



## **Appendix 1**

# **Counter Fraud Strategy (Draft)**

**March 2012**

## 1. Context and Purpose

- 1.1 Brighton & Hove City Council (the Council) is committed to protecting the public funds that it is responsible for. Like other large organisations, the size and nature of its services puts the Council at risk from loss due to fraud, bribery and corruption and it is determined to minimise risks from both inside and outside the organisation.
- 1.2 An effective Counter Fraud Strategy is key to the Council in directing and controlling its business with openness, integrity and accountability.
- 1.3 Far from being a victimless crime, fraud, bribery and corruption deprives vital services of the resources that they need.
- 1.4 The purpose of this Strategy is to set out clearly to Members, employees, contractors, its partners and the public:
- The Council's commitment to tackling fraud, bribery and corruption
  - Its actions to promote the prevention of fraud and corruption
  - The responsibilities of Members and employees in minimising the risk of fraud and reporting any suspicions they may have.

## 2. Underlying Principles

- 2.1 The Council does not tolerate fraud, bribery or corruption and is committed to reducing the opportunity to the lowest possible risk. It will ensure that:
- Everyone within the organisation or within partner organisations takes responsibility for the prevention and detection of fraud, bribery and corruption.
  - Key policies and procedures are up to date, effective, and complied with.
  - A full Fraud Risk Assessment is maintained and an Annual Counter Fraud Programme is compiled, agreed and executed.
  - All suspected cases of fraud and corruption are referred to the Head of Audit & Business Risk.
  - All suspected cases of fraud and corruption are risk assessed, investigated fairly and objectively within a clear ethical framework and where found to be present, appropriate action is taken including disciplinary, criminal, civil or regulatory proceedings and any losses recovered.
  - Cases of fraud and corruption are referred to other agencies as appropriate and work jointly including the use of fraud intelligence.
  - Any decision to refer a case (except housing benefits) to the Police will be made by the Head of Audit & Business Risk as appropriate.

- Officers, Members and partners receive proper guidance regarding anti fraud and corruption issues.
  - High standards of internal control are achieved, promoted and regularly reviewed.
  - There is a safe environment to report suspected cases of fraud and corruption.
  - Individuals and organisations, e.g. suppliers, contractors and service providers with whom it deals, will act toward the Council with integrity and without intent or action involving fraud and corruption.
- 2.2 An important part of the Council's approach is the Counter Fraud Strategy, which is aimed primarily at guiding members and employees on the Council's approach to the serious issues of fraud and corruption. It is also published on the Council's website so that residents, businesses and Council partners are fully aware of the commitment to the prevention and detection of fraud and corruption.

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

- 3.1 The Fraud Act 2006 created a new general offence of fraud which may be committed in three ways:
- Fraud by false representation (e.g. using a false identity to gain benefits, job or tenancy);
  - Fraud by failing to disclose information (e.g. failing to disclose income when making a claim for benefits);
  - Fraud by abusing a position of trust (e.g. misusing clients' funds).
- 3.2 The Act also created four related criminal offences of:
- Possession of articles for use in frauds;
  - Making or supplying articles for use in frauds;
  - Participating in fraudulent business;
  - Obtaining services dishonestly.
- 3.3 The Bribery Act 2010 defines bribery as "giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so." There are four key offences under the Act:
- Bribery of another person;
  - Accepting a bribe;
  - Bribing a foreign public official;
  - A corporate offence of failing to prevent bribery.
- 3.4 Genuine hospitality or similar business expenditure that is reasonable and proportionate is allowable under the Act. The Council's Members Code of Conduct and Employees Code of Conduct details the Council's approach.

- 3.5 Corruption is defined as “the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the body, its members or officers.” It may encompass a variety of wrongful acts, such as bribes, ‘kickbacks’ and abuse of public office. Like fraud, corruption is a criminal offence.
- 3.6 Theft is defined by Section 1 of the Theft Act 1968 as “dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.” It therefore includes stealing any property belonging to the Council or which has been entrusted to it including equipment, cash, data and clients’ funds.

