



**South Staffordshire Council**

# **Counter Fraud and Corruption Policy**

October 2023



**fraud**



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# Counter Fraud and Corruption Policy

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# Counter Fraud and Corruption Policy

## 1. POLICY STATEMENT

- 1.1. South Staffordshire Council (the 'council') fully recognises its responsibility for the proper administration of its assets and public funds. It maintains a zero tolerance stance against fraud, bribery and theft and is committed to the fullest support for members and staff in upholding the reputation of the council and maintaining public confidence in its integrity. It also recognises its responsibilities under the Proceeds of Crime Act 2002, Fraud Act 2006, Terrorism Act 2000, Money Laundering Regulations 2017 and the Bribery Act 2010.
- 1.2. The council is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. Any such issues will be thoroughly investigated and, if confirmed, dealt with rapidly in the strongest possible way. We will seek the strongest possible sanctions against those who seek to defraud the council. This includes taking appropriate action against staff, members, contractors, external individuals and organisations.
- 1.3. The council also expects that individuals and organisations (e.g. partners, suppliers/contractors and service users) which it comes into contact with, will act towards the council with integrity and without actions involving fraud or corruption. The council in turn will endeavour to ensure that all of its dealings will be on the same basis.
- 1.4. This policy is a key element of the council's overall corporate governance arrangements which aim to ensure the council is well managed and does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. The council has a range of other interrelated policies and procedures that provide a corporate framework to counter fraud activity. These have been formulated in line with appropriate legislative requirements and include:
  - Financial Procedure rules
  - Contract Procedure rules
  - Whistleblowing Policy
  - Recruitment & selection procedures
  - Disciplinary Procedures
  - Data Protection Policy
  - IT Security and Acceptable Use Policy
  - Constitution
  - Code of Conduct for Members
  - Code of Conduct for Employees
  - Scheme of Delegation
  - Members Handbook
  - Gifts & Hospitality Policy & Register and
  - Anti-money Laundering Policy

# Counter Fraud and Corruption Policy

## 2. OBJECTIVES

- 2.1. In administering its aims and responsibilities the council is totally committed to deterring fraud and corruption, whether it is attempted on or from within the council. The key objectives of this Counter Fraud and Corruption Policy is to:
- Increase awareness of the counter fraud responsibilities at all levels within and outside the council;
  - Further embed and support the effective management of fraud risk within the council;
  - Support counter-fraud activities across the council; and
  - Minimise the likelihood and extent of loss through fraud and corruption.
- 2.2. All of the above will directly support the achievement of the council priorities whilst ensuring that statutory responsibilities are met.

## 3. DEFINITIONS

- 3.1. A dishonest act or fraudulent activity may be, but is not limited to, an act or activity that is unethical, improper, or illegal such as:
- Theft of an asset including, but not limited to, money, tangible property, intellectual property etc;
  - Misappropriation, misapplication, destruction, removal or concealment of property;
  - False claims and/or misrepresentation of the facts;
  - Alteration or falsification of documents, which includes the inappropriate destruction of paper or electronic documents;
  - Inappropriate use of computer systems including hacking and software piracy;
  - Embezzlement;
  - Bribery; or corruption of any kind;
  - Unlawful or undeclared conflict of interest;
  - Unauthorised use or misuse of council property, equipment, materials or records.

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## Fraud

3.2. All references to fraud within this document include any type of fraud-related offence. Whilst the Fraud Act (2006) (the 'Act') does not provide a single definition of fraud, it may be described as 'theft by deception'. The key characteristics of fraud include an individual acting dishonestly and with the expectation of either making a gain for themselves or another person, or, causing loss to a third party.

3.3. The Act identifies fraud as a single offence which can be committed in three separate ways;

**Fraud by false representation** - A person dishonestly makes a false representation, intending to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss. The legal definition of 'representation' is broad and includes written, verbal and non-verbal communication.

**Fraud by failing to disclose information** - A person dishonestly fails to disclose to another person information which they are under a legal duty to disclose, and intends, by failing to disclose the information to make a gain for himself or another, to cause loss to another or to expose another to a risk of loss.

