

Policy

Anti-fraud and Corruption

Purpose

Fraud has been defined as: the intentional and dishonest distortion of financial statements and other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain.

The Greater Lincolnshire Combined County Authority is committed to minimising the risk of fraud and corruption occurring, detecting its possible occurrence, and the actions it takes when fraudulent activity is suspected and identified.

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Introduction

1. This policy sets out the Authority's approach to minimising the risk of fraud and corruption occurring, detecting its possible occurrence, and the actions it takes when fraudulent activity is suspected and identified.
2. Fraud has been defined as: the intentional and dishonest distortion of financial statements and other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain. (Source: CIPFA)
3. Corruption has been defined as: the offering, giving, soliciting or acceptance of an inducement or reward, which may influence a person to act against the interests of the organisation (Source: Audit Commission).
4. In developing this policy, the Authority has adopted the five key principles included in 'FIGHTING FRAUD AND CORRUPTION LOCALLY - A Strategy for the 2020s¹. These are:
 - Govern – having robust anti-fraud arrangements embedded throughout the organisation
 - Acknowledge – acknowledging and understanding fraud risk
 - Prevent – preventing and detecting fraud
 - Pursue – punishing fraudsters and recovering losses
 - Protect – protecting the Authority from fraud
5. The benefits of having a coordinated and robust approach to anti-fraud and corruption laid out in this policy include:
 - Greater ability to prevent losses due to fraud occurring by improving the understanding of the risk
 - Being more resilient to fraud and more aware of new fraud risks
 - Providing support to the national agenda for fighting fraud
 - Being able to clearly account for the effectiveness of the Authority's counter fraud arrangements to the public, partners, and national stakeholders. This will feature as a core element in the Annual Governance Statement
 - Providing assurance over counter fraud arrangements
 - Ensuring that resources for counter fraud activity are in line with the potential risk
 - Providing assurance that fraud risk is being managed

¹ [Fighting fraud and corruption locally, a strategy for the 2020's](#) was published in March 2020

Govern

6. Tackling fraud is everyone's business. We are all responsible for ensuring the Combined County Authority does not lose vital funds to fraud. **The message is clear – we will not tolerate fraud and corruption**

7. The Combined County Authority will maintain a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This policy is an integral part of a range of policies and procedures that provide a corporate framework to help counter any fraudulent activity. These have been formulated in line with the appropriate legislative requirements and professional best practice and include:
 - Fraud Response Plan
 - Reporting a Concern (Whistleblowing) policy
 - Anti-Bribery policy
 - Anti-Money Laundering policy
 - Code of Corporate Governance
 - The Constitution including Contract Procedure Rules and Financial Regulations
 - Employee Code of Conduct
 - Gift and Hospitality policy
 - Risk Management policy
 - Information Security policy

Such an approach supports the delivery of the Combined County Authority's priorities.

Acknowledge

8. All organisations are at increasing risk of fraud and corruption. The illegal and hidden nature of fraud makes it hard to measure accurately. To give some idea of the size of the risk, the estimated level of annual fraud loss across local government in 2010 was £0.7bn². In 2016 this figure was estimated at £7.3bn³. The latest figures show an estimated increase from £7.8bn in 2017 to £8.8bn in 2021-2022⁴.

² Annual Fraud Indicator 2010 – National Fraud Authority

³ Annual Fraud Indicator 2016 – Experian, PKF Littlejohn and University of Portsmouth Centre for Counter Fraud Studies

⁴ Annual Fraud Indicator 2023 – Crowe, Peters & Peters, and University of Portsmouth

9. Acknowledging this risk is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses.
10. The Combined County Authority has many of the components for a strong counter fraud response in place including:
 - A dedicated and professionally qualified counter fraud team as part of its service level agreement for Internal Audit to promote awareness of fraud related risks. They undertake criminal investigations where necessary to protect public funds
 - Control arrangements for key financial systems that are robust and underpinned by statutory requirements, Authority financial regulations, and scrutiny through internal and external audit
 - Identification of fraud risks facing the Authority
 - An Audit Committee that will review this strategy as part of its responsibility for considering the effectiveness of counter fraud and corruption activities at the Authority
 - Publication of this strategy and of specific fraud initiatives to raise public awareness
 - Production of an annual fraud report which is available to the public which openly acknowledges the fraud risks the Authority faces, the types of fraud that have occurred during the year and our response to those risks
 - Participation in collaborative counter fraud work with other agencies
 - The use of data matching to identify potential fraud
 - Fraud awareness campaigns to raise awareness of fraud, money laundering and bribery within the Authority and how to report concerns
 - An annual self-assessment of our fraud response based on the checklist provided in the CIPFA, 'Fighting Fraud and Corruption Locally' document
 - External audit of our fraud arrangements
11. The Combined County Authority recognises that new fraud risks are continually emerging and therefore we will continually review our arrangements, considering the latest guidance available to ensure our counter fraud response is robust.

