Counter Fraud and Corruption Policy

(Local Authority policy)

Reviewed:	June 2020
Adopted by Governors:	Full Governing Body November 2020
Next review:	Determined by Local Authority

Kings Mill School & Residence

Contents

1. Background

This policy sets out the Council's and Governing Body's commitment to countering fraud and corruption, to ensure public funds are protected from the risk of fraud and that the Council's and School's affairs continue to be conducted with integrity, honesty and openness. The Governing Body, through the Headteacher, are responsible for ensuring that the provisions of this policy are adhered to within the school.

The Council and Governing Body demand the highest standards of conduct from those working for and with it. In arriving at this policy, it is acknowledged that the vast majority of East Riding of Yorkshire Council employees, its partners and suppliers and the public it serves are honest and diligent people. However, it must be recognised that there will always be a minority seeking to gain by fraudulent means.

The Governing Body has had good arrangements for preventing, reporting and investigating fraud for many years through the Counter Fraud and Corruption Policy (Schools), the Whistle-Blowing Policy (Schools) and the Fraud and Corruption Response Plan (Schools). Annual surveys of employees have continued to show a high degree of awareness of these policies. All policies are available on Insight (the corporate intranet), or through the school.

Fraud is estimated to cost the UK public sector £20.6bn a year, of which over £2bn is against local government. Fraud impacts on the ability to deliver services to the public.

2. Definitions for the purposes of this policy

For the purpose of this policy fraud and corruption are defined in accordance with the various Acts set out below as they remain from time to time in force:

Fraud and Theft

Fraud (Fraud Act 2006)
Fraud can be committed in various ways including:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position
- Possession of articles for use in frauds
- Making or supplying articles for use in frauds
- Participating in a fraudulent business carried on by a sole trader etc.
- Obtaining services dishonestly

Theft (Theft Act 1968)
Theft occurs when a person dishonestly appropriates the property belonging to another with the intention of permanently depriving them of it. This may include the removal or misuse of funds, assets or cash.

Handling Stolen Goods (Theft Act 1968)
A person handles stolen goods if (otherwise than in the course of stealing) knowing or believing them to be stolen goods, he dishonestly receives the goods, or dishonestly undertakes or assists in their retention, removal, disposal or realisation by or for the benefit of another person, or if he arranges to do so

False Accounting (Theft Act 1968)

- Where a person dishonestly with a view to gain for himself or another or with intent to cause loss to another;

- Destroys, defaces, conceals or falsifies any account or any record or document made or required for any accounting purpose, or

- In furnishing information for any purpose produces or makes use of any account, or any such record or document as aforesaid, which to his knowledge is or may be misleading false or deceptive in a material particular.

- A person who makes or concurs in making in an account or other document an entry which is or may be misleading, false or deceptive in a material particular, or who omits or concurs in omitting a material particular from an account or other document, is to be treated as falsifying the account or document.

Bribery (Bribery Act 2010)
Bribing another person

- To offer, promise or give a financial or other advantage to another person, and intending the advantage:
  - To induce a person to perform improperly a relevant function or activity, or
  - To reward a person for the improper performance of such a function or activity, or

- To offer, promise or give a financial or other advantage to another person, and knowing or believing that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

Being bribed

- To request, agree to receive or accepting a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly (whether by you or another person)

- To request, agree to receive or accept a financial or other advantage, and

  The request, agreement or acceptance itself constitutes an improper performance of a relevant function or activity.

- To request, agree to receive or accept a financial or other advantage as a reward for the improper performance of a relevant function or activity.

- In anticipation of or in consequence of requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly.

Money Laundering (Offences – Regulation 45 Money Laundering Regulations 2007)
The conversion or transfer of property, knowing that such property is derived from serious crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in committing such an offence or offences to evade the legal consequences of his action, and the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from serious crime.

