

# **Corporate anti-fraud and corruption strategy**

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## 1. Introduction

- 1.1. The London Borough of Tower Hamlets together with other public and private sector entities is at risk of loss due to fraud, corruption, theft and error. Although the council will have good policies and procedures, financial abuse can emerge due to non-compliance. The objective of all bodies is to minimise the risk of fraud and corruption in order that for the residents of Tower Hamlets resources are earmarked for their desired objectives and services are delivered efficiently and at best value, without fear of loss or abuse.
- 1.2. This Strategy forms part of the governance arrangements of the council. It outlines the council's intent to minimise the risk of loss to the organisation resulting from fraud and corruption originating both internally and externally. The Strategy is supported by management arrangements for effective governance and demonstrates the council's commitment to a counter-fraud culture with high ethical standards in the administration of public funds.
- 1.3. Tower Hamlets is one of the most diverse authorities in the country and has undergone vast change over the last thirty years. The resultant wealth with the introduction of big business emerging from Canary Wharf has significantly affected the financial landscape seeing huge increases in prosperity through employment opportunities and property price increases and yet despite this we still have large numbers of residents with above average deprivation. In light of these factors the council has many challenges to manage for the benefit of all of its residents and service users. In the context of fraud, it needs to be said, that it is recognised that the vast majority of our residents are honest and would not contemplate fraud.
- 1.4. There are however, a tiny minority of people who seek to benefit themselves at the expense of others. Fraud is not a victimless crime despite the belief of perpetrators that it is. All charge payers meet the cost of fraud as services that are affected must make up the shortfall and the cost of services may well rise as a result. The objective then must be to minimise the scope for fraud and financial abuse from the outset.
- 1.5. To achieve this, we must have strong gateways to prevent abuse and apply effective governance arrangements. This together with robust management checks and meaningful audit assurance reviews will assist in reducing our risk. Where breaches do occur, it is important that they are investigated, resolved and proportionate action taken together with any weaknesses closed to minimise future exposure.
- 1.6. Internal Audit and Risk Management in delivering an internal audit function to the council, reviews the effectiveness of internal controls in operation. The service also includes investigations into suspected cases of fraud or corruption and the development and implementation of fraud prevention practices. Fraud and Corruption can be reported to the council in a number

of different ways. These are outlined in Section 4, the Fraud Response Plan.

- 1.7 This strategy outlines the council's commitment and approach to tackling both internal and external fraud, including roles and responsibilities. It applies to:
- Councillors
  - Employees
  - Agency workers
  - Contractors
  - Partners
  - Consultants
  - Suppliers
  - Service users
  - Schools and governing bodies , grant funded organisations
  - Other entities and associates of Tower Hamlets

## 2. Scope

- 2.1 The Strategy is designed to:
- Encourage prevention
  - Promote transparency
  - Ensure effective investigation where suspected fraud or corruption has occurred
  - Prosecute offenders where appropriate and proportionate to do so
  - Close system weaknesses as they are identified
  - Publicise success to act as a deterrent
  - Revise controls with Internal Audit and Management
- 2.2. There is a reasonable expectation and requirement that all of our Members, employees, consultants, contractors, and service users be fair and honest in their dealings with the council and will provide help, information and support to assist in the investigation of fraud and corruption.
- 2.3 This Anti-Fraud and Corruption Strategy links into the National Fraud Strategy, "Fighting Fraud Locally" and provides a strategic approach for Local Authorities to tackle fraud, by **Acknowledging** and seeking to understand fraud risks. **Preventing** and **Detecting** more fraud and **Pursuing** those who commit fraud against the authority by prosecuting and seeking financial redress to recover losses. This strategy outlines how the Investigation Team will deliver this commitment and provides advice on how individuals and organisations may raise concerns relating to fraud and corruption.

### 3. Definition of Fraud and Corruption

3.1 Fraud can be defined as;

*‘any intentional false representation, including failure to declare information or abuse of position, which is carried out to make gain, cause loss or expose another to the risk of loss’.*

The Fraud Act 2006 introduced a general offence of fraud, divided into three categories as follows:

**Fraud by false representation(Section 2)** - A person commits fraud by false representation if he/she:

- Dishonestly makes a false representation, and
- Intends, by making the representation, to make a gain for him/herself or another, or to cause loss to another or to expose another to a risk of loss.

**Fraud by failing to disclose information(Section 3)** - A person commits fraud by failing to disclose information if he/she:

- dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- Intends, by failing to disclose the information to make a gain for him/herself or another, or to cause loss to another or to expose another to a risk of loss.