**4. Responsibilities for Counter Fraud**

- 4.1 The Accounts and Audit Regulations 2011 require the Council to have appropriate control measures in place to enable the prevention and detection of fraud and error.
- 4.2 Management have the responsibility to ensure that there are sound systems of internal control. Controls should be designed and implemented to reduce the risks posed by fraud and ensure, as far as possible, its detection should it occur.
- 4.3 Audit & Business Risk are responsible for corporate counter fraud including reactive investigations and proactive preventative and detection work.

**5. The Council’s Approach to Counter Fraud**

- 5.1 The Council is committed to an effective anti-fraud approach designed to reduce losses to fraud. This is based on 3 key strands as follows:

<p><b>Acknowledge</b></p> <p><b>That fraud happens and understanding fraud risks</b></p>	<ul style="list-style-type: none"> <li>• The Council acknowledges and understands fraud risks and takes appropriate actions to mitigate</li> <li>• Continually reviewing and updating fraud risk assessment</li> <li>• Maintain a robust anti-fraud response</li> <li>• Committee support</li> <li>• An Annual Counter Fraud Programme</li> <li>• Fraud awareness training</li> </ul>
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<p><b>Prevent</b></p> <p><b>Committed to preventing fraud happening</b></p>	<ul style="list-style-type: none"> <li>• Maintaining and continually improving an effective counter fraud culture including communication of zero tolerance</li> <li>• Use of information and technology to prevent and detect fraud</li> <li>• Building in stronger fraud prevention measures</li> <li>• Inter-related policies and procedures in line with legislative requirements and best practice</li> <li>• Ensuring effective system processes and fraud controls</li> <li>• Providing an effective Internal Audit service</li> <li>• Using and sharing intelligence to detect fraud</li> <li>• An effective training programme for staff and Members in fraud awareness and understanding of their duties with regard to preventing and reporting fraud, bribery and corruption</li> </ul>
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<p><b>Pursue</b></p> <p><b>Committed to punish fraudsters and recovery of losses</b></p>	<ul style="list-style-type: none"> <li>• A consistent and supportive law enforcement response</li> <li>• Maintaining capability to investigate and sanction fraud</li> <li>• Taking immediate action when fraud is detected including disciplinary, civil and criminal action</li> <li>• Collaborating with other organisations such as the Police, Government Departments (e.g. Home Office, DWP) NAFN and other local authorities</li> <li>• Effective use of fraud recovery processes and recovering as far as possible, any loss suffered as a result of fraud, bribery or corruption</li> </ul>
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## **6. Reporting Fraud**

- 6.1 Although prevention is the most efficient and effective way to address fraud, bribery and corruption, it is however acknowledged that, despite our best attempts, determined fraudsters may succeed.
- 6.2 If fraud, bribery or corruption is suspected, it should be reported without delay to the Head of Audit & Business Risk or the Council's confidential corporate fraud line 01273 291700 or email [fraud@brighton-hove.gov.uk](mailto:fraud@brighton-hove.gov.uk).

## **7. Investigation of Fraud**

- 7.1 The investigation of fraud, bribery and corruption is often a complex and specialised area and will usually be undertaken by staff in Audit & Business Risk or, for less complicated cases, managers, under advice from Audit & Business Risk. This is necessary to ensure that the correct procedures are undertaken; evidence is collected in a way that complies with relevant legislation and does not compromise actions to be taken if fraud is established.
- 7.2 To facilitate audit work and investigations, Internal Audit Staff are accorded access rights by the Council's Financial Regulations to all necessary documents, records and information.
- 7.3 Any decision to refer an investigation to the Police will be taken by the Head of Audit & Business Risk or authorised deputies, in consultation with others, as appropriate.

## **8. Conclusion**

- 8.1 This strategy is aimed at reducing the Council's actual and potential losses due to fraud, bribery and corruption to maximise resources are protected for the delivery of its services.
- 8.2 The strategy fully supports the Council's desire to maintain a culture of openness, fairness, trust and dignity.
- 8.3 The Council has in place a clear framework of systems and procedures to deter and investigate fraud and corruption. It will ensure that these arrangements are fair, monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques.