

**BRISTOL CITY COUNCIL**

**Audit Committee**

**17<sup>th</sup> January 2014**

**Report of: Chief Internal Auditor**

**Report Title: Fraud Update**

**Ward: Citywide**

**Officer presenting report: Alison Mullis – Chief Internal Auditor (J/S)**

**Andrea Hobbs – Audit Manager**

**Contract Telephone Number: 0117 92 22448/22466**

**RECOMMENDATION**

The Committee note:

- the counter-fraud work being undertaken by the Council and the continued value of this work
- Members endorse the revised fraud policy and the updated forward strategy and detailed action plan.

**SUMMARY**

The report concludes that the Counter fraud governance arrangements are mainly in accordance with best practice and that counter-fraud work continues to proactively tackle fraud against the Council. The report demonstrates that the Council understands the fraud threats it faces and works proactively to ensure these risks are reduced. The report details both proactive and reactive fraud investigation work undertaken and details areas where the Council has been affected by fraud. The report was considered by the Cabinet Member for Finance and Organisational Development on 7<sup>th</sup> January 2014.

**The significant issues in the report are:**

- An assessment of counter fraud governance measures using the Audit Commission's checklist for those responsible for Governance (Paragraph 2 and Appendix 2) and areas where arrangements need to be strengthened.
- A summary of fraud experienced by the Council in the last twelve months (Paragraph 3)
- An update on the Tenancy Fraud Initiative (Paragraph 4)
- The financial benefit to the authority of undertaking proactive and responsive fraud work undertaken (Paragraph 6) and national recognition that the proactive work carried out by local taxation staff in on student exemptions is best practice in this fraud risk area. (Paragraph 1.3)

**Policy**

This report is submitted in accordance with the Audit Committee's Terms of Reference and Internal Audit's Charter and Strategy.