Benefit Related Fraud
All benefit related fraud including Council Tax Reduction and Discounts, Tenancy Fraud, Blue Badge Fraud etc, the list is not exhaustive

Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England Regulations 2013, Housing Act 1985, Prevention of Social Housing Fraud Act 2013, Social Security Administration Act 1992 and associated regulations, Fraud Act 2006, Road Traffic Regulation Act 1984, Forgery & Counterfeiting Act 1981 etc.

Collusion - The term "collusion" in the context of reporting fraud is used to cover any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes listed above.

3. Policy Statement

The Governing Body will not tolerate fraud and operates a 'zero tolerance' approach to known instances and attempts of fraud. The Governing Body will take all appropriate measures to protect public funds and to reduce the risk of fraud and corruption from both internal and external sources.

Whenever fraud or corruption of any description is detected it will be investigated and appropriate prosecution, disciplinary and recovery action will be taken.

The Governing Body expects that Governors and employees at all levels will protect the School, Council and its resources and lead by example, ensuring high standards of personal conduct and adherence to the School's and Council's policies, procedures and rules. More details on roles and responsibilities is contained in Appendix A

The Governing Body also demands that individuals and organisations with which it comes into contact will act towards the School with integrity and without thought or actions involving fraud or corruption.

The Governing Body is committed to working and co-operating with the Council and other organisations to prevent fraud and corruption. Wherever possible, the Governing Body will be prepared to help the Council with its exchange of information with other councils and organisations to deal with fraud, within the legislative framework.

4. Corporate Priorities

This policy supports the Council's/School's Corporate Priorities of:

- Growing the economy
- Valuing the environment
- Promoting healthy lifestyles
- Protecting the vulnerable
- Helping children and young people achieve

5. Policy Implementation

The policy will be implemented in Schools through adoption by individual Governing Bodies and delivery of the Council's Counter Fraud Response Plan which is based on the following key elements:

- A culture of zero tolerance to any instances of fraud and corruption

- Identification and assessment of fraud risks and the implementation of effective systems of internal control to reduce and deter fraud

- An effective fraud and corruption framework for reporting, investigating and taking action against fraud

- Close working relationship with partners and sharing of intelligence to tackle the risk of fraud

6. A culture of zero tolerance to any instances of fraud and corruption

The Governing Body is determined that the culture and tone of the School is one of honesty and opposition to fraud and corruption. The public are entitled to expect the Council, including Schools, to conduct their affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for and with it.

All Governors and employees in the School are required to:

- lead by example in ensuring adherence to legal requirements, the Constitution and the School's and Council's policies and procedures,

- abide by the relevant codes of conduct,

- declare in a public register any interests or offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the School and/or Council. (Please refer to the Council's Gifts and Hospitality Policy and Procedure (D13) for details of what constitutes a gift or hospitality for the purpose of the public register, The policy is available on Insight or from the school.

  NB The small gifts usually received from pupils by teachers at the end of a school term or academic year will normally fall under section 1, exceptions (b) of the procedure in D13.

- report any suspicions of fraud and corruption.

Everyone, both within and outside of the School, has a role to play in tackling fraud and corruption. Any suspicions of fraud or corruption should be reported through the mechanisms set out in the Whistle-Blowing Policy (Schools). These mechanisms include a **fraud hotline (01482 394123)**, an email account - **whistleblower@eastriding.gov.uk**, as well as being able to report incidents to any of the following individuals:

- Director of Children, Family and Schools
- Chair of Governors
- Headteacher
- Internal Audit Manager
- Internal Audit Section
- Chief Executive
- Monitoring Officer - Head of Legal and Democratic Services
- Chief Finance Officer - Head of Finance Services

To ensure the Governing Body's message and zero tolerance approach to fraud is communicated both within and outside the School, it will work with the Council to raise awareness through:

Fraud awareness training - the Council will assist the school in providing training for employees in its Counter Fraud and Corruption Policies and Procedures and raise awareness of indicators of fraud through one or more methods, eg the Council's induction process, fraud awareness training, E-learning package, literature and team briefings. The Council will reinforce the counter fraud message with the Council's key partners and suppliers at seminars and meetings.

