

## **PART 6F**

### **ANTI-FRAUD AND CORRUPTION POLICY**

#### **CONTENTS**

1. Introduction
2. Authority Policies Procedures and Rules
3. Expected levels of behaviour
4. Preventing Fraud and Corruption
5. Detection/Investigation
6. Training and Awareness
7. Sanctions
8. Sharing Information
9. Reporting and Monitoring
10. Review Policy

Appendix 1 - The General Principles of Public Life

Appendix 2 - Fraud Response Plan

#### **1. Introduction**

- 1.1 The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority ('the Authority') is committed to maintaining high standards of Corporate Governance. The management of the risk of fraud and corruption and ensuring that effective counter fraud arrangements are in place are key elements of Corporate Governance.
- 1.2 The Authority recognises that, as well as causing financial loss, fraud is also detrimental to the provision of services and damaging to the reputation of, and confidence in, the Authority, consequently this could put at risk the achievement of strategic objectives. The Authority is committed to a culture of honesty and opposition to fraud and corruption, and making sure that the opportunities for fraud and corruption are reduced to the absolute minimum. The Authority will not tolerate fraud and corruption in the administration of its responsibilities from inside or outside the Authority.
- 1.3 An important part of this approach is introducing and maintaining an effective Anti-Fraud and Corruption Policy. This document outlines the approach for dealing with the threat of fraud and corruption and makes clear to all concerned

that appropriate and decisive action will be taken against those committing or attempting to commit fraudulent or corrupt acts against the Authority. The Authority has delegated responsibility for the approval and monitoring of this Policy its effectiveness to the Audit and Standards Committee. A Fraud Response Plan is included which gives more detailed guidance on how to deal with allegations of fraud and corruption.

- 1.4 Fraud is defined as:- “The intentional distortion of financial statements or other records by persons internal or external which is carried out to conceal the misappropriation of assets or otherwise for gain”

Corruption includes bribery and other improper conduct. The Bribery Act 2010, in force from 1 July 2011, replaces the previous common law and statutory bribery offences. The new offences under the 2010 Act are described in paragraph 2.5 below.

The precise definitions are set out in the Fraud Act 2006. The Act provides for a general offence of fraud and three ways of committing it: by false representation, by failing to disclose information and by abuse of position.

For the purpose of this Policy ‘fraud’ also includes the physical theft of assets.

- 1.5 In this Policy the term “employees” refers to officers of the Authority (whoever employs the officers), who provide support services to the Authority.

- 1.6 This Policy is applicable to:-

- Members, Chief Officers and employees of the Authority and its committees;
- All individuals, organisations, contractors, consultants and partners associated with the Authority;
- Our Customers and Stakeholders.

- 1.7 The Authority expects all applicable persons to be fair and honest, and to provide any help, information and support necessary to deal with the suspicion or reports of fraud and corruption.

## **2. Authority Policies, Procedures and Rules**

- 2.1 The Authority will put in place a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activities. These are an important part of the internal control process, and it is important that all members and employees know about them. These include:-

Code of Corporate Governance, Risk Management Policy, Code of Conduct for Members, Code of Conduct for Officers, Protocol on Member/Officer Relations, Members' Allowances Scheme, Procedure Rules, Contracts Procedure Rules, Financial Regulations, Whistle Blowing Policy, Disciplinary Procedures, Recruitment Procedures, Complaints Procedures and associated procedural documents.

These documents will be made available on the Authority's website.

- 2.2 It is the responsibility of managers at all levels to ensure that all employees have an awareness of and access to the relevant rules and regulations and receive suitable training.
- 2.3 Members, Chief Officers and employees of the Authority and its committees must make sure that they read and understand the rules and regulations that apply to them, and act in accordance with them.
- 2.4 Contravention of these rules and regulations may lead to formal action being taken against the parties concerned. This may include terminating employment in respect of employees, and referral to an appropriate local authority standards committee in respect of members. Serious cases may be referred to the Police for criminal investigation. It will be the responsibility of the Monitoring Officer to decide whether to make a referral to the Police.
- 2.5 The Bribery Act 2010 creates four new criminal offences:- a general offence covering offering, promising or giving a bribe; a general offence covering requesting, agreeing to receive or accepting a bribe; a separate offence of bribing a foreign official to obtain or retain business; a strict liability offence for commercial organisations where they fail to prevent bribery by those acting on their behalf (section 7 of the Act).

