

## Appendix D

# Anti-Fraud and Corruption Strategy

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## A. Policy Statement

1. Fraud against Local Government is estimated to cost £7.8<sup>1</sup> billion per year. The Government's Economic Crime Plan states the numbers of fraud offences rose by 12% during 2018 to 3.6m constituting a third of all crimes in UK. This is a significant loss and threat to the public purse. To reduce these losses Kent County Council is committed to:
  - The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.
  - The prevention of fraud and the promotion of an anti-fraud culture.
  - A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.
  - The investigation of a risk-based response to all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.
  - The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council will:
    - **Govern** the anti-fraud, bribery and corruption measures to ensure they are robust and holistic;
    - **Acknowledge** the threat of fraud and the opportunities for savings that exist;
    - **Prevent** and detect all forms of fraud;
    - **Pursue** appropriate sanctions and recover any losses;
    - **Protect** itself and the community against serious and organised crime, protecting the organisation from becoming a victim of fraud.

### Definition of Fraud

2. The Council defines fraud as 'any activity where deception is used for personal gain or to cause loss to another.' Fraud can be committed in one of three ways:
  - **Fraud by false representation** – Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses.

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<sup>1</sup> CIPFA Fraud and Corruption Tracker Summary Report 2019

- **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company KCC is trading with or failing to disclose a personal relationship with someone who is applying for a job at the council.
  - **Fraud by abuse of position** – Examples include a carer who steals money from the person they are caring for, or staff who order goods and services through the Council's accounts for their own use.
3. While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that is not true.

### **Definition of Corruption**

4. The Council defines corruption as the abuse of entrusted power for private gain; involving the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.<sup>2</sup>

### **Current Threats and their Impact**

5. KCC faces a range of fraud and corruption threats and the impact can be significant causing financial loss, reputational damage and harm to service users and the residents of Kent. In the last 12 months, the most frequent types of fraud and similar crimes that have impacted on KCC are as follows:
- **Blue Badge Fraud.** This type of fraud causes a financial loss to the wider Kent economy, undermines the public's confidence in the Blue Badge scheme and prevents genuine Blue Badge users from accessing safe, convenient parking. Using the National Fraud Authority's methodology for calculating losses we estimate the Kent economy could be losing as much as £1.3m per year.
  - **False Applications for Financial Support.** The applications are from parents falsely presenting to the Council as destitute and having no recourse to public funds. This type of fraud has been increasing in Kent. It has a direct financial impact on the Council. Estimating the losses is difficult, but based on previous allegations, it is believed that this type of fraud could result in losses of £250,000 per year.
  - **Misuse of Direct Payments.** This type of fraud causes financial loss to the Council and undermines the public's confidence in the services provided. The individual values vary significantly depending on need

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<sup>2</sup> HM Government (2014) UK anti-corruption plan

but it is estimated that misuse could result in losses of £100,000 per year.

- **Cyber Crime.** This type of offence can manifest in a number of forms, through ransomware and denial of service attacks, change of bank details on mandates, payroll and requests for urgent payments. It is estimated that the potential losses could result into £100,000s per year.
- **Procurement Fraud.** This type of fraud occurs throughout a procurement process, from bribery & cartel risks at tendering stage, through to duplicate/ false invoicing, defective/ non-existent goods and false performance reporting.

## Setting the Culture

### B. Standards

6. Kent County Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following standards from all employees, agency workers, volunteers, suppliers and those providing services under a contract with KCC:
  - **Selflessness** - Act solely in terms of the public interest.
  - **Integrity** - Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
  - **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
  - **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
  - **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
  - **Honesty** - Be truthful.

- **Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

### **Further reading**

7. In addition to this Strategy, there are a range of Policies and procedures that help reduce the Council's fraud risks. These include:
  - Anti-Bribery Policy;
  - Anti-Money Laundering Policy;
  - Whistleblowing Policy and Procedure;
  - The Kent Code;
  - Disciplinary Policy;
  - Financial Regulations;
  - Code of Member Conduct;
  - Financial Regulations;
  - Data Protection Policy.

