

Audit Committee – 27 February 2017

Counter Fraud Update

Summary of report:

This report updates the Audit Committee on the Council's counter fraud arrangements, including presenting for endorsement of the revised Anti-Money Laundering Policy (Appendix 1) and the Counter Fraud and Corruption Policy (Appendix 2).

Background Papers

Various statutory and other guidance.

Recommendation:

Audit Committee are asked to endorse the revised Anti-Money Laundering Policy and Counter Fraud and Corruption Policy.

Background:

The revised policies replaces the previous versions which were last endorsed by Audit Committee on 1 September 2015. The council's Fraud Risk Register is currently being reviewed alongside the revision of the Councils approach to reviewing, monitoring and reporting on Corporate and Directorate risks and will be reported to Audit Committee as part of the 2017/18 work programme.

Resource and legal considerations:

It is imperative that effective systems of internal control are in place for the prevention of fraud and corruption. Where fraud or corruption is detected, robust action is always taken against the perpetrators.

Governance Issues / Citizen Impact:

The council takes very seriously its responsibilities in ensuring effective control arrangements are in place and in dealing with reported allegations of fraud and corruption. This offers protection to the council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

The policies will be made available to all managers, employees and elected Members, schools and contractors. During 2017/18 it is also planned to run a series of fraud awareness sessions, and complete and publish the review of the Fraud Risk Register.

Performance and risk management issues:

Many Audit Committee activities are an important and integral part of the council's performance management and corporate governance frameworks. The Internal Audit Plan is risk assessed to ensure that areas most at risk are examined as a priority and includes an allocation of time to undertake unplanned irregularity and consultancy work. Irregularities may be noted during regularity audit reviews or be reported from a number of sources, including council managers, employees, elected Members, via the confidential reporting policy (whistle blowing), and externally. Irrespective of how the allegations are reported, however, each will be subject to investigation. Some result in little investigatory time having to be spent, others can take longer. Relevant action, where found to be appropriate, will always be taken, i.e. disciplinary, court proceedings, police referral and recovery of losses.

Equality Implications:

None arising from this report.

Consultation:

Consultation has been held with the Chief Finance Officer and Internal Audit.



James Walsh – Chief Finance Officer
10 April 2017

Contact:

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Walsall Council

Anti Money Laundering Policy March 2017

1. Introduction

- 1.1 Historically, legislation to tackle the laundering of the proceeds of crime was aimed at the financial and investment sector. It has, however, subsequently been recognised that those involved in criminal conduct were able to 'clean' criminal proceeds through a wider range of businesses and professional activities.
- 1.2 The Proceeds of Crime Act 2002 (as amended by the Serious Organised Crime & Police Act 2005), the Money Laundering Regulations 2007 and the Terrorism Act 2000 (as amended by the Anti Terrorism, Crime & Security Act 2001 and Terrorism Act 2006) broaden the definition of money laundering and increase the range of activities captured by the statutory controls. They also imposed new obligations in respect of money laundering. These impact on certain areas of local authority business and require the Council to establish internal procedures to prevent the use of our services for money laundering.

2. Scope of the Policy

- 2.1 This policy applies to all Council employees and aims to maintain existing high standards of conduct within the Council by preventing criminal activity through money laundering. This Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations.
- 2.2 This Policy is part of the Council's counter fraud arrangements.
- 2.3 Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action and/or prosecution.

3. What is Money Laundering?

- 3.1 Money laundering is the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities. If they are successful, it allows them to maintain control over their proceeds and, to provide a legitimate cover for their source of funds. The following acts constitute money laundering under the Proceeds of Crime Act 2002:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (Section 327).
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328).
- Acquiring, using or possessing criminal property (Section 329).

Under the legislation it is a criminal offence to:

- assist a money launderer;
- tipoff a person suspected to be involved in money-laundering that they are suspected of the subject of police investigations;
- fail to report a suspicion of money-laundering; and
- acquire, use, access criminal property.

4. What are the obligations on the Council?

4.1 Under the regulations, the Council is required to establish appropriate risk sensitive policies and procedures in order to prevent activities related to money laundering and terrorist financing.

4.2 Not all of the Council's business is "relevant" for the purposes of the legislation regarding client identification. Relevant services as defined by the legislation include investments; accountancy and audit services; and certain financial, company and property transactions. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council. Organisations conducting "relevant business" must:

- Appoint a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity (their own or anyone else's);
- Take measures to make relevant employees aware of the law relating to money laundering and to train these employees in how to recognise and deal with transactions which may be related to money laundering and the financing of terrorism;
- Implement a procedure to enable the reporting of suspicions of money laundering;
- Maintain client identification procedures in certain circumstances; and
- Maintain customer due diligence records.

4.3 While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key

requirement on employees is to promptly report any suspected money laundering activity to the MLRO.

- 4.4 The following sections of this Policy provide further detail about the requirements listed in paragraph 4.2.

5. The Money Laundering Reporting Officer (MLRO)

- 5.1 The officer nominated to receive disclosures about money laundering activity within the Council is James Walsh (Chief Finance Officer) who can be contacted on 01922 652322.

- 5.2 In the absence of the MLRO, Tony Cox (Head of Legal & Democratic Services and Monitoring Officer) is the appointed deputy who can be contacted on 01922 654824.

6. Reporting to the Money Laundering Reporting Officer

- 6.1 Where an employee knows or suspects that money laundering activity is taking/has taken place, or has become concerned that their involvement in a matter may amount to a prohibited act under sections 327-329 of the Proceeds of Crime Act, this must be disclosed as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to the employee’s attention, not weeks or months later.

EMPLOYEES FAILING TO COMPLY WITH THIS REQUIREMENT MAY BE LIABLE TO PROSECUTION

7. Procedures

- 7.1 The Council will not accept cash payments in excess of **£8,000*** in order to comply with the Money Laundering Regulations.

- 7.2 Also, the Council will not accept a series of payments in cash that total £8,000 in respect of a single transaction (for example a sundry debtor bill). In practise this means that when a cash payment is received that the bill being paid should be examined to check whether the payment is a part payment of a bill of **£8,000*** or more.

Reporting

- 7.3 Any employee who suspects money laundering activity must report their suspicion promptly to the MLRO, or to the MLRO’s deputy if appropriate, using the attached form (Appendix B). If preferred, employees can discuss their suspicions with the MLRO or their deputy first.