**Fraud by abuse of position** - A person occupies a position in which they are expected to safeguard, or not to act against, the financial interests of another party, dishonestly abuses that position, and intends, by means of abuse of that position to make a gain for themselves or another, or, to cause loss to another or to expose another to the risk of loss.

**Related Offences** - The Fraud Act also contains additional offences that may be considered on a case by case basis: Possession of articles for use in fraud; making or supplying articles for use in fraud; and obtaining services dishonestly.



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## Bribery

3.4. The definition of bribery is offering or accepting gifts, hospitality or dishonest payments in exchange for goods or services.

3.5. Under the Bribery Act 2010, bribery can be committed by individuals in two main offences;

*Offering, promising or paying a financial, or other advantage to another person to induce that person to perform improperly a relevant function or activity, or to reward that person for the improper performance of such a function or activity, in order to gain an advantage.*

*Requesting, agreeing to receive, or receiving a bribe intending that as a consequent improper duty would be performed, or knowing that acceptance of the bribe is in itself improper.*

In both instances, the bribe is intended to influence performance of a function, which may be carried out before, at the same time, or after the bribe is paid.

3.6. Bribes can take many forms including cash, holidays, event tickets, meals etc. Decisions could relate to among others, recruitment, the award of contracts, planning consents and other awards. Bribes may be paid directly or via a third party.

3.7. The council is deemed a 'commercial organisation' under the Act and therefore can commit an offence by failing to prevent bribery. It is only possible to defend such an allegation if the council has put in place adequate procedures to prevent persons associated with it from undertaking such conduct.

3.8. Neither the council, or, third parties representing the council, will accept nor offer bribes to contractors, suppliers or customers and should act with integrity at all times.

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## Theft

- 3.9. Theft is defined in the 1968 Theft Act as follows. *'a person shall be guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it'*.

**Also relevant to this Policy;**

## Corruption

- 3.10. Corruption does not in itself define a specific crime in the UK, however, is a term used to describe a wide range of unethical behaviour, including fraud and bribery.

## Money Laundering

- 3.11. The process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back to a crime. The Corporate Director of Governance is the council's Money Laundering Reporting Officer (MLRO) as required by the Money Laundering Regulations 2017.

## Cyber Fraud

- 3.12. Cyber Crime is defined as a crime in which a computer is the object of the crime (hacking, phishing, spamming) or used as a tool to commit an offence. Cyber Fraud is specifically any type of deliberate deception for unfair or unlawful gain that occurs online. There are three stages to the perpetration of Cyber Crime, Infection Capture (collection of security information) & Execution.

## Benefit Fraud

- 3.13. Housing Benefit and Council Tax Benefit are administered by the council, on behalf of the Government. They are paid to people who are liable to pay rent and/or Council Tax and who have a low income, whether they are working or not. Benefit fraud is defined as when someone obtains state benefit they are not entitled to or deliberately fails to report a change in their personal circumstances. i.e. failure to disclose financial assets and/or changes to employment or individual(s) residing at a property.

# Counter Fraud and Corruption Policy

## 4. MANAGEMENT OF FRAUD, BRIBERY AND THEFT RISKS

- 4.1. All organisations have an ever-present risk of loss due to fraud, bribery or theft, from sources both internal and external. The council takes a responsible, long term view of the need to continuously develop counter fraud, bribery and theft initiatives and maintain a culture of awareness.

### Culture

- 4.2. The Nolan Committee set out the seven guiding principles that apply to people who serve the public. The council expect members and staff to act in accordance with the Seven Principles of Public Life (Nolan Committee) and these are incorporated within the councillor's Code of Conduct. The Seven Principles are outlined at Appendix 1 of this document.
- 4.3. The council has determined that the culture and ethics of the council are ones of honesty and openness in all its dealings, with opposition to fraud and corruption. The council's members and staff play an important part in creating and maintaining this culture. They are encouraged to raise any matters that concern them relating to the council's methods of operation in accordance with this Counter Fraud & Corruption Policy or the council's Whistleblowing Policy.
- 4.4. The council's Whistleblowing Policy ensures that those raising concerns know they will be treated seriously and their concerns are properly investigated in a confidential and impartial manner. In raising concerns staff can be assured that they will be protected if the disclosure is made in the public interest and will not affect their employment situation or future prospects with the council.
- 4.5. Managers should strive to create an environment in which staff feel able to approach them with concerns they may have about suspected irregularities. If managers and staff are unsure of the appropriate action they should consult with the Audit Services.
- 4.6. The Audit Service is responsible for developing and implementing a fraud, bribery and theft awareness plan, giving consideration to the varying needs of elected members, staff (including new joiners), contractors and members of the public to be aware of the potential fraud risks and actions.
- 4.7. Staff should raise their concerns with the Audit Manager, or in their absence with a member of the Audit Service. Where staff feel unable to raise concerns with the Internal Audit Manager, they can raise their concern with their line manager, who must immediately inform the Internal Audit Manager. Under no circumstances should any investigations be undertaken by management.