Publicity - the Council will maintain fraud awareness and aim to deter fraud through a programme of publicity, including East Riding News, internal team briefings, Grapevine, Selling to the Council Guide and other media.

7. Identification and assessment of fraud risks and the implementation of effective systems of internal control to reduce and deter fraud

The Council and its Schools are at risk from fraud and corruption from both internal and external sources. Whilst recognising that not all fraud can be eliminated, the Council is determined to take all appropriate steps to reduce the risk of fraud, by understanding where fraud risk exists and implementing effective systems of control to minimise the opportunity for fraud. In implementing controls the Council will balance the risk of fraud against the cost and effectiveness of available controls.

The Governing Body, through its Headteacher, is responsible for undertaking fraud risk assessments and implementing and maintaining effective systems of internal control to safeguard against the risk of fraud. This includes ensuring employees are trained and aware of School and Council procedures, effective separation of duties, up to date written systems procedures exist and management checks are in place. Where fraud is discovered that highlights a deficiency in control the Headteacher may be held accountable and this could result in action under the School's Disciplinary Policy and Procedure.

The Internal Audit Section are responsible for providing assurance to Headteachers, Governing Bodies and the Council on the effectiveness of control systems and will provide advice and support in the design of new systems and procedures. Work will be planned to ensure controls over areas identified at a high risk of fraud are effective and auditors will be alert to the risk of fraud in all their work. A programme of proactive anti-fraud work will also be undertaken in each financial year.

To reduce the risk of fraud and ensure effective control the Council will:

- Ensure that the risk of fraud and corruption and the need to behave with integrity is included within the Governance Framework.

- Review on a regular basis the overarching Finance Procedure Rules and Contract Procedure Rules and more detailed Finance Manual and The Commissioning and Procurement Manual of Guidance.

- Review key policies and procedures outlined in section 10 in accordance with review dates.

- Provide training on the above procedures and ensure awareness and compliance through the work of Internal Audit.

- Undertake an annual fraud risk assessment to identify and assess the risk of fraud.

- Ensure Governing Bodies and Headteachers implement effective systems of control to mitigate the risk of fraud.

- Seek assurance on controls over key risk areas through the work of Internal Audit and monitor action taken in respect of recommendations made on a quarterly basis.

- Ensure all new systems and procedures are designed to mitigate the risk of fraud.

8. Effective fraud and corruption framework for reporting, investigating and taking action against fraud

When fraud or corruption of any description occurs (or is suspected) it will be dealt with in accordance with principals set out in this policy and will be investigated and appropriate prosecution, disciplinary and recovery action will be taken.

The mechanisms for reporting fraud are set out in the Whistle-Blowing Policy (Schools) and at section 6 above. Employees, Governors, members, partners, contractors and the public will be actively encouraged to report any suspicions of fraud and corruption.

All allegations of fraud and corruption will be notified to the Council's Internal Audit Manager and a central record will be maintained to identify any trends and enable efficient targeting of future resources.

Allegations of fraud or corruption will be investigated by the Internal Audit Section in accordance with the Fraud and Corruption Response Plan and in conjunction with Human Resources and Legal Services as appropriate. Governors, Headteachers and employees are expected to co-operate fully with any investigation. Employees will have the right to be accompanied by a trade union representative or work colleague at any formal investigation meetings.

Where allegations are substantiated an employee will be subject to the School's Disciplinary Policy and Procedure as any act of fraud or corruption (or other activity covered by this policy) constitutes gross misconduct and the school will pursue action in accordance with the School's Disciplinary Policy and Procedure including dismissal if appropriate. Issues involving members will be referred to the Standards Committee.

All suspected frauds which come to light, whether perpetrated by employees, members or by persons external to the Council, will be referred to the Police and prosecution pursued, where appropriate. Where a criminal case cannot be proven to the standards required then civil proceedings will be considered.

Where appropriate the Council will seek full redress through the legal processes available in either the criminal or civil courts. Alternative action to prosecution will also be considered where it is believed that the Council's best interests are served.

