



***Draft for Consultation***

# **SSDC COUNTER FRAUD, THEFT AND BRIBERY STRATEGY**

**Deterring, Preventing, Detecting, Investigating, and Imposing  
Sanctions upon all forms of Fraud in South Somerset**

---

**Lynda Creek:** Fraud and Data Manager  
**Tom Chown:** Fraud and Data Intern

*February, 2014*

**TABLE OF CONTENTS:**

<b>FORWARD BY THE CHIEF EXECUTIVE .....</b>	<b>ii</b>
<b>FORWARD BY THE LEADER OF THE COUNCIL .....</b>	<b>iii</b>
<b>1. INTRODUCTION.....</b>	<b>1</b>
Definitions .....	2
Zero Tolerance Culture .....	3
Identifying Risk.....	3
Equalities.....	4
Review .....	4
<b>2. REDUCING THE RISK FROM FRAUD .....</b>	<b>4</b>
Policies, Procedures and Codes that support Internal Controls .....	4
Internal Control Systems.....	5
Corporate Governance.....	6
<b>3. DEVELOPING A STRONGER ANTI-FRAUD CULTURE.....</b>	<b>8</b>
Resources .....	8
Members .....	9
Managers .....	9
Officers of the Council.....	10
Safe Recruitment .....	10
Training and Communications.....	11
Combining with others to Prevent Fraud .....	11
<b>4. TAKING ACTION TO COMBAT FRAUD.....</b>	<b>11</b>
Deterrence .....	11
Prevention.....	12
Detection.....	12
Investigation.....	13
Sanctions and Redress .....	14
Summary Reporting and Follow Up .....	14
<b>5. MEASURING THE OUTCOMES.....</b>	<b>15</b>

**South Somerset District Council**

**FORWARD BY THE CHIEF EXECUTIVE:**

*(To be completed)*

**South Somerset District Council**

**FORWARD BY THE LEADER OF THE COUNCIL:**

*(To be completed)*

## South Somerset District Council

### 1. INTRODUCTION

- 1.1 South Somerset District Council (SSDC) recognise the high expectations of the public concerning the honesty and integrity of its elected members and employees, and therefore, it is committed to the robust protection of public funds against fraud, theft, and bribery<sup>1</sup>, as well as to taking appropriate action against the perpetrators.
- 1.2 Under Section 151 of the Local Government Act (1972), the Council must ensure that the appropriate attention is given to the administration of financial affairs; necessarily this must include the mitigation of financial losses to fraud.
- 1.3 The Local Government Fraud Strategy 'Fighting Fraud Locally' (2012) directs Local Authorities to adopt radical action concerning the prevention, deterrence, detection, and investigation of fraud, undertaken in part through the greater use of electronic data matching to expose anomalies and to share intelligence. This is supported by SSDC.
- 1.4 The SSDC 'Counter Fraud, Theft and Bribery Strategy' ('the Strategy'), outlines how the Council currently manage the risks posed by fraud, and then details how an effective counter-fraud culture is to be developed and promoted. The ultimate aim of the Strategy is to reduce losses from fraud to an absolute minimum in all areas of the Council.  
The key objectives of this Strategy are to:
- Express and promote the Council's zero tolerance stance to fraud
  - Raise awareness of fraud prevention and deterrence measures, as well as 'safe' reporting routes where fraud is suspected
  - Build a robust control framework to prevent, deter, detect, and punish fraud
  - Maximise financial redress and the recovery of losses for the Council
- 1.5 In an attempt to build a comprehensive framework to minimise the losses from fraudulent activity, this Strategy aims to integrate a previously disparate range of policies relating to fraud. Whilst acknowledging that limitations exist concerning both resources and budgeting, the Council recognises that to undertake a truly unified approach towards combating fraud, success largely depends upon an effective and integrated framework of initiatives and policies enacted in conjunction with the Strategy. At the core of the framework will be the *Counter Fraud and Corruption Policy*, the *Action Plan*, the *Fraud Response Plan*, the *Biannual Programme*, and the *Sanctions Policy*.
- 1.6 The Council will explore the potential benefits of increased partnership working with other local authorities, which may offer a means to increase efficiency and to generate cost savings through schemes such as pooling skills, resources and data sets. Furthermore, collaborative schemes with external agencies, such as those specialising in data profiling and the creation of counter fraud tools, are also recognised as important initiatives for SSDC to explore in the attempt to more efficiently combat fraud.
- 1.7 The Council's standards of transparency and fair conduct underpin this Strategy, and reinforce the current procedures in place to prevent, detect and investigate fraud

---

<sup>1</sup> For ease of reference throughout this Strategy, unless otherwise stated, wherever 'fraud' is mentioned, theft and bribery are also intended to be included. The Bribery Act (2010) repealed the legislation defining corruption, yet this Strategy covers all types of wrong doing or impropriety including that commonly termed as 'corruption'.