- 7.4 The employee must follow any subsequent directions of the MLRO or deputy, and must not themselves make any further enquiries into the matter. They must not take any further steps in any related transaction without authorisation from the MLRO.
- 7.5 The employee must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must not disclose the matter with others or note on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation (see section 8).
- 7.6 The MLRO or deputy must promptly evaluate any disclosure report, to determine whether it should be reported to the National Crime Agency (NCA)
- 7.7 The MLRO or deputy must, if they so determine, promptly report the matter to the NCA in the prescribed manner by submitting a Suspicious Activity Report (SAR) via the SAR online system at: www.nationalcrimeagency.gov.uk
- 7.8 The employee will be informed if the MLRO makes a SAR report to the NCA. Employees should not complete any transactions **until clearance has been given by the NCA, or seven days have elapsed since the disclosure was made to the NCA.**
- 7.9 The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

Customer Due Diligence

- 7.10 Where the Council is carrying out certain 'regulated activities' then extra care need to be taken to check the identity of the customer or client; this is known as carrying out customer due diligence.
- 7.11 Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of €15,000 or more (the limit specified by the Money Laundering Regulations 2007).
- 7.12 The regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help decide if it is necessary:
- Is the service a regulated activity?
 - Is the Council charging for the service i.e. is it 'by way of business'?

- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is **NO** then it is not necessary to carry out customer due diligence.

If the answer to all these questions is **YES** then it is necessary to carry out customer due diligence **BEFORE** any business is undertaken for that client. The MLRO should be contacted if employees are unsure whether a customer due diligence is required.

7.13 Where employees need to carry out customer due diligence then evidence of identity must be obtained, for example:

- Checking with the customer's website to confirm their business address.
- Conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors.
- Seeking evidence from the key contact of their personal identity, for example their passport and position within the organisation.

7.14 The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the employee's knowledge of the customer and a regular scrutiny of the transactions involved.

7.15 If, at any time, an employee suspects that a client or customer with whom they are, or will be, carrying out a regulated activity with is carrying out money laundering or terrorist financing, or has lied about their identity then this must be reported to the MLRO.

7.16 In certain circumstances enhanced customer due diligence must be carried out, for example where:

- The customer has not been physically present for identification.
- The customer is a politically exposed person. Typically, a politically exposed person is an overseas member of parliament, a head of state or government or a government minister who has held that position within the last 12 months. It is also a family member or a close business associate of such a person. Note that a UK politician isn't a politically exposed person.
- There is a beneficial owner who is not the customer. A beneficial owner is any individual who: holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

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- 7.17 Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and/ or the source of the funds to be used in the business relationship/ transaction. If employees believe that enhanced customer due diligence is required then the MLRO must be consulted prior to carrying it out.

Record Keeping

- 7.18 Where 'relevant business' is carried out then the customer due diligence records and details of the relevant transaction(s) for that client must **be retained for at least five years after the end** of the business relationship.
- 7.19 An electronic copy of every customer due diligence record must be sent to the MLRO to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.
- 7.20 **Internal Clients:** Appropriate evidence of identity for Council employees will be signed, written instructions on Council headed notepaper or e-mail from an internal email address at the outset of a particular matter. Such correspondence should then be placed in the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.
- 7.21 **External Clients:** For external clients of the Council, appropriate evidence of identity will be written instructions on the organisation's official letterhead at the outset of the matter or an email from the organisation's e-communication system. Such correspondence should then be placed in the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.
- 7.22 With instructions from new clients, or further instructions from a client not well known to the Council, the employee may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself.
- 7.23 **If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one-off transaction(s) cannot proceed any further.**

8. Offence of Tipping Off

- 8.1 If an employee has a concern they should ask questions or seek information/ documentation, which would allay any suspicions they may have and negate the need to make a report.
- 8.2 Once a report has been made to the nominated officer or the person the Council is dealing with suspects that a report has been made the potential criminal offence of "tipping off" arises.

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8.3 Tipping off is where someone informs the person who has approached the financial institution, such as the Council, that they are suspected of being involved in money laundering, in such a way as to prejudice any investigation.

9. Training

9.1 In support of the policy and procedure, the Council will:

- Make all employees aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation.
- Give targeted training to those most likely to encounter money laundering.
- Prepare guidance notes to assist employees in the operation of this Policy (Appendix A).

10. The Responsible Officer

10.1 James Walsh (Chief Finance Officer) is responsible for the operation of the Anti Money Laundering Policy.

10.2 Any employee who is dissatisfied with the application of this Policy should contact James Walsh (Chief Finance Officer) on 01922 652322.

APPENDIX A

Walsall Council

Anti Money Laundering Policy - Employee Guidance

1. What is Money Laundering?

- 1.1 Money laundering is the disguising of the source of money, either in cash, paper or electronic form. This may be in order to conceal that the money has originated from crime, or it may be to conceal the source of money that is to be used in the pursuit of future crime.
- 1.2 Money laundering is highly sophisticated. The conversion of cash into a non-cash form of money is only the first step. In itself it is not sufficient disguise for the launderer. There will follow a complex series of transactions intended to hide the trail from any investigator. Consequently, those on the look out for money laundering should not restrict themselves to looking for cash transactions.
- 1.3 Drug dealing in particular is a business that generates large amounts of cash that the dealers then need to re-introduce to the legitimate economy through money laundering.
- 1.4 The financiers of terrorism will attempt to disguise their links with terrorism by laundering their funding.
- 1.5 The following acts constitute the act of money laundering under the Proceeds of Crime Act 2002:
 - Concealing, disguising, converting, transferring criminal property or removing it from the UK (Section 327).
 - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328).
 - Acquiring, using or possessing criminal property (Section 329).

2. Reporting of Suspected Money Laundering

- 2.1 Where you know or suspect that money laundering activity is taking/has taken place, or has become concerned that your involvement in a matter may amount to a prohibited act under sections 327-329 of the Proceeds of Crime Act, this must be disclosed as soon as possible to the Money Laundering Reporting Officer (MLRO). The disclosure should be within “hours” of the information coming to your attention, not weeks or months later.

