



SOLIHULL METROPOLITAN BOROUGH COUNCIL

Fraud and Corruption Policy

DRAFT

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1. Introduction

- 1.1 Fraud can be defined as “Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”.
- 1.2 Corruption can be defined as: “The abuse of entrusted power for private gain.” Examples of this can include:
 - abuse of the power given to an individual by another person or organisation;
 - benefits obtained for an employee’s personal gain, rather than for their organisation.
- 1.3 Solihull Metropolitan Borough Council (SMBC), along with all other private and public sector organisations, is at risk of losses through fraud, corruption, theft and error. Minimising loss is essential to ensure that resources are used for their intended purpose, for the benefit of the residents of Solihull.
- 1.4 The public is entitled to expect SMBC to conduct its affairs honestly and openly. SMBC has a duty to safeguard public funds by ensuring appropriate arrangements are in place to prevent, detect and tackle fraud. This gives our customers, both the residents of Solihull, and the wider community, confidence that our systems are robust and that fraudsters will be dealt with swiftly and effectively.
- 1.5 This Policy forms part of SMBC’s governance arrangements. It outlines SMBC’s commitment to creating a counter fraud culture and maintaining high ethical standards in its administration of public funds. It is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and to take effective action against any attempted or actual fraudulent acts affecting SMBC.
- 1.6 The purpose of this Policy is to outline SMBC’s approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption, both internally and externally. It applies to:
 - Councillors
 - Agency staff
 - Consultants
 - Service users
 - Employees
 - Contractors
 - Suppliers
 - Our partner organisations
- 1.7 Senior management must promote ethical conduct, including sharing this Policy, throughout their Directorates, in conjunction with the Manager’s Handbook.
- 1.8 SMBC’s Audit Services division delivers SMBC’s Internal Audit function and has the role of monitoring the effectiveness of internal controls in operation. Audit Services lead on SMBC’s counter fraud arrangements and use national guidance and best practice to ensure our counter fraud approach is up to date and relevant. Audit Services also investigate suspected cases of fraud or corruption.

2. What to do if you suspect fraud or corruption

- 2.1 SMBC is committed to the highest possible standards of openness, honesty and accountability. In line with that commitment, we expect employees and others that we deal with who have concerns about any aspect of SMBC's work to report those concerns as soon as possible.
- 2.2 If you have a concern about fraud or corruption you must notify Audit Services immediately. You can also report a concern, in confidence, by calling our anti-fraud hotline number **0800 028 8535** or emailing antifraud@solihull.gov.uk
- 2.3 If you have any language or interpretation needs when you are contacting Audit Services, please let us know at the start of your contact and the appropriate reasonable assistance will be arranged for you.
- 2.4 You **must not** undertake your own investigation, as this could compromise potential criminal and/or disciplinary action.

3. How to get advice about reporting a concern

- 3.1 You can contact Audit Services on 0121 704 6067, or via our hotline: **0800 028 8535** or email antifraud@solihull.gov.uk. We will discuss your concerns in confidence and advise you of the best way forward.
- 3.2 SMBC's [Whistleblowing Policy](#) also gives guidance on how to raise a concern, who to seek advice from and further reporting channels.

4. SMBC's Approach – The Five Pillars

- 4.1 SMBC is committed to an effective counter fraud and corruption approach, designed to embed effective standards for countering fraud and corruption within the organisation. This supports good governance and demonstrates effective financial stewardship and strong public financial management.
- 4.2 This Policy sets out SMBC's commitment and approach to tackling fraud and corruption. It also makes it clear to all concerned that appropriate and decisive action will be taken against anyone committing, or attempting to commit, fraudulent or corrupt acts against SMBC.
- 4.3 The five key pillars of SMBC's counter-fraud activity, as outlined in the 2020 Fighting Fraud and Corruption Locally document, are as follows:



4.3 This Policy has been designed around these 5 pillars, with the following sections:

- Govern – Roles and Responsibilities
- Acknowledge
- Prevent and Detect
- Pursue
- Protect

5. Govern – Roles and Responsibilities

5.1 We know that an effective counter fraud and corruption culture is dependent on the commitment and involvement of Members, management, employees, workers and stakeholders in the wider community. Specific responsibilities are detailed below. Collectively these minimise SMBC’s exposure to the risk of fraud, corruption, theft and error. Non-compliance with this Policy could result in disciplinary action being taken.