The Act includes severe penalties. Individuals can receive unlimited fines and a ten year custodial sentence; organisations can receive unlimited fines. Senior officers can also be convicted of an offence where they are deemed to have given their consent or connivance to giving or receiving a bribe or bribing a foreign public official.

The Ministry of Justice has issued guidance which explains the intended effect of the Act. This can be accessed by following this link

<http://www.justice.gov.uk/guidance/making-and-reviewing-the-law/bribery.htm>

- 2.6 To ensure transparency, this Policy and documents and procedures referred to within it will be made available to view on the Authority's website.

### **3. Expected levels of behaviour**

- 3.1 The Nolan Committee set out seven guiding principles that apply to people who serve the public. These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The principles are summarised in Appendix 1. High standards of conduct, consistent with these principles, are set out in the Code of Conduct for Members and are seen to apply to both members and officers as best practice to achieve good governance in accordance with recognised standards and frameworks. The Authority will develop their working behaviour around these principles and expects all staff to carry out their duties in line with the relevant legal requirements, internal codes, professional ethical standards, rules and procedures and to act always with honesty and integrity when carrying out their work. Staff must always be mindful of public perceptions and potential media scrutiny of their actions, and ensure that their conduct is transparent and above reproach.
- 3.2 Members of the Authority and its committees, the Monitoring Officer and other Senior Officers are expected to set an example by their own behaviour which should be in accordance with the General Principles.
- 3.3 The Authority expects all individuals and organisations that are in any way associated with the Authority to be honest and fair and act with integrity in their dealings with the Authority, its clients and customers.
- 3.4 The Codes of Conduct applying to members and employees set out an approach to work that is both honest and fair. Members and employees must act in line with these at all times. Members and employees are also expected to follow Codes of Conduct relating to any personal professional qualifications.
- 3.5 Members and employees must ensure that they avoid situations where there is potential for a conflict of interest. Such situations can arise with for example tendering and externalisation of services. Effective role separation will ensure decisions made are seen to be based on impartial advice.
- 3.6 The employee Code of Conduct includes guidelines on Gifts and Hospitality, the disclosure of financial and other interests and conflicts of interests.
- 3.7 Members and employees have an important part to play in dealing with fraud and corruption. It is the policy of the Authority to encourage them to raise concerns regarding fraud and corruption, and to assure them that they may do so without fear of recrimination. Whilst 'open' reporting is encouraged, confidentiality will be given the highest priority, and will be maintained as far as possible and supported by management. The Public Disclosure Act 1998

protects employees who report suspected fraud or corrupt activities from any reprisals as long as they meet the rules set out in the Act.

3.8 The Authority has put in place procedures to facilitate the reporting of concerns of fraud, corruption and other forms of malpractice. The Authority has agreed a Whistle-Blowing Policy, which is intended to encourage and enable employees to raise concerns within the organisation rather than overlooking a problem or “blowing the whistle” outside the organisation. The Fraud Response Plan provides more detailed guidance on this.

3.9 Malicious allegations will not be tolerated and, where identified, appropriate action will be taken.

#### **4. Preventing Fraud and Corruption**

4.1 The Authority recognises that fraud and corruption can be costly in terms of financial loss and reputational risk. The prevention of fraud and corruption is therefore a key objective.

4.2 The Authority has agreed a Risk Management Policy and an established risk management process is in place with potential strategic risks being reported to the Audit and Standards Committee. The risk of fraud and corruption must be considered as part of this process and appropriate controls put in place to mitigate the risk.

4.3 The Authority recognises that a key preventative measure in the fight against fraud and corruption takes effect at the staff recruitment stage. The taking up of written references, verifying qualifications held and where appropriate undertaking criminal records checks is an essential control in establishing as far as possible the honesty and integrity of potential staff, whether for permanent or temporary employment. All recruitment must be in accordance with the procedures approved by the Authority.

4.4 In order to combat fraud and corruption, it should be prevented from happening in the first place. It is essential that there are clear rules and procedures, within which members, employees and others associated with the Authority, can work. A number of these are documented in section 2.

4.5 The Authority aims to have sound systems and procedures in place, which incorporate efficient and effective controls. Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments. Managers must ensure that relevant training is provided for employees and that formal documented procedures are in place. Suitable levels of internal check must be included in

working procedures and maintained, particularly financial procedures, and it is important that duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system (i.e. separation of duties).

