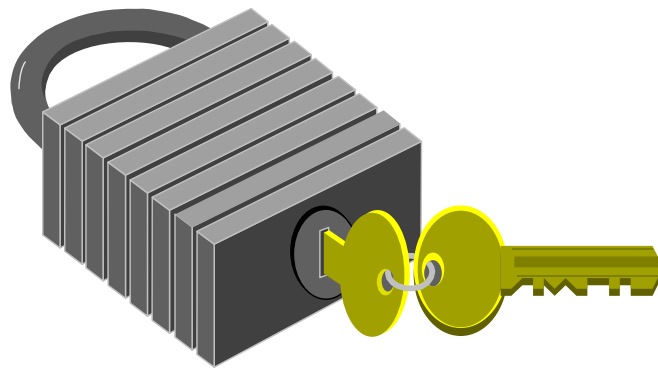


Suffolk Coastal District Council Corporate Counter Fraud Unit
Protecting To Perform: Fraud Awareness Induction Document



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1. **Why Protecting our Assets Helps us Perform**

Fraud Affects Us All

1.1 The Council's overriding goal is to ensure that Suffolk Coastal is a place where the community continues to enjoy the highest quality of life and receives top quality efficient services from the Council. In achieving this aim we recognise that we must use our resources wisely, and this includes protecting our assets and our financial systems from those who would steal or otherwise seek to profit at our expense through dishonest means.

1.2 Even in the best of financial times our finances are finite, and every pound we lose through fraud, corruption or theft is an irreplaceable pound that could have been used to fund a service; a service our public require, deserve and in many case rely upon.

1.3 As well as negatively impacting upon our services, unchecked losses from dishonest acts can harm our reputation amongst service users and our partners. Who would wish to either work for an organisation with a poor reputation or have little option but to seek the services of one?

1.4 If we recognise that fraud, theft and corruption are potential problems that threaten the organisation we work for, it must follow they are potential problems for ourselves as individual officers. It is therefore essential that we all take individual responsibility in tackling fraud, theft and corruption by:

- Being aware of the risks and the threats such actions present to the Council;
- Remaining vigilant; and
- Reporting suspicions to the appropriate officer as soon as possible.

The National Perspective

1.5 The threat of fraud, theft and corruption is not restricted to Suffolk Coastal, nationally, fraud and corruption within the public sector is seen as a growing problem, a problem likely to be increased by the current financial climate.

1.6 Fraud is not an abstract problem, as table 1 below details, fraud is a very real threat to the Public Sector, Local Authorities included:

Fraud Type	Financial Year	Financial Year	% Increase / Decrease
	1996/7	1997/8	
Misappropriation of Income	£0.7million	£2.8 million	300
Payments to Suppliers and Contractors	£1.9 million	£1.9 million	0
Cheque Fraud	£1.1 million	£1.0 million	(9)
Stores and Stock	£0.6 million	£0.6 million	0
Pensions and Payroll	£0.2 million	£1.1 million	450

Table 1: National Fraud Statistics

1.7 The Audit Commission (Central Government's audit body) have observed that certain types of activity are particularly vulnerable to internal fraud, especially where controls are weak and the separation of duties has broken down. Over 85% of detected income frauds and 80% of payroll and stock frauds are perpetrated by internal staff. The Audit Commission went on to state that "33% of incidents (fraud) carried out by administration staff and 28% by management".

1.8 Reinforcing the Audit Commission's figures, the management and accountancy group KPMG reported that "the public sector that showed the largest percentage increase (330%) in the value of fraud cases reported" for financial year 2002/3. Clearly fraud is a very tangible risk facing the public sector.

Our History of Fraud and Corruption

1.9 Suffolk Coastal is an organisation that has a history comparatively free of internal fraud and corruption; a reflection both of our emphasis on strong corporate governance and on our operational culture of openness, honesty and transparency supported by measured internal controls. Where such incidents have occurred, they have been isolated, quickly identified and the losses, if any, minimal.

1.10 Where we have experienced an instance of suspected fraud, theft or corruption, each case has been thoroughly investigated, occasionally with police involvement, and the investigations undertaken have resulted in the termination of the culprit(s) employment with the Council.

1.11 That the Council has sustained comparatively few instances does not mean that we can afford to be complacent concerning the risks; dishonest activities that threaten our assets and services remain a constant threat. That the Council has a budget in excess of £40 million and pays £ millions in benefit payments and grants makes us a potentially tempting target for any individual or group of individuals wishing to engage in dishonest activity; a point we should all be conscious of.

