

# Counter-Fraud, Bribery, and Corruption Strategy

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## Statement on Fraud by the Strategic Leadership Team, West of England Combined Authority

The Strategic Leadership Team are committed to implementing and maintaining the highest standard of corporate and financial governance and ethical behaviour. We recognise the threats of fraud and corruption and the resulting harm to the citizens of the West of England (WoE) and for that reason, fraud, bribery and corruption against the Authority will not be tolerated and all such occurrences will be investigated. Every pound should be invested in delivery of high quality services and programmes for local communities and businesses, and actively identifying fraud and embedding a counter fraud culture is a priority.

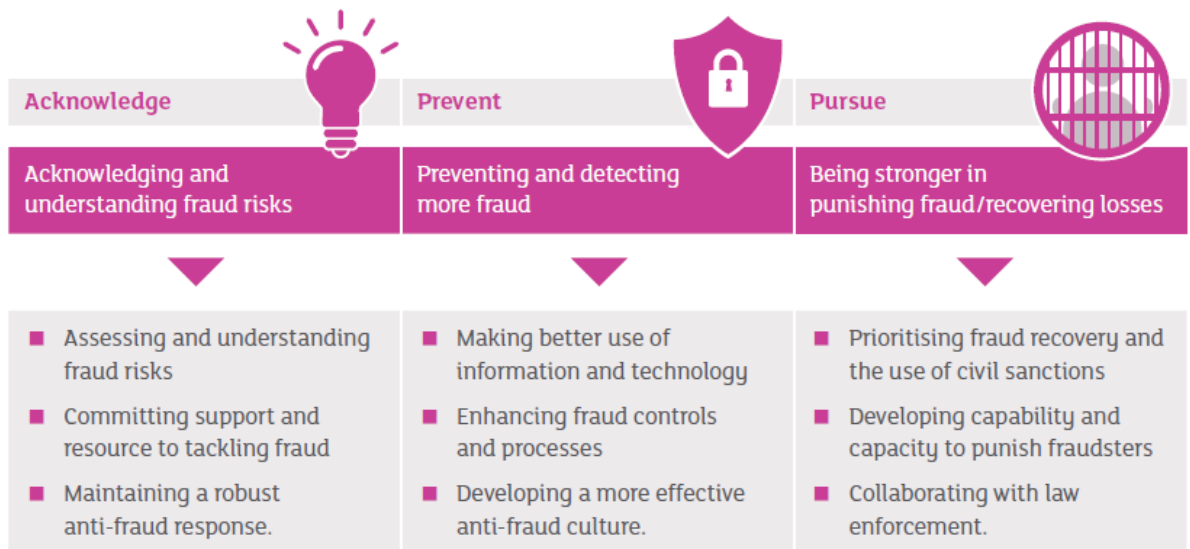
We fully support the investigation of allegations of fraud, the continued development of a robust anti-fraud culture and framework within the Authority and a strong stance being taken where fraud is found. The policies and procedures we already have in place in support of our Local Growth assurance framework for the WoE LEP and WECA funding streams give us a firm grounding in building fraud resilience into our systems. We will

ensure we understand the main fraud risks we face and set out how we protect against through active risk management as set out in our risk registers. We will strive to ensure that we have robust processes in place to prevent fraud in the first instance and that we do not forget the risk of fraud when introducing new services or programmes as they are devolved or funded by Central Government in the drive to improve the economic well-being of the region.

## **Counter-Fraud, Bribery and Corruption Strategy**

1. The Government has made it clear that it expects both central and local government departments to take the issue of fraud seriously and do more to tackle the losses to fraud from public sector funding.
2. The 2016-19 National Fraud Strategy for Local Government - 'Fighting Fraud Locally' set out the principles for central and local government to tackle fraud based around six key themes:
  - Culture - a zero tolerance approach to fraud.
  - Capability - ensuring measures deployed are proportionate to risks.
  - Capacity - deploying right level of resources to deal with risks.
  - Competency - right skills and standards
  - Communication - raising awareness, deterrence, sharing information.
  - Collaboration - working together with colleagues, other authorities and agencies.
3. Additionally, it identifies three key areas in countering fraud and corruption as detailed below.