# Counter Fraud and Corruption Policy

## Prevention

- 4.8. The council is committed to preventing fraud, bribery and theft through sound governance, internal control and robust employee vetting. The responsibility for implementing adequate controls rests with management.
- 4.9. Employee recruitment is required to be in accordance with procedures laid down by the council. Written references covering the known honesty and integrity of potential staff and where required, evidence of a licence to practice must always be obtained. All qualifications will be verified. There will be an open and fair policy.
- 4.10. Team Managers are responsible for ensuring agencies engaged for the supply of temporary staff have rigorous vetting processes and that references are sought direct from previous clients with regard to the suitability and integrity of the candidate.
- 4.11. Management at all levels are responsible for ensuring that staff are aware of the key Corporate Governance policies and procedures (listed at 1.4. of this document) and that the requirements of each are being met.
- 4.12. The Council has developed and is committed to systems and procedures which incorporate efficient and effective internal controls and which include adequate separation of duties. The Corporate Leadership Team, Extended Leadership Team and Team Managers are required to ensure that such controls, including those in a computerised environment, are properly maintained, documented, communicated to staff and adhered to.
- 4.13. Staff are required to declare any Conflicts of Interest and/or any offers of gifts or hospitality which are in any way related to the performance of their duties to the Monitoring Officer (Corporate Director of Governance) in accordance with the Employee Handbook and the Gifts and Hospitality Policy.
- 4.14. Members are required to operate within the following:-
- Sections 26 – 37 of the Localism Act 2011
  - Councillor's Code of Conduct
  - The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 No. 1464
  - The council's Standing Orders and Financial Regulations.
- 4.15. These matters are specifically brought to the attention of elected members at their induction and subsequent training. Members are required to provide the Monitoring Officer with specific information concerning their disclosable pecuniary interests and to keep that information up to date, as required by sections 29-34 of the Localism Act 2011. The Members Interests Register is held by the Monitoring Officer (Corporate Director of Governance). The Standards and Resources Committee has oversight for compliance with the Code of Conduct by members.

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## Detection

4.16. The council will participate in the exchange of information between itself and outside bodies to assist with the identification of fraud, bribery and theft. Any such exchange of information will be undertaken in accordance with the principles contained in the Data Protection Act 2018. These may include:

- Police
- External Audit
- Local, Regional and National Auditor Networks
- Staffordshire Counter Fraud Partnership
- Department for Work and Pensions
- Other Local Authorities
- National Fraud Initiative (NFI)

4.17. The council's Audit service will undertake a series of proactive fraud detection exercises designed to detect and deter fraud, bribery and theft in high risk areas through identification and verification of high risk transactions.

4.18 Considerations during Proactive and Reactive Counter Fraud Activity:

Whilst undertaking both proactive and reactive investigations, with the primary objective of preventing, detecting and/or deterring fraud, consideration is given to the following areas:

- Protecting Human Rights
- Avoiding discrimination (unequal treatment of individuals or groups based on protected characteristics)

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## 5. INVESTIGATION & REDRESS