## South Somerset District Council

effectively. Those at a senior level are required to champion counter fraud, and this is led by elected members, the Chief Executive and the Assistant Director – Finance and Corporate Services, who receive regular updates concerning the highest risks of fraud.

- 1.8 All Council members, staff and partners are required to set a high ethical standard, and therefore must act with integrity and lead by example, so as to create and maintain an environment which is intolerant rather than indifferent to fraudulent activity.
- 1.9 The Local Government Strategy (2012) identifies three key elements to be utilised as the foundations of an effective counter-fraud framework:
- **Acknowledge:**
    - Assessing and understanding fraud risks
    - Committing support and resources to tackling fraud
    - Maintaining a robust anti-fraud response
  - **Prevent:**
    - Making better use of information and technology
    - Enhancing fraud controls and processes
    - Developing a more effective anti-fraud culture
  - **Pursue:**
    - Prioritising fraud recovery and the use of civil sanctions
    - Developing capability and capacity to punish fraudsters
    - Collaborating with local authorities and law enforcement

### Definitions:

- 1.10 The Fraud Act (2006) considers fraud to denote an intention to make gain, cause loss, or expose another to the risk of loss by:
- i) **false representation**
  - ii) **wrongfully failing to disclose information**
  - iii) **abuse of position**
- 1.11 A large part of the focus of this Strategy is to outline the framework in place at SSDC to combat 'corporate fraud', meaning all forms of fraud which have financial implications for the organisation concerned. The principal types of corporate fraud affecting the Council relate to council tax discounts, social housing, procurement, payroll and grants.
- 1.12 The Bribery Act (2010) created two general offences covering the offering, promising or giving of an advantage, and the requesting, agreeing to receive or accepting of an advantage. It also created a new offence concerning failure, by a commercial organisation, to prevent a bribe being paid on its behalf. Bribery is defined as an attempt to influence the improper performance of significant functions or activities, and it is clear that all aspects of the Council's work are bound by this definition, as are all other bodies with which the local authority does business.

## South Somerset District Council

- 1.13 Although the above definitions are useful in setting out the legal position, this Strategy is also concerned with wider definitions of wrongdoing. All types of financial malpractice, including but not limited to conspiracy, false accounting, obtaining by deception, forgery, collusion, and the concealment of material fact are therefore covered by this Strategy.
- 1.14 This Strategy targets all forms of fraud, and thus all types of perpetrator(s), including:
- member(s) of the public
  - another organisation, firm or body
  - officer(s) or member(s) of the Council in the case of internal fraud
  - officer(s) or member(s) of the Council colluding with an external organisation
- 1.15 It is recognised that internal frauds, where an officer(s) or member(s) could be involved in corrupt activity, will be harder to detect unless staff are alert to fraud risks and clear on the confidential route for reporting suspicions. The culture of SSDC is to promote suspicions being raised, even if mistaken, providing it is done so in good faith in accordance with the *Whistleblowing Policy* and the associated procedures.

### Zero Tolerance Culture:

- 1.16 One of the strongest methods to safeguard against the threat of fraud is to undertake proactive, rather than simply reactive work. The creation of a robust zero tolerance culture which emphasises that fraud is not acceptable in any form is an important proactive step in mitigating fraud risks, and SSDC is committed to doing just that. This Strategy is the mechanism for fostering widespread commitment to zero tolerance, in order to reduce losses from fraud in all areas of the Council to an absolute minimum.
- 1.17 The following principles summarise the Council's commitment to the mitigation of fraud, centering on:
- Culture: creating a zero tolerance culture by:
    - Setting high standards
    - Being open and honest
    - Leading by example
    - Showing good stewardship of public resources
  - Deterrence: working closely with others to combat fraud, and publicising convictions
  - Prevention: reducing the possibility of fraud through robust policies and systems
  - Detection: empowering employees and others to voice their concerns, and protecting those who do so
  - Investigation: adopting formal, fair procedures to investigate fraud
  - Sanctions: dealing with the perpetrators of fraud robustly
  - Redress: seeking redress, mainly in respect of money defrauded
  - Analysis: learning the lessons from previously identified fraud activities to build resilience against fraud in the future.