**Fraud by abuse of position (Section 4)** - A person commits fraud by abuse of position if he/she:

- Occupies a position, in which he is expected to safeguard, or not to act against, the financial interests of another person, and dishonestly abuses that position, and
- Intends, by means of the abuse of that position to make a gain for him/herself or another, or to cause loss to another or to expose another to a risk of loss.

3.2 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe, as well as requesting, receiving or accepting a bribe. The consequences of committing breaches of this legislation include custodial sentences, as well as substantial fines for organisations including local authorities who fail to prevent bribery.

In those circumstances any person who represents the council who is offered a bribe must report this approach without delay, as detailed in the [council's bribery policy](#).

## 4. Roles and Responsibilities

### 4.1 Conduct

The council is an ethical organisation and requires that its elected Members, Staff, inclusive of permanent and temporary workers, agency workers and contractors and all individuals and organisations associated with it to be honest and fair in their dealings with the council and its service users.

Members and managers are expected to lead by example in this regard, observing the Principles of the Nolan Committee into Standards in Public Life. These are shown below:

**Selflessness** - Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other 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 their 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 to take steps to resolve any conflicts arising in a way that protects the public interest.

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

## 4.2 Employee responsibilities

Employees have a critical role to play in the prevention and Detection of fraud and corruption throughout their daily undertakings and in their general conduct. All individuals should be aware of and understand the councils expectations as relevant to their role under the Officer Code of Conduct, Financial Regulations and other regulations of the council as outlined in section 4. Failure to adhere to these regulations may result in disciplinary action.

Employees who suspect a fraud or irregularity have a duty to report their concerns. Where such concerns exist, individuals are asked to make a note of all relevant details, such as what was said on the phone or other conversations, when these conversations took place and the names of anyone involved. The matter should be reported immediately to either your:

- Line Manager
- Head of Service
- Divisional Director
- Corporate Director

Or independently to the Monitoring Officer, in accordance with the councils Whistleblowing Policy “Speak Up” as detailed in section 7 How to Report a Concern.

Anyone wishing to report a concern should be aware that every effort will be made to preserve confidentiality, although in certain circumstances, such as those resulting in criminal proceedings, individuals may be called upon to provide a witness statement or attend court as a witness.

Employees must not do any of the following:

- Contact the suspected perpetrator in an effort to determine facts or demand restitution
- Discuss the case facts, suspicions or allegations with anyone outside the council (including the Press)
- Discuss the case with anyone within the council other than those listed above.

### **4.3 Associated Entities, Business Partners and Individuals**

#### **4.3.1**

- Sign to evidence that they have been trained in and understood the Code of Conduct for Members when they take office;
- Discharge their duties by complying with the Code of Conduct for Members and the Constitution;
- Declare personal interests which could enable them to gain from, or be perceived as potential conflicts with, the council's business;
- Declare gifts and Hospitality in accordance with code of conduct
- Provide a key link to the residents of the borough and have a wider role in promoting the Council's ethics and values within the community;
- Raise any fraud concerns with the Head of Audit & Risk Management or the Monitoring Officer.

If complaints are received in relation to the conduct of Members, these will be considered by the council's Monitoring Officer who can refer the matter either to the Investigation Team or Standards Committee.

### **4.4 Section 151 Officer**

4.4.1 The council has appointed Section 151 Officer, responsible for the proper administration of the council's financial affairs. The Section 151 Officer will:

- Authorise Internal Audit to examine financial and non-financial records and to inspect the council's stores, assets and cash balances and those of its partner organisations;
- Require employees to provide the internal auditor with information or explanations that they may need to effectively perform their duties.

### **4.5 Monitoring Officer**

4.5.1 The Divisional Director of Legal Services is the council's Monitoring Officer, entrusted with ensuring that all decisions that the council makes are within the law. The Monitoring Officer will promote and maintain high standards of conduct amongst Members, through supporting them to follow the Code of Conduct for Members and the council's other rules and procedures.



