

Counter Fraud and Corruption Strategy and Response Plan



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Counter Fraud and Corruption Strategy contents

Table of contents	Page
1 Foreword	3
2 Councils Commitment	3-4
3 What is fraud?	4
4 Approach to countering fraud	4-5
5 Acknowledge	5-6
6 Prevent	7-9
7 Pursue	9-10
8 Reporting suspected fraud	10
9 Sanctions	10-11
Appendix A Red Flag indicators	12
Appendix B Fraud Response Plan	13

1 Foreword

- 1.1 During 2019-20, £310m of fraud and error was detected in local government alone, with £388m being prevented in the same year (Cross government fraud landscape bulletin 2019-20). The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime. The 'tone from the top' is crucial in this respect and members, senior leaders and the Corporate Governance and Audit committee (CGAC), are all committed to this in terms of their ethics, values, behaviours and compliance with policies and procedures.

"Leeds City Council is committed to safeguarding public money and ensuring the citizens of Leeds can have confidence that the Council operates in a fair and honest way. It is essential that we each remain vigilant to the risk of fraud and corruption so that fraudsters are not able to take away valuable resources from the delivery of crucial public services, or stop us being able to provide additional support to our most vulnerable residents. The pandemic has had such significant effects on peoples' living costs and our own resources that it is even more imperative that we all take our responsibility to protect public money seriously. Please be vigilant in your day to day activity and report any suspicions of fraud or wrongdoing you may have immediately. Thank you"

Message from Tom Riordan, Chief Executive

2 The Councils Commitment

- 2.1 Leeds City Council is committed to ensuring that the citizens of Leeds can have confidence that the affairs of the Council are conducted in accordance with the highest standards of openness, probity and accountability. In line with that commitment, the Council recognises that it has a responsibility to protect the public purse and recognises the potentially significant risk that fraud and corruption pose to the achievement of the Council's aims and objectives.
- 2.2 The Council has a zero tolerance approach and is consequently committed to preventing, discouraging and detecting fraud and corruption whether carried out against the Council or from within. The Council promotes a culture where fraud and corruption is unacceptable and therefore stakeholder commitment is expected at all levels.
- 2.3 The Council expects all councillors and employees to be aware of the standards of conduct expected of them and to behave in line with the values of the Council. All members, senior leaders and employees are responsible for their own conduct and compliance with the Council's policies and procedures in place.

2.4 Leeds City Council expects everyone who works for the Council to behave in line with the Nolan Committee's "Seven Principles of Public Life". These are documented in the conduct of Council Members and employees;

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

2.5 The Council seeks firstly to prevent fraud and corruption but will take all action necessary to identify fraud and corruption if suspected and will pursue the recovery of losses and take appropriate action against those responsible.

2.6 The Council is committed to the development and promotion of an anti-fraud culture. Further information is provided within this strategy.

3 What is fraud?

3.1 The legal definitions of fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

3.2 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

3.3 The definition of corruption is the dishonest or fraudulent conduct by those in power, typically involving bribery.

4 Approach to Countering Fraud and Corruption

4.1 The Local Government 'Fighting Fraud and Corruption Locally Strategy 2020' (FFCL) provides a blueprint for a coordinated response to fraud and corruption perpetrated against Local Authorities. This details the importance of a culture in which fraud and corruption are unacceptable, fraud risks are understood, fraud is prevented and better detected, and fraudsters are brought to account more efficiently. To fulfil the Council's commitment to tackling fraud and corruption and reduce the effects of this to an absolute minimum, this strategy is consistent with that outlined in the FFCL 2020. The three key themes are Acknowledge, Prevent and Pursue.

Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks and committing support and resources to tackling fraud.	Preventing and detecting fraud and corruption.	Punishing fraudsters and pursuing losses.
<ul style="list-style-type: none"> ➤ Assessing and understanding fraud risks ➤ Committing the right level of resources to tackling fraud and corruption ➤ Demonstrating a robust anti- fraud response ➤ Communicating and embedding an anti -fraud culture 	<ul style="list-style-type: none"> ➤ Making better use of information and technology ➤ Enhancing fraud controls and processes ➤ Developing an effective anti-fraud culture ➤ Communicating successes 	<ul style="list-style-type: none"> ➤ Prioritising the recovery of fraud losses ➤ Developing the capability and capacity to punish fraudsters ➤ Collaborating across boundaries ➤ Learning lessons

5 Acknowledge

5.1 The Council acknowledges that it is not immune from the risk of fraud or corruption and understands the fraud risks and takes appropriate action to mitigate these through:

- Ongoing review of emerging fraud risks
- Maintaining a robust counter fraud framework
- Having an annual counter fraud plan
- Raising awareness of fraud and how to report suspicions

5.2 The Counter Fraud and Corruption Strategy will continue to be informed through gaining a clear understanding of the threat, emerging risks, trends and the savings that can be achieved by investing in counter fraud and corruption. The Council will also be focusing on raising staff awareness of the risks of fraud and corruption and what they can do to prevent or identify it, and to promote the reporting channels.

5.3 Directorate management teams should consider the critical risks to their service provision. They should consider what factors are important to them and what



measures they can take to mitigate the identified risks. Management teams should consider the control environment, rather than specific individual controls. Internal Audit can advise on such matters.

- 5.4 Fraud risks are captured, reviewed, monitored and updated on the Council's risk register, which is subject to monitoring through the Council's risk management arrangements. The Council's Internal Audit section is committed to horizon scanning for new threats and emerging risks.
- 5.5 A risk-based approach has been used to devise an Internal Audit plan that promotes the effective and efficient use of resources across the organisation. This is approved by the Corporate Governance and Audit Committee and includes anti-fraud and corruption work. This includes both proactive anti-fraud and corruption activities (fraud strategies) and reactive work (investigations). The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Regular counter fraud updates are provided to CGAC.
- 5.6 As custodians of the Council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit has an overarching responsibility for the Council's approach to preventing and detecting fraud. Internal Audit has an Accredited Counter Fraud Specialist, an Accredited Counter Fraud Technician, and a holder of the Cipfa Investigative Practice Certificate. There are also members of the team with data analytic skills as it is recognised that the greater use of technology and interrogation of data is a valuable tool to identify erroneous or duplicate transactions, potential fraud or error, and target proactive work at higher risk areas. In addition to Internal Audit, there are several specialist teams and services across the Council that undertake counter-fraud/overpayment work, these include:
- Housing and tenancy fraud
 - Blue Badges (Disabled Parking Concessions)
 - Council Tax Support / discounts and Housing Benefits
 - Direct payments
 - Insurance
- 5.7 The Council recognises that the continued success of its anti-fraud and corruption strategy is through training and raising awareness. The counter fraud awareness e-learning training on the authority's Performance and Learning System is promoted throughout the year. The training highlights the key fraud risks within local authorities, prevention controls and relevant policies and guidance in place within the Council. Awareness of the Council's Anti-Fraud and Corruption Policies and fraud risks are promoted on the internal news items on InSite. Awareness is also promoted during the annual International Fraud Awareness Week and tenancy fraud awareness week.

6 Prevent

6.1 The best way to fight fraud is to prevent it happening in the first place. Prevention and detection will be achieved through having a strong counter fraud and corruption culture whereby everyone is aware and abides by their roles and responsibilities and having a robust governance framework which continually evolves. Regular fraud updates are provided to the CGAC.

6.2 The Council has a robust governance framework to support the prevention of fraud and corruption which consists of policies, procedures and internal controls. These have been developed in line with appropriate legislative requirements and professional best practice and are aimed at ensuring public accountability, value for money and protecting employees against allegations that they acted improperly.

- Whistleblowing Policy
- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Employee Code of Conduct
- Members Code of Conduct
- Employee Gifts and Hospitality Policy
- Employee Outside Interest Policy and Procedure
- Recruitment and Selection Code of Practice
- Financial Regulations
- Contract Procedure Rules
- Disciplinary Policy and Procedures
- Information Governance arrangements

6.3 The Council has developed, and will continue to develop, financial systems that incorporate efficient and effective internal controls. Internal controls are the whole system of controls established by management to carry out the business of the organisation in an orderly and efficient manner. The system of internal controls includes the segregation of duties, which should ensure that no one individual can be responsible for all aspects of one transaction. They help to ensure:

- Adherence to management's policies
- Safeguard assets
- Accuracy and completeness of financial records.