- 4.6 Managers must ensure that computer system access is set at the relevant level for each employee.
- 4.7 Fraud and corruption risks should be considered within all new systems, policies and procedures to remove apparent weaknesses.
- 4.8 As part of the Authority's overall arrangements to deter the occurrence of financial irregularities, Internal Audit will target specific risk areas. In addition, the Internal Audit Strategy provides for regular reviews of system financial controls and specific fraud and corruption tests. Where appropriate intelligence led audits are undertaken. Regularity audits aim to ensure compliance with the Authority's Procedure Rules, Financial Regulations and interrelated policies and procedures. The scope of Internal Audit work has been extended into governance areas including codes of conduct and policy review procedures.
- 4.9 External Audit is required to give an opinion of the Authority's accounts which involves the assessment of the systems of financial control and the legality of transactions. They have a responsibility to review the Authority's arrangements for preventing and detecting fraud and irregularities, and those which are designed to limit the opportunity for corrupt practices.
- 4.10 Partners and all other stakeholders are expected to have strong Anti-Fraud and Corruption measures in place. They should provide the Authority with full access to their financial records and their staff will be required to assist fully with any investigation. Agreements or contracts should include these conditions and appropriate risk assessments should be undertaken before entering into an agreement.
- 4.11 There are confidential lines of communication available for individuals to provide information that may prevent fraud and corruption. These include the Authority's Whistle-Blowing Policy. See Fraud Response Plan at Appendix 2.
- 4.12 The Head of Internal Audit will ensure that details of reporting facilities are widely publicised to the public, members and employees and that all information received is dealt with appropriately and in accordance with this Policy and the Fraud Response Plan.

## **5. Detection/Investigation**

- 5.1 The Fraud Response Plan provides direction and guidance to employees in dealing with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern. The Response Plan forms an Appendix to this Policy and should be read in conjunction with this section.
- 5.2 The Authority's Financial Regulations stipulate that the Head of Internal Audit, must be notified of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources.
- 5.3 The Head of Internal Audit and the Monitoring Officer will agree on the direction of any investigation.

## **6. Training and Awareness**

- 6.1 The Authority recognises that the success and credibility of this Policy will depend largely on how effectively it is communicated to members, employees and beyond and is committed to raising fraud awareness. It will be provided to members as part of the constitution, included on induction programmes and published on the Authority's website.
- 6.2 In order to raise awareness of this Policy and fraud and corruption generally, the Head of Internal Audit will issue instructions/advice aimed at encouraging fraud awareness and reminding individuals of their responsibilities.
- 6.3 Where appropriate, the Head of Internal Audit will publicise the results of any investigation to promote awareness, to deter, and to demonstrate the need for preventative measures.
- 6.4 The Authority supports training for members and employees, particularly those employees who are involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.. All managers have an obligation as part of employee induction training to comply with these procedures and processes and regularly thereafter to brief employees on individual responsibilities with regard to this Policy, fraud and corruption in general and the action to be taken when it is suspected, ensuring that operations achieve adequate levels of internal control.
- 6.5 The Authority is committed to training and developing employees who are involved in investigating fraud and corruption and appropriate training will be provided.

## **7. Sanctions**

- 7.1 The Authority will consider the full range of sanctions, disciplinary, regulatory, civil and criminal which will be applied as appropriate to each case.
- 7.2 The Authority is committed to recovering any monies gained by fraud and all options will be considered.

## **8. Sharing Information**

- 8.1 The Authority is committed to working and co-operating with other organisations to prevent organised fraud and corruption. They support the National Fraud Initiative and, wherever possible, the Authority will be prepared to help and exchange information with other authorities and organisations to counter fraud. This information will be shared in accordance with the principles of the data protection legislation.
- 8.2 Internal Audit and South Yorkshire Police Professional Standards Department have in place a Joint Working Protocol for the sharing of information and joint working for investigating irregularities and system weaknesses within South Yorkshire Police. This relationship can be utilised as a first line of contact for advice/guidance on any issue relating to fraud and corruption for the Authority.

