.

Theft	<p>“The taking without consent and with the intention of not returning any property belonging to the council or which has been entrusted to it (i.e. client funds), including but not limited to cash, equipment, vehicles and data.”</p> <p>(as given by The Theft Act 1968)</p>	<ul style="list-style-type: none"> • Theft can also include the taking of property belonging to our employees or councillors whilst on council property. • Theft does not necessarily require fraud to be committed.
Financial Malpractice /Irregularity	<p>Any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the council’s financial governance arrangements.</p>	<ul style="list-style-type: none"> • The breach does not have to result in personal gain.

5. Counter Fraud Approach

5.1 Fraud and corruption against the council will not be tolerated and where reported or identified will be dealt with in a professional and timely manner considering all available sanctions.

5.2 Fraud, by its very nature is hidden, and conducted in such a manner that fraudulent actions are actively concealed. It is therefore vital to provide a **strong anti-fraud culture**, and advocate a zero tolerance approach. If done effectively this will not only provide a deterrence effect to potential fraudsters, but also encourage an environment where individuals feel comfortable coming forward to raise concerns when they are identified.

5.3 The council will fulfil its aim to reduce fraud and corruption to an absolute minimum through an approach outlined in the Fighting Fraud and Corruption Locally Strategy 'A Strategy for the 2020s – A response to economic crime and fraud', where the five pillars of activity are Govern, Acknowledge, Prevent, Pursue and Protect.



(Fighting Fraud and Corruption Locally, 2020)

Govern

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation

5.3 This strategy forms part of a series of interrelated policies, procedures and controls as detailed above in 3. Linked policies and procedures.

5.4 These documents are embedded throughout the organisation, and available internally via the councils Staff Handbook and as part of the council's internal Anti-Fraud and Corruption intranet pages. They are regularly communicated to staff via fraud awareness training.

5.5 The documents are also publically available on the council's external website.

5.6 Executive support is provided through endorsement of fraud awareness.

Acknowledge

5.7 The council acknowledge that we are not immune from the risk of fraud or corruption.

Assessing and understanding fraud risks

5.8 The council have identified 'fraud' as a risk in the corporate risk register and a separate **fraud risk register** is also maintained to assess the councils overall vulnerability to fraud. By acknowledging what the fraud risks are, where they are likely to occur and the scale of potential loses, the council can manage the risk more effectively.

5.9 As well as the current identified fraud risks, the council seeks to 'horizon scan' for upcoming and emerging fraud risks. This is assisted by involvement in local, regional and national groups to share 'fraud alerts' and upcoming issues. This includes the council being chair of the Hampshire Fraud Group, member of the Hampshire Tenancy Fraud Forum, National Anti-Fraud Network and acting as regional representative for the Fighting Fraud and Corruption Locally Board.

5.10 Identified and emerging fraud risks are fed into the council's **fraud action plan** which directs the programme of work the council will undertake to prevent, detect, investigate, sanction and deter fraud and corruption.

5.11 The **council's counter fraud arrangements are continuously reviewed against best practice guidelines** such as the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Fighting Fraud and Corruption Locally strategy and checklist.

5.12 The council will participate in **external surveys** to measure the national level and type of fraud where appropriate..

Committing support and resources to the tackling of fraud and corruption

5.13 The council takes the threat of fraud and corruption seriously and as such have a **dedicated counter fraud team who are professionally trained/qualified** and work alongside the Internal Auditors within the Internal Audit Team.

5.14 The existence of a counter fraud team supports the council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

5.15 The council's counter fraud team receive continual professional development and refresher training to ensure they remain compliant with appropriate laws and legislation and have the skills required to correctly and thoroughly investigate all suspicions.

5.16 There may be occasions during an investigation where **specialist skills** such as computer forensics or financial investigation are required to lawfully detect and obtain evidence. It is essential these skills are readily available at the time of need. Therefore access to a network of suitably trained specialists for use in investigations is maintained through membership of local, regional and national groups.

5.17 The Audit and Accounts Committee are responsible for ensuring the risk of fraud is adequately managed. This includes approving the *Anti-Fraud and Corruption Policy*, receiving regular reports from the Chief Internal Auditor on counter fraud activities and reports from the council's external auditor.

Demonstrating a robust anti-fraud response

5.18 The council acknowledge that there is no 'one size fits all' approach to tackling fraud and corruption and that testing the resilience of our current arrangements to the changing fraud threat is vital (see 5.11).

5.19 The council will continue to raise awareness and continually promote its ***Whistleblowing Policy*** and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon as appropriate.

5.20 The council has a *Fraud Response Plan* and *Sanction Policy* to further reinforce a robust anti-fraud response.

Communicating the risks to those charged with Governance

5.21 The activities of the counter fraud team are reported biannually to the council's Audit and Accounts Committee.

Prevent

5.22 The council recognises that fraud and corruption are costly, both in terms of financial losses and reputational risk. The prevention of fraud is therefore a key priority within the Corporate Services Directorate Service Plan.

5.23 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 and towards prevention; ultimately, aiming

to deter all would be offenders. Resources are however still required to respond where offenders are not deterred.