- 2.2 The officer nominated to receive disclosures about money laundering activity within the Council is James Walsh (Chief Finance Officer) who can be contacted on 01922 652322.
- 2.3 In the absence of the MLRO, Tony Cox (Head of Legal & Democratic Services and Monitoring Officer) is the appointed deputy who can be contacted on 01922 654824.
- 2.4 You must follow any subsequent directions of the MLRO or deputy, and must not make any further enquiries yourself. You must not take any further steps in any related transaction without authorisation from the MLRO.
- 2.5 You must not disclose or otherwise indicate your suspicions to the person suspected of the money laundering. You must not disclose the matter with others or note on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation. "Tipping off" is a potential criminal offence.
- 2.6 The offence of tipping off the money launderer that a disclosure has been made only occurs once a disclosure has been made or the person suspects that a disclosure has been made. **Consequently enquiries can be made of the individual to establish whether or not there is an innocent explanation before deciding whether or not to make a disclosure.** However, once you have reasonable grounds for knowing or suspecting that the individual is engaged in money laundering a report must be made and the suspected money launderer must not be informed of this.
- 2.7 It is an offence under the Proceeds of Crime Act if an employee enters into a transaction which they know or suspect facilitates the acquisition, retention, use or control of criminal property by, or on behalf of, another person.
- 2.8 These offences are punishable by a maximum term of imprisonment of 14 years at the Crown Court and an unlimited fine. At the Magistrates Court it is a 6 months maximum term of imprisonment and £5,000 fine.

3. How you might recognise Money Laundering

- 3.1 The key slogan is "**Know Your Customer**".
- 3.2 For any transaction, cash or otherwise you should ask yourself: -
"Given my knowledge of this person, is it plausible that they can pay this amount for this service by this means?"
- 3.3 If they are paying more than would be reasonable or more than they could afford or by a means that would not normally be used the answer would be **No**. Then action will be required.
- 3.4 More specific possible indicators of money laundering are:

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- If the source or destination of funds differ from the original details given by the client.
- If the client cancels a transaction without good reason and requests a cheque refund for previously deposited funds.
- Payment of a substantial sum in cash.
- Large overpayments of fees or money on account in the subsequent request for refunds.
- A client requests a refund by cheque or to a different account.
- If information about the client reveals criminality or association with criminality.
- If there is more than one solicitor/ conveyancer used in the sale or purchase of a property or land or if there is an unexplained and unusual geographic use of a solicitor in relation to a property's location.
- If the buyer or seller's financial profile does not fit, particularly in relation to property transactions.
- If there are over complicated financial systems.
- If the client enters into transactions which make little or no financial sense or which go against normal practice.
- If the client is happy to enter into an apparent bad deal for them.
- If the client enters into arrangements beyond their apparent financial means.
- Any odd behaviour by any of the parties involved.
- Unusual property investment transactions if there is no apparent investment purpose or rationale.
- Re: property transactions, sums received the deposits or prior to completion from an unexpected source or instructions are given for settlement funds to be paid to an unexpected destination.

4. Examples of Potential Money Laundering Activities

4.1 Social Care and Inclusion

4.1.1 A social worker who is assessing a service user's finances to calculate how much they should pay towards the cost of care, then goes on to arrange for services to be provided and charged for and becomes aware of, or suspects the existence of, criminal property.

4.1.2 A Social Worker finds a large sum of money in a client's home.

4.2 Children's Services

4.2.1 A child protection case conference takes place; during the course of which it becomes clear that one of the parents is claiming benefits but has unexplained financial resources.

4.3 Benefits

4.3.1 A long running fraud is identified whereby a claimant owned a property instead of being a tenant. It is also found that another property is owned by the claimant's son, which he would not have had the legitimate means to purchase.

4.4 Legal/ Property Services

4.4.1 The Council agree to sell a parcel of land to a developer/third party, at a price that is far in excess of its value.

5. Client Identification Procedure

5.1 You need to be satisfied as to the identity of the client **before** any business is undertaken for that client. The client's identity can be verified on the basis of documents, data or information obtained from a reliable and independent source.

5.2 The following checklist should be used for the identification of a private individual:

- Name.
- Address.
- Date of birth.
- National Insurance number.
- Telephone number.
- E-mail address.

- 5.3 The following checklist should be used for the verification of a private individual:
- Passport.
 - Driving licence.
 - Birth certificate.
 - Current council tax and / or utility bill.
 - Marriage certificate.
- 5.4 In the case of a representative of an organisation, this can include measures such as:
- Checking the organisation's website to confirm the business address.
 - Attending the client at their business address.
 - Asking the key contact officer to provide evidence of their personal identity and position within the organisation.
- 5.5 Where the client is acting on behalf of a third party, reasonable steps should be taken to establish the identity of that other person.
- 5.6 **If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.**

6. Methods to Safeguard Yourself

- 6.1 Obtain sufficient evidence/ knowledge to ascertain the true identity of the person(s) you are dealing with.
- 6.2 Ask the key contact officer to provide evidence of their personal identity and position within the organisation; for example signed, written confirmation from their Head of Service or Chair of the relevant organisation.
- 6.3 Surf the web to confirm details supplied.
- 6.4 Visit the client at their business address instead of always contacting them by telephone or e-mail or meeting at the Council Office. (This will help verify the validity of the client).
- 6.5 Retain evidence for a period of 5 years.

APPENDIX B

WALSALL COUNCIL

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICER

To: James Walsh (Chief Finance Officer)

From: **Extn:**

Directorate:..... **Service area:**.....

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
(if a company/ public body please include details of nature of business)

Nature, value and timing of activity involved and cause of suspicion:
(Please include full details e.g. what, when, where, how.)

Has any investigation been undertaken (as far as you are aware)? Yes / No

If yes, please include details below:

Have you discussed your suspicions with anyone else ? Yes / No

If yes, please specify below whom the discussion took place with, when and why such discussion was necessary:

Do you feel you have reasonable justification for not disclosing the matter to the NCA, National Crime Agency e.g are you a lawyer and wish to claim legal professional privilege? Yes / No

If yes, please set out full details below:

Please set out below any other information you feel is relevant:

Signed..... Dated.....

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.

When completed, please pass immediately to James Walsh at The Council House, Lichfield Street, Walsall WS1 1TW; Email james.walsh@walsall.gov.uk; Telephone 01922 652322.

Your report will be treated in the strictest confidence.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE

Action Plan

OUTCOME OF CONSIDERATION OF DISCLOSURE

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the NCA?