- 5.1. Fraud, bribery and theft concerns can be reported to the council by employees, suppliers and the public using the contact details identified in Appendix 2.
- 5.2. Members of the Corporate Leadership Team are required by Appendix A Section 3.33 of the Financial Procedure Rules to notify the Director of Finance immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the member of the Corporate Leadership Team should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.3. Members of the Extended Leadership Team and/or Team Managers are required to notify the applicable member of the Corporate Leadership Team and/or the Audit Manager if a fraud or other irregularity is discovered or suspected. They should also ensure that any supporting documentation, or, other evidence is secured and confidentially maintained so as not to prejudice any subsequent investigation.
- 5.4. Staff should report any suspected irregularities to their Line Manager or they may use the council's Whistleblowing Policy and Procedure.
- 5.5. Where potential fraud, corruption or bribery is suspected an investigating officer will be appointed to assess all allegations and where appropriate lead an investigation.
- 5.6. Where evidence of fraud, corruption or bribery is identified, consideration will be given to all available sanctions. These may include:
  - Invoking the Council's Disciplinary Procedure, supported by Human Resources.
  - Referral of individuals to professional bodies.
  - Civil recovery of losses.
  - Criminal prosecution, with Police support.
- 5.7. The council's Disciplinary Procedure will be used to facilitate an appropriate investigation of any allegation of improper behaviour by employees of the council.
- 5.8. The Corporate Director of Governance (Monitoring Officer), Director of Finance (Section 151 Officer) and Chief Executive will decide, based on advice from the Audit Manager, appropriate Team Manager and Human Resources (where appropriate) as to whether there are sufficient grounds for the matter to be reported to the Police.
- 5.9. Where a fraud has occurred, management must consider changes to systems and procedures to minimise the risk of similar frauds occurring in the future. Any investigation may highlight where there has been a failure of supervision or a breakdown or absence of control.

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- 5.10. At the conclusion of the investigation, a report will be prepared and distributed to members of the Corporate Leadership Team, the appropriate member(s) of the Extended Leadership Team and the members of the Audit & Risk Committee. This will include recommendations detailing areas for control improvements.
- 5.11. All significant investigations may be taken into account when assessing the overall governance arrangements as part of the completion of the Annual Governance Statement.
- 5.12. Any allegations against members will be considered and investigated by the Corporate Director of Governance (Monitoring Officer), with support from the Audit Service, External Audit and/or the Police, where considered necessary.
- 5.13. The council is required to report any cases in which it is suspected that transactions involve the proceeds of crime. If staff or managers have any such suspicion, this should be reported immediately to the Director of Finance and/or Corporate Director of Governance, who shall advise on the necessary action and ensure the matter is reported to the appropriate authorities.



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## 6. ROLES AND RESPONSIBILITIES

- 6.1. Roles and responsibilities for identifying and mitigating against the risk of fraud must be clearly understood and embraced effectively.

**Chief Executive** – The Chief Executive is ultimately accountable for the effectiveness of the Council's arrangements for countering fraud, bribery and theft.

**Corporate Director of Governance (Monitoring Officer)** – The Corporate Director of Governance is responsible for advising members and staff on ethical issues, standards and powers to ensure that the council operates within the Law and Statutory Codes of Practice. The Corporate Director of Governance is the council's Money Laundering Reporting Officer (MLRO).

**Director of Finance (Section 151 Officer)** – The Director of Finance must ensure that the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced effective Audit Service.

**Audit and Risk Committee** – The Audit and Risk Committee is responsible for monitoring the Council's strategies and policies and considering the effectiveness of the arrangements for Counter Fraud and Whistleblowing. The Committee is also responsible for setting and monitoring the Internal Audit (including counter fraud) Plan. The Committee is also responsible for the approval of the Annual Governance Statement.

**Members** – Elected Members are required to operate the council's Constitution including the Code of Conduct in Part 5 and to support and promote the development of a strong counter fraud culture. A declaration and registration must be made with the Corporate Director of Governance and updated regularly, listing disclosable pecuniary interests of the Member and any partner.

**External Audit** – The objective of External Audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material mismanagement, whether due to fraud or error. External Audit are also required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Internal Audit** – Internal Audit will report on the effectiveness of controls to the Audit & Risk Committee and are responsible for developing and implementing the Counter Fraud and Corruption Policy and investigating any issues reported under this Policy. Internal will also ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this Policy and that action is identified to improve controls and reduce the risk of recurrence.