## **9. Reporting and Monitoring**

- 9.1 The Authority has delegated responsibility for monitoring this Policy and its effectiveness to the Audit and Standards Committee.
- 9.2 Internal Audit reports will highlight policy and system weaknesses that are identified as a result of routine audits and investigations. These will be addressed through an agreed action plan. The relevant manager is responsible for implementing the action plan. Implementation will be monitored and reported on by the Head of Internal Audit to the senior management and the Audit and Standards Committee. Recommendations that are not completed within six months of the final report will be reported separately to the Audit and Standards Committee for monitoring purposes.
- 9.3 A summary of all investigations undertaken by Internal Audit will be reported to the Audit and Standards Committee annually. The report will include the outcome of each investigation, for example, recoveries, sanctions, reduced losses and awareness levels. In addition, a summary of all allegations received but not investigated including reasons will be reported annually.

9.4 When fraud and corruption has occurred due to a breakdown in policy or systems such events will be considered as part of the annual review of internal control and will be included in the Annual Governance Statement.

9.5 The Head of Internal Audit is required to inform the External Auditor of all losses exceeding £10,000 due to fraud and any corrupt act.

## **10. Review Policy**

10.1 This Policy will be reviewed on an annual basis by officers of the Authority and will take cognisance of an annual vulnerability assessment which will be conducted in line with the CIPFA Red Book 2 Managing the Risk of Fraud. An appropriate control strategy and action plan will be developed in order to address any identified areas for improvement.

## **Appendix 1**

### **THE GENERAL PRINCIPLES OF PUBLIC LIFE**

#### **Selflessness**

Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

#### **Honesty and Integrity**

Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

#### **Objectivity**

Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

#### **Accountability**

Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

#### **Openness**

Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

#### **Personal Judgement**

Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

#### **Respect for Others**

Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's Chief Officers, and its employees.

#### **Duty to Uphold the Law**

Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

**Stewardship**

Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

**Leadership**

Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

## Appendix 2

### COMBINED AUTHORITY FRAUD RESPONSE PLAN

#### 1. Introduction

- 1.1 The Authority is committed to protecting public funds and assets and reducing to an absolute minimum any losses to fraud and corruption to ensure that all resources are used for the purpose for which they are intended.
- 1.2 This Fraud Response Plan (the Plan) forms part of the Authority's anti-fraud and corruption arrangements and is one of a series of policies and procedures that are in place to prevent, deter and detect fraudulent or corrupt acts. The other documents to be referred to are detailed in the Anti-Fraud and Corruption Policy.
- 1.3 The Plan provides direction and guidance to employees in dealing with suspected cases of theft, fraud and corruption and it also gives direction to others wanting to report matters of concern. The Plan's purpose is to provide for timely and effective action to be taken in the event of a fraud to:-
  - (a) prevent further loss of funds or assets where fraud has occurred;
  - (b) establish and secure evidence necessary for criminal and / or disciplinary action;
  - (c) assign responsibility for investigating the incident and establish lines of communication;
  - (d) minimise and recover losses;
  - (e) review any learning points that can be used to reduce the risk of future fraud;
  - (f) publicise the outcome of the successful actions to promote the anti-fraud culture by making it clear to staff and the public that the Authority will pursue all cases of fraud vigorously, taking appropriate legal and / or disciplinary action where this is justified.
- 1.4 The evidence from previous investigations highlights the signs where fraudulent activity occurred; these are listed at the end of this Plan. It must be emphasised that not all circumstances where similar situations exist will constitute fraud. If in doubt, advice and guidance can be obtained from the Head of Internal Audit:- telephone on 01226 773241 email at [robwinter@barnsley.gov.uk](mailto:robwinter@barnsley.gov.uk) writing to the Head of Internal Audit, South Yorkshire Combined Authority, 18 Regent Street, Barnsley S70 2HG.  
All contact will be treated confidentially.

1.5 In accordance with Financial Regulations all instances of suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources must be reported to the Head of Internal Audit at the earliest opportunity.

## 2. Definitions

2.1 The Chartered Institute of Public Finance and Accountancy defines **fraud** as: *"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"*.

2.2 The Fraud Act 2006 defines **fraud** in three classes:-

- (a) by false representation;
- (b) by failing to disclose information; and
- (c) by abuse of position.

2.3 **Corruption:** the Bribery Act 2010, in force from 1 July 2011, replaces the previous common law and statutory provisions relating to bribery. The Act creates four new offences:-

- (a) a general offence covering offering, promising or giving a bribe;
- (b) a general offence covering requesting, agreeing to receive or accepting a bribe;
- (c) a separate offence of bribing a foreign official to obtain or retain business;
- (d) a strict liability offence for commercial organisations where they fail to prevent bribery by those acting on their behalf (section 7 of the Act).