Prevent

12. More than ever, preventing losses from occurring in the first place is a crucial strand of a robust counter fraud strategy. The Authority has policies, procedures, and processes which incorporate efficient and effective internal controls to safeguard the Authority's resources. The existence, appropriateness, and effectiveness of which are independently monitored and reported on by the Authority's Internal Audit provision.
13. The Combined County Authority will:
 - Ensure that anti-fraud controls are considered by management when developing new systems and processes
 - Ensure that the testing of the effectiveness of the design and operation of those anti-fraud controls is considered when prioritising internal audit work
 - Conduct proactive exercises into high-risk areas
14. However, prevention extends beyond making sure that there are appropriate system and process controls in place. It depends on the development of an effective anti-fraud culture that reinforces a zero tolerance to fraud and corruption and deters criminals from committing fraud in the first place. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse, and know how and where to report suspicions of fraud.
15. The Combined County Authority develops its anti-fraud culture by:
 - Making new staff aware of their responsibilities as part of the induction process
 - Regularly updating the Authority's Reporting a Concern (Whistleblowing) policy so it takes account of updated national guidance and advice, and publicising these changes
 - Publicising its Counter Fraud Strategy and Annual Fraud reports
16. No matter how good the Combined County Authority's preventative measures are, fraud cannot be completely eradicated. To this end, the Combined County Authority has a robust Fraud Response Plan that provides a framework for the investigation of allegations of fraud.

17. Additionally, the Authority will continue to make use of information and technology to verify and validate transactions, or to uncover potential and actual fraud, including the following:
 - Continued participation in the National Fraud Initiative to investigate potential frauds identified through national data matching
 - Development of other data matching techniques to prevent and detect fraud in high-risk areas
 - Provision of a suite of fraud awareness materials to enable employees to prevent and detect fraud

Pursue

18. The Authority will take robust and appropriate action to investigate, punish, and recover funds from those who seek to defraud it.
19. We will seek the strongest available sanctions against any member of the public, contractor, member, or employee who commit fraud against the Combined County Authority, its clients, or the public purse. This may include prosecution and additionally for employees, disciplinary action.
20. Where appropriate, the Combined County Authority will also work with other public authorities including the Police and constituent councils. We will share information to prevent, detect, and investigate acts of fraud against the public purse.
21. The Combined County Authority will always seek to recover any funds or assets that have been lost due to fraud and will use all means available to do so under the Authority's Debt Recovery Strategy and where appropriate, the Proceeds of Crime Act legislation.
22. The Combined County Authority will seek to publicise the outcomes of such investigations in the Annual Fraud Report to provide the public with the assurance that public funds are being protected and to act as a deterrent to those that may consider committing fraud in the future.

Protect

23. By adopting the principles of Govern, Acknowledge, Prevent and Pursue, the Authority can protect itself from fraud and the harm fraud can cause both to the Combined County Authority and to the residents of Greater Lincolnshire.

24. This Policy will be reviewed periodically against best available practice to ensure that the Combined County Authority stays protected. In addition, the Combined County Authority will assess its counter fraud arrangements against the checklist produced by CIPFA to complement their 2020s strategy and will act to strengthen its arrangements where necessary.

Appendix 1: Definition of Terms

As per the Fraud Act 2006, fraud is a criminal offence. Fraud is any action taken by an individual, group, or organisation which is designed to facilitate dishonest gain at the expense of (or loss to) the Combined County Authority, the residents of Greater Lincolnshire, or the wider national community and can include:

- **Fraud by False Representation:** Dishonestly making a false representation, and intend by making the representation, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- **Fraud by (wrongly) Failing to Disclose Information:** Dishonestly failing to disclose information which they are under a legal duty to disclose, and intend by failing to disclose the information, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- **Fraud by Abuse of Position:** Occupying a position in which the post holder is expected to safeguard, or not act against, the financial interests of another person, dishonestly abuse that position, and intend by such abuse, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.

Theft is stealing any property belonging to the Combined County Authority or which has been entrusted to it (i.e., client funds), including cash, equipment, vehicles, and data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on Authority premises.

A person is guilty of theft under the Theft Act 1968 if they ‘dishonestly appropriate property belonging to another with the intent of permanently depriving the other of it’, or they dishonestly retain a wrongful credit. For example, where they do not report and repay an overpayment of salary or advance.