The Council will seek to publicise successful cases of proven fraud and corruption by any means at its disposal.

Where weaknesses in control are identified within the investigation these will be reviewed and management will be required to take appropriate action. Failures in the framework of internal controls will be identified and documented to enable corrective action to be taken to prevent further losses to the Council. Management will be responsible for implementing internal controls and verifying their continued application.

The Council will normally seek to recover losses incurred as a result of fraud, bribery and corruption. If anyone under investigation offers money in settlement of any losses to the Council and this is accepted, it should be made clear that:

- acceptance is without prejudice to any other actions the Council may wish to take,
- acceptance is only in respect of losses identified to date, and
- the Council reserves the right to seek recovery of any further losses that may come to light in the future.

Consideration will be given to legal action against the perpetrator of fraud, or those benefitting from fraud, in order to cover losses

9. Close working relationship with partners and sharing of intelligence to tackle the risk of fraud

The Governing Body and Council are committed to working and co-operating with other organisations to prevent fraud and corruption. The Council works closely with the Police, Insurers and other specialists when investigating suspected cases of fraud.

The Council participates in the National Fraud Initiative organised by the Government Cabinet Office to match data between systems and across a range of bodies to detect and correct any consequential under or over-payments from the public purse.

The Council also matches data between its own internal systems and, wherever possible, the Council will be prepared to help and exchange information with other councils and organisations to deal with fraud, within the legislative framework.

Reference to managing the risk of fraud will be considered in risk management arrangements with all key partners.

Suppliers are provided with information on the Council's stance on fraud and how to report suspicions through contract documentation and the 'Selling to the Council Guide'. The conduct expected from suppliers and mechanisms for reporting fraud will continue to be raised through seminars and targeted publicity.

10. Links with other policies

This Governing Body is committed to preventing fraud and corruption. To help achieve this objective there is a clear network of systems and procedures in place to ensure effective internal controls and for the reporting, investigation and prosecution of cases of fraud and corruption.

Policies and procedures in place throughout the Council to ensure effective internal controls - these will have been adopted by the Governing Body:

- Gifts and Hospitality Policy (D13)
- Use of Council Resources Policy (B2)
- The Disciplinary Policy and Procedure (Schools) (G1b)
- Policy and Guidelines on the use of Electronic Mail (Q2)
- Policy and Guidelines on the Use of the Internet (Q1)
- IT Security Policy

OR, will apply automatically:

- The Constitution including Contract and Finance Procedure Rules
- Risk Management Strategy
- Guide to Procurement
- Local Code of Conduct
- Finance Manual of Guidance
- Code of Corporate Governance
- Code of Conduct for Employees (G4)
- Selling to the Council Guide

Key policies and procedures in place to ensure the reporting, investigation and prosecution of fraud and corruption:

- Fraud and Corruption Response Plan (Schools) (G8a)
- Whistle-Blowing Policy (Schools) (G5a)
- Anti-Money Laundering procedures

- School specific policies can be obtained from the school; corporate policies are available on Insight.

The detection, investigation and prosecution of benefit, council tax and tenancy related fraud is dealt with by the Fraud Investigation and Enforcement Team which is part of Finance Services, as is the Internal Audit Section.

Where an investigation involves a school employee, Human Resources will be informed who will liaise with their Headteacher/Governing Body to take action under the Schools Disciplinary Policy and Procedure if appropriate.

11. Evaluation

Progress in implementing the Counter Fraud and Corruption Policy will be monitored by the Audit Committee and be reported as part of the Audit and Governance Annual Report and Opinion and the Annual Governance Statement.

12. Desirable Outcomes

The desirable outcomes of the policy are:

- A clear message to employees, Governors, members and individuals and organisations with which the School and Council comes into contact that the School and Council has a ‘zero tolerance’ of fraud.

- Employees, Governors, members, individuals and organisations that come into the contact with the School and Council have the confidence and knowledge to report any suspicions of fraud.