6.4 The Council recognises that it cannot work in isolation but must liaise with other organisations. Arrangements are in place that encourage joint collaboration and the exchange of information between the Council, other authorities and organisations responsible for auditing or administering public funds, in order to prevent and detect fraud. All liaisons will adhere to Data Protection Legislation and give regard to the confidentiality of information.

- 6.5 Good intelligence is crucial in order to identify fraudulent activities and take action to prevent the Council falling victim. A range of data sharing both in house and externally, along with joint working are utilised including (but not limited to), membership with the National Anti-Fraud Network (NAFN), shared intelligence and best practice with other Local Authorities through the South and West Yorkshire Fraud investigators group, Housing tenancy forums and Partnership working with the West Yorkshire Joint Services. The Council also partakes in the annual Chartered Institute of Public Finance and Accountancy (CIPFA) counter fraud and corruption tracker, known as CFaCT. This captures fraud activity and the different types of fraud across Councils and other public bodies.
- 6.6 To help ensure that there is an effective counter fraud culture in place within Leeds City Council, Internal Audit have included time in the counter fraud block of the audit plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications, internal risk assessments, data analytics work, horizon scanning and liaison with established internal and external contacts throughout the year to identify emerging frauds and risk areas, to ensure that mitigating actions are taken promptly.
- 6.7 The Councils Whistleblowing Policy set out the means by which serious concerns can be brought to the attention of management and Internal Audit. The Whistleblowing Policy is available on the intranet and encourages Council employees and workers (including contractors and consultants), who have serious concerns about any aspect of the Councils work, to come forward and voice those concerns without fear of reprisal. Members of the public can contact the Council to report any concerns or disclosures over wrongdoing and these will be treated in the same way. Unlike disclosures made by employees, protection under PDA law does not extend to disclosures made by members of the public. The Council website also includes how to report on other issues such as housing and tenancy fraud. The promotion and accessibility of these policies helps the Council to be responsive to emerging risks that are identified.
- 6.8 Internal Audit are also the custodians of the Anti-Bribery and the Anti Money Laundering Policies. The purpose of the Anti-Bribery policy is to maintain the high standards of conduct which currently exist across the Council by preventing or identifying bribery. The Anti-Money Laundering Policy sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements within the Council.
- 6.9 As part of the proactive anti-fraud work, the Council takes part in the National Fraud Initiative (NFI). The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Where a match is found it may indicate that there is an inconsistency which requires further investigation to determine whether fraud or error has occurred, or if there is another explanation for the match. Relevant teams



within the Council (for example, Internal Audit, Housing, Benefits, Blue Badge and Adult Social Care) work through the matches on a risk basis.

7 Pursue

7.1 The Council is committed to pursuing fraudsters and deterring others from committing fraud. It is acknowledged that, even with strong preventative measures, motivated fraudsters may still succeed. Most frauds are, however, detected by the vigilance of staff or members of the public, a tip-off or discovered by chance. The Council's staff are a vital element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have. A number of red flags can indicate something is not right. See Appendix A for possible indicators.

7.2 Financial regulations 21. Fraud and Corruption requires that:

“Whenever any matter arises that involves, or is thought to involve irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council, including bequests, trust and client monies, it must be immediately brought to the attention of the respective Director.

Where the irregularity is thought to involve fraud, corruption or impropriety the Director must ensure that the matter is reported to the Head of Audit. If the irregularity or suspected irregularity involves theft or suspected theft of assets, it must also be referred to the Police. In addition where a break-in is suspected, the Police must be informed immediately.”

7.3 The Council is committed to treating all concerns raised consistently and fairly. Any suspected fraud, corruption or other irregularity should be reported as required by financial regulations and in line with the fraud response plan detailed below, Appendix B. Details of all referrals received by managers under this policy should be notified to Internal Audit to allow a central record to be maintained. There might be instances where employees cannot or will not, for whatever reason, feel they are able to report concerns to their manager. In such instances, employees can raise their concerns direct with Internal Audit.

