

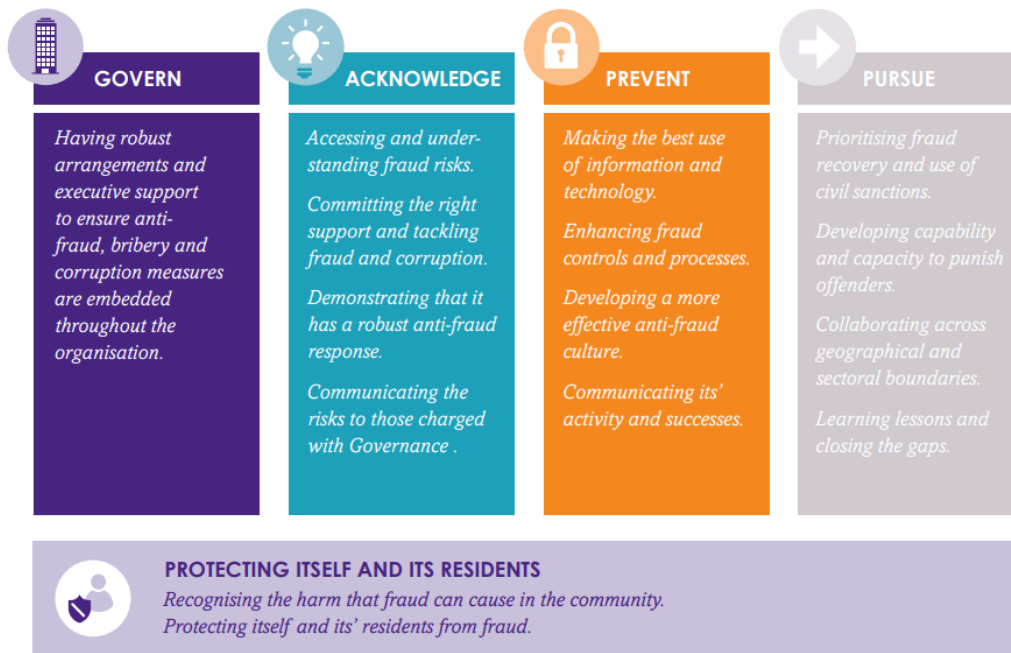


COUNTER FRAUD AND CORRUPTION STRATEGY

Policy Owner	Head of Audit and Assurance
Reviewed by	Head of Audit and Assurance
Date of Review	July 2022
Approved by	
Date approved	

1. Policy Statement

- 1.1. 'Making Bromley Even Better' sets out the London Borough of Bromley's commitment to managing our resources well, providing value for money together with efficient and effective services for Bromley's residents.
- 1.2. The Annual Fraud Indicator 2017 estimates that fraud against local government costs £7.3bn each year. The London Borough of Bromley recognises that all money lost to fraud deprives the Council of resources which could be used to deliver services to residents and the best possible outcomes for our Borough.
- 1.3. As such, the Council will not tolerate fraud and corruption, whether from internal or external sources, and has high expectations of propriety, integrity and accountability from all parties identified within this strategy.
- 1.4. This strategy sets out the Council's commitment and approach to managing the risk of fraud and corruption. The overarching aims of the strategy are to:
 - ensure high ethical standards in the delivery of the Council's services
 - encourage a strong counter fraud culture
 - improve the Council's resilience to fraud and corruption through effective prevention and detection of fraud
 - reinforce the Council's zero-tolerance attitude to fraud
 - provide a framework for a robust fraud response, including the application of sanctions
 - ensure that continual improvement is applied to lessons learnt from fraud
 - explore opportunities for financial savings through enhanced detection and prevention
 - protect the Council's resources.
- 1.5. The Council's strategic approach will be consistent with that outlined in the Local Government Fraud Strategy: 'Fighting Fraud and Corruption Locally'. The five key strands of this approach are set out on the following page. The Head of Audit and Assurance will periodically assess arrangements against FFCL and report to the Audit and Risk Management Committee.