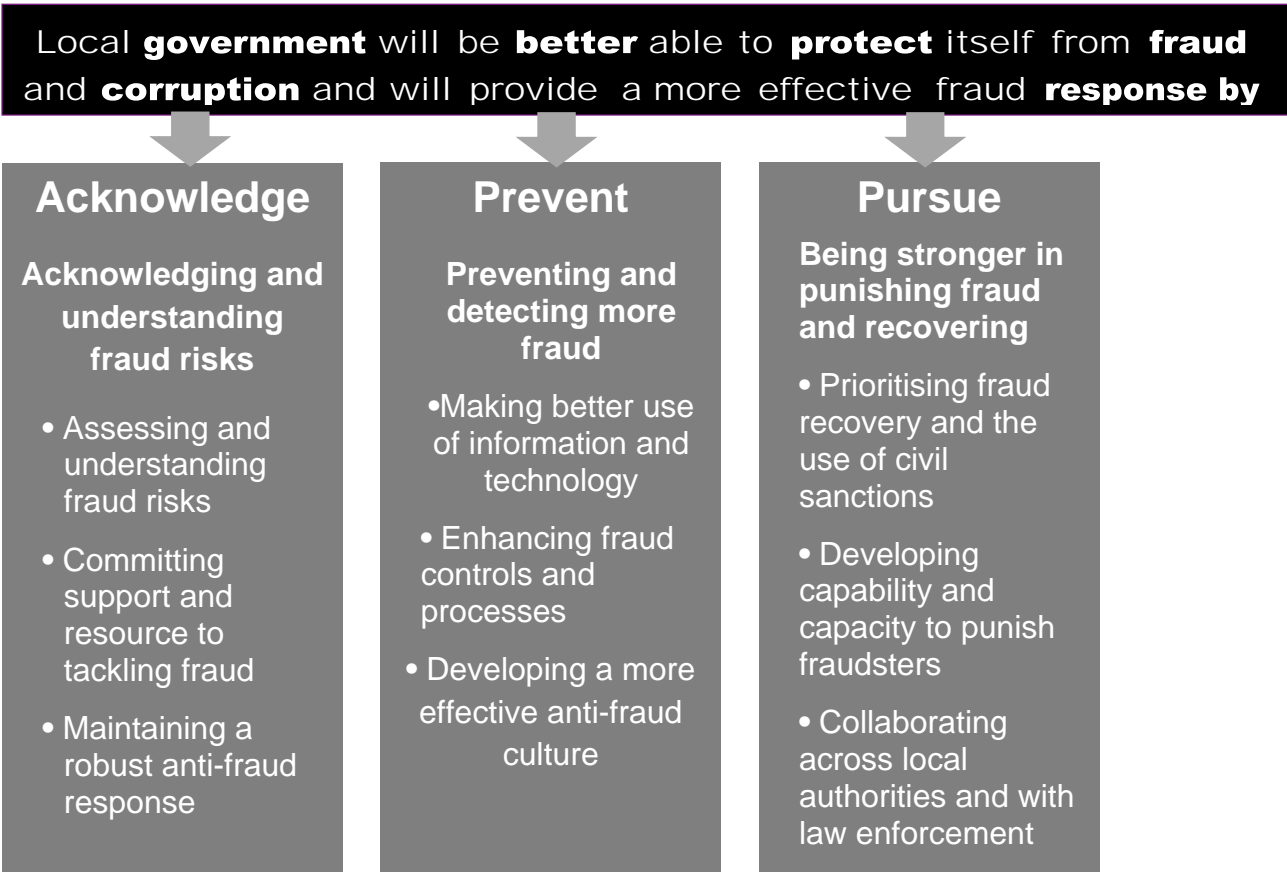
**Consultation:**

- Internal:** None necessary
- External:** None necessary

**1. Introduction and Context**

1.1 The purpose of this report is to provide assurance on the effectiveness of the counter fraud work completed across the Council and to demonstrate the extent to which this council meets the best practice set out in the Local Government Fraud Strategy (available from link below) and the Audit Commissions Protecting the public purse. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/118508/strategy-document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf). The report also advises the Committee on how the Council has been affected by fraud in the last year, to

1.2 The Local Government Fraud Strategy states that:



The content of this report in conjunction with the following documents:

- Checklist
- Strategy and action plan

will aim to demonstrate how Bristol City Council is complying with the best practice set out in the Local Government Fraud Strategy and those areas where there is more work still to be done.

- 1.3 The Audit Committee may be interested in reading the latest Audit Commission: Protecting the Public Purse 2013 publication at the following link <http://www.audit-commission.gov.uk/>. This details statistics, trends, and particular cases of fraud within Local Government. It should also be noted that the authority's work in relation to Student Exemption fraud has been quoted as an example of good practice.

## 2. Counter-Fraud Governance Arrangements

### Audit Commission: Checklist for Councillors and Others Responsible for Governance.

- 2.1 The Audit Commission's "Protecting the Public Purse publication" provides a checklist for those responsible for governance to consider the robustness of the Council's anti-fraud arrangements. This checklist was first used in 2012 and has been updated with the position as at 2013. See **Appendix 2**.
- 2.2 From the checklist it is evident that our counter fraud arrangements largely meet best practice. However, these arrangements need to be strengthened in the following areas:
- Increasing the fraud awareness of staff
  - Improving our whistleblowing arrangements to encourage staff to report fraud and irregularities
  - Procurement, where we continue to receive a number of referrals and where proving actual fraud is particularly difficult.
  - Direct payments with possible data matching exercises being considered.
  - Other areas such as Social Fund and Grants – although the value is not significant in these areas
- 2.3 The Strategy – action plan has been updated to reflect the above requirements.
- 2.4 A review is in progress of the Council's whistleblowing arrangements in line with the Council's fraud strategy and in response to some concerns raised. A draft report has been issued and will shortly be sent to SLT for consideration. The Audit Committee will be notified of any changes in policy or procedure once this piece of work has been finalised however the key areas where our current Whistleblowing arrangements need strengthening include:
- Clarity of responsibility for whistleblowing allegations
  - Recording and co-ordination of whistleblowing referrals
  - Monitoring or governance of policy effectiveness and compliance.
- 2.5 Regarding fraud awareness, the e-learning module covering fraud awareness for staff tiers 1-4 continues to be available to staff, problems with the 'Bribery and corruption' e-learning module (since the move to the new desktop software) have now been resolved. In addition targeted anti-fraud training has been provided to staff working in

the area of procurement. More awareness training is planned and in particular in relation to tenancy fraud.

### **Anti-Fraud Policy**

2.6 The fraud policy has been updated and is provided at Appendix 1. Key changes to the policy include:

- incorporation of wording from relevant legislation
- Reference to the need to report schools issues direct to the Chair of Governors or the Service Director (Education), not direct to Internal Audit.

### **Detailed Strategy Action Plan**

2.7 Upon release of Fighting Fraud Locally in 2012, a strategy and action plan to ensure the Council's approach to fraud reflects the requirements of this national strategy was developed and approved by the Committee. Good progress has been made against the majority of these actions as can be seen at Appendix 3. Additionally, new actions have been added to the action plan including:

- Reviewing the extent to which pockets of fraud work take place within departments and a potential for a corporate fraud team.
- Reviewing and rationalising the fraud web and intranet pages
- Increasing publicity on high profile fraud cases
- Improving whistleblowing arrangements.