## 4.6 Chief Executive and Senior Management

4.6.1 The Chief Executive is responsible for leading and promoting the council's ethical agenda.

4.6.2 Corporate Directors, Divisional Directors and heads of service must maintain adequate systems of internal control within their respective departments. Corporate Directors will:

- Promote and implement this Strategy and supporting policies, including the Whistleblowing Policy and Anti Money Laundering Policy.
- Ensure that staff and other workers, including agency staff and contractors with a financial responsibility, are made aware of the standards expected of them, as set out in Financial Regulations and the council's counter fraud policies and procedures.
- Notify the Head of Internal Audit or the Investigation Manager immediately of any matter relating to loss or irregularities, including those affecting cash, stores or other property of the council or its clients for whom the council has accepted financial responsibility.
- Encourage employees to raise any concerns they may have about bribery, fraud or corruption, in line with the Anti-Fraud Policy and Whistleblowing Policy.
- Confirm that sufficient actions have been taken to reduce fraud as part of the council's Annual Governance Statement.

## 4.7 Audit Committee

The Anti-Fraud and Corruption Strategy is approved by the Audit Committee. The Committee receives regular fraud update reports, regarding the investigation caseload and details of proactive anti-fraud activities planned and undertaken.

## 5. Regulations and Legislation

5.1 The council has developed a series of regulatory documents and protocols which govern how we operate and take decisions and outline the procedures to follow to ensure that our actions are fair, efficient, transparent and accountable to our community. As well as governing operations, our regulations form a key component of the internal control environment, following and applying these creates a strong basis on which to reduce the

risk of fraud and corruption. The following documents (not an exhaustive list) which are endorsed by the council provide further information and guidance.

- Council Constitution
- Standing Orders
- Financial Regulations
- Employee Code of Conduct
- Member Code of Conduct
- Anti-Money Laundering Policy
- Procurement Procedures

There is a range of relevant legislation that is also available. These include:

- Fraud Act 2006
- Theft Acts 1968 and 1978 as amended
- Prevention of Social Housing Fraud Act 2013
- Bribery Act 2010
- Public Interest Disclosure Act 1998
- Proceeds of Crime Act 2003
- Local Audit and Accountability Act 2014
- Regulation of Investigatory Powers Act 2000
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
- Computer misuse Act 1990

## 6. Strategy

### 6.1 Deterrence

6.1.1 The council will seek actively to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts. It will do so through:

- Publicising that the council will not tolerate fraud and corruption, demonstrated by this anti-fraud & corruption strategy and the whistleblowing policy.
- Encouraging a strong anti-fraud culture amongst its employees and Members, and providing easy and effective means to report suspicions of fraud or corruption, the dedicated email address [anti-fraud@towerhamlets.gov.uk](mailto:anti-fraud@towerhamlets.gov.uk) and online [form](#) for raising concerns.
- Taking robust action when fraud and/ or corruption are identified, in the form of conducting complete and thorough investigations and taking decisive action if allegations are proven. This will include 'triple tracking' cases via prosecution, disciplinary action including dismissal and civil action as appropriate. Where there is scope to

pursue losses we will enforce financial recovery through Compensation or the Proceeds of Crime Act, where appropriate.

- Engaging with the councils Communications service where appropriate, in order to maximise the publicity of successful outcomes in combating fraud and corruption.
- Deploying robust systems of internal control to mitigate the opportunity for fraud and corruption on an on-going basis.
- Developing and delivering general and tailored fraud awareness sessions to council employees and its partner Tower Hamlets Homes.
- Maintaining fraud awareness presentations and e-learning for all officers.

## **6.2 Prevention**

6.2.1 The council employs a range of control mechanisms within its systems, policies and procedures in order to mitigate the risk of fraud and corruption. Chief Officers and Managers across the authority are the key management control and are responsible for assessing the risk of fraud and corruption in their operational area and, as such are responsible for implementing appropriate strategies in order to manage this risk.

6.2.2 The Head of Internal Audit is responsible for both Risk Management and Counter-Fraud & Investigation; while these two operational functions are distinct from the main assurance role of Internal Audit, all three work together in order to promote and advise on key actions that can be taken to aid in the prevention of fraud and corruption against the council.

## **6.3 Detection**

6.3.1 The council has a robust Whistleblowing procedure and our Financial Regulations require employees to report any suspected cases of fraud or corruption appropriately.

6.3.2 The council participates in a range of data matching exercises to detect fraud including-

6.3.3 The National Fraud Initiative currently managed by the Cabinet Office

- 6.3.4 Undertaking internal data – matching exercises utilising data held by the council.
- 6.3.5 Working in partnership with local authorities, the National Anti-Fraud Network, government bodies and the commercial sector
- 6.3.6 Sample transaction and control testing as part of Internal Audit reviews undertaken as part of the on-going Internal Audit Plan.