2. Definitions

Fraud

2.1. The London Borough of Bromley defines fraud as “any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”. (Chartered Institute of Public Finance and Accountancy)

2.2. Under the Fraud Act 2006, fraud can be committed in the following ways:

- **False representation** – making a false representation with the intent of making a gain or causing a loss.

Examples include providing false information on a social housing or job application.

- **Failing to disclose information** – failing to disclose information with the intent of making a gain or causing a loss.

Examples include failing to disclose a change in circumstances which may impact on eligibility for Single Person Discount or Small Business Rate Relief.

- **Abuse of position** – if a person in a position of trust abuses that position with the intent of making a gain or causing a loss.

Examples include using a corporate purchase card for personal expenditure or diverting Council funds into a personal bank account.

Corruption

2.3. Transparency International UK defines corruption as ‘the abuse of entrusted power for personal gain’. This can include the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.4. Key corruption legislation relevant to the Council includes:

- the Bribery Act 2010 (see Anti-Bribery Policy)
- The Money Laundering Regulations (see Anti-Money Laundering Policy)
- the Criminal Finances Act 2017.

2.5. The Criminal Finances Act introduces a corporate failure to prevent criminal facilitation of tax evasion and the Council must be able to demonstrate that it has taken reasonable measures to prevent the facilitation of tax evasion by associated individuals and companies.

3. Governance - Roles and Responsibilities

3.1. All staff and stakeholders have a role to play in the Council's counter fraud and corruption arrangements. Specific roles and responsibilities are set out below:

STAKEHOLDER	RESPONSIBILITIES
Chief Executive	<ul style="list-style-type: none">• Setting the Council's values, behaviours and standards• Ensuring there are effective governance arrangements for counter fraud in place
Director of Finance – s151 Officer	<p>The Director of Finance has overall responsibility for Counter Fraud arrangements within the Council. This includes:</p> <ul style="list-style-type: none">• Ensuring that there are robust controls in place to manage fraud risks and prevent and detect fraud and corruption• Ensuring that there is an effective counter fraud and corruption strategy in place• Ensuring that there are sufficient resources to deliver the counter fraud strategy• Championing and promoting counter fraud and whistleblowing arrangements at Chief Officer Executive.
Director of Corporate Services and Governance – Monitoring Officer	<ul style="list-style-type: none">• Advising Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.• Owning the Anti-Bribery policy and ensuring that all allegations of bribery are dealt with appropriately

<p>Head of Audit and Assurance</p>	<ul style="list-style-type: none"> • Developing and implementing the Counter Fraud and Corruption Strategy and associated counter fraud plans • Ensuring that all suspected or reported irregularities are dealt with promptly and appropriately • Managing contractual arrangements for fraud investigation • Maintaining the Council's Raising Concerns (Whistleblowing) policy and arrangements • Assessing annually whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk
<p>Directors, Assistant Directors, Heads of Service and Service Managers</p>	<p>All senior managers are responsible for:</p> <ul style="list-style-type: none"> • Embedding a strong counter fraud and corruption culture in line with the Council's objectives, values and behaviours • Promoting fraud and corruption awareness and an open and transparent culture where staff feel empowered to report suspicions of wrong-doing • Management of fraud and corruption risks • Ensuring that all suspected or reported irregularities are immediately referred to Internal Audit • Ensuring that there are mechanisms in place within their service areas to assess fraud, corruption and theft risks and to reduce these risks by implementing strong internal controls.
<p>Audit and Risk Management Committee</p>	<p>Audit and Risk Management Committee oversee Counter Fraud arrangements in the Council. This includes:</p> <ul style="list-style-type: none"> • Monitoring the Counter Fraud and Corruption strategy, actions and resources • Monitoring the effectiveness of Counter Fraud arrangements including assessment of fraud risks, actions and responses <p>The Chair of Audit and Risk Management Committee also acts as a champion for whistleblowing arrangements at Member level and is a nominated contact within the whistleblowing policy.</p>
<p>Members</p>	<p>All elected Members are responsible for:</p> <ul style="list-style-type: none"> • Leading by example and acting in the public interest at all times • Complying with the Member Code of Conduct and other Council policies and