7.4 It is important that you do not attempt to investigate the suspected fraud yourself. This will ensure that any investigation is carried out independently and objectively in accordance with Council policy and procedures, key investigation legislation and best practice and, provide assurance that investigations do not jeopardise any potential disciplinary action or criminal sanctions. Reporting all such suspected activity is essential to help ensure consistent standards of investigation are achieved and to help inform the Council of any trends that might be of assistance in subsequent investigations, and/or inform fraud strategies.

- 7.5 Internal Audit risk assess all referrals made to them and determine the most appropriate method for dealing with the concern. Referrals are then either passed onto directorates to investigate or investigated by Internal Audit. Where the allegation is of a criminal nature then a referral may be made to the Police either following a risk assessment of the information provided or an investigation. Where an investigation is undertaken the referral will only be closed once Internal Audit is satisfied that the allegation has been addressed. This may involve liaison with the Police, directorate or external agency.
- 7.6 Internal Audit may make recommendations to address any control weaknesses identified following an investigation. Any areas identified as being vulnerable to the risk of fraud and corruption will be considered and fed into the proactive work plan.

8 Reporting suspected fraud

- 8.1 The Council recognises that people speaking up about something they have seen, heard or that just doesn't seem right is the often the best way to identify fraud. There are several channels for reporting concerns and the Fraud response plan included at Appendix B should be followed in cases where fraud and corruption are suspected. This is supported by the Whistleblowing Policy which protects employees and workers from fear of reprisal if they raise concerns in good faith.
- 8.2 Concerns can be reported to Internal Audit, anonymously if preferred, using the details below:

Telephone:	(0113) 3788008 (dedicated hotline answered by a member of the Internal Audit team or an answerphone).
E-mail:	concerns@leeds.gov.uk
In writing:	Internal Audit, 3rd Floor West, Civic Hall, Leeds, LS1 1JF
Online (internal only):	When logged into the Council network there is the option to complete a whistleblowing referral form via Insite.

9 Sanctions

- 9.1 The Council recognises the impact and harm fraud can have on itself and its residents through financial loss and reputational damage. The Council will take into account the circumstances of each case and the nature of the alleged crime when considering what action to take. This may include disciplinary or criminal proceedings, or both. Irrespective of the action taken to prosecute the perpetrators

of fraud and corruption, the Council will take whatever steps necessary to recover any losses incurred.

9.2 The recovery of funds will be pursued through the relevant channel which may include:

- Recovery of losses through the Councils recovery procedures.
- Recovery from a pension.
- The Proceeds of Crime Act 2002.
- For cases of subletting, prosecuted under POSHFA 2013.
- Where relevant, cases referred to relevant professional body.
- Where necessary reported to the national anti-fraud network (NAFN).

9.3 In order to deter future attempts of fraud and corruption against the Council, successful cases will be publicised.

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Appendix A Examples of Red Flags