The outcomes will be measured through surveys to assess the level of awareness of the School’s and Council’s approach and confidence in reporting suspicions.

13. Policy Development including consultation

This policy was reviewed in line with the Council's Policy review programme by the Audit and Internal Audit Section, Human Resources Section, and Legal Services Section within the Directorate of Corporate Resources, in consultation with Directors, Heads of Services and the recognised Trade Unions and Heads of Service.

Appendix A - Roles and Responsibilities - in Minimising Risk of Fraud and Corruption

Management

The Council is required under the Audit and Accounts Regulations to ensure the proper administration of the Council's financial affairs and has designated the Director of Corporate Resources as the responsible officer for this purpose. To assist this officer in the discharge of these duties, all financial recording systems must be designed in consultation with and to the satisfaction of the Internal Audit Manager.

It is the responsibility of all Managers in the Council (including Headteachers) to maintain effective internal control systems for all financial records. This includes the responsibility for the prevention and detection of fraud and other illegal acts. The Internal Audit Manager will support Managers with this responsibility by undertaking an agreed programme of work to evaluate the adequacy and effectiveness of these controls. This programme (the Annual Audit Plan) will be regularly monitored by the Audit Committee of the Council.

Managers are responsible for ensuring that:

a) they and their staff understand how Council policies and procedures such as Financial Regulations, Financial Standards and Contract Standing Orders impact on their Service;
b) they and their staff always comply with Council policies and procedures and are aware of any service specific procedures in relation to fraud and corruption;
c) they fully consider and act upon promptly any recommendations and advice from the Audit & Governance Team when system weaknesses are identified which expose the Council to the risk of loss.

Managers are expected to create a working environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.

Special arrangements will apply where employees are responsible for cash handling or in charge of systems that generate payments, for example Payroll or the payment of Housing Benefit. In these circumstances, Managers must ensure that adequate and appropriate training is provided for staff and that checks are carried out from time to time to ensure that the appropriate controls and procedures are being followed.

The Council operates rigorous recruitment processes, which includes the verification of at least 2 references, one of which is from the most current or recent employer, and the completion of the appropriate level of DBS checks for staff (including enhanced DBS checks for those that have contact with children or vulnerable adults), prior to them taking up their appointment. Managers must ensure that references, qualifications and DBS checks (where these are required) of all proposed new employees are thoroughly followed up and checked prior to a position being offered. Managers must also ensure that the required skill profile is met, verifying educational and professional qualifications, as well a previous employment and duties performed

Management are responsible for following up any allegation of fraud or corruption received and will do so by taking the following action:

a) Comply with Financial Regulations and immediately inform the appropriate officer as per the Whistleblowing Policy and respond accordingly;
b) recording and securing all evidence presented to them;
c) ensuring that evidence is sound and adequately supported;
d) implementing Council disciplinary procedures where appropriate.

Senior Managers are expected to deal swiftly and firmly with those who defraud the Council or who are corrupt.

The investigation process must not be misused and any abuse, such as raising malicious allegations, will be dealt with as a disciplinary matter.

Employees of the Council

Employees are expected to work towards giving the highest possible standard of service to the public.

All employees are responsible for ensuring that they follow the instructions given to them by Management, particularly in relation to the safekeeping of the assets of the Council.

All employees should be aware of the following key documents which apply to them in addition to this Policy:-

a) Employees Code of Conduct
b) Financial Regulations (and Financial Standards)
c) Contract Procedure Rules
d) Whistleblowing Policy

Employees may be required to disclose information about their personal circumstances in accordance with these documents. This may relate to any interest in, or association with, any Council contract or an interest in any activity of the Council that could lead to a potential conflict of interest.

All employees play an important role in preventing and detecting theft, fraud and corruption. They should always be aware of the possibility that it may exist in the workplace and be able to discuss any concerns with their Line Manager if they suspect financial irregularities are occurring or could occur because internal controls are weak.