### **Creation of Dedicated Audit Investigation Team**

2.8 A decision was taken by the Audit Management Team in March 2013 to move fraud investigation work away from assurance teams into a fraud investigation team within Internal Audit. The reason for this decision was to:

- follow best practice as set out in the Audit Commission's Protecting the Public Purse.
- minimise the impact of investigations on the audit assurance work
- ensure a consistent and standard approach to investigations
- commence the move towards a corporate fraud investigation service
- undertake more pro-active fraud detection and deterrent work
- provide a dedicated and trained counter fraud team for the Council

2.9 The Audit Investigation team has been in existence since June 2013 and is responsible for:

- responsive fraud investigations
- tenancy fraud investigation
- proactive fraud detection and prevention work
- developing the counter fraud arrangements for Bristol City Council
- proactive VFM exercises (as pro-active investigation work can sometimes identify value for money issues/wastage rather than fraud)

- 2.10 The work of the benefit fraud investigation team remains part of Internal Audit, but as a separate team currently, due to their likely move to the DWP.
- 2.11 A team of qualified auditors/accountants, qualified investigators and a Housing Officer currently make up the Audit investigation team. This ensures an holistic approach can be taken to ensure that fraud is effectively investigated, identified and responded to and controls are reviewed to strengthen fraud prevention going forward.
- 2.12 The investigative powers of councils are limited with the powers to obtain personal financial information largely only being used for benefit fraud. The extent to which they can be used more widely will be explored in the coming year and the need for qualified financial investigation expertise on the team assessed.

### 3. Fraud Experienced by the Council

- 3.1 There have been a high number of referrals to Internal Audit since June 2013 when the investigation team were first put in place. This may be indicative of the economic climate or the greater awareness and publicity surrounding fraud. Below is a summary of referrals since June 2013. Not all referrals result in an investigation and many of the cases will have been closed without investigation as there is no evidence to support the allegations, or the referral is a complaint or a system problem which is then passed on to the relevant section.

**Below is an analysis of referrals since June 2013:**

Type of Fraud	Number of cases	Outcome
Procurement	7	1 Employee dismissed 2 Fraud not proved controls put in place 4 In progress
Grant Funding	2	No evidence
Exempt Accommodation	1	With police
Housing Benefit	2	Referred to BFIT
Theft of cash	2	1 Employee dismissed 1 In progress
Abuse of LTax exemption	1	On-going
Direct Payments	1	In progress
Staff	2	1 closed 1 in progress
Cheque	2	2 Request to replace cheque refused
No investigation	7	
<b>Total Number of referrals</b>	<b>27</b>	

Referral Source	Number of cases
Staff	12
Public	5
Other LA's	4
Ex Staff	2
Police	1
Internal Audit	1
Other	2
<b>Total</b>	<b>27</b>

3.2 The highest number of referrals relate to procurement fraud and this remains a big fraud risk area for Bristol City Council as well as being the most difficult type of fraud to prove.

3.3 Recent high exposure fraud cases have been:

**A successful prosecution of a 'bribery and corruption' case resulting in a Bristol City Council Surveyor and a contractor being given an 8 month prison sentence. Potential recovery under the Proceeds of Crime Act of is likely to be in excess of £18k.**

**Dismissal of an officer and recovery of £8500 for stolen assets, following a joint investigation between Internal Audit and Trading Standards.**

3.4 Gathering evidence to enable a successful criminal prosecution often relies on the complete confidentiality regarding the investigation in progress. If compromised, our ability to support police action and criminal proceedings is seriously undermined and one case which we were jointly investigating with the police has been affected in this way.

3.5 The fraud hotline continues to be a valuable source of referrals with 35 referrals in the period 1<sup>st</sup> April 2013 to 30<sup>th</sup> September resulting in 3 successful tenancy gains. The hotline tends to be used largely for tenancy and benefit fraud referrals.

## 4. Tenancy Fraud work

4.1 Tenancy fraud is reported to be the second largest financial loss to fraud in Local Government, after Procurement. The Council has worked actively in the area of tenancy fraud since July 2010 and from the success of this work, secured the maximum government funding of £196k in June 2013. The finance is for two years and has enabled us to appoint a Housing Officer to work within the team in serving notice where tenancy abuse has been identified. This has speeded up the recovery process with 25 properties having already been recovered during April – September this year and 3 applications for rehousing have been cancelled. Our target for the year being a total of 35 recovered properties.