Our View of Fraud and Corruption

1.12 Our view of fraud and similar dishonest activities is simple: we believe that fraud, theft and corruption are wholly unacceptable and we will not tolerate any dishonest activity regardless as to whether it is perpetrated by members of the public or by our employees.

1.13 We view fraud, theft and corruption so seriously that where there is sufficient evidence and it is in the public interest to do so, we will instigate criminal proceedings against those who seek to steal from us.

1.14 We will also take disciplinary action against any member of staff who seeks to profit from dishonest actions committed against the Council; any instance of theft, fraud or corruption committed by an employee against the Council may well be considered as constituting gross misconduct and may result in the dismissal of that employee.

Our Response to Fraud and Corruption

1.13 We believe that prevention is better than any cure, we have therefore introduced a range of measures to actively combat fraud and corruption. At the heart of these measures is the co-operation, professionalism and vigilance of our greatest asset; our workforce.

1.14 We do not maintain counter-fraud measures because we distrust our employees. We recognise that our workforce is honest, hardworking and trustworthy, but equally we also recognise that we must employ sensible procedures and processes to maintain public confidence in our organisation.

These measures are:

- *Training;*

We believe that by being aware of the threat of fraud and corruption, of the need for vigilance and understanding both our corporate and individual responsibilities as employees to counter such activity, we have made an important first step.

- *Anti-Theft, Anti-Fraud and Anti-Corruption Policy;*

The Authority has a policy stating its views on fraud and corruption and outlining how it will combat such activity, it is available in electronic form on the Authority's intranet (Finance > Audit > Anti-Theft, Anti-Fraud & Anti-Corruption Policy).

Every member of staff is encouraged to ensure that they are familiar with the content of the policy.

- *Corporate Counter Fraud*

The Authority maintains a system for responding to suspicions (concerning fraud and corruption) made by employees and members of the public such as by telephone (Benefit Fraud Hotline 01394 444444, Whistleblower's Hotline 01394 444222 and via electronic report form on the Council's website (located within the 'Help Us Stop Benefit Fraud' area. The Council provides further useful information concerning how to report fraud and how it will respond to those reports within the 'corporate anti-fraud strategy' and 'fraud response and investigation management plan' document.

These documents give an overview of how the Authority assessment and investigation process. Again, we encourage every member of staff to ensure that they are familiar with the terms of the plan.

- *“Whistleblowing” Policy;*

Within the staff handbook, the Authority sets out its procedures under the Public Interest Disclosure Act (PIDA) whereby concerned employees can report concerns of fraud, malpractice and lack of value for money. PIDA affords legal protection to individuals making legitimate (i.e. not malicious) disclosures concerning an aspect of the Authority’s work or the conduct of an individual employee. Anyone contemplating making such a disclosure may consider obtaining advice from a trade union representative, Human Resources Section or from the Internal Audit Section or Corporate Counter Fraud Unit.

The Council’s whistleblower’s hotline number is 01394 444222.

- *Strong Internal Controls;*

By maintaining strong internal controls, we can deter the commissioning of fraud and corruption and detect (at an early stage) and identify the culprits concerned.

Internal controls are not designed to prevent effective work practices, nor are they designed to “catch anyone out”; they are maintained to protect honest employees and safeguard resources. It is in every employee’s interest that they have controls embedded into the systems they work within.

- *Internal Audit Review;*

For internal controls to remain effective there is a necessity to undertake regular reviews to ensure that the controls are practical, effective and are being adequately maintained. It is also necessary to review internal controls in the light of new and developing threats.

Whilst maintaining such controls is the responsibility of individual managers and heads of service, the Authority maintains an Internal Audit Section whose main remit is to assess and report upon the adequacy of these internal controls and provide assurance to senior management concerning the financial systems of the Council.

- *Corporate Counter Fraud Unit (CCFU);*

The CCFU is a specialist team located within the Internal Audit Partnership whose is to deter, detect and investigate cases of fraud and corruption within, and perpetrated against, the Council.

This role involves a wide range of activities, from involvement in publicising the Council's counter-fraud message, through to active investigation and devising and implementing counter-fraud policies. The majority of the Unit's workload is benefits-related, but the Unit also deals with non-benefit fraud matters. The Unit is also more than happy to offer advice concerning suspicions or anything fraud related.

- *Registering Personal Interests;*

Every Elected Member and employee is required to register a "personal interest". Employees should register such an interest with their line manager.