If, for any reason, employees feel unable to speak to their Manager they should refer to the Council's Whistleblowing Policy, which identifies a number of other officers to contact. In respect of queries with regard to suspected financial irregularities, the Internal Audit Manager is the nominated contact officer. All cases are treated seriously and contact can be made anonymously.

General Public, Contractors and Partners

Members of the public, external contractors and council partners are encouraged to report concerns through:

a) The Chief Executive and Service Directors
b) The Internal Audit Section
c) The Council's Complaints procedure
d) The Benefit Fraud 'Hot Line'
   Local – 01482 394949
   National – 0800 328 6340

In certain circumstances the Council's External Auditor (currently Mazars)

Internal Audit Function

The Internal Audit function is carried out by the Internal Audit Section and has a proactive role in ensuring that systems and procedures are in place to prevent and deter fraud and corruption.

The Internal Audit Section has responsibility for:

a) Assisting with the detection of fraud by undertaking an annual programme of anti-fraud transaction testing. This work may also assist in the deterrent of fraud and corruption.
b) Examining all allegations of fraud or corruption received from whatever source including anonymous information
c) Investigating all employee related cases of suspected fraud or corruption, with the exception of benefit claims cases, in accordance with the Fraud Response Plan.
d) Providing the Audit Committee and the Director of Corporate Resources with an annual opinion of the adequacy of control over the assets of the Council.

Within the financial procedure rules in the constitution, representatives of internal audit are empowered to:

- enter at all reasonable times any council premises or land
- have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary
- have access to records belonging to third parties such as contractors when required
- require and receive such explanations as are regarded necessary concerning any matter under examination
- require any employee of the council to account for cash, stores or any other council property under his/her control or possession

Appendix B – Warning signs of potential bribery, fraud and corruption

As stated above managers are responsible for the design of systems, (in conjunction with compliance with corporate policies), which must include controls that will prevent and detect fraud within their processes. Employee training and awareness is essential in ensuring that they are alert to the signs that a fraud may be being undertaken.

Three key elements exist in most acts of theft, fraud and corruption:

Opportunity - The fraudster will usually look for opportunities to commit fraud. They may have heard stories from others who have cheated an organisation in a certain way before and may seek to copy this. Detailed knowledge of internal systems may make it easier for fraud to occur, particularly if the fraudster is aware of its weaknesses or has excessive control responsibility. Weak internal controls make it easier for fraud to be successful and reduce the likelihood of it being identified.

Motive/Incentive/Pressure - A person who commits fraud may be pressured to, or needs to commit fraud. It might be due to a financial need such as living beyond their means, debts, a desire for material goods, or to feed an addiction. The sense of beating the system may also act as a motivator.

Rationalisation - A fraudster will often justify to themselves why they have committed fraud. They may see their act as revenge for inadequate pay or excessive workload. They may convince themselves that they will pay the money back one day; or that the organisation is so big it won't miss the small amount taken.

Warning signs for potential fraud

External

Supplier Invoices

- There is no record of an official order made
- The invoice contains errors in details such as officer's name and addresses
- Goods have not been received
- Stated website has limited contact information
- Documents supporting supplier invoices are inadequate or obviously altered
- Key documents appear to have been photocopied
- Evidence that a document has been altered.

Customer Applications and Payments

- Gaps in information given
- Unable to supply identification
- Unable to provide original documents
- Only able to supply photocopied documents
- Unwilling to meet at their home
- Large transactions paid by cash
- Overpayments made and refunds requested

Internal

- A person has a sudden change of lifestyle without apparent reason or unexplained and sudden wealth

- Noticeable personality or routine changes - continually works after hours, comes in frequently on weekends, insists on taking work home, requests for unusual patterns of overtime
- Possessiveness of job and records - reluctant to take holiday, go off sick or share responsibility
- Misfiled or missing documents such as receipts, estimates, correspondence
- Computer enquiries made which are not necessary to job role
- Suppliers & contractors insisting on dealing with a particular officer
- Unexplained budget pressures
- Poor audit trails