Yes / No

If yes, please confirm date of SARS report to the NCA: _____ and complete the box below:

Details of liaison with the NCA regarding the report:

Notice Period: _____ to _____

Moratorium Period: _____ to _____

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts? Yes / No

If yes, please confirm full details in the box below:

Date consent received from the NCA: _____

Date consent given by you to employee: _____

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

Please set out any reasonable excuse for non-disclosure)

Date consent given by you to employee for any prohibited act transactions to proceed:

Other relevant information:

Signed: _____ Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

Date last reviewed March 2017



1 Introduction

- 1.1 Walsall Council is committed to protecting public funds through its action against all attempts made to perpetrate fraud and corruption within the authority's services. The council has adopted the Chartered Institute of Public Finance & Accountancy's Code of Practice on managing the risk of fraud and corruption.

The Council's Counter Fraud and Corruption Policy (the "Policy") clearly illustrates the authority has adopted a "zero tolerance approach" regarding attempted fraud and corruption, and that it expects the highest standards of integrity from its Members, staff, clients, agents, and those who are engaged in transactions with it.

1.2 **Fraud**

Fraud is clearly defined within the Fraud Act 2006 as acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false representation
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose
- Committing fraud by abuse of position

Below are some potential indicators of fraudulent activity. Be aware that not all circumstances where these signs are exhibited will necessarily constitute fraud and nor is this an exhaustive list:

- Employees, consultants or agency workers who never take leave;
- Employees, consultants, agency workers or contractors who work outside normal working hours for no obvious reason;
- Employees, councillors, consultants, agency workers or contractors with serious personal financial problems;
- Employees, councillors, consultants, agency workers or contractors whose lifestyle is disproportionate to their income;
- Unusual concerns or nervousness about visits by senior managers and/or internal/external auditors;
- Employees, councillors, consultants, agency workers or contractors who often break rules or fail to comply with procedures;
- Complaints about members of staff, councillors, consultants, agency workers or contractors from customers or other employees;
- Lack of effective internal control;
- Undocumented activities;
- Unexplained falls in income levels or increases in expenses;
- Deliveries of goods to premises other than official council buildings;

- General disregard by management and employees, consultants or agency workers towards security;

1.3 **Corruption**

Corruption occurs where the integrity of a person, government, or company is manipulated and compromised for their own personal gain. Corruption means dishonest or fraudulent conduct by those in power, typically involving bribery.

The Bribery Act 2010 created four new bribery offences, namely:

- Bribery of another person;
- Accepting a bribe;
- Bribing a foreign official;
- Failing to prevent bribery;

Any improper and unauthorised gift, payment or other inducement that is given in connection with the recipient's office or duties will be likely to be caught under the Bribery Act 2010.

- 1.4 Walsall Council acknowledges its responsibility for the proper administration of public funds and through this policy, wishes to emphasise to the public and its employees, the importance it places on probity, financial control and honest administration. The council employs counter fraud staff as part of Internal Audit who are tasked with investigating alleged fraud and corruption as part of their role. Counter fraud arrangements will be kept under constant review and suspected fraud and corruption will be vigorously pursued and all appropriate action taken.
- 1.5 The council's financial rules details the council's stance on fraud and corruption and the Code of Conduct for council employees sets out the standards of behaviour expected of employees.

2 **Purpose**

- 2.1 The purpose of this Policy is to make clear to members, employees, stakeholders and the general public, the council's approach to counter fraud and corruption in the administration of its affairs.

3. **Policy Statement**

- 3.1 In administering its responsibilities, the council is committed to an effective counter fraud and corruption policy designed to embed effective standards for countering fraud and corruption within the organisation. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

The five key principals of the Code of Practice are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy

- 3.2 There are internal and external threats from fraud and corruption. The council's expectation is that members, employees and contractors representing or acting on behalf of the council at all levels will lead by example to ensure high standards of propriety and accountability are established and adhered to and that personal conduct is beyond reproach at all times.
- 3.3 All individuals and organisations who come into contact with the council, particularly those who are provided with financial support, are expected to act towards the council at all times with integrity and without fraudulent or corrupt intent.
- 3.4 This Policy is based on the following procedures designed to frustrate any attempted fraudulent or corrupt act and covers the following:
- Culture (Section 4)
 - Prevention (Section 5)
 - Detection and Investigation (Section 6)
 - Training (Section 7)
- 3.5 The council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:
- Local tax payers
 - Service users
 - Business community
 - External Audit
 - Government departments and inspectorates
 - Local Government Ombudsman
 - H M Revenue and Customs
 - Department for Work and Pensions
- 3.6 A counter fraud and corruption response plan is attached at **Appendix 1**, which covers:
- employee, contractor and third party responsibilities, including guidance on how they should react if they suspect fraud or corruption;
 - management responsibilities and what management need to do if they receive an allegation of fraud or corruption;
 - the council's response to receipt of allegations of fraud or corruption

4 CULTURE

- 4.1 The Audit Committee's remit is to review the council's corporate governance, risk management and control arrangements. In doing so, they have specific responsibilities in relation to counter fraud:
- to review the assessment of fraud risks and potential harm to the council from fraud and corruption; and
 - to monitor the counter fraud strategy, actions and resources.

- 4.2 This Policy describes the council's approach to probity, financial control and honest administration; and the commitment to the fight against fraud, whether perpetrated by elected members, employees, contractors or the public. Reference to this stance is included within finance and contract rules and is also reflected within the Code of Conduct for employees. Elected member conduct is governed by the Members' Code of Conduct. The council is emphasising that it will deal with such matters seriously and take all necessary action, both to prevent such occurrences and to detect and deal with identified cases.
- 4.3 The council expects that employees support this approach by reporting matters of genuine concern to their line manager where applicable or through the council's Confidential Reporting (Whistleblowing) procedure. It is acknowledged that employees may find some difficulty in reporting potential fraud or corruption. The council can assure employees raising such concerns that they will be fully supported; they will have nothing to fear from reprisals; and that there will be no adverse impact on their personal situation. Where anonymity is requested every effort will be made to guarantee such confidentiality.
- 4.4 The reporting of concerns by members of the public is also encouraged by publishing appropriate telephone numbers and online reporting information and by ensuring that the council, particularly Internal Audit, is seen to be both accessible and responsive. This requires a positive reaction to all expressions of concern including those which are anonymous. As with employees, requests for confidentiality by members of the public will be honoured where possible but cannot be guaranteed.
- 4.5 Senior managers are responsible for ensuring that any allegation or instance of fraud or corruption notified to them, is immediately reported to Internal Audit who will then arrange, through clearly defined procedures to:
- deal promptly with the matter;
 - record all evidence received;
 - ensure evidence is both sound and adequately supported;
 - ensure the security of all evidence collected;
 - notify as appropriate, the Chief Executive, Chief Finance Officer, the relevant executive director(s) and the assistant director or other senior manager(s) as appropriate;
 - liaise with the Police, if necessary; and
 - assist in progressing disciplinary procedures as appropriate.
- 4.6 The council will deal as quickly and thoroughly as possible, with anyone who attempts a fraudulent or corrupt act against the council and will be robust in dealing with any malpractice, financial or otherwise.