### Identifying Risk:

- 1.18 The risk of fraudulent or corrupt activity needs to be included in the Council's Risk Management System (TEN) so that its occurrence can be measured, and that the effectiveness of measures to reduce or mitigate the risk can be assessed. If potential

## South Somerset District Council

incidences of fraud can be identified and measured, then resources to address specific risks can be allocated proportionately, according to the scale of the problem.

- 1.19 In conjunction with this Strategy, Fraud and Data will seek to commission a periodic fraud risk assessment to gain a detailed and comparative understanding of the losses within South Somerset in relation to specific types of corporate fraud. Such analysis will enable SSDC to gauge the most serious fraud risks in terms of financial losses, and to determine whether adequate resources are being allocated to effectively target them.

### Equalities:

- 1.20 This Strategy, along with the accompanying framework of policies and procedures, gives due regard to the requirements and rights of different residents in the District. This will be achieved by evaluating the range of potential impacts that fraud initiatives may have, and undertaking an equality analysis for any substantial action we need to commence. This approach will ensure appropriate, fair and transparent policies.

### Review:

- 1.21 Rather than solely being concerned with operational issues in investigating and detecting fraud, this Strategy also sets out to deter and prevent it. The effectiveness of the Strategy will be assessed when concluding fraud investigations, in order to ensure that best practice is implemented, and that the resources available are being used efficiently and proportionately in accordance with the most serious risks posed by fraud.
- 1.22 This Strategy will be reviewed triennially, along with the framework of supporting counter fraud policies, to ensure continued relevance and alignment with best practice.

## 2. REDUCING THE RISK FROM FRAUD

### Policies, procedures and codes that support internal controls:

- 2.1 The Council's Constitution and Corporate Policies provide a number of elements which contribute to its current counter-fraud framework, including:
- A *Counter Fraud and Corruption Policy*, as well as a *Bribery Policy* emphasising the importance of probity, which both apply to everyone affiliated with the Council.
  - The Codes of Conduct in place for officers and members
  - The Officer/Member Protocol
  - The *Whistleblowing Policy* and Corporate Complaints Procedures
  - Sound internal control systems and procedures as set out in the Council's Standing Orders, the Financial Procedure and Procurement Rules
  - Appropriate terms within contractual, and other relationship agreements to counter the threat posed by fraud
  - Effective auditing via the South West Audit Partnership (SWAP) and District Auditors
  - The Staff Register of Interests
  - The Members' Register of Interests
  - Effective investigation and sanction procedures, including professionally trained staff to undertake these tasks



## South Somerset District Council

- Effective recruitment procedures, and suitable terms in both contracts of employment and job descriptions to deter and detect fraud
- Appropriate and timely induction for staff and members, with training which covers fraud awareness and governance procedures
- The Council's Disciplinary Procedures
- Clear responsibilities, accountabilities and standards for tasks and outcomes
- Statutory Officers' responsibilities i.e. the Monitoring Officer and Section 151 Officer
- Participation in data matching schemes such as the National Fraud Initiative (NFI) and the Housing Benefit Matching Service (HBMS) to assist in identifying frauds
- Use of NAFN, including their fraud alert bulletins
- Joint working with other bodies involved in the fight against fraud, e.g. Department of Work and Pensions (DWP), Housing Tenancy Fraud Forum and the Police
- The Council's Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA) procedure
- A suite of policies around IT usage meeting Governmental Codes of Compliance
- The availability of fraud reporting facilities and all fraud related policies online

2.2 Together these elements reinforce the Council's zero tolerance culture towards fraudulent activities. The dissemination of these policies and procedures helps ensure that individuals are clear about their responsibilities and the appropriate action to take in any given circumstance. It also enhances the Council's accountability to the public in the management of public funds, and makes counter fraud activities more transparent.

2.3 Currently, some of these policies are 'stand alone', having developed individually over time. This Strategy will serve as the catalyst for reviewing and integrating these elements into a cohesive, robust and above all, effective counter-fraud framework.

2.4 The framework shown above supports a fair and consistent approach to investigating any incident of suspected fraud, as well as the sharing of any lessons learned as a result, so that future fraud risks can be mitigated or removed.

2.5 The Council requires its members and officers, at all levels, to act with integrity and set an example by ensuring that rules, procedures and regulations are followed in spirit as well as to the letter.