It is difficult to provide an absolute definition of such an interest, but any matter which could be seen as creating a conflict of interests between an employee's private life and their employment with the Council should be registered. Examples of this include an employee who owns a property within the District in respect of which their tenants claim housing benefit payments. Further information concerning personal interests is given within the 'Coastal Works' area of DORA.

- *Data Matching;*

The Council participates in a number of data matching initiatives, primarily by the Department for Work and Pensions' Housing Benefits Matching Service (to detect benefit fraud) and the Audit Commission's National Fraud Initiative (to detect fraud and irregularity across a range of areas), with these exercises being designed to detect instances of fraud and corruption.

2. What are Fraud and Corruption

Fraud

2.1 The Council mentions “fraud” in numerous documentations, and whilst it is a relatively commonplace term, it is one that can be misunderstood. When the Council mentions fraud it is referring to dishonest acts involving some form of deception that are undertaken with a view for personal gain or to inflict loss to the organisation.

2.2 When the Council refers to fraud it relies upon two definitions, those from the Audit Commission and from the Theft Act 2006.

The Audit Commission has defined fraud as being:

“The intentional distortion of financial statements or other records by persons, internal or external, to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain”

The Council uses this definition in relation to activities it encounters or discovers the fall short of resulting in either the Council instigating criminal proceedings or referring the matter to the Police with a view for proceedings to be instigated by that agency.

The Fraud Act 2006 defines fraud as being:

Dishonestly making a false representation, dishonestly failing to disclose information when under a legal duty to do so, and / or dishonestly abuses a position with the intention of to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

This definition is used in instances where the Council is considering whether to prosecute a case itself or refer a case on to another agency, typically the police.

2.3 In plain English, both definitions imply that fraud is “concealed stealing”, thus where any individual deliberately falsifies a document in order to steal or to conceal that theft, then they commit fraud.

2.4 The most common examples of fraud likely to be experienced by or within Local Government are (this list is not exhaustive):

Type of Commissioning	Type of Activity
Internal	Falsification of timesheets; (where timesheets are required) Deliberately giving false working times in order to steal time, e.g. working 32 hours but declaring to have worked 37 hours.
Internal	Falsification of mileage claims; Deliberately providing false mileometer readings to claim for journeys that were not undertaken or to exaggerate the actual mileage travelled.
Internal	Falsification of Subsistence Receipts; Deliberately submitting bogus subsistence receipts (either counterfeit receipts or “doctored” receipts).
Internal	Ordering Goods or Services for Personal Gain; Ordering, or passing for payment, goods or services for personal use at the Authority’s expense.
Internal	Creating Bogus Employees; Deliberately creating non-existent employees in order to obtain wages or salary payments.
Internal	Misuse of Assets for Personal Gain; Using or misusing the Authority’s assets (vehicles, I.T. and other equipment) for personal gain.
External	Benefit Fraud; Providing false information, concealing information, or failing to declare a change in personal circumstances, in order to obtain benefit payments to which they are not entitled.
External	Grant Fraud; Providing false information or concealing information in order to obtain a grant from the Authority.
External	Invoice Fraud; Deliberately sending bogus or deliberately and dishonestly inflated invoices to the Authority.
External	Cheque / Payment Fraud; Deliberately altering cheque or other payment details to increase the value of the payment, e.g. tampering with a cheque to change it from £300.00 to £30,000.00

2.5 The Council operates a number of controls, systems and reconciliations that are designed, at least in part, to identify suspicious instances. Whilst these systems are both robust and reliable, the Council still relies upon the vigilance of its greatest resource, its workforce, to come forward and report their concerns.

Corruption

2.6 The Audit Commission has defined corruption as being:

“The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person”

2.7 This definition is self-explanatory albeit that for corruption to occur, either an Elected Member or a Council Employee must be involved. The most common examples of corruption are (this list is not exhaustive):

Type Commissioning	of	Type of Activity
Planning		Inducement / Soliciting or Acceptance; of any gift or reward in order to grant any form planning permission (planning consent for any development, change of use, etc.), or to change Council policy or any similar action intended to give an unfair advantage to an individual, group or company.
Purchasing		Inducement / Soliciting or Acceptance; of any gift or reward in order to purchase a particular item or to use a particular supplier.
Invoice / Payment		Inducement / Soliciting or Acceptance; of any gift or reward to pass for payment any bogus invoice, or to collude with others to create and pass bogus invoices.
Grants		Inducement / Soliciting or Acceptance; of any gift or reward to approve a grant, to lower the criteria for grant eligibility or award a grant where the qualifying criteria have not been met.
Contracts		Inducement / Soliciting or Acceptance; of any gift or reward to award a contract to a particular company, providing privileged information to a particular company, undertaking any action to give an unfair advantage to an individual, group or company.