Year	Properties recovered	Value £*
2010-11	22	1,188,000
2011-12	19	1,026,000
2012-13	24	1,296,000
2013-14 (to date)	25	1,350,000
	<b>90</b>	<b>4,860,000*</b>

- *NB there are varying measures in use for valuing the cost of tenancy fraud. We have used the more conservative figure recommended by the National Fraud Authority of £18k per property and an average length of 3 years (£54k per property). The National Fraud Initiative are using a higher calculation of £75k per property.*

4.2 This financial year has also seen our first successful tenancy fraud prosecution.

#### **Nottingham law lecturer jailed for seven months for Bristol Council tenancy fraud**

A law lecturer who falsely claimed a council housing tenancy in Bristol despite living and working in Nottingham where she owned two houses has been sentenced to seven months imprisonment at Bristol Crown Court after being found guilty of fraud.

A mother-of-two, who was teaching full-time as a further education lecturer at a higher education college, was awarded a tenancy in a maisonette in Bristol in November 2009 after she claimed to be living in the city. She stated that she had no income, savings or property and was offered a maisonette in Easton.

In fact she was earning around £30,000 a year and owned two houses in Nottingham, one of which was an ex-council house which she had bought through the Right to Buy scheme.

4.3 We hope to prosecute further cases of extreme tenancy abuse and are looking at our powers under the new Prevention of Social Housing Fraud Act to do this.

#### **Other successful cases include:**

A Tenant was living with a husband and sub-letting to her daughter for a period of 6 years.

A tenant with no right to remain in the country and who had falsified a passport and therefore no right to the tenancy. Identified through the NFI process.

4.4 We continue to have a constant stream of referrals:

#### **Referrals received 1 April 2013 to 30 September 2013 broken down by source of referral and type of fraud**

Source of referral	Number	Type of fraud	Number
Data Match <sup>1</sup>	3	Sublet	42
Hotline <sup>2</sup>	35	Empty	35
National Fraud Initiative (NFI) <sup>3</sup>	2	False right to buy (RTB)	2
Police/other agency/LA	2	False mutual exchange (M Ex)	0
Previous Case	2	False succession	2

Staff Housing	39	False rehousing application	12
Staff Other	23	Other Breach of tenancy conditions (BOTC)	12
		Other Fraud	1
<b>Total</b>	<b>106</b>	<b>Total</b>	<b>106</b>

4.5 The funding will enable us to appoint another investigator on a temporary contract to work largely on tenancy fraud, but also to assist in other areas of fraud investigation as required.

4.6 Further plans in this area are:

- to undertake another advertising campaign using Adshel bus shelters, planned for February 2014.
- to use the Council Tax and Electoral Registration data sets submitted for the National Fraud Initiative to match against our tenants records.
- to look at using other possible sources of data for matching.
- to do more fraud awareness work in the areas of Customer Services and Service Points, Caretakers, Homelessness, Repairs and Contractors .

4.7 We continue to work with 4 Registered Social Landlords currently and will actively seek to bring more on board over the next year.

4.8 We also continue to routinely check 'Right to Buy' applications to ensure that the tenant is in occupation of the property.

4.9 It is interesting to note that some of our cases have been reported by the sub-tenant themselves, who have raised the concern that they 'may be living in a council property'. This highlights the improved awareness of 'tenancy fraud and abuse' from previous publicity work.

## 5. Pro-active Fraud/Error and VFM Work

### National Fraud Initiative

5.1 The Council has again taken part in the Audit Commission's National Fraud Initiative (NFI) as part of the statutory External Audit requirements. The NFI brings together data from across the public sector to detect 'matches' ie. anomalies in data which require investigation and may be indicative of fraud.

5.2 A total of 15,135 matches were received and investigations are on-going in this area. The main area of success for Bristol City Council is in detecting duplicate creditor payments, and also benefit savings (to be reported separately). A summary of all benefits/savings from investigation work is set out in a table at section 6.

5.3 We intend to partake in further NFI initiatives as follows:

- the Council has submitted data for the Electoral Registration and Council Tax data match, with a view to identifying falsely claimed Single Occupier Discounts The output from this exercise is due the end of this month. These two datasets have also been matched internally to identify further potential tenancy fraud cases.
- we will be partaking in the new NFI data match relating to direct payments.