## The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

### Acknowledging and Understanding the Fraud Risks Faced by the Authority:

- Ensuring awareness of, and clear responsibility for fraud risks and how they are managed, including new and emerging risks.
- Determining the Authority's fraud loss profile and ensuring the appropriate levels of resource is invested in counter-fraud work.
- Improving reporting, recording and measurement of fraud and irregularity affecting the Authority.
- Ensuring awareness training is provided to new staff and at various intervals throughout their employment, particularly staff working in areas of high risk.
- Ensuring that counter-fraud staff in key positions of higher risk are adequately trained to undertake their roles effectively.
- Supporting collaborative working and information sharing about fraud and fraudsters between departments, other Local Authorities and other enforcement agencies.

An assessment of the scope of fraud and corruption risks facing the Authority is set out at **Appendix 1**. In a fast-changing landscape of further service devolution, the Authority will scan its forward programme for emerging risks.

### Improving Fraud Prevention and Detection Measures:

- Making better use of data held by the Authority, and technology to prevent and detect fraud.
- Developing data and intelligence sharing protocols.
- Ensuring risk registers are reviewed regularly and that there is clear responsibility for the fraud risks.

- Undertaking fraud prevention reviews of key fraud risk areas.
- Setting in place controls that prevent fraudsters from accessing services and employment.
- Targeting proactive fraud work at high risks areas that are likely to generate good returns for the resource invested.
- Developing a stronger anti-fraud culture across the Authority and other delivery agents.
- Making use of publicity opportunities as a deterrent to fraudsters.
- Reviewing the impact of new legislation on fraud and fraud prevention/detection.
- Targeting new and emerging areas of fraud risk and developing sound systems that mitigate the risks.
- Assessing the Authority's arrangements annually against best practice toolkits/assessments and benchmarking.

#### **Pursuing Fraudsters and Recovering Losses**

- Using legislation available to prosecute any serious cases of fraud.
  - Investigating other possible avenues of restitution other than prosecution, including asset and civil recovery.
  - To ensure Managers involved are given regular updates on progress of fraud investigation work (as far as confidentiality permits).
4. An overview of the Authority's arrangements to demonstrate our alignment to these core strands of the national strategy can be seen in the Counter Fraud, Bribery and Corruption Policy. The progress against and effectiveness of this strategy will be reviewed annually and performance assessed by the Audit Committee.

## **B. Anti-Fraud, Bribery and Corruption Policy**

### **1. Purpose**

1.1. The purpose of this Policy is to set out clearly to the public and also to Members, employees, contractors, and organisations who work with the Authority:

- The Authority's commitment to tackling fraud, bribery, and corruption.
- The responsibilities of Members and employees to report any suspicions they have.

1.2. Other relevant policies include:

- Anti-Money Laundering Policy and Guidance
- Whistleblowing Policy
- Members' Code of Conduct
- Employees Code of Conduct

- Financial Regulations
- Procurement Regulations

## **2. Key Principles**

- 2.1 The Authority will not tolerate fraud, bribery or corruption and if proved employees will face possible dismissal and/or prosecution.
- 2.2 The Authority expects that Members and officers at all levels will lead by example to ensure high standards of propriety, integrity and accountability.
- 2.3 The Authority will endeavour to raise fraud awareness among employees both at induction and periodically throughout the period of employment.
- 2.4 The Authority expects Members and Senior Officers to emphasise the importance of anti-fraud work and to actively promote the fight against fraud.
- 2.5 The Authority expects that all employees and Members will support the fight against fraud and that individuals and organisations with whom it comes into contact will act with integrity towards the Authority.
- 2.6 The Authority understands the fraud risks it faces and will implement policies and procedures to identify and prevent fraud, bribery and corruption, but will also take all action necessary to identify it.
- 2.7 The Authority will take appropriate action against those responsible for fraud and where possible recover losses incurred.
- 2.8 Members of the public are asked to contribute to the Authority's fight against fraud by remaining vigilant to the potential for fraud and reporting it where they suspect the Authority is being targeted. Employees and Members have a duty to do so, and concerns should be raised when it is reasonably believed that one or more of the following has occurred, is occurring or is likely to occur:
  - A criminal offence.
  - A failure to comply with a statutory or legal obligation.
  - Improper or unauthorised use of public or other official funds.
- 2.9 Investigators must be fair, independent and objective. They must not let any political views or personal views about ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their decisions. They must not be affected by improper or undue pressure from any source.

## **3. Definitions - What is Fraud, Bribery and Corruption?**

- 3.1 The Fraud Act 2006 (which became effective on 15 January 2007) created a general criminal offence of fraud and identified three main ways it can be committed:
  - Fraud by false or misleading representation.

- Fraud by failing to disclose to another person information which he is under a legal duty to disclose.
- Fraud by abuse of a position of trust.