Corruption is defined as an act done with the intent to give some advantage which is inconsistent with a public servant’s official duty and the rights of others. In the public sector, it can also be defined as the abuse of power by a public official for private gain. Forms of corruption vary but include bribery, extortion, nepotism, cronyism, and embezzlement.

Bribery is defined as the offering, giving, soliciting, or acceptance of inducements or reward designed to influence official action or decision making. Under the Bribery Act 2010, organisations are expected to implement anti-bribery measures and both organisations and individuals can face significant penalties for failure to meet these requirements.

Money laundering is the process by which the proceeds of crime are changed so that they appear to come from a legitimate source. Legislation concerning money laundering is included within the Proceeds of Crime Act 2002 (POCA) and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended).

A **Whistleblower** is a person who tells someone in authority about alleged dishonest or illegal activities, including fraud occurring in any public or private organisation.

The Public Interest Disclosure Act 1998 provides legal recourse for an employee raising the concern should they feel they have been treated unfairly because of "whistleblowing".

Appendix 2: Roles and Responsibilities

Members	<ul style="list-style-type: none"> • facilitate an anti-fraud and anti-corruption culture • demonstrate a commitment to this strategy and ensure it has the appropriate profile within the Combined County Authority
GLCCA	<ul style="list-style-type: none"> • ensure the strategy is effectively implemented across the Combined County Authority
Audit Committee	<ul style="list-style-type: none"> • to approve the corporate Fraud Strategy • to monitor and review the effectiveness of the Authority's anti-fraud and corruption arrangements • ensure that there is strong political and executive support for work to counter fraud and corruption • ensure consistency across the Authority in the implementation of this strategy
Section 73 Officer	<ul style="list-style-type: none"> • ensure that those working to counter fraud and corruption are professionally trained and accredited for their role, and attend regular refresher courses to ensure they are up to date with new developments and legislation • ensure that there is a level of financial investment in counter fraud and corruption work that is proportionate to the risk that has been identified • ensure that reports on investigations include a section on identified policy and system weaknesses that allowed the fraud/corruption to take place where appropriate
Directors and Service leads	<ul style="list-style-type: none"> • ensure the risks of fraud and corruption are identified, recorded on the risk register as required, and action plans implemented to reduce the risk to an acceptable level • ensure the anti-fraud and anti-corruption strategy is implemented within their area of responsibility • ensure that any allegations or suspicions of fraud are reported in line with the Fraud Response Plan, or if appropriate, the Reporting a Concern (Whistleblowing) policy • ensure the risk of fraud and corruption is considered in all new processes
Monitoring Officer	<ul style="list-style-type: none"> • regularly publicise and monitor compliance with expected standards of ethical conduct • ensure that progress in raising standards is communicated to stakeholders • ensure that effective whistleblowing arrangements are established • ensure registers of interests, gifts & hospitality are maintained

	<ul style="list-style-type: none"> • ensure councillors and officers are fully aware of their obligations in relation to probity • ensure that those working to counter fraud and corruption are undertaking this work in accordance with a clear ethical framework and standards of personal conduct
Audit and Assurance	<ul style="list-style-type: none"> • support Directors and Service leads, and their managers in identifying and mitigating risks for fraud and corruption • promote an anti-fraud culture, including awareness campaigns, risk assessments, and development of tools to identify potentially fraudulent activity • ensure all allegations are recorded and risk assessed • conduct investigations in line with legislation, standards, and rule of conduct • ensure that those carrying out fraud investigations are adequately trained • notify HR and Legal Services (at the outset of investigations into employees) • make recommendations where weaknesses are identified, and ensure action plans implemented to prevent reoccurrences • undertake proactive exercises into areas where the risk of fraud is greatest • consider fraud risks when determining the annual Audit Plan and the content of specific audit assignments
HR	<ul style="list-style-type: none"> • ensure that there is an effective propriety checking system (i.e., safe recruitment) implemented by appropriately trained staff • ensure employment policies support the anti-fraud and anti-corruption framework • monitor effective and appropriate sanctions are applied in all appropriate cases • ensure that HR employees are aware of the Fraud Response Plan and the action to take if they suspect fraudulent activity • inform Audit and Assurance at the outset of any conduct investigation
Managers	<ul style="list-style-type: none"> • ensure all employees are aware of their responsibilities under the anti-fraud and anti-corruption framework • ensure all employees have read the Employee Code of Conduct and understand their responsibilities • ensure all employees understand the Reporting a Concern (Whistleblowing) policy and reporting arrangements • ensure employees are aware of the process for reporting allegations of fraud • ensure accurate and timely reporting of gifts and hospitality

Employees	<ul style="list-style-type: none">• understanding of expected behaviour and of their responsibility to report suspected fraud or corruption and the appropriate methods to do so
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