## Other Proactive Fraud Work

5.4 We have also undertaken a number of our own pro-active fraud/value for money exercises:

- **Duplicate Payment Testing:** We have undertaken our own duplicate payment testing, which is more sophisticated than that provided by the NFI and has included a check for duplicate payments between the old CFS Finance system and the new ABW Finance system, as well as duplicate payments within ABW. The level of duplicate payments is a concern and further work is being undertaken to understand the causes and how to prevent them happening in future.
- **Telephone Bills:** An investigation into our telephone bills has identified a number of connections that should have been cancelled.
- **NNDR pilot with National Fraud Authority and Equifax:** Considerable resource has been put into a pilot data match exercise led by the NFA. Unfortunately the credit reference agency provider is now unable to resource this and the pilot exercise has ceased. We are looking at whether the pilot will be taken forward with another provider or whether the first batch of output can be refined and made usable.
- **Expenses:** A review of expense claims is currently in progress.

## 6. Benefits of Investigations & Pro-active Fraud/Error and VFM Work

6.1 Understanding fraud/error risk and working proactively to tackle these is clearly beneficial to the Council and to the city's citizens. However, it is sometimes difficult to place a financial value to this work. We have attempted to do this in tables below. The amounts shown represent work completed in the current year but valued over the (estimated) lifetime of the fraud/error. Unless indicated otherwise, the work has been carried out by Internal Audit.

	Fraud/Error Area	No	Value £	Note
NFI	Duplicate Payments*	15	94,105	
	Benefit Claims*	9	45,973	Reviewed by Benefit Fraud Team
	Concessionary Bus passes cancelled	398	0	No value has been included as there is no means to confirm how many have been fraudulently used.
PROACTIVE FRAUD/VFM	Tenancy Fraud Initiative	25	1,350,000	Valuation based on National Fraud Authority suggested measure of £18k per property for an average of 3 years which represents the full cost to the community of this type of fraud.

FRAUD WORK IN LOCAL TAX	Duplicate Payments*	103	1,176,235	Continuous matching including across CFS (old system) and ABW (new system) –this is an on-going process
	Debit balances on supplier accounts*	72	486,423	A list of debit balances over 6 months old was provided to Systems and Control team for recovery (ie suppliers who have been overpaid and owe BCC money).
	Duplicate suppliers	1426	0	No value but can be the cause of duplicate payments. Referred to Systems and Control team for correction.
	Telephones wrongly paid.	90	10,965	Lines not cancelled or recovered Not recoverable but an on-going saving.
	Student Exemptions cancelled*	584	932,000	Work undertaken in Local Taxation section.
	Fencing Contractor and Surveyor - 8 month prison sentence		18,000	POCA expected but not yet received. (POCA = Proceeds of Crime Act recovery)
	Abuse of Trust – purchase fraud		108,000	POCA expected but not yet received.
	Purchase fraud (Misappropriation of assets)		8,500	Recovery of funds for assets misappropriated.
	Various other – stolen cheque claims/small overpayments		2,594	
	RECOVERY FROM INVESTIGATIONS			

6.2 In summary, the value of investigation/fraud work this year to date is estimated as follows and clearly demonstrates the benefits of having a strong, dedicated and proactive approach to tackling fraud and error:

	Value £
Notional Valuation of Tenancy Fraud Work	1,350,000
Recoverable amounts identified*	2,734,736
Compensation/Recoveries from Investigations	137,094
On-going efficiencies identified	10,965

## **7. Information Sharing**

- 7.1 Bristol City Council actively partakes in the Gathering Intelligence Network and the Extending our Reach, both set up to establish closer working between the police, other fraud investigation teams, trading standards the HMRC etc.
- 7.2 We have dealt with a total of 232 referrals since April 2012 and have assisted police investigations in a number of these cases. Some referrals have also resulted in the identification of benefit overpayments and possible benefit fraud. We have also assisted our Trading Standards team through this process. Going forward we need to make more use of this facility for investigations we are working on.
- 7.3 We also continue to attend regional and national fraud groups and events to maintain and on-going awareness of issues and fraud risks.

## **8. Summary and Conclusion**

- 8.1 Counter fraud arrangements within Bristol City Council are proving effective and it is the intention to develop these further.
- 8.2 Extensive proactive and reactive fraud work has been completed across the Council which again demonstrates the Council's commitment to preventing and identifying fraud. To date, the work has resulted in significant financial benefit to the Council. The forward strategy and action plan allows for further proactive fraud work.
- 8.3 The effectiveness of proactive fraud work in new and emerging risk areas will be of considerable interest.
- 8.4 The focus for the coming year must be to prevent, rather than just detect fraud and we intend to look into data warehousing and also the possibility of using other data sets not previously utilised.

### **Other Options Considered**

None necessary

### **9. Risk Assessment**

- 9.1 Failure to have robust counter fraud arrangements will increase the Council's susceptibility to fraud and will result in loss of public money.

### **10. Equalities Impact Assessment**

- 10.1 None necessary for this report .

### **11. Legal and Resource Implications**

- 11.1 Legal - none sought
- 11.2 Resource implications – to be noted that the work of the Audit Investigation team has been paid for by its results.

## **Exempt Appendices**

Exempt Paragraph 7 - these appendices contain information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Appendix 2 Checklist for councillors and others responsible for governance

Appendix 3 Strategy and Action Plan

## **LOCAL GOVERNMENT ACCESS TO INFORMATION**

Background Papers Audit Commission - Protecting the Public Purse 2013



**DRAFT**

# **Anti Fraud, Bribery and Corruption Strategy and Policy**

## **Managing the Risk of Fraud**

**FraudHotlines:**

**BenefitFraud:  
0500 554535**

**OtherFraud:  
0117 9222470**

**January  
2014**

Version 1.0  
Version 1.1  
Revised

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[Appendix 1 - Detailed Responsibilities](#)

[Appendix 2 - Fraud, Bribery and Corruption Governance Arrangements](#)

### **LinkstoRelatedPoliciesandProcedures:**

- [Fraud Notification Form and Investigation Guidance](#)
- [Anti-Money Laundering Policy and Guidance](#)
- [Whistleblowing Policy](#)
- [Benefit Fraud Prosecution Policy](#)
- [Regulation of Investigatory Powers Act Policy and Procedures](#)
- [Members' Code of Conduct](#)
- [Employee Code of Conduct](#)
- [Financial Regulations](#)
- [Procurement Regulations](#)

## **ANTIFRAUD, BRIBERY AND CORRUPTION STRATEGY** **2013 and 2014**

1. The City Council has for many years had a strong approach to Fraud and Corruption with policies and processes designed to prevent, detect and punish fraud. Indeed, the Council is well regarded as a lead local authority in tackling some areas of fraud.
2. However, against a backdrop of economic downturn, reduced public spending and significant changes to service delivery methods, fraud and corruption are increasing. The Government has made it clear that they expect 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.
3. The National Fraud Authority (NFA) has devised a National Fraud Strategy for Local Government - 'Fighting Fraud Locally'. This makes recommendations to both central and local government which should enhance the fight against fraud based around five key themes:
  - Culture - a zero tolerance approach to fraud
  - Collaboration - working together better
  - Consistency - standardising counter-fraud practices
  - Accountability - taking responsibility for fraud
  - Transparency - honesty about fraud
4. Additionally, it identifies three key areas in countering fraud and corruption as detailed below. An overview of the Council's arrangements to demonstrate our alignment to these core strands of the national strategy can be seen at appendix 2

### **Acknowledging and Understanding the Fraud Risks Faced by the Council:**

- Developing and maintaining a better understanding of current and emerging fraud risks and how resilient the Council is to them.
- Determining the Council'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 Council.
- Reviewing the adequacy of training arrangements in relation to counter-fraud staff.
- Supporting collaborative working and information sharing about fraud and fraudsters.

### **Improving Fraud Prevention and Detection Measures:**

- Making better use of data and technology to prevent and detect fraud.
- Developing data and intelligence sharing protocols
- Fraud-proofing our services, systems and procedures.
- Targeting proactive fraud work at high risks areas that are likely to generate good returns for the resource invested.
- Reviewing the effectiveness of counter fraud work as a contribution to the Council's financial reduction strategy.
- Developing a stronger anti-fraud culture across the Council and other delivery agents.

- Making better use of publicity opportunities as a deterrent to fraudsters
- Reviewing new legislative arrangements that impact on major systems.
- Targeting new and emerging areas of fraud risk and developing sound systems that mitigate the risks.

## Pursuing Fraudsters and Recovering Losses

- Working towards a more consistent and supportive law enforcement response and improved capability to investigate and sanction fraud.
6. The progress against and effectiveness of this strategy will be reviewed ~~after two years~~ **bi-annually**. Some of the actions included are dependent on the Government addressing fraud governance issues at a national level. Additionally, as the regulatory regime develops, the strategy and arrangements for tackling fraud will ~~(need further review)~~ **become more dynamic..**



# **ANTIFRAUD, BRIBERY AND CORRUPTION POLICY**

## **1. Purpose:**

- 1.1 The purpose of this Policy is to set out clearly to the public and also Members, employees, contractors, organisations who work with the Council:
- the Council's commitment to tackling fraud, bribery and corruption
  - the responsibilities of Members and employees to report any suspicions they have
  - the importance of the public in tackling fraud
- 1.2 Other relevant policies include:
- [Anti-Money Laundering Policy and Guidance](#)
  - [Whistleblowing Policy](#)
  - [Fraud Notification Form](#) and [Investigation Guidance](#)
  - [Benefit and Council Tax Reduction Fraud Policy](#)
  - [Regulation of Investigatory Powers Act Policy and Procedures](#)
  - [Members' Code of Conduct](#)
  - [Employee Code of Conduct](#)
  - [Financial Regulations](#)
  - [Procurement Regulations](#)