3.2 The 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.

3.3 The Theft Act 1968 and the Forgery and Counterfeiting Act 1981 define offences of:

- Theft
- False Accounting
- Forgery

3.4 The Bribery Act 2010 contains two general offences:

- Section 1 - the offering, promising or giving of a bribe (active bribery);
- Section 2 - and the requesting, agreeing to receive or accepting of a bribe (passive bribery) it also sets out two further offences which specifically address commercial bribery:
- Section 6 - creates an offence relating to bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business;
- Section 7 - creates a new form of corporate liability for failing to prevent bribery on behalf of a commercial organization.

#### **4. Responsibilities**

4.1 The Accounts and Audit Regulations (England) 2011 require the Authority to have appropriate control measures in place to enable the prevention and detection of inaccuracies and fraud. The Authority is committed to an effective counter-fraud approach designed to reduce losses to fraud by:

- Acknowledging and understanding fraud risks faced.
- Preventing fraud happening and detecting it when it does occur.
- Pursuing and punishing fraudsters and recovering losses.

4.2 Detailed roles and responsibilities in relation to fraud are set out in Section C.

#### **5. Reporting Fraud**

5.1 The ultimate aim is to prevent fraud at the outset; however, despite our best attempts determined fraudsters may succeed.

5.2 If fraud, bribery or corruption is suspected, it should be reported without delay to a line manager or other senior officer, or to Internal Audit.

- 5.3 Information can be reported by raising the issue with your Manager or via the confidential Whistleblowing procedure. This can be done anonymously if required.
- 5.4 The investigation process will follow the procedure set out in Internal Audit's Investigation Protocol. The Authority will respond effectively to reports of corruption.
- 5.5 Useful contact numbers for reporting fraud are as follows;
- Chief Internal Auditor 01225 xxxxxx
  - Monitoring Officer (Director of Legal Services) 0117 xxxxxx
  - Chief Finance Officer (Director of Investment & Corporate Services) 0117 xxxxxx
  - Outside bodies e.g. Public Concern at Work will give free and independent advice on how to proceed 020 31172520
- 5.6 The Investigation Protocol is designed to ensure that Internal Audit:
- Applies a consistent approach.
  - Assigns appropriately experienced staff to investigate fraud depending on the type and nature of the fraud.
  - Maintains records of all fraud experienced to inform an assessment of the Authority's fraud risks.
- 5.7 The confidential nature of fraud investigations mean that updates cannot usually be provided to those who have reported allegations. All allegations will be taken seriously and where there is evidence to support an allegation, will be fully investigated. Police will be involved where appropriate.
- 5.8 Updates on progress will be provided to Managers where investigations have been commissioned internally. Updates cannot be provided to the public for reasons of confidentiality.

## **6. Investigation of Fraud**

- 6.1 The investigation of fraud, bribery and corruption is a complex and specialist area and will usually be undertaken by staff in Internal Audit or, for less complicated cases, managers, under advice from Internal Audit.
- 6.2 To facilitate audit work and investigations, Internal Audit staff are accorded rights, by the Accounts and Audit Regulations (England) 2011, to access all necessary documents, records, information and explanations from any member of staff. These access rights are confirmed in Financial Regulations.
- 6.3 The investigation process is set out in the Investigations Protocol.

## **7. Actions Taken When Fraud is Established**

- 7.1 Disciplinary, civil and criminal sanctions will be used, as appropriate to each case, in punishing fraud and recovering losses.

- 7.2 Fraud, bribery, corruption and theft by Members or staff will be regarded as gross misconduct. Disciplinary action will be taken against staff. Allegations of Members' misconduct will be referred to the Monitoring Officer for investigation and, should the allegation warrant, further action, including referral to the Police.
- 7.3 One option available to the Authority is criminal prosecution. The decision to refer cases for prosecution may involve Audit Management, Legal Services and Directorate Management.
- 7.4 The ultimate decision on prosecution will be taken by the prosecuting body, which in some cases will be the Authority or the Crown Prosecution Service. A Financial Investigator and/or the Police will be utilised in cases where their additional powers are required to secure evidence or recovery of funds, or where the matter cannot be fully pursued in-house.
- 7.5 In determining whether to prosecute each case will be considered on its own facts and merits.
- 7.6 Where necessary, the Authority 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 and other Local Authorities.
- 7.7 When considering a case for prosecution it is generally accepted that there are two "tests" to be applied - the evidential test and the public interest test. These are set out in The Code for Crown Prosecutors.
- Evidential Stage Test - Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. A case will not go forward for prosecution if it fails this test.
  - Public Interest Test - A prosecution will usually take place unless the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour, or is satisfied that the public interest may be properly served by offering the offender the opportunity to have the matter dealt with by an out-of-court disposal.
- 7.8 All avenues for recovering losses will be considered, including confiscation under the proceeds of crime act, civil claims, recovery from accrued pensions and appropriate insurance claims.
- 7.9 Publicity will be used as a deterrent and wider circulation of investigative reports and lessons learned will be an on-going consideration. Public statements and press releases must be made through the Authority's Communications Team.
- 7.10 WECA's Fraud Response Plan is shown at **Appendix 2**.