## 7. Investigations

- 7.1 The council is committed to the highest possible standards of openness, probity and accountability. Therefore, the council expects all councillors, employees, contractors, partners and suppliers to raise any concerns they may have about standards of probity in any aspect of the council's work.

This [Fraud Response Plan](#) sets out the responsibilities of stakeholders and provides guidance for the action that should be taken in relation to suspected instances of theft, bribery, fraud or corruption involving the council's funds and assets or those that the council administers on behalf of others.

### 7.2 What to do when fraud, bribery or corruption is suspected

- 7.2.1 The Investigation Team is responsible for the investigation of allegations of fraud and corruption against the council. Each allegation will be considered on its individual merits and a decision made on the most appropriate way to proceed with any investigation, this may include:
  - Criminal or civil investigation by the council's Corporate Anti- Fraud Team.
  - Internal examination as part of an Internal Audit review.
  - Dedicated internal fraud investigation.
  - Management investigation overseen by the Corporate Anti-Fraud Team.

### **7.2.2 Initial Action**

- All allegations will be logged and risk assessed by the Intel Team and reviewed by Investigation Manager .
- If it is considered the allegation requires further investigation, a lead Investigating Officer will be appointed. This officer will be suitably trained and experienced in undertaking fraud investigations.
- The investigator will prepare an investigation plan and agree a scope of work with a nominated manager in the department where the investigation is being completed.

### **7.2.3 Investigations into allegations, as part of any investigation, the council will ensure that:**

- Any allegation is dealt with promptly, confidentially and fairly.
- The investigation will be undertaken against an agreed scoping brief and be compliant with existing procedures and legislative guidelines.
- All records, assets and correspondence will be held securely and if it is believed that computer records are held that are relevant to the investigation these will be secured for analysis.
- If email data is considered appropriate to access in order to take the investigation forward this will be approved by the Head of Internal Audit before access is granted.
- The investigation will be undertaken with a view to obtaining evidence to a criminal standard.
- Where sufficient evidence leads to belief that criminal action should be considered a referral will be made to the council's Legal Service for consideration to prosecute.
- Where abuse identifies system breaches or other weaknesses these will be reported upon and suggestions for improvement made.
- Human Resources and/or the Divisional Director of Legal Services is consulted where appropriate.
- All evidence that has been collected is stored securely and recorded appropriately.
- Any interviews undertaken are conducted fairly and in line with appropriate legislation such as the Police & Criminal Evidence Act.
- Relevant Chief Officers and Managers are informed of the progress of the investigation as appropriate.
- All investigations are conducted in a timely manner, in-line with the Criminal Procedures & Investigations Act, and the Human Rights Act.

### **7.2.4 As part of the investigation the council will consider whether:**

- Disciplinary action will be taken against any employee involved
- Civil or criminal prosecution action should be instigated
- The matter should be referred to the Police particularly where corrupt or extensive external involvement is involved and the Police would

offer a more detailed review through their powers. An example being the application of Production Orders.

- Changes are required to improve the systems and controls of the affected area to improve effective governance and reduce further risk to fraud or impropriety
- Any other action should be recommended

7.2.5 At the conclusion of an investigation, the investigating officer will report the findings to the relevant managers, Chief Officer and Human Resources. Any disciplinary action considered will be in compliance with human resources policy and procedures. Where necessary, the individual who is subject to investigation will be informed of the outcome in writing and will be advised of what action, if any is to be taken.

7.2.6 Where it is found that a fraud has been committed against the council we will make recommendations to ensure that any control weaknesses which provided the opportunity for the fraud are addressed and followed up as part of the Internal Audit review cycle.

### **7.3 Disciplinary Procedures and Suspension from Work**

7.3.1 Where investigations result in a case of breaches of the appropriate council Code of Conduct there may be occasions when 'prima facie' a disciplinary investigation is appropriate. The Investigating Officer will support this enquiry but it will be undertaken independently from the Investigation Team and led by HR. Where it is appropriate to consider suspension from work a decision will be made by the appropriate Divisional Director supported by the HR Business Partner..

## **8. Liaison with Other Organisations**

8.1 The council will actively engage with other organisations, and develop and maintain strong links in its efforts to pursue and strengthen its anti-fraud and corruption strategy at both a local and national level. The Corporate Anti-Fraud Team works with the Police, Local Authorities, the CIPFA Counter Fraud Centre, the DWP, Home Office, Immigration teams and central Government departments.

8.2 The council is an active user of the National Anti-Fraud Network (NAFN) services and will utilise the full range of intelligence and evidence gathering avenues to support its counter-fraud and investigation activity.