5 PREVENTION

Employees

- 5.1 The council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff in terms of their propriety and integrity. Employee recruitment must, therefore, be in accordance with the council's

recruitment procedures. In particular, written references should be obtained regarding the known honesty and integrity of potential employees before employment offers are made, together with evidence of their right of entitlement to work in the UK.

- 5.2 Where necessary and appropriate Disclosure and Barring Service checks should be completed before any formal job offer is made.
- 5.3 Council employees are expected to follow the Code of Conduct for employees and any Code related to their personal professional qualifications.
- 5.4 All employees will be bound by the requirements of the Code of Conduct for employees and will be required to declare within their service area 'register of interests', any interest in contracts and any other matters or association with any council activity which could cause potential conflict. There is also a requirement to disclose gifts and hospitality where relevant.

Members

- 5.5 Members are required to adhere to the local Code of Conduct as approved by Council. As part of the compliance with the local code of conduct and the law, members are required to declare all disclosable pecuniary interests to the Monitoring Officer within 28 days of their election, or within 28 days of any change occurring, or within 28 days of a member becoming aware of any change to their disclosable pecuniary interests. A disclosable pecuniary interest is as prescribed by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. The Monitoring Officer is required by law to maintain a register of all disclosable pecuniary interests which is open for inspection by the public. Failure to disclose a pecuniary interest can constitute a criminal offence. Members are also required to notify the Monitoring Officer of any gifts or hospitality with an estimated value of at least £50 which they receive in their role as a member of the council.

Gifts and Hospitality

- 5.6 The council expects all employees to display high standards of integrity in their relationships with third parties. The council's gifts and hospitality procedure provides guidance to employees when considering whether to accept gifts or hospitality from individuals or organisations.
- 5.7 Gifts, hospitality or other benefits offered to council employees or their families by a third party could, or could be seen to, compromise their personal judgment or integrity and might appear to place the employee under an obligation. This is particularly the case where the gesture or offer could be interpreted as being made in an attempt to influence decision-making.
- 5.8 All members and employees will ensure they act within the law and will need to be mindful of the Bribery Act 2010 which 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". This includes bribery of another person or accepting a bribe. Additionally, it is an offence to fail to prevent Bribery.

Systems

- 5.9 The council regularly reviews its Finance and Contract Rules and Codes of Conduct. These documents place a duty on members and employees to act in accordance with established best practice when dealing with the affairs of the council.
- 5.10 It is the responsibility of managers to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of fraud and corruption. The council ensures effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. The adequacy and appropriateness of the council's financial and other systems is independently monitored by both internal and external audit.

6 DETECTION AND INVESTIGATION

- 6.1 The array of preventative systems, particularly internal control systems, within the council has been designed to provide indicators of any fraudulent activity and therefore also to act as a deterrent.
- 6.2 Internal Audit also undertake specific tests or initiatives to detect fraud. Examples include:
- data matching both internally and via the National Fraud Initiative, to match data across different financial and other systems to detect fraud;
 - seeking information from the National Anti Fraud Network (NAFN)
- 6.3 It is often the alertness of staff and the public to indicators of fraud that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress.
- 6.4 As indicated in section 4, employees are expected to support this policy by reporting matters of genuine concern to their managers or supervisors. If employees prefer to raise concerns other than with line management, alternative routes are available, including:
- Internal Audit (Tel: 01922 654760 internalauditservice@walsall.gov.uk)
 - Assistant Director of Finance (Tel: 01922 652102 james.walsh@walsall.gov.uk)
 - Head of Legal & Democratic Services (Tel: 01922 654822 anthonycox@walsall.gov.uk)
 - Head of Finance (Tel: 01922 652326 vicky.buckley@walsall.gov.uk)
 - Head of Human Resources (Tel: 01922 655776)
 - Executive Directors:-
 - Children's (Tel: 01922 652081 david.haley@walsall.gov.uk)
 - Economy and Environment (Tel: 01922 652004 simon.neilson@walsall.gov.uk)
 - Change and Governance (Tel: 01922 655600 Julie. alderson@walsall.gov.uk)
 - Adult Social Care (Tel: 01922 654700 Paula.furnival@walsall.gov.uk)
 - External Audit (Tel: 0118 928 1507 hrohimun@uk.ey.com)

- the Police (Tel: 0845 113 5000)
- on line reporting: to enable concerns to be reported in a secure and confidential manner. See Link:
https://www2.walsall.gov.uk/eforms/ufsmain?formid=FRAUD_NOTIFICATION&sessionid=1

- 6.5 In addition to the above, matters of concern in relation to housing benefits, council tax reduction scheme, welfare benefits or housing related issues, can be raised with the Benefits Service Investigation Team (Tel: 01922 653988 craig.george@walsall.gov.uk), who will liaise with Internal Audit accordingly.
- 6.6 Any suspicion or allegation in respect of Benefit claimants unrelated to those in 6.5 should be reported directly to the Department for Work and Pensions (DWP) on 0800 854 440, who have responsibility for investigating such complaints.
- 6.7 The investigatory responsibility for housing benefits rests with the DWP and therefore the Benefits Service Investigation team will report any concern or allegation to the DWP and liaise with them as appropriate. Any individual with a concern in respect of housing benefits can therefore also report that concern direct to the DWP on the number above.
- 6.8 Abuse of the process by raising malicious, unfounded allegations will be treated as a serious disciplinary matter. Employees however, should not be deterred from raising genuine concerns and in so doing they will be supported in every possible way.
- 6.9 Despite the best efforts of management and auditors, inevitably a number of frauds are discovered by chance or “tip off” and the council has arrangements in place to enable appropriate action to be taken in such instances.
- 6.10 Dependent upon the nature and anticipated extent of the allegations, Internal Audit will normally work with management and other agencies such as the Police to ensure that all allegations are properly investigated and reported upon. Where allegations are proven and the council has suffered loss the council will always seek to recover those losses in full.
- 6.11 Assistant directors and senior managers will be expected to implement the council's disciplinary procedures where the outcome of the audit or other investigation indicates improper conduct on the part of employees.
- 6.12 The council will expect the Police to independently take action to prosecute offenders where financial impropriety is discovered. Referral to the Police will not prohibit action under the disciplinary procedures.