	<p>procedures including Financial Regulations</p> <ul style="list-style-type: none"> • Maintaining an awareness of the possibility of fraud, corruption and theft, reporting any genuine concerns accordingly.
Staff	<p>All staff have a role to play in combatting fraud. This includes:</p> <ul style="list-style-type: none"> • Acting in the public interest at all times, and in accordance with the Council's values and behaviours • Being alert to the possibility of fraud and corruption • Reporting any genuine concerns in line with this strategy or the Raising Concerns policy • Complying with Council policies and procedures that are designed to reduce the risks of fraud and corruption (see section 6.3) • Declaring any potential financial or non financial interests that may conflict with the Council's interests.
Public, Partners, Suppliers, Contractors and Consultants	<p>Remaining aware of the possibility of fraud and corruption and reporting any genuine concerns / suspicions.</p>

4. Governance - Culture

4.1. The Council is committed to maintaining a strong counter fraud and corruption culture and recognises that a strong culture is one of the most powerful tools to combat fraud.

4.2. All managers have responsibility for ensuring that the Council's culture supports its stated approach to fraud. In practice, this means that managers must:

- create an ethos of honesty and integrity, leading by example
- embrace and embed the Council's Values and Behaviours
- foster an open environment where staff feel able to voice concerns
- reinforce consistent messages that fraud will not be tolerated
- promote fraud and corruption awareness.

4.3. The Council expects all employees, agency workers, Members and contractors to act in accordance with the Seven Principles of Public Life set out below:

- **Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or friends

- **Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties
- **Objectivity** – In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make their choices on merit
- **Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office
- **Openness** – Holder of public office should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands
- **Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
- **Leadership** – Holders of public office should promote and support these principles by leadership and example.

5. Fraud Risks and their impact

- 5.1. The Council faces a range of fraud and corruption risks and associated impacts. The most obvious of these impacts is financial loss but there are many other potential negative consequences, including reputational damage, loss of trust, safeguarding issues, reduced staff morale and detriment to the well-being of our residents and staff.
- 5.2. The Council recognises the potential for harm caused by fraud and is committed to identifying and managing fraud risks appropriately. The Council also recognises that both the nature and likelihood of fraud risks change as the internal and external environments change, for example in times of economic hardship, and that therefore fraud risk assessment is a continual, dynamic process.
- 5.3. Managers have primary responsibility for ensuring there are appropriate arrangements within their areas to prevent and detect fraud and corruption. This includes considering fraud and corruption risks and mitigation measures as part of standard risk management processes. Managers should also undertake a fraud and corruption risk assessment when new processes and systems are designed and implemented.
- 5.4. The Audit and Assurance service will support managers by providing advice and guidance on fraud risks and controls as requested. The Audit and Assurance

service will also undertake regular horizon scanning for new and emerging fraud threats, and share relevant information with Corporate Leadership Team.

5.5. The CIPFA Fraud and Corruption Tracker 2019/20 and the Fighting Fraud and Corruption Locally Strategy 2020 highlight the following key threats currently facing the Council:

- **Council Tax:** False information provided to obtain discounts, exemptions and reduction schemes, or failure to report changes in circumstances which may affect the entitlement to such awards.
- **Blue Badge Fraud:** use of counterfeit / altered badges, third party use when the blue badge holder is not in the vehicle, use of a deceased person's blue badge.
- **Housing and Tenancy Fraud:** fraudulent applications for housing, subletting.
- **Business Rates:** fraudulent applications for exemptions and reliefs, properties that are not listed.
- **Social Care fraud:** overstatement of needs in order to obtain funding, misuse of direct payments by the client or third party.
- **Procurement / Commissioning:** fraud can occur throughout the commissioning cycle, including cartel risks at tender stage, false or duplicate invoicing, false performance reporting.
- **Payroll:** false or exaggerated expenses, travel and overtime claims.

6. Prevention

6.1. The London Borough of Bromley aims to prevent fraud through maintaining a strong counter fraud culture, raising awareness of both fraud risks and counter fraud activity and implementing a robust system of internal control.