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**Corporate Leadership Team, Extended Leadership Team and Team Managers** - Required to promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. They are responsible for ensuring mechanisms are in place within their service areas to assess the risk of fraud, bribery and theft and to reduce these risks by implementing strong internal controls.

When new or revised council policies and procedures are being implemented consideration should be given to associated fraud and corruption risks to ensure that the council continues to prevent, detect and deter fraud, theft and bribery as thoroughly as possible.

When new contracts with suppliers are being set up, to ensure appropriate arrangements are in place to make suppliers and their staff aware of fraud reporting processes, for example reference to this Policy or reporting mechanisms detailed in Appendix 2.

**All employees (including temporary staff)** - Required to comply with all Council policies, procedures and codes of practice, to be aware of the possibility of fraud, corruption, theft and bribery and to report any concerns. (see Appendix 2 for details).

Employees are also expected to comply with Section 117 of the Local Government Act 1972, regarding declaring any interests in contracts that have been entered into or proposed; and any professional obligations issued by Professional Institutes of which they are members.

Employees should act with integrity at all times.

**Suppliers, Partners, Consultants working for/on behalf of the council** – To be aware of the possibility of fraud, corruption, theft or bribery against the council and to report any concerns/suspensions via the reporting facilities detailed in Appendix 2.

# Counter Fraud and Corruption Policy

## APPENDIX 1

### The Seven Principles of Public Life (Nolan Committee)

#### Selflessness

Holders of public office should act solely in terms of the public interest.

#### Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

#### Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### Honesty

Holders of public office should be truthful.

#### Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

# Counter Fraud and Corruption Policy

## APPENDIX 2

### HOW TO REPORT ANY SUSPECTED FRAUDS, CORRUPTION, OTHER IRREGULARITIES OR CONCERNS

An individual wishing to report a concern relating to fraud or bribery may wish to stay anonymous. Whilst concerns raised anonymously will be considered and assessed, it is often vital to speak to the source of a concern to obtain additional information once an investigation has started. Therefore we request that contact details are provided wherever possible.

Please do not carry out any additional investigation once a concern of fraud is identified. Failure to follow appropriate investigative procedures may result in valuable evidence becoming unusable in pursuit of criminal sanctions.

Employees of the council wishing to raise a concern should also consider reading the council's Whistleblowing Policy.

#### For all general issues:

- Call Internal Audit Manager on **01785 276401**
- Email Audit via **[susan.bluck@staffordshire.gov.uk](mailto:susan.bluck@staffordshire.gov.uk)**
- Write to Audit Services, South Staffordshire District Council, Codsall Community Hub, Wolverhampton Road, Codsall, Wolverhampton, WV8 1PX

#### For benefit related issues (as per Section 3.13):

- Call the Investigations Team on **01902 696000**
- Email Benefit Fraud externally via **[benefitsInvestigation@sstaffs.gov.uk](mailto:benefitsInvestigation@sstaffs.gov.uk)**
- Telephone the national benefit fraud hotline on **0800 854 440**
- Write to South Staffordshire Benefit Investigation Team, South Staffordshire District Council, Codsall Community Hub, Wolverhampton Road, Codsall, Wolverhampton, WV8 1PX.

If in doubt, then **Protect** will give free and totally independent advice on how to proceed, or call Action Fraud on **0300 123 2040**. More information can be found in the Whistleblowing Policy.

Further information can also be located on the council's web page **[www.sstaffs.gov.uk/council-democracy/corporate-fraud](http://www.sstaffs.gov.uk/council-democracy/corporate-fraud)**



# Counter Fraud and Corruption Policy

**To contact the council's external auditor write to or call:**

Azets  
Regis House  
45 King William Street  
London  
EC4R 9AN  
[www.azets.co.uk](http://www.azets.co.uk)  
email: [Paul.Grady@azets.co.uk](mailto:Paul.Grady@azets.co.uk)

## **What to consider when reporting a fraud or bribery:**

If you choose to remain anonymous, please take time to include as much detail as possible when reporting a concern. Where appropriate, and if known, the following details could help instigate an investigation:

- Where the fraud took place
- How the fraud took place
- When the fraud took place (or timeframe from when fraud may have started)
- Who is committing the fraud/bribery
- Who else may be implicated
- The approximate value of the concern



**South Staffordshire Council**

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