2.4 The Bribery Act includes severe penalties: individuals can receive unlimited fines and a ten year custodial sentence; organisations can receive unlimited fines. Senior officers can also be convicted of an offence where they are deemed to have given their consent or connivance to giving or receiving a bribe or bribing a foreign public official. The Ministry of Justice has issued guidance which explains the intended effect of the Act. This can be accessed by following this link <http://www.justice.gov.uk/guidance/making-andreviewing-the-law/bribery.htm> .

## 3. Reporting Suspicions

### 3.1 *All Employees*

All employees are responsible for raising concerns they may have about possible fraud, corruption or theft or procedural irregularities. Normally concerns will be raised with line managers. It is recognised, however that there

may be circumstances where employees feel unable to take this course of action. In such circumstances employees should contact the Head of Internal Audit (as above in 1) for further guidance or refer to the Whistle-Blowing Policy which will be made available on the Authority's web site.

### 3.2 *All Managers*

All managers are responsible for following up any reported allegation/suspicion. Irrespective of any potential investigation the Head of Internal Audit or, in his absence, the Audit Manager (01226 773187) must be notified. Where doubt exists as to whether the matter should be reported managers must adopt the principle that such matters will be reported.

### 3.3 The following items will be routinely reported:-

- (a) All suspicions/allegations of fraud and corruption;
- (b) Matters resulting in controls being applied after a transaction/event occurs;
- (c) Deliberate or mistaken use of the Authority's assets;
- (d) All thefts and burglaries;
- (e) Misuse of levels of authority;
- (f) Stock and inventory deficiencies and surpluses above levels delegated for write off/back;
- (g) All cases where the internal control processes have been breached or highlighted as being weak or non-existent.

The above list is not exhaustive as much depends on the individual circumstances of each case.

### 3.4 It is not possible to be prescriptive about matters which do not need to be reported. Generally, genuine errors which are identified as a result of existing controls do not need to be reported. However, where this is a persistent problem, for example, recurrent misinterpretation of policies/procedures, these matters should be reported in order that consideration can be given to reviewing such policies/procedures to provide greater clarity.

### 3.5 Where it is appropriate to do so, managers can make discreet initial enquiries promptly to determine if there does appear to be an irregularity. If this is done it is imperative that it can be done without alerting the suspected perpetrator and the manager involved has sufficient experience to do so.

If in any doubt, contact should be made with the Head of Internal Audit for advice before proceeding.

During the initial enquiries the manager should:-

- (a) determine the circumstances that gave rise to the suspicion;
- (b) consider whether a genuine mistake has been made or whether an irregularity has occurred;
- (c) produce a written record of the alleged irregularity which should be held confidentially to be handed over as part of the investigation;
- (d) take all necessary steps to prevent further loss and to secure any relevant records and documents against removal or alteration if this can be done without alerting the suspected perpetrator.

At this stage, the manager should not:-

- (a) contact the suspected perpetrator in an effort to determine the facts
- (b) interrogate the suspect's computer, mobile phone or other electronic device;
- (c) conduct further investigations or interview staff unless advised to do so by the Head of Internal Audit.

3.6 Confidentiality for all parties will be maintained over reports made in good faith which cannot be substantiated following investigation. Employees may elect to report their concerns anonymously which will be respected. However, if the investigation reveals criminal activity, and the case is pursued by the police, the identity of the employee may be needed at a later date if criminal proceedings ensue. The Public Disclosure Act 1998 protects employees who report suspected fraud or corrupt activities from any reprisals providing they meet the rules set out in the Act.

3.7 Genuine allegations, even if after investigation they prove to be without foundation, are welcomed. Managers should be responsive to employee concerns and treat such concerns seriously and sensitively. However, any allegation made frivolously, maliciously or for personal gain may result in disciplinary action being taken against the person making the allegation.

3.8 The Authority's Whistle-Blowing Policy is intended to encourage and enable employees to raise serious concerns within the Authority rather than overlooking a problem or "blowing the whistle" outside. It applies to all employees and those contractors working for the Authority or on their premises, for example agency staff and builders. Suppliers are also covered by the policy.

3.9 All allegations will be recorded irrespective of whether they are investigated or not. The Head of Internal Audit will maintain a register for allegations received by Internal Audit.