Elected Members

5.2 Elected Members have a duty to protect SMBC and public money from any act of fraud or corruption. Conduct and ethical matters are specifically raised during their induction, including the need to declare relevant interests. There is an established Governance Committee, which considers and takes action in relation to complaints received about Members conduct where there is evidence that the Code of Conduct for Councillors has been breached. Members will:

- Discharge their duty by complying with the Code of Conduct for Councillors and the Constitution.
- Play an active part in ensuring good corporate governance and a commitment to and support of SMBC's approach to fraud and corruption.
- Provide a key link to the residents of the Borough and have a wider role in promoting SMBC's ethics and values within the community.
- Raise any fraud concerns with the Head of Audit Services.

Audit Committee

- 5.3 The Audit Committee's Terms of Reference outline their responsibility to monitor Council policies in respect of fraud. The Audit Committee will:
- Monitor and, where necessary, challenge SMBC's risk management processes, including the management of identified fraud risks.
 - Receive regular updates from the Head of Audit Services in relation to fraud cases and the action taken.
 - Challenge management where significant fraud risks are identified in Internal Audit reports.

Chief Executive and Senior Management

- 5.4 The Chief Executive is responsible for leading and promoting SMBC's ethical agenda. To demonstrate this responsibility, the Chief Executive, and the Leader of the Council, personally endorse SMBC's Fraud and Corruption Statement.
- 5.5 Directors/Assistant Directors/Heads of Service are responsible for the maintenance of adequate systems of internal control within their respective Directorates. Directors/Assistant Directors/Heads of Service will:
- Promote and implement this Policy and associated policies, i.e. Whistleblowing Policy, Prevention of Bribery Policy and Anti Money Laundering Policy.
 - Ensure that any members of staff with a financial responsibility are appropriately trained and made aware of the standards expected, as per Financial Regulations, Mandatory Training Competencies and the Manager's Handbook, and this will be reflected in SMBC's performance management framework.
 - Notify Audit Services immediately of any disciplinary matter or any perceived loss or irregularity, including those affecting cash, stores or other property of the Council.
 - Encourage employees to raise any concerns they may have about fraud or corruption. SMBC's Whistleblowing Policy also gives guidance on how to raise a concern.
 - (Directors/Assistant Directors) Complete an Annual Governance Statement relating to their service area, which includes any actions taken to reduce fraud and corruption. This forms part of SMBC's Annual Governance Statement.

Section 151 Officer

- 5.6 SMBC's appointed Section 151 Officer is responsible for the proper administration of SMBC's financial affairs. The Section 151 Officer:
- Has a duty to notify the Chief Executive if SMBC, one of its committees or one of its officers has taken, or is about to take, an unlawful action which has or would result in a loss to SMBC.
 - Authorises Audit Services to examine financial and non-financial records and to inspect SMBC's stores, assets and cash balances and those of its partner organisations.
 - Requires employees to provide the Internal Auditor with information or explanations that they may need to effectively perform their duties.

Monitoring Officer

- 5.7 The Monitoring Officer is entrusted with ensuring that all decisions that SMBC makes are within the law. The Monitoring Officer also has a key role in promoting high standards of conduct amongst SMBC Members, through supporting Members to help them understand and follow the Code of Conduct and SMBC's other rules and procedures. The Monitoring Officer will:
- Notify Audit Services of any significant concerns relating to illegal actions, within or against SMBC.