## **C. Roles and Responsibilities**

### **The Role of Elected Members**

8. As elected representatives, all Members of Kent County Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.
9. This is achieved through Members operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

### **The Role of Employees**

10. Kent County Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.
11. Employees are expected to comply with the appropriate Code of Conduct and the Council's policies and procedures.
12. Employees are responsible for complying with Kent County Council's policies and procedures and it is their responsibility to ensure that they are aware of

them. Where employees are also members of professional bodies, they should also follow the standards of conduct laid down by them.

13. Employees are under a duty to properly account for and safeguard the money and assets under their control/charge.
14. Employees are required to provide a written declaration of any financial and non-financial interests or commitments, which may conflict with KCC's interests. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.
15. Failure to disclose an interest or the acceptance or offering of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality – both offered and accepted.
16. Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their directorates and the communication and implementation of this Strategy.
17. Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

### **The role of the Chief Executive Officer**

18. Ensuring that the authority is measuring itself against the checklist for Fighting Fraud and Corruption Locally and there are sufficient resources to manage the risk of fraud.
19. Ensure the Governance & Audit Committee receives regular reports on the work of those leading on fraud and the external auditor is aware of the reporting.

### **The role of the Corporate Director of Finance**

20. The Corporate Director of Finance is responsible for developing, reviewing and maintaining an Anti-Fraud and Corruption Strategy and for advising on effective systems of internal control to prevent, detect and pursue fraud and corruption; advising on anti-fraud and anti-corruption strategies and measures; and, ensuring that effective procedures are in place to investigate promptly any fraud or irregularity.

21. Ensuring the Head of Internal Audit is assessing its resources and capability at least annually against the current fraud risks and Counter Fraud staff have unfettered access to people and records to prevent and detect fraud.

### **The Monitoring Officer**

22. Ensuring that Members, Governance & Audit Committee and Portfolio leads are aware of Counter Fraud Activity and provide training on Counter Fraud risks and approaches.
23. The Counter Fraud Team are independent of processes and reports to Governance & Audit Committee to ensure there is Member scrutiny.

### **The role of the Governance and Audit Committee**

24. The Governance and Audit Committee is responsible for ensuring that the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit; and, that the Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times.
25. Ensuring that the Portfolio lead is up to date and understands the activity being undertaking to Counter Fraud.
26. Provide support and challenge to the Counter Fraud Activity being undertaken across the Council.

### **Kent County Council's Commitment**

27. Fraud and corruption are serious offences and employees and Members may face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected, consideration will be given to pursuing criminal sanctions, in line with the KCC Sanction and Prosecution Policy, which may involve referring the matter to the police.
28. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss including the costs of the investigation whenever appropriate.
29. In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions applied, will be publicised where it is deemed appropriate. This will include use of the Council's Intranet and releasing press statements immediately after criminal

convictions are secured. In addition, the Council will promote an anti-fraud culture through fraud awareness campaigns, presentations, training and e-learning.

#### **D. Prevention – Capability, Competence & Capacity**

##### **Responsibilities of management**

30. The primary responsibility for the prevention and detection of fraud is with management. Management must ensure that they promote an anti-fraud culture and assess the risk of fraud, bribery and corruption. They must ensure appropriate controls are in place to minimise the risk of fraud, for example, this could include establishing procedures, authorisation limits and segregating duties. Management must ensure the controls are operating as expected and are being complied with. They must ensure that adequate levels of checks are included in working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.
31. Management must also ensure that the development of new policies, strategies and initiatives are fraud-proofed by engaging with Counter Fraud Specialists to support the assessment of the fraud risks.