#### **4. Scope of the Investigation**

- 4.1 The direction of the investigation and the participants will be a joint decision between the Head of Internal Audit and the Monitoring Officer. . At this stage, consideration will be given to the involvement of the police. This may require contact with the South Yorkshire Police Head of Professional Standards Department for advice, to ensure that conduct of the investigation does not jeopardise any future criminal proceedings.

## **5. Investigation Process**

- 5.1 Where an investigation is carried out by Internal Audit it will be conducted in accordance with the process documented in the Internal Audit Manual.

- 5.2 The following principles will apply to all investigations:-

- (a) All allegations reported to the Head Internal Audit will be logged in the Internal Audit Fraud and Irregularity Register.
- (b) Investigations must be promptly conducted, with due regard to compliance with legislation for conducting interviews i.e. the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 (RIPA) and the Lawful Business Practice (Interception of Communications) Regulations 2000.
- (c) Actions where a criminal offence is committed must comply with the Police and Criminal Evidence Act 1984 (PACE): all evidence must be recorded, ensuring that it is sound and supported by evidence; written records of fact finding meetings must be maintained ; documents must be retained securely with appropriate access restrictions;, contact should be made with the police at the earliest opportunity to ensure that criminal proceedings are not compromised; any cases referred to the police will be agreed with the Monitoring Officer.
- (d) Where appropriate, the Authority's insurance team should be notified as soon as possible so that any future claim is not jeopardised e.g. under a fidelity guarantee policy.
- (e) If, during the course of the investigation, it transpires that a corrupt action has occurred, the Authority's Monitoring Officer and the External Auditor will be notified at the conclusion of the investigation. A report will be produced as soon as possible but within 28 days so that a decision can be made on any further action.

## **6. Further Action**

- 6.1 Where the outcome confirms that improper behaviour has occurred, the appropriate Manager should instigate the disciplinary process. Disciplinary action can be taken in addition to, or instead of, criminal proceedings. The decision must be taken following advice from the Head of Paid Service and the Monitoring Officer.
- 6.2 Where fraud or corruption has occurred the Authority will seek to recover any losses incurred: all options will be considered which may involve deductions from pay (if service continues), debtor invoices, pension seizure, taking civil proceedings or seeking compensation orders.
- 6.3 Policy and system weaknesses identified as a result of any investigation will be addressed with the appropriate Managers. Reports produced as a result of any investigation will highlight weaknesses and implementation of recommendations will be monitored through agreed action plans.
- 6.4 The outcome of any investigation should be recorded in the Fraud and Irregularity Registers. Outcomes include awareness levels, sanctions applied, recoveries, fraud levels, reports of suspicions. This information may be useful in the future to determine performance targets and should be used as a basis for presenting an annual report to the Audit and Standards Committee.
- 6.5 Consideration should always be given to any lessons learned which may, for example, identify training needs, changes in policy or the need for fraud risk to be given higher profile.
- 6.6 Any cases of identified fraud or corruption will be reported to the Audit and Standards Committee and publicised where appropriate to promote awareness, to deter and to demonstrate the need for preventative measures. If any employees are approached by the press, they should be referred to the Head of Paid Service.

## **7. Potential Indicators of Fraudulent Activity**

The following list has been compiled from evidence from previous investigations and highlights the signs where fraudulent activity occurred. It must be emphasised that not all circumstances where similar situations exist will involve fraud.

- Where staff do not take leave
- Where staff work outside normal working hours for no obvious reason
- Staff whose lifestyles are disproportionate to their income
- Unusual concerns or reaction to visits from senior managers and / or internal audit

- Lack of effective internal control e.g. separation of duties and management checks: prime examples being where an individual:
  - Undertakes payment runs and bank reconciliations
  - Collects and banks income and undertakes bank reconciliations
  - Procures goods and services
  - Completes payroll documentation and monitors the staffing budget
- Unexplained falls in income levels and / or increases in expenditure levels
- Unusual or unexpected events e.g. overdrawn bank accounts or missing stock identified by stocktaking processes
- Unavailability of documents / systems for inspection during audit and management checks
- Regular breaking of rules and regulations and continuing non compliance with procedures
- Poor quality record keeping causing difficulty in following the trail of documents and processes
- Lax security or disregarding of security process
- Staff who exhibit 'bullying' behaviour
- Staff who appear to have close relationships with suppliers and contractors beyond a reasonable professional level.