- 8.3 The council is a member of the London Borough Fraud Investigators Group (LBFIG), with the Corporate Anti-Fraud Manager being part of the LBFIG Executive Committee.

## 9. Post Investigations

### Sanctions

- 9.1.1 Where financial impropriety has been discovered, whether perpetrated by Officers, Members or third parties (e.g. suppliers, contractors, service providers), the Head of Internal Audit will consult with the Divisional Director of Legal Services as appropriate, to form a view on whether the matter should be reported to the Police. The final decision whether to refer a case to the Police or not will be made by the Monitoring Officer as soon as reasonable practicable. The Monitoring Officer will consider factors such as the nature and seriousness of the offence, as well as the council's ability to investigate/prosecute itself. In all cases where matters are referred to the Police, the Police, and latterly the Crown Prosecution Service, will determine whether or not an investigation and/or prosecution will be pursued.
- 9.1.2 Should matters be dealt with internally, a decision will be made in conjunction with Senior Management and Corporate HR on the most suitable course of action, in accordance with the council's Enforcement Policy, Members Code of Conduct, Employee Code of Conduct and the councils disciplinary procedure.
- 9.1.3 Suspected financial impropriety by any third party that the council has dealings with will be the subject of investigation. If proven, this may result in the termination of individual contracts and may result in prosecution or civil action.

### 9.2 Prosecution

- 9.2.1 Any matters considered for prosecution will be subject to the Code for Crown Prosecutors, the Evidential Test and the Public Interest test. While each case is considered on its own merits, a consistent set of principles will be applied in forming the decision whether or not to prosecute.
- 9.2.2 In cases where fraud and/or corruption is proven, the Council in-line with its Corporate Anti-Fraud and Corruption Policy, will consider instigating prosecution proceedings in conjunction with the Divisional Director of Legal Services.

- 9.2.3 Should matters that are referred to the Police be considered for prosecution, action will be instigated through the Crown Prosecution Service.

### **9.3 Recovery of Losses**

- 9.3.1 In proven cases of financial loss, the council will seek to recover all such losses through whatever means it considers appropriate. If the fraud was committed by an employee, the loss may be recovered from any monies due to the individual on termination of employment.
- 9.3.2 Where the opportunity exists and evidence is strong enough to utilise the services of the council's Financial Investigator this will be done to exercise recovery through the application of Proceeds of Crime action.

## **10. Review of internal controls**

- 10.1 To prevent any recurrence of fraud, the system of internal control will be assessed to identify weaknesses that have allowed the fraud to occur. The investigation report will highlight the system failures and make recommendations for improvements which will be included in an action plan for agreement with the relevant Head of Service.
- 10.2 The Corporate Anti-Fraud Manager will liaise with the Internal Audit team to ensure that future audit plans and work programmes reflect identified control weaknesses.
- 10.3 Elected Members and directors have a significant role to play in the council's corporate governance. To facilitate this role, a summary of all fraud cases will be submitted on a regular basis to the Audit Committee and Statutory Officers Meetings.

## **11. How to Report a Concern**

- 11.1 There are a number of ways that individuals may raise a concern or report a suspected fraud or irregularity; any reports received will be treated confidentially in accordance with the council's [Whistleblowing Policy](#).



11.2 Employees are urged to consider the nature of the concern, whether it involves immediate management, and the seriousness and sensitivity of the issues involved.

11.3. As soon as an employee becomes reasonably concerned about a matter, they are encouraged to raise this in the first instance with their line manager. All managers have a responsibility to act on concerns raised. The line manager should report the concern to the council's Monitoring Officer who will consider referral to the Head of Internal Audit or the Corporate Anti-Fraud Manager as soon as practicably possible.

#### 11.4 **Contact details**

11.4.1 For further advice on any fraud issues or to report a fraud please contact one of the following:

Paul Rock – Head of Internal Audit

Email: [Paul.Rock@towerhamlets.gov.uk](mailto:Paul.Rock@towerhamlets.gov.uk)

Rob Watt – Investigation Manager

Email: [Rob.Watt@towerhamlets.gov.uk](mailto:Rob.Watt@towerhamlets.gov.uk)

You can also email us on [socialhousingfraud@towerhamlets.gov.uk](mailto:socialhousingfraud@towerhamlets.gov.uk) for any housing fraud or illegal sub-letting.

And for any other fraud matters concerning Tower Hamlets these can be reported on the [report a fraud](#) page.