2.6 Any individual or organisation that deals with the Council must behave with integrity and without any intention or action that supports, encourages or involves fraud or corruption.

### Internal Control Systems:

2.7 The Council recognises that it is impossible to prevent all forms of fraud entirely, yet it is committed to operating in ways that make fraud more difficult to commit, more likely to be detected and more certain to be punished.

2.8 Each member and officer of the Council is responsible for countering fraud to safeguard corporate standards, meaning that everyone affiliated with SSDC has a duty to ensure:

- their own behaviour is beyond reproach and in accordance with best practice

## South Somerset District Council

- they follow all policies, procedures and controls laid down to prevent, detect, investigate and punish fraud, according to the Council's Constitution
- they report to the appropriate officer, as set out in the *Counter Fraud and Corruption* or *Whistleblowing Policy*, any instance where they suspect, or are aware of any person(s) behaving improperly, as well as communicating reasonable suspicions that the Council's systems may be open to fraud or abuse of another kind.

2.9 The Council's Financial Procedure Rules and Scheme of Delegation sets out the responsibilities for ensuring adequate controls are in place, and the financial limits relating to transactions that can be authorised. The existence, appropriateness and effectiveness of internal controls are monitored and reported upon by the SWAP team.

2.10 The review of the Council's internal control systems and the investigation of fraud have historically centred on SWAP, apart from the investigation of allegedly fraudulent Benefit claims undertaken by the Fraud and Data Investigation Team. SSDC will ensure that all counter fraud staff are appropriately trained, ideally holding a professional accreditation, and that practice corresponds with new developments and legislation.

### Corporate Governance:

2.11 The Council has a Corporate Governance Group (CGG) comprising the Council's three statutory officers – the Head of Paid Service, the Monitoring Officer and the S151 Officer. The Chief Executive Officer of SWAP also attends quarterly to discuss audit issues and any other SWAP matters. The Fraud and Data Manager attends when necessary to discuss any issues that need to be addressed.

2.12 The CGG will consider all governance issues to include:

- Fraudulent Acts or Omissions
- Internal and External Audit Reports, including an Annual Fraud Report
- Annual Governance Statement (once all the evidence required is reviewed)
- Local Code of Corporate Governance
- Constitutional changes or other Governance issues
- The Annual Review of Internal Audit
- Risk Management
- Any special investigation or 'due diligence' work

The Group will encourage the corporate adoption of governmental best practice, which will ensure that staff and members are trained in governance issues through articles on InSite, Keep it Simple leaflets, the Induction and other training.

2.13 A member of the CGG will report to the Audit Committee, District Executive, or Full Council on any matters arising that require members' attention. In addition, the Fraud and Data Manager will report counter fraud work to the Audit Committee biannually.

2.14 Officers such as the S151 Officer and the Monitoring Officer have key responsibilities for matters relating to fraud, and are to be consulted in the drafting and revision of all documents aimed at designing out vulnerability to fraud. Other officers will be consulted on an ad hoc basis, if the policy or procedure covered relates to their area of expertise.

### **The Head of Paid Service**

The Chief Executive maintains overall responsibility for ensuring that substantial preventative and investigative measures are in place at SSDC so that fraud does not significantly impact upon the finances available, or upon the ability to deliver services.

### **The Section 151 Officer**

The Assistant Director – Finance and Corporate Services has statutory responsibility, under Section 151 of the Local Government Act (1972), for ensuring the proper administration of the Council's financial affairs.

The Section 151 officer is responsible under Financial Regulations for effective systems of internal control, which will ensure that public funds are properly safeguarded.

In addition, under the Accounts & Audit Regulations (England, 2011) as the 'responsible financial officer', the Section 151 Officer is required to determine the accounting control systems, which include:

- *"measures to enable the prevention and detection of inaccuracies and fraud"*
- *"identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions"*

### **The Monitoring Officer**

The Council's Monitoring Officer is the Assistant Director - Legal and Corporate Services. The Monitoring Officer is responsible, under Section 5 of the Local Government and Housing Act (1989), for guarding the Council against illegality, impropriety and maladministration in the operation of its affairs. This role encompasses overall responsibility for the prevention of fraud, including overseeing the actions taken to investigate and deal with any potential incidence of fraud.

### **Fraud and Data Manager**

The Fraud and Data Manager has responsibility for the Benefit Investigation Team, and maintains a wider role in the development of counter fraud strategies, policies and procedures, as well as overseeing matters concerning data protection.