5.24 Prevention extends beyond making sure we have the appropriate system and process controls in place. It also depends on the development of an **effective anti-fraud culture** that reinforces a zero tolerance and deters fraud from being committed.

5.25 Preventative measures will be supported by the on-going assessment of those areas most vulnerable to the risk of fraud and corruption as identified in the fraud risk register, in conjunction with risk management arrangements and risk based audit reviews.

5.26 The counter fraud team will work closely with the Internal Auditors to ensure that a robust control framework is in place within the council, with recommendations to rectify any system weaknesses being implemented including any identified vulnerability gaps following investigations.

Making the best use of information and technology

5.27 Fraudsters do not respect geographical boundaries so **data matching** across areas and geographical boundaries is vital.

5.28 The council actively participates in the **National Fraud Initiative** (NFI), a national data matching exercise currently run by the Cabinet Office under its statutory powers. The exercise allows the comparison of various data sets against other data sources to help detect fraud and error in areas such as council tax, housing benefit, payroll and creditors. The main NFI data matching exercise currently occurs over a two year cycle but is moving to real-time and near real-time fraud prevention activity. A supplementary exercise takes place yearly in relation to the Electoral Register and Council Tax Single Person Discounts.

5.29 **Local data matching** is also carried out between our own datasets to proactively seek out fraud and error with rigorous, programmed data matching exercises on areas identified as high risk. Data matching exercises are therefore included within the **fraud action plan**.

5.30 At all times, the council will observe the advice and guidance of the Data Protection Act and General Data Protection Regulation in the area of data matching.

5.31 The **sharing of fraud intelligence** between authorities via groups and restricted internet forums is critical in alerting to rising fraud trends and is a mechanism the council actively engages in.

Enhancing fraud controls and processes

- 5.32 The council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the council's resources. Managers are responsible for ensuring there are adequate and effective internal controls to reduce the risk of fraud for example, accurate records are kept and preserved, a management/audit trail is maintained, appropriate segregation of duties and management checks. The existence, appropriateness, and effectiveness of these internal controls is independently reviewed and reported to Audit and Accounts Committee by the council's Internal Audit team.
- 5.33 A key preventative measure in the fight against fraud and corruption is to ensure that the **council employs employees of the appropriate quality and integrity**. As such, whilst the procedures concerning the appointment of employees are a small part of the council's systems and controls it is considered to be a vital element.
- 5.34 The council will ensure employees provide adequate proof of identity and permission to work in the UK. Employees are appointed subject to satisfactory references and care is to be taken to ensure that employment references and qualifications are genuine.
- 5.35 For certain posts checks to the Disclosure and Barring Service (DBS) are necessary and will be carried out by Human Resources.
- 5.36 Council employees are required to declare interests and to bring to the attention of their manager any interest which may impinge on the impartiality of their work.
- 5.37 The council's employees are expected to abide by the *Staff Code of Conduct* which sets out the council's requirement on personal conduct. Employees are also expected to follow any code of conduct issued by any professional institute, if appropriate.
- 5.38 Councillors are also required to complete a declaration of interest and to abide by the *Code of Conduct for Councillors*, operating within the Councils Constitution.
- 5.39 The council expect the highest standards of conduct from all its contractors and the employees of the contractor. A collusion certificate is required as part of the tendering process for contracts.
- 5.40 Internal Audit will provide advice and support in the design of new systems and procedures. Audit work is planned to ensure controls over areas identified as high risk of fraud are effective and auditors will be alert to the risk of fraud in their work.

5.41 A programme of proactive anti-fraud work will also be undertaken each year by the council's counter fraud team and include:

- Maintaining a current fraud risk assessment and exposure profile and carrying out associated checks of high risk areas to mitigate the risk.
- Evaluating policies and procedures in place to counter fraud and assist others in raising awareness of fraud and irregularity when it occurs.
- Advice on new and changing systems to 'design out' any potential for fraud and irregularity.
- A fraud awareness programme highlighting fraud risks.

Developing a more effective anti-fraud culture

5.42 The council is resolute that the culture and tone of the authority is one of honesty with a zero tolerance towards fraud and corruption. This is already demonstrated through its behavioural framework and codes of conduct for employees and councillors.

5.43 In developing and maintaining an anti-fraud culture the council seeks to motivate employees and councillors by positively reinforcing their responsibility in preventing, detecting and reporting fraud. Ensuring employees and councillors understand the importance of tackling fraud, are able to recognise fraud and corruption and know how and where to report suspicions is vital.

5.44 It is also vital that employees and councillors have confidence in the reporting arrangements. The council therefore has a clear and transparent **Whistleblowing Policy and Procedure** in support of the **Public Interest Disclosure Act**. The *Whistleblowing Policy and Procedure* provides employees and councillors with the means to report instances of suspected fraud, corruption or breaches of the council's policies, offering protection from recrimination and allowing them anonymity if they so choose.

5.45 The right organisational culture will be continually reinforced to employees by:

- Providing annual fraud awareness sessions to all employees as part of International Fraud Awareness Week.
- Mandatory eLearning on fraud and corruption for all employees.
- Regular 'Focus on Fraud' employee **newsletters**.
- **Publicising the results** of proactive work, sanctions and recovery of losses due to fraud and corruption where it is appropriate to do so.

5.46 It is also important that members of the public have confidence in the council's fraud response and the ability to report any suspicions of fraud and

corruption they may have. The council therefore have a dedicated Freephone fraud hotline, fraud email address and fraud page on the council's website.

- 5.47 Employees, councillors and the public alike are encouraged to contact the counter fraud team in any way they feel comfortable to provide any information about known or suspected fraudulent activity. All information is treated in the strictest confidence with anonymity being respected as far as is possible. (see *Fraud Response Plan*)
- 5.48 To promote an anti-fraud culture publicity may include the use of warnings on council application forms, council newsletters, internal and external webpages, local newspaper advertisements, articles and features through local radio, television and other relevant media.
- 5.49 All **publicity** will seek to promote the message that the council will not tolerate fraud, corruption or any other form of irregularity and is committed to countering any that is perpetrated.

Communicating its' activity and successes

- 5.50 In addition to the publicity stated above in 5.49, the council will also seek to publish its' counter fraud activity and successes through reporting to the council's Audit and Accounts Committee, press releases and awareness materials as given above in 5.48.

Pursue

- 5.51 It is acknowledged that even with strong preventative measures, motivated fraudsters will still succeed so we must have a robust enforcement response to pursue fraudsters and to deter others.
- 5.52 It is the responsibility of all employees to prevent and detect fraud and corruption. It is often the alertness of employees, councillors and members of the public to indicators of fraud that enable detection and the appropriate action to take place when there is evidence that fraud, bribery or corruption may be in progress.

Prioritising fraud recovery and the use of civil sanctions

- 5.53 Fraud must not pay. Where fraud or corruption is discovered the full range of sanctions will be considered, including civil, disciplinary and criminal action. Every effort will be made to recover losses and where appropriate, confiscate assets gained as a result of criminal activity. (see *Sanction Policy*).

Developing capability and capacity to punish offenders

- 5.54 Criminal prosecutions, civil action and disciplinary action all deter offenders and reinforce a culture of zero tolerance towards fraud. Successful

prosecutions/action require cases to be professionally investigated ensuring all evidence is collected within the law.

5.55 The council has a trained counter fraud team that is fully qualified (see 5.13) and operate in accordance with appropriate legislation, powers and responsibilities.

5.56 Sanction actions that may be taken where a fraudulent act has been established are detailed in the *Sanction Policy*.

Collaborating across geographical and sectoral boundaries

5.57 Organised fraud and corruption 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 and the Department for Work and Pensions will be essential in the on-going development of the council's strategic response.

5.58 Where it is appropriate to do so, different types of fraud or crime will be dealt with together. In such cases, going through an investigative process once, where all parts of the crime are dealt with, is more cost effective for all agencies and also helps to reflect the total impact of such crime.

5.59 The council is committed to co-operating with other organisations, to prevent fraud and corruption and is open to undertaking **specific fraud drives** working with:

- the Police
- Department of Work and Pensions
- HM Revenue and Customs
- housing associations
- other councils
- private companies.

5.60 In May 2015, the council's responsibility for the investigation of suspected Housing Benefit fraud was transferred to the Department for Work and Pensions under the Single Fraud Investigation Service (SFIS). Whilst responsibility is now with SFIS, the councils counter fraud team liaise with SFIS to assist with their investigations to ensure benefits are only paid to those who are eligible. Further, a mechanism is in place to enable joint investigations to be undertaken in conjunction with SFIS.

5.61 Whilst the council is committed to the exchange of information with other organisations, either on a case by case basis or through the mechanism of data-matching, the council will observe the law on Data Protection and the rules of confidentiality at all times.

Learning lessons and closing gaps

5.62 The counter fraud team work closely with the Internal Auditors ensuring system weaknesses and identified vulnerability gaps as a result of audits or investigations are rectified.

Protect

Recognising the harm that fraud can cause in the community

5.63 The council acknowledges the harm that fraud can cause not just through the loss of vital council funds but also the harm to individuals.

Protecting itself and its' residents from fraud

5.64 The council's policies and procedures seek to minimise any loss from fraud or related activities.

6. Review and monitoring effectiveness

6.1 The current version of this strategy can be found on the employee intranet (Sinbad) and the council website. The strategy will be reviewed every 2 years, or sooner if required, to ensure it remains relevant.

6.2 Counter fraud and corruption arrangements will be evaluated through the implementation of this strategy and through the outcome of investigation work. Progress will be monitored by the Chief Internal Auditor and reported to the Audit and Accounts Committee and the Executive Director of Corporate Services (Chief Financial Officer).

6.3 The effectiveness of the council's counter fraud response will also be monitored and assessed through completion of the Fighting Fraud and Corruption Locally checklist and by considering its performance against the six themes of:

- Culture
- Capability
- Competence
- Capacity
- Communication
- Collaboration