## **8. Data-matching and Data-sharing**

- 8.1 The Authority will use information provided by Members, employees, service users and suppliers in the prevention and detection of fraud. Data matching and analysis exercises are undertaken, both internally, locally and nationally to facilitate investigation of fraud.



- 8.2 All data extraction and use adheres to Data Protection legislation, and has regard to the confidentiality of information.

## 9. Review

- 9.1 These arrangements will be reviewed annually to ensure the Authority remains resilient to the changing and growing fraud threat.

## C. Responsibilities under this Strategy & Policy

### Group/ Individual Responsibilities;

#### 1. Mayor & Members

- A duty to the citizens of the WoE to protect the Authority and public money from any acts of fraud and corruption.
- Compliance with the Code of Conduct for Members, the Authority's Constitution, including Financial Regulations and Procurement Regulations, in particular, the requirements regarding interests, gifts, and hospitality.
- Avoid situations where there is a potential for a conflict of interest.
- Report fraud, bribery or corruption where it is reasonably suspected that the Authority is being targeted.

#### 2. Audit Committee

- Provide assurance on the counter-fraud arrangements to the Authority and sign off the Annual Governance Statement regarding fraud issues specifically.
- Approval of the Counter-Fraud, Bribery and Corruption Strategy and Policy.
- Monitor performance against the fraud strategy.

#### 3. Chief Executive & Directors

- Support the maintenance of a strong culture where fraud, bribery and corruption is unacceptable.
- Notify the Chief Internal Auditor immediately of any fraud or irregularity.

#### 4. Director of Investment & Corporate Services (S151 Officer)

- Ensure that effective procedures are in place for the prompt investigation of any fraud or irregularity.
- Ensure awareness of fraud risks is maintained through training, publicity, risk registers and fraud prevention work.
- Meet the annual publication requirements of details of the Authority's counter fraud work under the Transparency Code.
- Ensure that arrangements are in place to actively pursue fraud.

#### 5. Managers

- Ensure that they, and their staff, understand the fraud risks faced in delivering services by maintenance of a fraud risk assessment.
- Implement and maintain an effective control environment to prevent fraud, commensurate with the level of risk identified.

- Communicate the requirements of this and related policies (see paragraph 1.2) in their work area
- Create an environment in which staff feel able to report concerns of suspected fraud.
- Advise Internal Audit of any suspected cases of fraud and carry out or assist in the investigation of it as required. Advise Internal Audit of the outcome of any cases investigated.
- Ensure fraud prevention controls are built in to new service delivery methods, systems and processes.

#### 6. All Employees irrespective of status

- Be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and report it where they reasonably suspect the Authority is being targeted.
- Avoid situations where there is a potential for a conflict of interest
- Comply with the Authority's policies and codes as detailed in paragraph 1.2.

#### 7. Internal Audit

- Maintain an overall fraud risk assessment on behalf of the Authority and review the effectiveness of the Authority's response to the risks faced.
- Deliver an opinion to the S151 Officer and the Audit Committee on the Authority's fraud risk management, control and governance arrangements.
- Undertake an annual programme of pro-active fraud work designed to prevent and detect fraud, as agreed in the Annual Audit Plan.
- Ensure cases of suspected irregularity, fraud or corruption are effectively investigated and punished by appropriate sanctions in liaison with the Police, Legal Services and Human Resources.
- Instigate recovery action wherever possible to recoup the losses on behalf of the Authority.
- Advise management on procedural improvements required to prevent occurrence or recurrence of fraud.
- Develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies.

#### 8. Human Resources

- Provide timely advice and guidance on Authority Policies and procedures during investigations and any disciplinary action
- Ensure recruitment procedures to be applied by Managers are effective in the verification and validation of information submitted by applicants prior to appointment, e.g. eligibility to work, verification of qualifications and employment history, Disclosure & Barring Service checks where appropriate.