7 TRAINING

- 7.1 The council recognises that the continuing success of its Counter Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of training and the responsiveness of employees throughout the organisation.
- 7.2 To facilitate this the council supports the concept of induction and on going training and development, particularly for employees involved in internal control systems, to

ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

7.3 There is the possibility of disciplinary action being taken against staff who refuse unreasonably to undertake relevant job related training or any relevant instructional guidance.

7.4 Investigation of fraud and corruption is undertaken by Internal Audit. It is therefore apparent that staff involved in this work should also be properly and regularly trained in all aspects of it. The training plans of audit staff reflect this requirement.

8 CONCLUSION

8.1 The council has in place a clear network of systems, procedures and controls to assist in the fight against fraud and corruption. It is determined that these arrangements will keep pace with future developments in both preventative and detection techniques.

8.2 A continuous overview of such arrangements takes place through, in particular:

- the Audit Committee, whose remit includes considering the effectiveness of the council's control environment and associated counter fraud arrangements;
- the Assistant Director – finance who has overall responsibility for the council's financial affairs under Section 151 of the Local Government Act 1972, and Section 114 of the Local Government Finance Act 1988;
- Internal Audit discharging its responsibilities detailed within financial and contract rules and the Accounts and Audit Regulations 2015.
- the council's External Auditor.

8.3 The council maintains a fraud risk register and keeps this under continuous review.

Updated: March 2017

COUNTER FRAUD AND CORRUPTION RESPONSE PLAN**1 INTRODUCTION**

- 1.1 Walsall Council is committed to the values of probity and accountability, but a determined perpetrator will often attempt to find a way around systems and controls. It is therefore important that all staff and contractors know what to do in the event of encountering fraud, so they can act appropriately and without delay, and it is necessary for all managers to be aware of what is required in the event of being notified of or discovering a suspected fraud.
- 1.2 This Counter Fraud and Corruption Response Plan (the “Plan”) compliments the council’s overall Counter Fraud and Corruption Policy, and covers the council’s response to suspected or apparent irregularities affecting resources belonging to or administered by the council, or offences perpetrated by contractors and suppliers against the council.
- 1.3 The Plan provides guidance to ensure effective and timely action is taken. Other documents that should be referred to when reading the Plan include the council’s:
- Counter Fraud and Corruption Policy;
 - Anti-Money Laundering Policy;
 - Whistleblowing Policy;
 - Employee Code of Conduct;
 - Disciplinary Procedures;
 - Finance Rules;
 - Financial Management and Control Manual
 - Contract Procedure Rules
 - Information Risk & Security Policy
- 1.4 This document provides guidance to employees of the council in the event of them becoming aware of:
- Offences being committed against the council by a council Member or another council employee;
 - Offences being committed against the council by a member of the public;
 - Offences being committed against the council by a contractor or supplier to the council;
 - A council Member or an officer carrying out a corrupt act.
- 1.5 This document sets out the process, identifies the procedure for employees who wish to notify any suspicions and indicates how employees should respond.

2. OBJECTIVES

- 2.1 The objectives of the Plan are to ensure that timely and effective action can be taken to:

- Prevent loss of funds or other assets where fraud has occurred and to maximise recovery of any loss;
- Minimise the occurrence of fraud by taking rapid action at the first signs of a problem;
- Deter people from committing fraud against the council;
- Identify offenders and maximise the success of any disciplinary and/or legal action taken;
- Be open with members and the public about fraud;
- Demonstrate that the council acts to protect the public purse when fraud is identified, which in turn will help minimise any adverse publicity for the council; identify any lessons which can be acted upon in managing fraud in the future;
- Reduce adverse impact on the business of the council.

2.2 This document is available to all employees of the council by being made available on the council's Intranet and Internet pages. It is also intended that all managers within the council will be issued with a copy of the document and asked to acknowledge they have understood its contents. This document, together with all relevant counter fraud policies and guidance, will be made available to the council's contractors and third party suppliers.

3 RESPONSIBILITIES AND NOTIFICATION OF A SUSPECTED FRAUD

3.1 Employee and Elected Member Responsibilities

It is the responsibility of all employees and Members of the council to report suspected fraud or corruption whenever they come across it within their work, or in connection with their duties. This could be by an employee, their manager, a contractor or agency worker, councillor or an external organisation. It is not acceptable to turn a blind eye to suspected wrongdoing and disciplinary action may be instituted if a member of staff or member has been complicit in ignoring a fraud or instance of bribery. The council wants to make reporting fraud and corruption as easy as possible and to reassure staff and members that their identity will be protected as far as possible.

In addition to reporting fraud, staff and members have a duty to report instances where they believe that the council's assets are at risk, as this exposes the council to risk through the misuse of such assets. For example, this may be because there is a physical security risk and an asset could be stolen, or it may be a breach in the IT system and it is information that is vulnerable.

Employees and members must always report instances of breaches in IT security to their manager (or direct to ICT members) in particular when they think that their password has been compromised. The council's Information Governance and Assurance procedures, along with the email and internet usage procedure, available on the Intranet, sets out specific requirements on how employees and members should maintain a secure IT environment.

3.2 Contractor and Other Third Party Supplier Responsibilities

It is a contractual obligation for all contractors and third party suppliers of the Council to report fraud or corruption whenever they come across it within their work, or in connection with their duties. It is not acceptable to turn a blind eye and action

may be taken if a contractors or third party suppliers have been complicit in ignoring a fraud or instance of bribery. As a result, the council wants to make reporting fraud and corruption as easy as possible and to reassure contractors and third party suppliers that their identity will be protected as far as possible.