- 2.15 The Council has a number of committees that evaluate and operate within the Council's counter fraud framework. These are:

**The Audit Committee** whose role is independent of the executive and scrutiny functions, overseeing matters of corporate governance such as risk management.

**The Scrutiny Committee** whose role is to monitor and scrutinise the Council's overall performance, operating as a 'virtual' backbench to hold the executive to account.

**The Standards Committee** whose role includes ensuring the promotion of good conduct and dealing with issues of inappropriate behaviour by members.

## **South Somerset District Council**

- 2.16 As part of the Council's published Annual Accounts, a Governance Statement is produced describing the Council's internal controls and assessing their effectiveness. This formal statement is designed to notify external parties as to the robustness of the Council's governance arrangements, and its effective stewardship of the public funds entrusted to it.
- 2.17 Although this network of control has been established for some time and appears to work effectively, SSDC is determined to regularly review this system to ensure it keeps pace with any developments in order to remain effective as a counter fraud framework.

### **3. DEVELOPING A STRONGER ANTI-FRAUD CULTURE**

- 3.1 As an integral part of good corporate governance, high ethical standards foster public confidence in local democracy. By its zero tolerance approach, the Council aims to create a counter fraud environment that deters those who act fraudulently or corruptly, and to encourage those who suspect embezzlement or dishonesty to report it promptly.

#### **Resources:**

- 3.2 The Council maintains a robust system of internal auditing, undertaken in partnership with SWAP, to ensure that its systems and procedures prevent and detect fraud as capably as possible. These resources need to be developed to specifically target high risk areas, which are to be identified through periodic fraud auditing.
- 3.3 The purpose of the audit role is to provide independent and objective assurance to the Council concerning risk management, control and governance, and to evaluate success in achieving counter fraud objectives as outlined in the Action Plan.
- 3.4 SWAP carries out system-based reviews of Council activity, as agreed in an annual programme by the S151 Officer, and in conjunction with Fraud and Data regarding counter-fraud audits. They also provide advice and assistance to management on procedures and controls, as well as specialist skills when required.
- 3.5 In instances of theft where fraud is suspected, professionally trained investigators will examine the circumstances, in conjunction with the Assistant Director - Finance and Corporate Services and /or the Assistant Director - Legal and Corporate Services.
- 3.6 To check the accuracy of benefit claims, guidance has been designed to:
- Detect and prevent fraudulent benefit claims
  - Set a minimum standard of evidence needed for a benefit claim to be assessed
  - Encourage accuracy in calculating benefit claims from the start of a claim
- 3.7 Recent governmental changes have replaced Council Tax benefit with a new locally set and administered system of Council Tax Discounts. In addition, DWP have announced that beginning at an as yet unspecified date in 2014, it will undertake all investigations into social security benefit fraud. These changes must be taken into account in assessing both the level and type of resources needed in delivering this Strategy.
- 3.8 The Council will, where appropriate, use analytical tools to assess levels of exposure to the risks posed by fraud in order to target resources more effectively. Such

## South Somerset District Council

resources will be regularly reviewed to ensure that key fraud risks receive the necessary attention.

- 3.9 Many authorities have found the use of 'peer reviews', undertaken by the Local Government Association (LGA), effective in testing the resilience of their counter-fraud approach. This will be considered as one of the tools available for assessing the robustness of detection, investigation, and preventative strategies.

### Members:

- 3.10 Counter fraud culture is a joint responsibility for all of those involved in giving political direction, determining policy and management. The elected members of the Council have a duty to the residents of South Somerset to protect the Council's assets from all forms of abuse. This is reflected through:

- Adoption of this Counter Fraud, Theft and Bribery Strategy and associated policies
- Provision of adequate resources to mitigate the risks of fraud, and to deal with detection, investigation and punishment
- Compliance with the Code of Conduct for members, the Council's Financial Regulations and Standing Orders, and other relevant governance provisions.

- 3.11 The Council has a Standards Committee which promotes and maintains high standards of member conduct and assists members to observe the Code of Conduct. In particular, members are required to operate within:

- Codes of Conduct
- Sections 94-96 of the Local Government Act (1972)
- Local Authorities Members' Interest Regulations (1992 - SI 618)
- Council Rules of Procedure set out in the Constitution
- The officer/ member protocol.

- 3.12 These matters and other guidance, such as the rules on the declaration and registration of interests, are specifically brought to the attention of members upon induction.