## **2. Key Principles**

- 2.1 The Council will not tolerate fraud, bribery or corruption.
- 2.2 The Council expects that Members and officers at all levels will lead by example to ensure high standards of propriety, integrity, personal conduct and accountability.
- 2.3 The Council expects that the majority support the fight against fraud and that individuals and organisations with whom it comes into contact will act with integrity towards the Council.
- 2.4 The Council 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.
- 2.5 The Council will take appropriate action against those responsible for fraud and where possible recover losses incurred.
- 2.6 Members of the public are asked to contribute to the Council's fight against fraud by remaining vigilant to the potential for fraud and report it where they suspect the Council is being targeted. Employees and staff have a duty to do so.
- A criminal offence
  - A failure to comply with a statutory or legal obligation
  - Improper or unauthorised use of public or other official funds

### 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 identifies three main ways it can be committed:

- ~~fraud by false representation~~ – Fraud by making a false or misleading representation
- ~~fraud by failing to disclose information~~ – Fraud by failing to disclose to another person information which he is under a legal duty to disclose
- ~~fraud by abuse of position~~ - 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 Counterfeit 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.

~~• 0 defines bribery as “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.” There are four key offences under the Act: The Act created three main offences:~~

- ~~• bribery of another person accepting a bribe bribing a foreign public official~~
- ~~• a corporate offence of failing to prevent bribery~~
- ~~• Bribing a person to induce or reward them to perform a relevant function improperly~~
- ~~• Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly~~
- ~~• Using a bribe to influence a foreign official to gain a business advantage~~

### 4. Responsibilities for Tackling Fraud

4.1 The Accounts and Audit Regulations 2011 require the Council to have appropriate

control measures in place to enable the prevention and detection of inaccuracies and fraud. The Council is committed to an effective anti-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 appendix 1 to this policy.

## **5. Reporting Fraud.**

- 5.1 The ultimate aim is to prevent fraud at the out-set, 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 via the fraud hotline, this can be done anonymously if required.
- 5.4 Allegations re schools should be reported initially to the Chair of Governors of the school or if this is not appropriate the Service Director (Education).
- 5.5 The investigation process will follow the procedure set out in Internal Audit's Investigation Protocol.
- 5.3 Useful contact numbers for reporting fraud are as follows. A [fraud notification form](#) is also available on 'the Source' .

Chief Internal Auditor	Tel. 0117 9222448
City Director	Tel. 0117 9224888
Monitoring Officer (Head of Legal Services)	Tel: 0117 9222839
A 24 hour confidential "Fraud Hotline". Callers leaving their contact details can assist investigations but allegations can also be made anonymously.	Tel. 0117 9222470
Outside bodies eg Public Concern at Work will give free and independent advice on how to proceed	Tel. 020 74046609

- 5.4 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 Council's fraud risks
- 5.5 Any allegations received in any way will be taken seriously and investigated in an appropriate manner.

## **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 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 available on the 'Source'.

## **7. Actions Taken When Fraud has been 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 and Members misconduct will be dealt with by the [independent person and Audit Committee Standards Committee](#) and the relevant Group Leader.
- 7.3 Where there is evidence to suggest a criminal offence has been committed against the Council, the matter will be passed to the police for criminal investigation and prosecution as appropriate. Referral will be by the Chief Internal Auditor in consultation, as necessary, with Legal Services and Strategic Directors. Sanctions taken against benefit fraud are dealt with in the [Benefit Fraud Prosecution Policy](#).
- 7.4 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.
- 7.5 Publicity will be used as a deterrent. Public statements must be made through the Council's Marketing and Communications Team.

## **8. Data Matching and Data Sharing**

- 8.1 The Council will use information provided by Members, employees, service users and suppliers in the prevention and detection of fraud. Data matching 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 biennially to ensure the Council remains resilient to the changing and growing fraud threat to it.