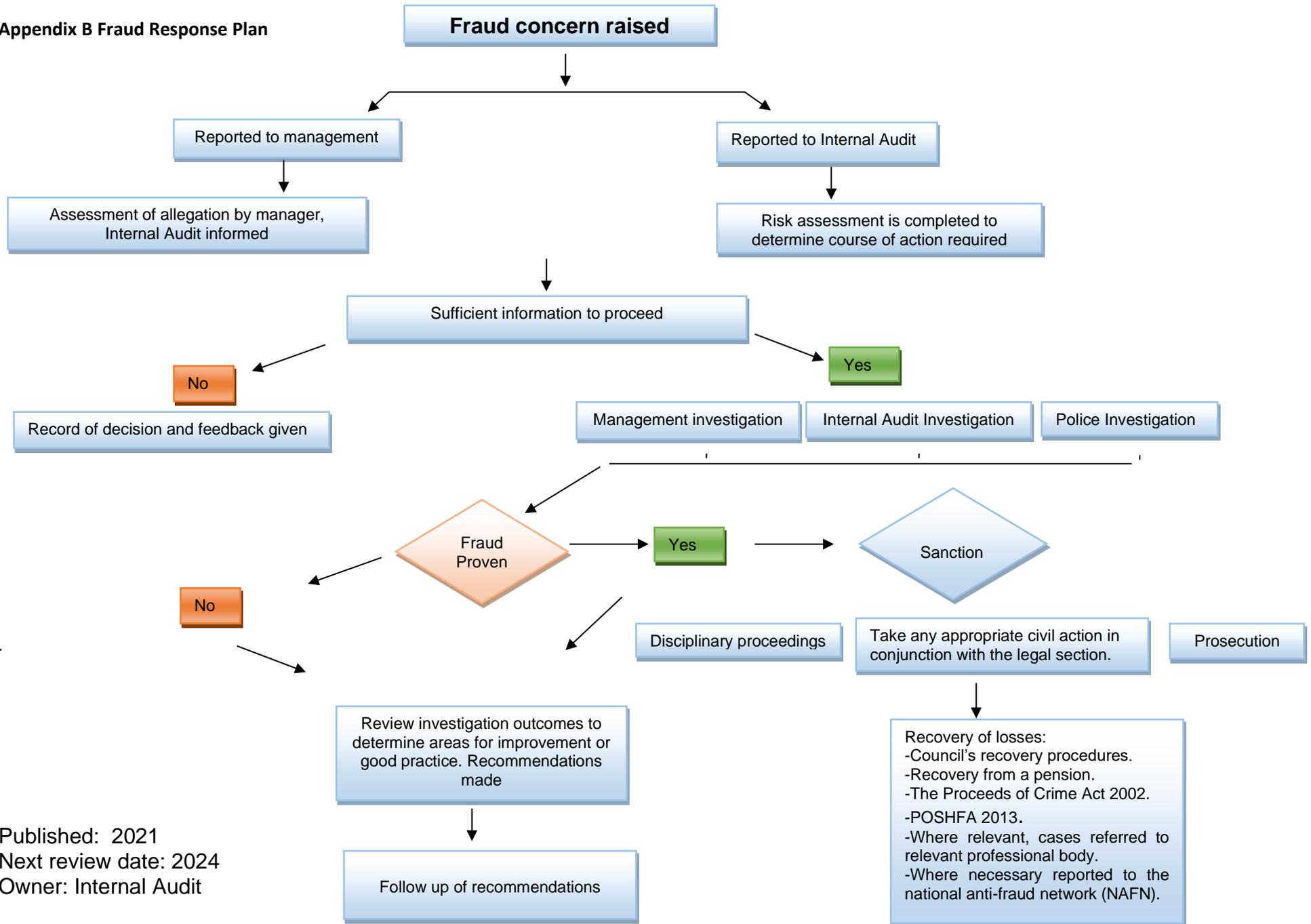
Red Flags in Internal Fraud

- Unwillingness to share duties
- Refusal to take leave
- Refusal to implement internal controls (e.g. skipping approvals)
- Replacing existing suppliers with suppliers that have an unusually close connection
- Living a lifestyle above apparent means
- Lavishing gifts on colleagues
- Failure to keep records or receipts
- Bullying colleagues (especially if the colleagues question the person's activities)
- Seeking access to areas which the person should not be able to access
- Chronic shortage of cash - consistently seeking loans or advances
- Past legal/compliance problems
- Addiction problems (e.g. gambling or drugs)
- Under financial stress
- Significant personal stress (e.g. divorce, business failing)
- Disgruntled with employer
- Strong sense of entitlement

Red Flags in Contracting/Accounting

- Financial information reporting is inconsistent with KPIs
- Abnormally high costs in a specific cost centre function
- Dubious record keeping
- High overheads
- Bank reconciliations not up to date
- Inadequate segregation of duties
- Reconciliations not performed on a regular basis
- Payments continuously just below reporting thresholds
- Duplicate invoices
- Sequential numbers on invoices
- Pricing does not adjust with changes in the value of goods or services in the market
- Owners of company not identifiable
- Owners of company with unusually close links to officials in the department
- A history of fraud in the type of contract or with the contracting organisation

Appendix B Fraud Response Plan



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