- 3.13 The Audit Committee has a key role in reviewing current counter fraud arrangements, and sponsoring initiatives, such as this counter fraud Strategy. Audit are to be kept regularly informed of fraud prevention activities through a regular reporting schedule.

### Managers:

- 3.14 The prevention and detection of fraud and corruption is a daily undertaking, and rests with line managers who are responsible for:

- Identifying the risks to which systems, operations and procedures are exposed
- Developing and maintaining effective controls to prevent and detect fraud
- Ensuring that controls are being fully complied with

This may include ensuring that there is:

- An adequate separation of duties (more than one officer involved in key tasks)
- Proper authorisation procedures (transactions must be approved)
- Independent monitoring and checking of data and documentation (checks and balances)

## South Somerset District Council

- 3.15 Managers must ensure that all staff are regularly informed about the Council's counter-fraud arrangements, with particular emphasis placed upon this Strategy, the *Counter Fraud and Corruption Policy*, and the *Whistleblowing Policy*. To further this, managers must be approachable so staff can easily inform them upon suspicion of any irregularity.

### Officers of the Council:

- 3.16 A successful counter-fraud culture is one where acts of fraud are widely recognised as unacceptable behaviour, and whistleblowing is perceived as public-spirited action. The Council has put in place a number of policies, procedures and other actions to strengthen and uphold the counter-fraud culture of its officers.
- 3.17 All officers must abide by the Code of Conduct for Employees, which sets out the Council's requirements on personal conduct. They must also ensure that the Staff Register of Interests is kept up to date. This forms part of the Employee Handbook and is referred to in all Contracts of Employment. Officers of the Council are expected to follow any code of conduct related to their profession. These requirements will be emphasised within the Corporate Induction programme, run for all new employees.
- 3.18 Any breach of conduct will be dealt with under the Council's Disciplinary Procedures and may result in dismissal for the individual(s) concerned.
- 3.19 Officers must comply with the Council's Procurement Procedure Rules, which require that they operate within Section 117 of the Local Government Act (1972) regarding the disclosure of pecuniary interests in contracts relating to the Council, and the non-acceptance of any fees or rewards, whatsoever, other than their proper remuneration. These requirements are set out in the Council's Code of Conduct for Employees.
- 3.20 The Assistant Director - Legal and Corporate Services is the appointed Monitoring Officer under the Local Government and Housing Act (1989), and has overall responsibility for the maintenance and operation of the Council's *Whistleblowing Policy*.

### Safe Recruitment:

- 3.21 A key preventative measure against fraud is to take investigatory steps at the recruitment stage to establish the previous record of potential officers. Temporary, casual and agency staff will be treated in the same manner as permanent officers.
- 3.22 Officer recruitment should be in accordance with procedures laid down by the HR Manager. Whenever possible, written references should be obtained with specific assurances regarding the known honesty and integrity of potential officers, before formal employment offers are made.
- 3.23 Where necessary, appropriate and proportional checks should be made to establish the right of the employee to work in the UK. Similarly, for relevant posts a background check from the Disclosure and Barring service should be obtained before employment.

## **South Somerset District Council**

- 3.24 It is a corporate requirement to follow the Council's Fair Recruitment process such as revealing any pre-existing relationships between applicants and those involved in the recruitment process to declare any conflicts which may arise.

### **Training and Communications:**

- 3.25 The Council recognises that the application and general success of this Strategy will largely depend upon the effectiveness of programmed training and communication. To facilitate this, the Council supports the concept of full induction, training and follow-up training, and is an accredited Investor in People. In particular, officers involved in investigative work are appropriately trained, and officers involved in operating internal control systems and finance-related systems receive sufficient training to ensure that their responsibilities for fraud deterrence and detection are highlighted and reinforced.
- 3.26 The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work. A key priority is to promote fraud awareness to all officers and members throughout the Council. Where appropriate, training materials from the Local Government Strategy will be applied as necessary.
- 3.27 The public, partners and contractors will be encouraged to report incidences of suspected fraud, and where appropriate, fraud awareness campaigns will increase consciousness of the risk of fraud and knowledge of how to report it correctly.

### **Combining with others to Prevent and Fight Fraud:**

- 3.28 The Council is committed to exchanging information with other agencies and organisations, at both a local and a national level, in order to identify and prevent fraud using data matching techniques. Such activity complies with the Data Protection Act (1998) and with the Audit Commission's Code of Data Matching Practice (2008).
- 3.29 Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action, most notably where this has implications for the Council's trust and confidence in the employee. In certain cases, most notably where gross misconduct has occurred, disciplinary action is highly likely to lead to dismissal and prosecution.