#### 9. Director of Legal Services

- Advise Members of new legislative or procedural requirements regarding conduct and ethical matters.

- Maintain a register of Members and Officers interests, gifts and hospitality declared.
- Maintain and operate a Whistleblowing Policy and Procedure, including monitoring for take-up.
- Take criminal and civil actions to ensure appropriate sanctions are applied.
- Provide advice on potential criminal cases.

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## Appendix 1

### Known Fraud Risks remaining significant

Fraud Risk	Prevention Measures
<p><u>Procurement</u></p> <ul style="list-style-type: none"> <li>Tendering issues, split contracts (value disaggregated to circumvent thresholds), double-invoicing, price-fixing, bid rigging, cartels. Spanning whole period from agreeing a project to contract monitoring, extensions and re-letting. Inflated claims by consultants.</li> </ul>	<ul style="list-style-type: none"> <li>Create a procurement fraud map, defining stages that fraud can happen and highlighting low, medium and high potential risks. Suppliers' Code of Practice. Monitoring patterns of spending with suppliers. Authorised staff to sign contracts.</li> </ul>
<p><u>Payroll</u></p> <ul style="list-style-type: none"> <li>False employees, fraudulent overtime, allowance and expenses claims.</li> </ul>	<ul style="list-style-type: none"> <li>Strict controls on setting up of new staff, use of Authorised Signatories list, monthly payroll pre-checked &amp; authorised prior to payment run.</li> </ul>
<p><u>Grants</u></p> <ul style="list-style-type: none"> <li>Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Regular monitoring of progress and outputs. Audit reports to confirm funds expended in line with Grant Offer Letters.</li> </ul>
<p><u>Internal fraud</u></p> <ul style="list-style-type: none"> <li>Any employee might perpetrate fraud against his or her employer and delegation of responsibilities to officers brings inherent risks. Diverting monies to a personal account, accepting bribes, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, failing to declare conflicts of interest or acceptance of gifts and hospitality. Staff pre-employment fraud, where false information given to gain employment. Stealing property and selling it on for personal gain.</li> </ul>	<ul style="list-style-type: none"> <li>Proper and adequate vetting, strong management-led anti-fraud culture. Managers should be made aware of their role in preventing and identifying employee fraud, ensuring clear controls and separation of duties. Employee Code of Conduct signposted as part of induction process.</li> </ul>
<p><u>Debt fraud</u></p> <ul style="list-style-type: none"> <li>Fraudulently avoiding a payment of debt to the Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Official Write Off policy and procedure.</li> </ul>

<p><u>Mandate fraud</u></p> <ul style="list-style-type: none"> <li>• Change to a direct debit or bank transfer mandate by fraudster purporting to be an organisation you make regular payments to, for example, a subscription or membership organisation or business supplier.</li> </ul>	<ul style="list-style-type: none"> <li>• Centralised supplier maintenance team responsible for creating, validating and reviewing new supplier set-up. Strict controls over authority to set up new suppliers and approve same-day payments. Purchasing permission levels to raise purchase orders.</li> </ul>
<p><u>Manipulation of data fraud</u></p> <ul style="list-style-type: none"> <li>• Most commonly, employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee's Code of Conduct &amp; Data Protection/Security Policies and training.</li> </ul>
<p><u>Concessionary travel scheme</u></p> <ul style="list-style-type: none"> <li>• Use of concession by ineligible person, bus operator claims.</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention measures undertaken using data analytics where possible.</li> </ul>

### Emerging / Increasing Fraud Risks

<p><u>Cyber dependent crime</u></p> <ul style="list-style-type: none"> <li>• Enables a range fraud types resulting in diversion of funds, creation of false applications for payments.</li> </ul>
<p><u>Money laundering</u></p> <ul style="list-style-type: none"> <li>• Exposure to suspect transactions.</li> </ul>
<p><u>Insurance fraud</u></p> <ul style="list-style-type: none"> <li>• False claims made against the Authority or its insurers.</li> </ul>
<p><u>Commissioning of services</u></p> <ul style="list-style-type: none"> <li>• Including joint commissioning, third sector partnerships - conflicts of interest, collusion</li> </ul>
<p><u>Adult Education Budget</u></p> <ul style="list-style-type: none"> <li>• Significant new expenditure on grants/commissioned services</li> </ul>

## Appendix 2

### WECA's Fraud Response Plan