##### **Internal Audit and Counter Fraud**

32. The Head of Internal Audit and Counter Fraud is responsible for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption.
33. Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.
34. The Head of Internal Audit will establish performance measurements for counter fraud activity and will report progress against the performance measurements proactive counter fraud activity and on a quarterly basis to the Governance and Audit Committee.
35. The Counter Fraud Team will provide management with specialist support to assess the risk of fraud, bribery and corruption that it faces through the completion of risk assessments, in particular on the introduction of new policies, strategies and initiatives.

36. Through the completion of proactive and reactive work, make recommendations to management on how to strengthen the counter fraud culture and control framework to help prevent and detect fraud.

### **Working with others and sharing information - Collaboration**

37. The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. This will include:

- Coordinating our activity with the other enforcement teams across the Council, such as Waste and Trading Standards, to maximise our impact.
- Working in partnership with District, Borough and City Councils to share intelligence and target our collective resources at the areas at most susceptible to fraud.
- Working with and supporting the Police and other enforcement agencies.
- Working with the Cabinet Office in the development and introduction of the Government Counter Fraud Profession.

38. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including, but not limited to, the Cabinet Office National Fraud Initiative, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

### **National Fraud Initiative**

39. Kent County Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets (to the Cabinet Office) for example payroll, pension, and accounts payable (but not limited to these) which is then matched to data held by public and private sector bodies. Enquires are made into any positive matches (e.g. an employee on the payroll in receipt of housing benefit).

### **Training and awareness – Communication**

40. The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.

41. Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.

42. Internal Audit will provide fraud awareness training to risk areas and on request and will publish its successes to raise awareness.

## **E. Detection and Investigation – Capability, Competence & Capacity**

43. The Council is committed to the risk-based investigation of all instances of actual, attempted and suspected fraud committed against the Council and the recovery of funds and assets lost through fraud.

44. Any suspected fraud, corruption or other irregularity must be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.

45. Action could include:

- Investigation carried out by Internal Audit staff;
- Joint investigation with Internal Audit and relevant directorate management;
- Directorate staff carry out investigation and Internal Audit provide advice and guidance;
- Referral to the Police.

46. The responsibility for investigating potential fraud, corruption and other financial irregularities within KCC lies mainly (although not exclusively) with Internal Audit. Staff involved in this work will therefore be appropriately trained, and this will be reflected in training plans.

## **F. Raising Concerns and the Whistleblowing Policy**

### **Suspicious of fraud or financial irregularity**

47. All suspected or apparent fraud or financial irregularities must be brought to the attention of the Head of Internal Audit in accordance with Financial Regulations. Where the irregularities relate to an elected Member, there should be an immediate notification to the Chief Executive Officer or the Monitoring Officer.

48. If a member of the public suspects fraud or corruption they should contact the Head of Internal Audit or Counter Fraud Manager in the first instance. They may also contact the Council's External Auditor, all of whom may be contacted in confidence.
49. The Council's Internal Audit Section can be contacted by telephone on 03000 414500 or by mail to [internal.audit@kent.gov.uk](mailto:internal.audit@kent.gov.uk).

### **Whistleblowing Policy**

50. Employees (including Managers) wishing to raise concerns should refer to the Council's Whistleblowing Policy and associated procedures.
51. The Council's Whistleblowing Policy encourages individuals to raise serious concerns internally within KCC, without fear of reprisal or victimisation, rather than over-looking a problem or raising the matter outside. All concerns raised will be treated in confidence and every effort will be made not to reveal the individual's identity if this is their wish. However, in certain cases, it may not be possible to maintain confidentiality if the individual is required to come forward as a witness.
52. Employees wishing to raise concerns can obtain a copy of the Whistleblowing policy and procedure on KNet.
53. Members of the public and those working on behalf of KCC can obtain a copy of the external 'Speaking out against wrong doing Policy' on Kent.gov.uk.

### **G. Conclusion**

54. Kent County Council will maintain systems and procedures to assist in the prevention, detection and investigation of fraud. This Strategy will be reviewed annually and is available on the Council's Intranet (KNet).