## **4. TAKING ACTION TO COMBAT FRAUD**

### **Deterrence:**

- 4.1 It is important that all managers within the Council are alert to potential problems in their work area, and that adequate, effective safeguards are in place to prevent financial irregularities. Managers should satisfy themselves that checks are in place at the appropriate levels, so that any irregularity is picked up promptly to minimise loss.
- 4.2 There are numerous ways to deter fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, including:

## South Somerset District Council

- Publicising that the Council is firmly against fraud and stating this fact at every appropriate opportunity, such as whistleblowing arrangements, clause in contracts, statements on claim forms, and publications
- Acting robustly and decisively when fraud is suspected and then proven, including the termination of contracts, dismissal, and prosecution.
- Taking action to achieve the maximum recoveries for the Council, such as through agreements, court action, penalties, and insurance
- The Council's Communications Team will publish items associated with counter-fraud activity within the Council and more widely across the District
- The operation and advertising of a fraud hotline
- Making better use of information received, and the technology available to detect fraud, including publicising its usage when suitable

4.3 Employees play a vital role in detecting fraud, and are the first line of defence against it. All employees have a responsibility to discuss any concerns relating to potential fraud with their manager, or to use the confidential reporting procedures and the protections available under the Council's *Whistleblowing Policy*.

### Prevention:

4.4 Managers across the Council have an important role to play in the prevention of fraud, and therefore, need to understand the importance of specifically designed systems which meet key control objectives, and thus minimise opportunities for fraud. They are responsible for assessing the potential for fraudulent activity within their own service, entering these risks on the Corporate Risk Assessment System (TEN), and for implementing appropriate strategies to reduce this risk. Managers will be made fully aware of the need to give significant attention to the prevention and detection of fraud, and appropriate advice will be available to assist them in doing so.

4.5 The SWAP Audit Plan includes a programme of work, based on key risk areas identified under the Council's risk management arrangements. This programme includes counter-fraud assurance work to deter and prevent fraud, as well as proactive measures to detect fraud. Operating in conjunction, these aspects will be an area of on-going development and therefore, SSSDC regards close working with SWAP, such as being involved in the drafting of their annual action plan, to be a key priority for this Strategy.

### Detection:

4.6 It is the responsibility of the Management Board and the Service Managers to take all reasonable steps to prevent and detect fraud, and to assist this, the SWAP team and other External Auditors liaise closely to implement a cyclical programme of audits to safeguard against fraud. Additionally, SSSDC participates in the National Fraud Initiative and other data matching exercises in order to detect specific perpetrations of fraud.

4.7 Despite the efforts of managers and auditors, many frauds are discovered by chance, by a "tip-off", or indeed, after the event. It is therefore crucial to publicise the reporting routes and protections available to whistle-blowers so that such activities are supported.

4.8 When revised to correspond with this Strategy, the Council's *Counter-Fraud and Corruption Policy* will detail a clear path for raising concerns and facilitating "tip-offs".



## South Somerset District Council

The Council's *Whistleblowing Policy* also gives advice on how to raise a concern appropriately, and the protections available to those who do so.

- 4.9 SSDC whistleblowing arrangements will be regularly reviewed in comparison with best practice from 'Public Concern at Work', the whistleblowing charity. This will include testing staff confidence in whistleblowing arrangements, and ensuring that the policy is accessible to all employees. Contractors and other third parties will also have access to the policy, and evidence of them signing up to its principles will be obtained. The arrangements for members of the public to raise concerns will also be reviewed.