In addition to reporting fraud, contractors and third party suppliers have a duty to report instances where they believe that the council's assets are at risk. For example, this may be because there is a physical security risk and an asset could be stolen, or it may be a breach in the IT system and it is information that is vulnerable.

As for employees, where a Contractor or other third party supplier has access to council systems, they must ensure usernames and passwords provided are kept secure. Any breach in IT security, in particular when a password or access to a system has been compromised, this must be reported.

3.3 **Management Responsibilities**

The council's Finance Rules form part of the council's Constitution and set out a range of responsibilities that apply to management. Some of these relate specifically to the prevention of fraud and corruption, while others relate to internal control and the safeguarding of assets, which include the loss or misuse of assets as a result of fraudulent or corrupt activity. The relevant financial rules are as follows:

- Officers (and members) of the council have a duty to abide by the highest standards of probity in dealing with financial issues. This is made possible by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met. It is each manager's responsibility, to ensure that officers they are responsible for are adequately trained to understand their responsibilities and perform their duties.
- Officers shall ensure that financial controls are promoted throughout the areas of the council's work in which they are involved. They should support and comply with all requirements to maintain a monitoring system to review compliance with financial standards.
- Directors are also responsible for informing the Internal Audit Manager of any serious break down of internal control and suspected/actual frauds in their services. The Internal Audit Manager is responsible for keeping the Assistant Director of Finance advised of any serious break down of internal control and frauds and advising on the proposed course of action to resolve the issues raised.
- All council Members and employees are personally responsible for ensuring integrity in the conduct of the Council's business and in particular by ensuring that they (and any subordinates) are aware and abide by:
 - The council's Counter Fraud and Corruption policies and procedures
 - The Confidential Reporting (whistleblowing) procedure
 - The Code(s) of Conduct
 - The Anti-Money Laundering Policy
 - The correct reporting procedures to alert the Chief Finance officer, Internal Audit or the Head of Law and Democratic Service (Monitoring Officer) of any suspected breaches of the afore-mentioned policies

The Assistant Director of Finance and Executive Directors are responsible for:

- Ensuring that managers have adequate systems of internal control to prevent or detect fraudulent activity
- Immediately notifying the Internal Audit Manager of any suspected fraud, theft, irregularity, improper use or misappropriation of the council's property or resources.

Whilst this Policy relates specifically to prevention, detection and investigation of fraud and corruption, all management have a responsibility to inform Internal Audit of irregularities that may require investigation (any action that falls short of expectations including, but not limited to a breach of internal controls, finance or contract rules, improper conduct, etc.). This is because these actions may also provide evidence of fraud or corruption. Internal Audit should be advised at the earlier opportunity, so that appropriate advice and support can be given in relation to any ensuing investigation.

3.4 **Notification of Suspected Fraud or Corruption**

Suspected fraud or corruption can be discovered in a number of ways but in all cases it is important that employees, elected Member and contractors feel able to report their concerns and are also aware of the means by which they are able to do so. The council has several means available:

3.4.1 **Line Management**

If an employee discovers or becomes aware of suspected fraud or corruption then Internal Audit must be advised immediately. Should the employee report the suspected fraud or corruption to their manager, they in turn should immediately pass on the information obtained from the employee to Internal Audit who will consult with senior management as appropriate.

An employee may not wish to report directly to your line manager, particularly if the employee suspects their involvement in committing the offence. In these circumstances, the notifying employee may prefer to report the suspicion to one of those persons shown at paragraph 6.4 of the main policy. In all cases, Internal Audit must be advised by the person(s) receiving the report.

3.4.2 **Internal Audit**

Although the primary role of Internal Audit is to provide an opinion as to the extent of assurance that can be placed on the adequacy of systems, procedures and controls within the council (the internal control environment), they are also charged with the responsibility for investigating cases of suspected fraud and corruption. Internal Audit has many years experience in fraud investigation and will always be receptive to discussing concerns raised by employees or the general public. In each case where anonymity is requested however, this will be scrupulously observed as far as they are able.

3.4.3 Other Avenues

If other methods of notification within the council are preferred, as set out in 6.4 of the Policy, where this involves suspected fraud or corruption, Internal Audit must be immediately notified by the person(s) receiving the report.

3.5 **Notification Procedure**

3.5.1 For reporting purposes, the normal sequence of events where fraud and/or corruption is suspected, is as follows:

- the employee to inform Internal Audit, line manager or other individuals as detailed in 6.4 of the main policy, immediately they become aware of or suspects that fraud and/or corruption has occurred or is likely to occur;
- if Internal Audit is not immediately notified, the individual who has been notified must immediately inform Internal Audit of the reported information. Where appropriate, Internal Audit will notify appropriate senior management of initial findings;
- where the report relates to an elected Member, the Chief Executive and Head of Legal & Democratic Services (Monitoring Officer) will be immediately notified by Internal Audit;
- where there is evidence to suggest that a criminal offence may have been committed, Internal Audit, following consultation with the Chief Executive (and where appropriate, the Head of Legal & Democratic Services and Chief Finance Officer), will inform the Police; and
- the matter may then proceed if appropriate in accordance with the disciplinary procedure.

Suspected fraud or corrupt act by a Benefit claimant - If a member of the public who is claiming benefit is committing the suspected fraud or corrupt act, you should report the fraud or corrupt act directly to the Department for Work and Pensions (DWP) on 0800 854 440, who have responsibility for investigating such complaints.

If the suspected fraud however is in relation to housing benefits, council tax reduction scheme, welfare benefits or housing related issues, then the report should be made to the Benefits Service Investigation Team (Tel: 01922 653988 craig.george@walsall.gov.uk), who will liaise with Internal Audit accordingly.

The investigatory responsibility for housing benefits rests with the DWP and therefore the Benefits Service Investigation team will report any concern or allegation to the DWP and liaise with them as appropriate. Any individual with a concern in respect of housing benefits can therefore also report that concern direct to the DWP on the number above.

3.5.2 Confidential Reporting (Whistleblowing) Procedure

The council has as established Whistleblowing procedure in accordance with the provisions of the Public Interest Disclosure Act 1998. All council employees and members can access the procedure on the councils Intranet and/or Internet pages. This procedure enables staff and members to raise concerns about any financial or other malpractice in the council without fear of being subject to victimisation or

discrimination. Staff and members may find it difficult to raise their concerns and would sometimes welcome the opportunity to discuss them with someone in confidence in the first instance.