6.2. Managers are responsible for implementing appropriate controls to manage fraud risks, including for both detection and prevention. These could include requiring individuals and businesses to complete fraud declarations on application for grants, benefits or discounts, verification checks, authorisations and segregation of duties. On request, the Audit and Assurance Service can offer advice on the appropriateness of internal controls including during the design of new processes or policies.

6.3. The London Borough of Bromley has a framework of policies that are intended to minimise fraud and corruption risks; key policies are listed below. All officers and Members are expected to comply with the requirements of these policies.

- Values and Behaviours

- Raising Concerns Policy
- Anti-Bribery Policy
- Gifts and Hospitality Code of Conduct
- Notes of Guidance – Conflicts of interest and declaration of registerable interests
- Financial Regulations and Procedures
- Financial Regulations for Schools
- Contract Procedure Rules
- Anti-Money Laundering Policy
- Suite of Recruitment procedures
- Corporate Information Security Policy
- Members' Code of Conduct

6.4. The Council will continue to investigate and consider better use of available technology and data analytics to prevent fraud, for example the use of pre-payment credit checks through National Fraud Initiative and government counter fraud tools for grant payments.

Training and Awareness

6.5. Training and awareness are key to promoting a strong counter fraud culture and to preventing and detecting fraud.

6.6. The Audit and Assurance service will periodically undertake fraud awareness campaigns. The service will also share relevant fraud alerts from, for example the National Anti Fraud Network (NAFN) and Action Fraud, and specific case studies from other organisations to heighten risk and control awareness.

6.7. The service will also develop the training offered to staff to ensure that essential training is available to all employees. Additional fraud awareness training can be provided on request.

6.8. All managers will ensure that staff are properly inducted and trained in local procedures and controls designed for the prevention and detection of fraud.

7. Detection and investigation

7.1. Managers are primarily responsible for implementing sufficient monitoring controls to detect fraud. Such controls should be designed to facilitate the identification of any unusual activity. These could include reconciliations, data verification and data matching. Managers should also ensure that they and their staff are aware of possible fraud 'red flags' and that unusual events or transactions could indicate fraud.

7.2. The Head of Audit and Assurance will assess and review fraud risk areas and work with the Royal Borough of Greenwich Fraud Team to undertake proactive fraud work in higher risk areas, making the best use of available resource.

7.3. Such proactive counter fraud work will aim to utilise data analytics and data matching where possible, as these can be used to verify and validate transactions and highlight potential anomalies and areas for further review.

7.4. Internal Audit will independently assess the adequacy and effectiveness of controls as part of risk-based audit work.

Working with others

7.5. Fraudulent activity impacts across geographical boundaries and different public sector bodies. Thus, effective cooperation and joint working between local authorities and other agencies are essential in the ongoing development of the Council's strategic response for prevention, detection and investigation of fraud.

7.6. To this end, the Council will develop working relationships with other organisations, including promoting data sharing and matching, to obtain the best outcomes and protect public funds. Key organisations will include (but are not limited to) the Council's contractors, Registered Social Landlords, Local Government Authorities, the Police and other enforcement agencies, the Department for Work and Pensions and other Central Government bodies.

7.7. The Council also participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets to the Cabinet Office for data matching with other information sets held by public bodies. Positive matches will be reviewed and investigated on a risk basis.

7.8. We work in partnership with the Royal Borough of Greenwich to investigate allegations of fraud and corruption under a contractual agreement.

Investigation

7.9. All officers and Members must report any suspicions of fraud or irregularity. Usually, staff will report initially to their line manager and if this is not appropriate then to the Head of Service or Service Manager.

7.10. Alternatively, employees may prefer to utilise the arrangements set out in the Raising Concerns policy which provides alternative trusted routes to raise concerns. This policy exists to encourage individuals to speak up without fear of reprisals and provides protection to individuals raising genuine concerns.