Managers

- 5.8 Managers are responsible for the identification, analysis and prioritising of risk, including fraud risk, in their service areas. Managers will:
- Promote and implement this Policy and associated policies, i.e. Whistleblowing Policy, Prevention of Bribery Policy and Anti Money Laundering Policy.
 - Have sufficient controls in place to safeguard assets and reduce losses through error or fraud and corruption.
 - Ensure that employees and other workers, e.g. agency staff and volunteers, are aware of and regularly reminded about SMBC's counter fraud and corruption policies and procedures.
 - Ensure that any members of staff with a financial responsibility are appropriately trained and made aware of the standards expected, as per Financial Regulations, Mandatory Training Competencies and the Manager's Handbook, and reflect this in the performance management framework.
 - Notify Audit Services immediately of any loss or irregularity, including those affecting cash, stores or other property of the Council.
 - Encourage employees to raise concerns about fraud or corruption. SMBC's Whistleblowing Policy also gives guidance on how to raise a concern.

All Employees

- 5.10 All employees have a responsibility to help prevent and detect fraud. All employees will:
- Operate the systems of internal control established by management. Comply with the Code of Employee Conduct and SMBC's core policies (including Financial Regulations and Rules for Contracts), as well as any other policies and procedures that relate to their role and responsibilities, e.g. declarations of interests, gifts and hospitality.
 - For any members of staff with a financial responsibility, successfully undertake appropriate training (including refresher training) and be aware of the standards expected, as per Financial Regulations, Mandatory Training Competencies, the Manager's Handbook, and the performance management framework.
 - Notify Audit Services immediately of any concerns about fraud, corruption or irregularities. SMBC's Whistleblowing Policy also gives guidance on how to raise a concern.
 - Be aware that any theft, fraud or corruption against SMBC, e.g. employee benefit fraud, is classed as gross misconduct under the disciplinary process.

Money Laundering Reporting Officer

- 5.11 The Head of Audit Services is SMBC's nominated Money Laundering Reporting Officer (MLRO). The MLRO will:
- Review all reported money laundering allegations and decide whether the transaction / circumstances are suspicious and whether to make a report to the National Crime Agency.
 - Review the Money Laundering Policy and communicate this policy to relevant staff.
- 5.12 Potential offences of money laundering will be investigated by SMBC Audit Services and appropriate action taken.
- 5.14 Employees with professional qualifications, e.g. solicitors and accountants, have an ethical duty to report any suspected money laundering activities to the MLRO.

Audit Services (Internal Audit)

- 5.15 Audit Services has a dedicated resource to counter and investigate fraud. Audit Services will:
- Maintain a confidential counter-fraud strategy, linked to fraud risk, outlining how they will tackle fraud and corruption.
 - Investigate fraud, corruption, theft and other irregularities, updating Senior Management, the Audit Committee and External Audit as appropriate.

- Play a key role in the prevention, detection and disruption of fraud and/or corruption, in line with Financial Regulations and the Internal Audit Counter Fraud Strategy.
- Test SMBC systems and procedures to ensure they are adequate and recommend actions to enhance these processes and procedures.
- Inform HR of any conduct issues identified.
- Work closely with HR when disciplinary action is taken, including recommending sanctions such as civil action, depending on the circumstances.
- Liaise with the Police on behalf of SMBC during investigations, as necessary. If there is sufficient evidence to support criminal charges, Audit Services will work with the Police to prosecute. This action may run parallel to disciplinary action.
- Where civil action is appropriate, liaise with Legal Services to ensure all options are pursued to recover amounts lost through fraud or corruption, including the use of Proceeds of Crime legislation.
- Publicise proven fraud.
- Work closely with partners, other Local Authorities, the police and professional bodies to counter fraud. This includes regular internal and external data matching to identify fraud and error.
- Provide ethical behaviour training across SMBC. This includes fraud awareness and promotion of the Whistleblowing policy.
- Communicate notifications of possible regional / national frauds, scams or alerts to staff and managers.