### Investigation:

- 4.10 Senior management are responsible for following up any allegation of fraud that they receive, and for ensuring investigation by professionally trained personnel. If bribery, acts, or omissions amounting to corruption are involved, the Monitoring Officer must be told of all suspected irregularities. The person(s) responsible for the investigation will:
- deal promptly and confidentially with the matter
  - record all evidence that has been received
  - ensure that evidence is sound and adequately supported
  - secure all of the collected evidence, including electronic evidence
  - where appropriate, contact other agencies, e.g. the Police
  - when appropriate, arrange for the notification of the Council's insurers
  - report to senior management, recommending that where appropriate, sanctions are imposed in accordance with Disciplinary Procedures and the *Sanctions Policy*
  - make any necessary revisions to systems and procedures to avoid recurrent risks
- 4.11 Crucial to this Strategy is the swift reporting of suspected irregularities. This ensures:
- the consistent treatment of information regarding fraud
  - comprehensive investigation by an independent and experienced audit team
  - the proper implementation of fraud investigation and prosecution plans
  - robust and optimum protection of the Council's interests
- 4.12 Dependent upon the nature and extent of the allegations, professional investigators will liaise with the Fraud and Data Manager, management, HR, legal, and other agencies, such as the Police, to investigate and conclude the allegation as necessary. Where possible, the maximum recovery of the sum defrauded will be sought by the Council.
- 4.13 The Council's disciplinary procedures will be used where the outcome of the audit investigation indicates improper behaviour. The Council's External Auditor also has powers to investigate fraud independently, and the Council can use this service too.
- 4.14 Where an instance of fraud has occurred, management will take action to ensure that any control weaknesses identified in the investigation are addressed. Any lessons learnt will be disseminated to all relevant sections. Whilst generally this may be the current practice, a key action will be to make this a formal conclusion to any investigation.

## South Somerset District Council

### Sanctions and Redress:

- 4.15 If financial impropriety is discovered, whether perpetrated by officers, members or organisations (e.g. suppliers, contractors, and service providers) the presumption is that the Police will be informed, though the decision will be made by the Chief Executive, Monitoring Officer and the relevant Service Manager. The Crown Prosecution Service (CPS) determines whether or not a criminal prosecution is to be pursued. Relevant officers will be consulted during investigations, and referrals to Police will be communicated to the Assistant Director – Finance and Corporate Services.
- 4.16 Any possible criminal investigation need not prevent or even hinder action under the Council's Disciplinary Procedures. Serious cases of fraud would represent gross misconduct, and therefore, any officer concerned is likely to be dismissed.
- 4.17 The Chief Executive and Assistant Director - Legal and Corporate Services, acting as Monitoring Officer, will advise on the appropriate action should a member be involved.
- 4.18 Suspected financial impropriety by any organisation with whom the Council deals will be the subject of an investigation. If proven, this could result, in the termination of an individual contract, and prosecution, dependent upon the severity of the case.
- 4.19 In proven cases of financial loss, the Council will seek to recover all such losses. The Local Government Fraud Strategy (2012) encourages the use of civil recovery methods to recuperate losses and seek compensation. These routes will be explored in all suitable cases, as well as considering possible criminal proceedings.
- 4.20 If the fraudster is an employee, the loss may be recovered from any monies due to the individual on termination of employment. If the fraudster is a member of the Council's Pension Fund, the Council may recover the loss from the employee's accrued benefits.
- 4.21 A formal *Sanctions Policy* will support the implementation of the above procedures, and will ensure that both asset and civil recovery are considered in all cases.

### Summary Reporting and Follow Up:

- 4.22 The Council will ensure that all investigations carried out into suspected fraud comply with legislative requirements, and in accordance with procedure, should Managers be informed of serious misconduct, they will contact professionally trained investigators.
- 4.23 Many instances of fraud will highlight a lack of adequate internal control, and therefore, the Council expects all Managers to respond to, and promptly act upon reports issued following any investigation. Recommendations made in any investigation reports must be implemented to reduce the risk of the event recurring.
- 4.24 Although not currently in place, in order to respond to fraud allegations promptly, SSDC will develop a *Fraud Response Plan* which will give guidance to employees and managers as to the action necessary, and the appropriate staff to contact. It will also outline the methods through which fraud and investigations into irregularity will be conducted. Further advice is always available from the Fraud and Data Manager.

**5. MEASURING THE OUTCOMES**

5.1 Success will be measured by focusing on the real outcomes achieved from key actions outlined in this Strategy, and in the Action Plan. The outcomes to be measured include:

- awareness levels; through induction, questionnaires, undertaking fraud module
- the number of whistleblowing reports to raise suspicions
- the number of successful investigations compared with previous years
- the number and range of sanctions applied
- financial losses avoided or recovered, and financial savings where appropriate
- improved management controls, evaluated by the external auditors SWAP
- comprehension and compliance with the framework of policies and procedures

5.2 An annual fraud programme to the Audit Committee will outline the action taken towards implementing this Strategy and any barriers encountered. It will also detail performance targets, and evaluate the extent to which these objectives have been achieved. In this way, the Council's exposure to fraud will be continually reassessed, ensuring that the actions taken and the resources used to target fraud remain both efficient and effective, thereby reducing losses to the public purse in South Somerset to an absolute minimum.