2.8 Officers are under a duty to ensure that they do not place themselves in a position where they could be viewed as acting inappropriately. Therefore, officers should refuse gifts, whether offered to themselves, or any member of their family, from a person or organisation with whom they have official dealings. Remember the whistleblower's hotline number is 01394 444222.

2.9 The only exception from this rule is for minor promotional gifts that are distributed to a wide number of people and not just to one officer. In such instances it is recommended that any gift in excess of £10 in value is refused.

2.10 Where there is any doubt, contact your line manager.

2.11 Hospitality is another area where caution must be exercised. For a number of officers, invitations to attend working lunches, receptions and similar functions may be received as part of that officer's normal working duties. Where this occurs, officers must give thought as to whether their attendance is appropriate.

2.12 Where the function concerned is modest, proportionate and the primary purpose is to discuss work specific matters then attendance at the function is usually acceptable. Obviously offers of expensive gifts and lavish entertainment (holidays, hotel accommodation use of company vehicles and other such facilities) must be refused.

2.13 All offers of gifts and/or hospitality must be recorded in the official register. The procedure laid down in your service area must be followed; if in any doubt, discuss the matter with your line manager or head of service.

Fraud and Corruption: The Penalties

2.14 Any officer engaging in fraudulent or corrupt practices against the Council faces both disciplinary and criminal action. In terms of employment, fraud and corruption are usually considered as constituting gross misconduct, and as such, the employer has the right to immediately dismiss the employee(s) concerned.

2.15 In terms of criminal action, the offence of Fraud is defined within the Fraud Act 2006 and there are a number of offences within the Theft Act 1968 that are generally referred to as "fraud offences", i.e. false accounting, dishonestly retaining a wrongful credit, etc. All these criminal offences carry a maximum sentence of imprisonment .

2.16 It is a criminal offence under the Public Bodies Corrupt Practices Act 1889 and Prevention of Corruption Act 1916 for a public official to accept any reward or inducement in exchange for any service or course of action.

2.17 Where a gift is accepted, the legal onus is placed upon the recipient to prove that the gift was not given due to a service or course of action taken by themselves.

2.18 All fraud and corruption offences carry terms of imprisonment as maximum sentences. Historically, the Criminal Courts have taken a very dim view of public officials who defraud their employers or engage in corrupt practices, the usual sentence is imprisonment:

An officer employed within the Benefits Section of one Local Authority defrauded a neighbouring Local Authority of £1,200 in benefits; he was sentenced to 3 months imprisonment.

Whilst the Magistrates accepted that the offences were not committed against the officer's own employer, they considered that knowledge gained from his employment was a contributing factor in the commissioning of the offences.

3. **Avoiding Allegations of Fraud and Corruption**

Standards

3.1 The Authority believes that employees must give the highest possible standard of service to the public and provide appropriate advice to Elected Members and fellow employees. The Authority has also committed itself to maintaining the highest standards of openness, probity and accountability.

3.2 In order to achieve these goals and requirements, employees must conduct themselves in a professional, honest and open fashion. In doing so, it is likely that officer's actions will not be misinterpreted and will therefore not attract allegations of fraudulent or corrupt behaviour.

3.3 The Authority maintains a code of conduct for employees (within the 'Coastal Works' area of the Dora intranet site). Officers are expected to familiarise and adhere to the provisions of the code.

The Seven Principles of Public Life

3.4 The Neill (formerly the Nolan) Committee on Standards in Public Life recommended 7 principles. These principles are recommended to all officers:

- **Selflessness**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or material benefits for themselves, their family, or their friends.

- **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

- **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

- **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

- **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and

- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

Relationships With Contractors

3.5 Employees must make known in writing to their head of service all relationships of a business or private nature they have with external or potential contractors.

3.6 Orders and contracts must be awarded on merit, by fair competition where appropriate against other tenders and no special favours must be shown to potential contractors (particularly those run by, friends, personal or business partners, spouses or relatives) in the tendering process.

3.7 Employees who engage or supervise contractors or have any other official relationship with contractors and/or have had or currently have a relationship in a private or domestic capacity with contractors (or their senior staff) must also declare that relationship in writing to their head of service.

Separation of Roles During Tendering

3.8 The tendering of contracts is an important process and one subject to a great deal of scrutiny, therefore employees involved in the tendering process and dealing with tenders/contractors must be clear on the separation of the client and contractor roles in the District Council.