Human Resources (HR)

5.17 HR maintains and promotes the Code of Employee Conduct and related policies and procedures. HR will:

- Ensure effective 'gateway' controls are in place for the recruitment of new employees, including pre-employment checks and relevant Disclosure and Barring Service (DBS) checks.
- Inform the Head of Audit Services of all potential disciplinary issues, financial or otherwise.
- Work together with Internal Audit to improve controls and ensure the effectiveness of disciplinary action.

Corporate Procurement

5.18 Corporate Procurement will:

- Maintain and monitor compliance with SMBC's Rules for Contract.
- Ensure each contract includes a section outlining each party's responsibilities and action to take regarding fraud and corruption, including reference to SMBC's Whistleblowing Policy.
- Work with Internal Audit to ensure effective counter fraud and corruption processes are in place for procurement and contract monitoring.

- Inform the Head of Audit Services of any potential fraud or corruption relating to the letting and monitoring of contracts, or non-compliance with Rules for Contract.

Income & Awards

- 5.19 The Income & Awards Teams implement and administer a range of benefits, grants, discounts and exemptions. The Awards Team administer Housing Benefits on behalf of the Department of Work and Pensions (DWP) and are responsible for the administration of the Council's Local Council Tax Reduction Scheme. They have a responsibility for the following:
- To pay housing benefits and local council tax reduction in line with legislation and scheme guidance
 - Secure the benefits gateway by having sound policies and processes in place to verify evidence used to support an application.
- 5.20 The Income Team are responsible for the billing and collection of council tax, business rates, sundry income, housing benefit overpayments and BID income. Included in this is the granting of certain discounts, exemptions and reliefs. All of which are granted in line with legislation and agreed policies.
- 5.21 The Financial Inclusion Team are responsible for the administration and awarding of various discretionary grants such as the Discretionary Housing Payment scheme and Discretionary Crisis Fund. They are granted in line with agreed policies and are required to verify evidence when considering an award.
- 5.22 The DWP directly investigate all cases of Housing Benefit fraud. Audit Services directly investigate all cases of Local Council Tax Reduction fraud, discount/exemption fraud and any potential fraud case linked to discretionary grants.
- 5.24 Where there is a suspicion of Housing Benefit fraud and Local Council Tax Reduction is also in payment then Audit Services and DWP will undertake a joint investigation and there are specific processes and protocols in place to undertake these investigations.
- 5.25 Income & Awards will encourage the reporting of allegations or suspicions of any fraud connected to their business activities and will notify Audit Services of any concerns identified.

Legal Services

- 5.26 Legal Services will:
- Provide relevant advice and support during fraud investigations and any subsequent action taken to recover losses.
 - Maintain details of authorisations under the Regulation of Investigatory Powers Act 2000 (RIPA), where covert surveillance is undertaken.

- Report to the MLRO for investigation, any potential money laundering concerns that may arise on matters Legal Services are advising on.

Communications

5.27 Communications will:

- Provide professional communications support during fraud investigations and any subsequent legal action taken.
- Support Audit Services in publicising proven fraud cases.
- Support Audit Services in maintaining a Fraud Communications Plan, to ensure the timely communication of counter fraud activities, including publicising outcomes, as appropriate.

Contractors and Third Party Providers

5.28 It is a contractual obligation for all SMBC contractors and third party providers to report suspected fraud or corruption whenever they come across it within their work, or in connection with their duties. Action may be taken if contractors or third party providers have been complicit in ignoring a fraud or instance of bribery.

5.29 In addition to reporting fraud, contractors and third party providers have a duty to report instances where they believe SMBC's assets may be at risk.

6. Acknowledge

Fraud Risks

6.1 Material and key fraud risks are recorded across SMBC's risk registers, as appropriate, and are kept under regular review. Fraud risks inform and direct Audit Services' counter fraud work.