Subject to the constraints of the council's duty of confidentiality to employees and elected Members, staff will be given as much information as possible about the outcome of any investigation.

In addition to being able to report a suspected fraud or corrupt act to the officers referred to in 6.4, employees and Members also have the option of reporting the matter to the council's External Auditors. The External Auditor is a 'prescribed person' under the provisions of the Act and a referral to them will be dealt with in the same way as if it had been made to the other contact points.

4 INTERNAL AUDIT INVESTIGATION OF A SUSPECTED FRAUD

4.1 Initial Stages

4.1.1 Once fraud or corruption is suspected it is critical that any investigation is conducted in a professional manner aimed at ensuring that the current and future interests of both the council and the individual(s) are protected. The latter is equally important, as a suspicion should not be seen as guilt to be proved. These enquiries should be carried out as quickly as possible with the objectives of either substantiating or repudiating the allegation that has been made.

4.1.2 It is also crucial that the notifying employee does not feel threatened. The council undertakes to protect the identity of such employees and not to release the source of notification at any time during the investigation.

4.1.3 Investigations often have to be carried out without alerting the person being investigated. Depending on the type of allegation, the case may have to be investigated for disciplinary proceedings, civil court proceedings or criminal court proceedings. Strict rules apply to investigations carried out for any type of court/tribunal proceedings and compliance with these is essential.

4.1.4 It is not uncommon for allegations of fraud or corruption to be received from an anonymous source. The council will investigate all allegations of fraud or corruption. When anonymous allegations are received, managers are advised to seek the advice and guidance of the Internal Audit Manager at an early stage.

4.1.5 For each notified suspicion where the disciplinary procedure commences, an 'Investigating Officer' will be appointed to be in charge of the investigation on a day to day basis. The Investigating Officer will be assisted by a senior audit officer.

4.2 Rights Accorded to Internal Audit

To facilitate the investigation of fraud and corruption (as well as normal audit work), Internal Audit are able to:

- access council premises at reasonable times;

- have access to all assets, records, documents, correspondence and control systems;
- receive any information and explanation considered necessary concerning any matter under examination;
- require any employee of the council to account for cash, stores or any other council asset under his/her control;
- access records belonging to third parties such as contractors when required; and
- directly access the Chief Executive, Audit and Standards Committees.

4.3 Subsequent Steps

4.3.1 Internal Audit in conjunction with the Investigating Officer must:

- discuss, at an early stage, the initial findings with the appropriate senior management, and in consultation with the Head of Human Resources assess whether there is a need for any employee to be suspended. The decision should be kept under review at all stages of the ensuing investigation;
- identify a course of action (what, who, when, how, and where); and
- identify the reporting process (who by, to whom, when and how).

4.3.2 Any interviews conducted will be done in the correct manner, in accordance with council procedure. In addition, where this may lead to a criminal enquiry, all interviews will be undertaken by appropriately qualified staff and with due regard to the requirements of the Police and Criminal Evidence Act.

4.3.3 Internal Audit will always be available to offer advice and guidance.

5 LIAISON WITH EXTERNAL AUDIT AND THE POLICE

5.1 External Audit

Internal Audit will notify External Audit, and liaise with them, at appropriate times.

5.2 Police

5.2.1 The experts at investigating fraud and corruption matters are the Police who will also advise on the likely outcome of any intended prosecution. Following consultation with the Chief Executive as appropriate, Internal Audit is under a duty to report suspected offences to the Police.

5.2.2 The Police welcome early notification of suspected criminal offences and, where appropriate, informal discussion may take place before formal referral, to establish the precise nature of offences and the evidential requirements.

5.2.3 If the Police decide that a formal investigation is necessary, all employees must co-operate fully with any subsequent inquiries or recommendations. All contact with the

Police following their initial involvement will normally be via Internal Audit or the Investigating Officer.

- 5.2.4 Where the Police decide to formally investigate, this will not normally prejudice any internal disciplinary procedures, which should wherever possible continue as normal. The internal investigation however, and that of the Police should be co-ordinated to make maximum use of resources and information. At times, it may be appropriate to await the outcome of the Police inquiry before concluding any disciplinary action. Care should be taken to ensure that the internal inquiries do not undermine the Police inquiries.
- 5.2.5 Internal Audit will take responsibility for preparing any required statements and assembling all evidence and exhibits. Occasionally, witness statements may be required from other parties and Internal Audit will co-ordinate this with the Police.
- 5.2.6 Internal Audit, in conjunction with legal services, and the appropriate assistant director or senior manager, will ensure a compensation order is incorporated into any criminal prosecution and will ensure other avenues of recovery such as fidelity guarantee or civil claims are robustly pursued.

6 INTERNAL REPORT

- 6.1 At appropriate intervals, as soon as the initial detection stage has been completed and prior to the final report, Internal Audit and/or the investigating officer may prepare an interim, confidential report on the progress of the investigation. The report will be to the appropriate senior manager. The Head of HR will also be kept up to date in respect of disciplinary issues and, depending upon the nature and extent of the fraud, the Chief Executive will be kept informed. The interim reporting process will identify the:
- findings to date;
 - interim conclusions drawn from those findings;
 - action taken to date;
 - further actions deemed to be necessary.

7 FINAL REPORT

- 7.1 This report will supersede all other reports and will be the definitive document in which all action taken will be recorded. It will be used by management for disciplinary action purposes unless disciplinary action has been taken on the basis of an interim report. It will also be used to identify any system weaknesses that facilitated the fraud and make recommendation(s) for improvement. The format of the report will not always be the same but will always include the following basic information:
- how the investigation arose;
 - the personnel involved;
 - their position and responsibilities in the council;
 - the facts and evidence identified;

- the financial implications including losses and recoveries;
- a summary of the findings and agreed actions, both regarding the fraud and / or corruption itself and additional work to address the system weaknesses identified during the investigation.

8 PORTFOLIO HOLDER / AUDIT COMMITTEE INVOLVEMENT

- 8.1 Using the reports identified in the preceding section, a summary report may be submitted to the appropriate portfolio holder identifying salient features of the investigation, the findings, action taken and lessons learned.
- 8.2 The Internal Audit monitoring report to the Audit Committee will provide a summary of all suspected irregularities investigated.

Updated: March 2017