**ROLES AND RESPONSIBILITIES:****MEMBERS & EMPLOYEES**

<b>Group/ Individual</b>	<b>Responsibilities</b>
1. <u>Mayor &amp; All Members</u>	<ul style="list-style-type: none"> <li>• A duty to the citizens of Bristol to protect the Council and public money from any acts of fraud and corruption.</li> <li>• Compliance with the Code of Conduct for Members, the Council's Constitution, including Financial Regulations and Procurement Regulations, in particular the requirements regarding interests, gifts and hospitality.</li> <li>• Avoid situations where there is a potential for a conflict of interest.</li> <li>• Report fraud, bribery or corruption where it is reasonably suspected that the Council is being targeted.</li> </ul>
2. Audit Committee:	<ul style="list-style-type: none"> <li>• Provide assurance on the anti-fraud arrangements to Council and sign off the AGS regarding fraud issues specifically.</li> <li>• Approval of the Anti-Fraud and Corruption Strategy and Policy Statement.</li> </ul>
3. Strategic Directors	<ul style="list-style-type: none"> <li>• Support the maintenance of a strong culture where fraud, bribery and corruption is unacceptable.</li> <li>• Notify the Chief Internal Auditor immediately of any fraud or irregularity.</li> </ul>
4. Service Director: Finance	<ul style="list-style-type: none"> <li>• Ensure that effective procedures are in place for the prompt investigation of any fraud or irregularity.</li> </ul>
5. Managers including Head Teachers and senior school staff	<ul style="list-style-type: none"> <li>• Ensure they, and their staff, understand the fraud risks faced in delivering services by maintenance of a fraud risk assessment.</li> <li>• Implement and maintain an effective control environment to prevent fraud, commensurate with the level of risk identified.</li> <li>• Communicate the requirements of this and related policies (refer to paragraph 1.2 of the Policy) in their work area.</li> <li>• Create an environment in which staff feel able to report concerns of suspected fraud.</li> </ul> <p>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.</p>
6. Business Change Programme Managers	<ul style="list-style-type: none"> <li>• As Managers</li> <li>• Ensure fraud prevention controls are built in to new service delivery methods, systems and processes.</li> </ul>
7. All Employees irrespective of status	<ul style="list-style-type: none"> <li>• Be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and report it where they reasonably suspect the Council is being targeted.</li> <li>• Avoid situations where there is a potential for a conflict of interest</li> <li>• Comply with the Council's policies and codes as detailed in paragraph 1.2 of the Policy.</li> </ul>
8. Internal Audit	<ul style="list-style-type: none"> <li>• Maintain an overall fraud risk assessment on behalf of the</li> </ul>

**MEMBERS & EMPLOYEES**

<b>Group/ Individual</b>	<b>Responsibilities</b>
	<p>Council and review the effectiveness of the Council's response to the risks faced.</p> <ul style="list-style-type: none"><li>• Deliver an opinion to the Service Director Finance, the Executive Member and the Audit Committee on the Council's fraud risk management, control and governance arrangements.</li><li>• Undertake an annual programme of pro-active fraud work designed to prevent and detect fraud.</li><li>• Ensure cases of suspected irregularity, fraud or corruption are effectively investigated and punished by appropriate sanctions in liaison with the Police, Legal Services and HR. (Exception: housing benefit fraud) .</li><li>• Instigate recovery action wherever possible to recoup the losses on behalf of the Council.</li><li>• Maintain a 24-hour "Fraud Hotline" (0117 9222470)</li><li>• Advise management on procedural improvements required to prevent occurrence or recurrence of fraud.</li><li>• Develop and encourage the exchange of information on national and local fraud and corruption activity in relations to local authorities with external agencies.</li></ul>
9. Benefit Investigation Team	<ul style="list-style-type: none"><li>• Undertake all benefit fraud investigations, in accordance with legislation and agreed codes of conduct</li><li>• Applying sanctions in accordance with the Prosecutions Policy</li><li>• Work with Internal Audit, HR and appropriate senior management in cases where employees are involved, to ensure that correct procedures are followed under the Code of Conduct for Employees and the Council's Disciplinary Procedure.</li><li>• Maintain a 24-hour "Benefit Fraud Hotline" (0500 554535),</li></ul>
10. Human Resources	<p>Provide timely advice and guidance on Council Policies and procedures during investigations and any disciplinary action</p> <p>Ensure recruitment procedures to be applied by Managers are effective in the verification and validation of information submitted by applicants prior to appointment. Eg. eligibility to work, verification of qualifications and employment history, Criminal Records Bureau checks where appropriate.</p>
11. Head of Legal Services	<ul style="list-style-type: none"><li>• Advise Members of new legislative or procedural requirements regarding conduct and ethical matters.</li><li>• Maintain a register of Members interests, gifts and hospitality declared</li><li>• Take criminal and civil actions to ensure appropriate sanctions are applied.</li><li>• Provide advice on potential criminal cases.</li></ul>