Counter Fraud Strategy

6.2 Audit Services maintain a confidential Counter Fraud Strategy, linked to fraud risks and national best practice, outlining how we will proactively tackle fraud and corruption.

6.3 Tactics for the deployment of this Strategy, along with outcomes, will be shared with key stakeholders, including the Corporate Leadership Team and the Audit Committee.

Training

6.4 SMBC recognises that the success and credibility of its counter fraud stance will significantly depend on how effectively this is communicated throughout the

organisation and beyond. Every opportunity will be taken to bring it to the attention of employees, Members and other stakeholders. This Policy and associated Fraud and Corruption Statement will be published on SMBC's internal and external webpages.

- 6.5 Internal Audit undertakes a range of fraud awareness initiatives. This is provided through a combination of an e-learning fraud awareness module which is mandatory to complete for budget managers, face to face ethical conduct / fraud awareness sessions and publications both internally and externally about general and specific fraud issues.
- 6.6 SMBC provides induction training, particularly for employees involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. This training makes it clear that there may be a possibility of disciplinary action taken against employees who ignore such guidance.

7. Prevent and Detect

Policies and Procedures

- 7.1 SMBC has a range of interrelated policies, procedures and legislation that form the corporate framework to counter fraudulent activity. These have been developed in line with appropriate legislative requirements and professional best practice, and include:
- Codes of Conduct for members and employees
 - Financial Regulations, including Cash Handling Instructions
 - Accounting procedures and records
 - Manager's Handbook
 - Sound internal control systems, including specific service area requirements
 - Effective internal audit, provided by Audit Services
 - Effective recruitment and selection procedures
 - Disciplinary Procedures
 - Whistleblowing Policy
 - Anti-Money Laundering Policy
 - Prevention of Bribery Policy
- 7.2 SMBC recognises that a culture of honesty and openness is a key element in tackling fraud. The codes of conduct for Members and employees are based on 10 general principles which expand on the Nolan Principles of Standards in Public Life: Selflessness, Honesty and Integrity, Objectivity, Accountability, Openness, Personal Judgement, Respect for Others, Duty to Uphold the Law, Stewardship, and Leadership.
- 7.3 Where Members or employees fail to adhere to these codes, appropriate action will be taken against them.

Working with Others

- 7.4 There are a variety of arrangements in place which assist and support the regular exchange of information between SMBC and other Local Authorities and Agencies, for the purpose of preventing and detecting fraud. External bodies Audit Services work closely with include (but are not limited to):
- HMRC
 - The Police
 - The Cabinet Office's National Fraud Initiative (NFI).
 - The National Anti-Fraud Network (NAFN).
 - CIPFA's Better Governance Forum
- 7.5 Audit Services work with other organisations to share intelligence and best practice to tackle fraud. This includes regional fraud meetings with other counter fraud professionals.
- 7.6 Audit Services commissions external parties to provide professional counter fraud and investigation tools and expertise, as/when needed.

8. Pursue

- 8.1 SMBC does not accept any form of fraud and corruption, as outlined in SMBC's Fraud and Corruption Statement, endorsed by the Leader and Chief Executive of the Council.
- 8.2 SMBC pursues and punishes fraudsters efficiently and effectively. We prosecute proven cases of fraud and publicise the results, to act as a warning and deterrent to others.
- 8.3 Where an employee is found guilty of fraud, we treat this as gross misconduct and impose the strongest sanctions possible, including disciplinary, civil and criminal action, as appropriate.

9. Protect

- 9.1 SMBC recognises the harm fraud and corruption can cause, both within SMBC and in our community. In response, to protect both the Council and our residents, SMBC has put in place a clear network of systems, procedures and controls to assist in the fight against fraud and corruption.
- 9.2 SMBC's Audit Committee and Internal Audit ensure a continuous overview of these arrangements, assessing and challenging the effectiveness of SMBC's risk management processes, control environment and associated counter fraud arrangements.