7.11. To facilitate a speedy and appropriate response, employees reporting their concerns should, where possible, outline the following:

- The nature of the concern and the potential or actual loss to the Council, or the Council's client
- When and how the matter came to light
- Officers and / or other parties alleged to be implicated (names and designations where appropriate)

- The names and roles of any other individuals who are aware of the potential fraud/irregularity.
- 7.12. The line manager, Service Manager or Assistant Director/Head of Service who receives the allegation must refer the matter to the Head of Audit and Assurance. This can be done by calling the Head of Audit and Assurance directly on 0208 313 4308 or using the dedicated fraud number 0800 169 6975 or email audit@bromley.gov.uk
- 7.13. These contact details can also be used by members of the public and other stakeholders. They are publicised on the Council's website.
- 7.14. In the absence of the Head of Audit and Assurance, reports should be made to the Director of Finance or any Principal Auditor, who will liaise with the Royal Borough of Greenwich Counter Fraud Team for specialist advice as necessary.
- 7.15. Care needs to be taken to ensure that officers or Members who may be involved in the suspected irregularity do not become aware that the irregularity has been reported. Staff should not carry out their own investigation prior to notifying the Head of Audit and Assurance as this can compromise any subsequent investigation.
- 7.16. The Head of Audit and Assurance will determine the appropriate risk-based course of action to ensure that any investigation is carried out in accordance with legislation and Council policy. Depending on the nature, materiality and seriousness of the allegation, the Head of Audit and Assurance may convene a 'response group' of the following to determine next steps:
- Director of Finance (Section 151 Officer)
 - Director of Human Resources, Customer Services and Public Affairs
 - Director of Corporate Services (Monitoring Officer)
 - Royal Borough of Greenwich Counter Fraud representative
 - Relevant Director
 - other stakeholders, as relevant and appropriate to the nature of the allegation.
- 7.17. Appropriate action could include:
- Investigation undertaken by specialist fraud staff
 - Joint investigation between managers from relevant departments and audit or fraud staff
 - Investigation by management with support from internal audit
 - Police referral.
- 7.18. Successful criminal prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff must be adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions.
- 7.19. Fraud investigators will be provided with access to all personnel, assets, systems and information required in order to complete their investigation.

7.20. The Head of Audit and Assurance will develop a Fraud Response Plan providing further detail on operational response to fraud and publicise this to all officers via the intranet.

Investigation outcomes

7.21. The investigator will report the facts revealed during their investigations to relevant managers as agreed at the outset of the investigation. This will include the Head of Service / Assistant Director and Director but may also include, for example, the Director of Finance and the Director of Human Resources, Customer Services and Public Affairs depending on the nature of the alleged fraud.

7.22. In line with its zero-tolerance approach, London Borough of Bromley deems all fraudulent activity to be unacceptable and will consider deploying a range of sanctions where there is evidence that individuals have been involved in fraud or irregularity. Decisions on appropriate sanctions will take into account relevant legislation, internal policies, the Code for Crown Prosecutors and aggravating and mitigating factors in the case.

7.23. Where the outcome of an investigation indicates that any Council officer has been involved in fraud or irregularity, this will be dealt with through the disciplinary policy. Where criminal offences are suspected, the Council may also refer the matter to the police. The final decision on police referral in these instances rests with the Director of Finance.

7.24. Every effort will be made to recoup losses and assets gained as a result of criminal activity.

7.25. The investigation will also identify where control weaknesses have facilitated the perpetration of fraud. Where fraud or irregularity has occurred, management must review controls to rectify weaknesses, strengthening systems and processes to ensure that similar fraud / irregularity is unlikely to occur. Internal Audit can assist managers with risk / control reviews on these occasions.

8. Communication

8.1. In order to demonstrate the Council's zero-tolerance approach and to deter other would-be fraudsters, details of completed investigations and sanctions applied will be publicised where appropriate. The Council will also publish data required by the Transparency Code 2015.

8.2. The Council may additionally publicise the results of proactive work where this will heighten public awareness.

9. Reporting

- 9.1. Audit and Risk Management Committee will oversee this Strategy and will receive regular reports on counter fraud activity and outcomes.
- 9.2. The Annual Governance Statement will include a section on the effectiveness of the Strategy and counter fraud activities.

10. Review

- 10.1. This strategy will be reviewed every two years at a minimum, or sooner in line with significant developments.

11. Contact

If you have any queries on this policy or would like further advice, please contact:

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