3.9 Employees in client or contractor units must exercise and display fairness and impartiality when dealing with customers, suppliers, tenderers, contractors and sub-contractors. Employees who are privy to confidential information on tenders and/or costs for internal and / or external tenderers / contractors must not disclose that information to any party or organisation not entitled to it.

3.10 Employees must avoid any suggestion of impropriety when dealing with current or former employees, friends, personal or business partners, spouses, or relatives in awarding contracts to a business run by them or employing them in a senior or otherwise relevant managerial capacity. Where possible employees must remove themselves from awarding role in such situations.

3.11 Again, if in any doubt, concerned officers should discuss the matter with their line manager or head of service

Data Protection

3.12 Data protection is the subject of another training session, however, the key points to remember are:

- In the event of a breach of the Data Protection Act, the employee concerned may be held personally liable for not complying with the Act;
- Do not disclose data unless (a) you are sure you are entitled to do so and (b) you are sure of the identity of the individual you are disclosing the data to.

4. Reporting Suspicions of Fraud or Corruption

Receiving Corrupt or Fraudulent Offers

4.1 Officers receiving what they believe amount to corrupt offers, or suggestions that they engage in fraudulent activity, must report this immediately. Such reports should be made to:

- Their line manager;
- Head of Service;
- The Whistleblowing Hotline (**01394 444222**); or
- Another appropriate officer such as the Corporate Counter Fraud Manager.

4.2 Under no circumstances should officers take any such gifts or money; it may be tempting to take these gifts in order to obtain evidence of the offer, but in doing so officers would place themselves in an extremely difficult position. This is particularly so if the person making the offer were to allege that the officer concerned had originally accepted the offer but had later changed their mind or that the officer had extorted the gift from them.

4.3 Where possible, officers should make a written note, as soon as practicable after the event, to detail:

- Who made the offer;
- When the offer was made;
- Where the offer was made;
- How the offer was made;
- Why the offer was made; and

- What was offered.

Suspicious of Fraudulent or Corrupt Activity

4.4 Where officers harbour suspicions of fraudulent or corrupt activity, they are actively encouraged to discuss these suspicions and concerns with their line manager, head of service or other appropriate officer (such as the Corporate Counter Fraud Manager or Assistant Audit Partnership Manager).

4.4 Officers with suspicions **should not** attempt to collect further evidence to support their suspicions; if they already have evidence to support their suspicions, this evidence should be secured and forwarded to the Chief Officer or Assistant Audit Partnership Manager. In attempting to secure further evidence, officers could inadvertently jeopardise any investigation as well as tipping off the suspect.

Anonymity and Anonymous Allegations

4.5 All suspicions made in good faith will be seriously considered and treated in the strictest confidence. However, it should be made clear that long-term anonymity cannot be guaranteed; where it is found that there is substance to the concerns raised, the identity of the person raising the concern may have to be disclosed.

4.6 Where an investigation is undertaken, the officer(s) who reported the suspicions will be kept apprised of developments where those developments may affect them.

The Corporate Counter Fraud Unit will appoint an investigator to liaise with the officer making a concern to ensure that there are no negative repercussions against them. Any attempts to bully, harass or otherwise pressure the officer concerned will be dealt with severely.

4.7 These guarantees can only be given for those officers who disclose their own identity when reporting a suspicion as, by their very nature, anonymous informants cannot be identified.

The Assessment and Investigation Process

4.8 All concerns and suspicions reported to the Corporate Counter Fraud Unit will be given serious consideration and initial investigation work will be undertaken to establish whether there is a prima facie case. The result of this initial assessment will be relayed to the officer raising a concern (unless that would be prejudicial to any ongoing investigation).

4.9 As a result of the initial assessment, it is possible that no further action would be taken. Where this occurs, the officer raising the concern will be advised of the decision and the reasons for that decision.

4.10 As stated previously, where the case is accepted for investigation, the Corporate Counter Fraud Unit will appoint an investigator to liaise with the officer concerned. This procedure is followed regardless as to whether the Corporate Counter Fraud Unit or the Police undertake the investigation.

Referring Cases to the Police

4.11 Where the case is so serious, and the head of service concerns believes it is necessary, the Police may be contacted and requested to undertake an investigation into the concerns raised. Where this occurs, the officer making the disclosure will be advised of this.

5. Like to Know More?

5.1 If you would like to know more about fraud and corruption or you have a suggestion or would like to give some feedback, please contact us:

Telephone: 01394 444456 (main office number)

Fax: 01394 44531

e-mail: investigation@suffolkcoastal.gov.uk

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