

CABINET MEETING: 11 JUNE 2015

**ANTI - FRAUD, BRIBERY & CORRUPTION POLICY (INCLUDING
MONEY LAUNDERING POLICY AND PROCEDURE)**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6

**PORTFOLIO: CORPORATE SERVICES & PERFORMANCE (COUNCILLOR
GRAHAM HINCHEY)**

Reason for this Report

1. The purpose of this report is to present the Anti Fraud, Bribery and Corruption Policy, and the Money Laundering Policy and Procedure for Cabinet to approve.

Background

2. This policy was last reviewed and updated in 2011.
3. Whilst the main thrust of the Policy has not changed significantly in recent years, Members will be aware from regular reports that the Council does deal with a number of cases of suspected fraud and financial impropriety and that there has been an increase in the number and complexity of these in recent times. This has emphasized the importance of having a policy in place which is fully understood and implemented consistently across the Council.
4. The Financial Procedure Rules place a responsibility on Corporate Directors and Chief Officers to immediately notify the Audit and Risk Manager whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority. They are also required to liaise with Internal Audit in respect of the investigation of these irregularities.
5. In July 2014 the responsibility for investigating benefit related frauds transferred to the Department for Work and Pensions under the Single Fraud Investigation Service initiative, which impacted on the work undertaken within the Internal Audit team. Members will be aware a resource has been retained to target non benefit related fraud.
6. During 2014 - 15 Internal Audit undertook a wide range of non benefit fraud work and continue to be part of the National Fraud initiative. The team received notifications from directorates in respect of 48 cases that

required further investigation. These cases covered a range of allegations, including: flexi abuse, inappropriate use of social media, inflated hours, not following procedures, speeding, submitting false invoices, theft (from buildings, cash, stock, vehicles) and working whilst sick. A number led to disciplinary action, undertaken in accordance with the Council Disciplinary policy, and as a consequence there was 1 prosecution, 6 dismissals, 7 formal warnings issued and 3 resignations.

7. In recent times there has been a slight increase in the incidence and complexity of investigations undertaken and this has been reflected by having a Corporate risk for fraud on the Corporate Risk Register and a briefing is provided to the Corporate Director Resources - Section 151 Officer and the Audit Committee each quarter.
8. There is a detailed review underway of the Council's Disciplinary Policy and Procedure which has a direct impact on how suspected cases of fraud and financial impropriety investigations will be handled. The Internal Audit team has contributed to this and worked closely with the lead reviewer.
9. Whilst updating the Anti Fraud, Bribery and Corruption Policy, it was apparent that the Money Laundering Policy and Procedure also required updating.

Issues

10. The Anti Fraud, Bribery and Corruption Policy (see Appendix A), sets out how the Council will prevent, detect and investigate any suspicions of fraud or financial impropriety both from within and referrals received from outside the Council, setting in place a framework to ensure a consistent approach.
11. The opportunity has been taken to set out clearly the expectation of officers working within the Council and those who have dealings with the Council, in terms of our "zero tolerance" approach to this type of activity.
12. The Section 151 Officer, under her responsibility for overall financial stewardship, plays a key role through the work of the Investigation team, within Internal Audit. Under the Council's Financial Procedure Rules, Audit are required to be involved with investigations in all suspected cases of fraud, bribery and financial impropriety. The officers within Internal Audit are professionally trained in undertaking Investigations including PACE interviewing, surveillance etc.
13. The policy highlights where the Council is proactive in adopting prevention and detection techniques and sets out a detailed process for investigation of cases to ensure these are undertaken to professional standards and in a consistent manner.
14. The procedures recognise the role of Senior Management in terms of their responsibility for financial control and the actions of their members

of staff, but with the requirement that Internal Audit oversees and is content with how the investigation is undertaken and reported.

15. The main changes made have been to remove reference to the investigation/prosecution of benefit frauds as the responsibility to investigate benefit fraud transferred from the Council to the Department for Work and Pensions in July 2014 and to emphasize the zero tolerance approach given the increasing trend of referrals in times of austerity where it is even more important that all frauds are identified and acted upon as a priority.
16. In respect of Money Laundering, suspicious activity reports used to be dealt by the Serious Organised Crime Agency, but are now dealt with by the National Crime Agency.

Reason for Recommendations

17. To receive and approve the updated Policies, taking into account recent changes to the responsibilities for the investigation, and sanctioning, of benefit fraud.

Financial Implications

18. There are no direct financial implications arising from this report.

Legal Implications

19. There are no direct legal implications arising from this report.

RECOMMENDATIONS

Cabinet is recommended to approve the Anti Fraud, Bribery and Corruption Policy, and the Money Laundering Policy and Procedure.

CHRISTINE SALTER

Corporate Director Resources

5 June 2015

The following Appendices are attached:

Appendix A – Fraud, Bribery and Corruption Policy

Appendix B – Money Laundering Policy and Procedure



Anti Fraud, Bribery & Corruption Policy

A guide to the City of Cardiff Council's
approach to preventing fraud, bribery
and corruption, and managing
suspected cases

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FRAUD, BRIBERY AND CORRUPTION POLICY

PURPOSE OF THE POLICY

1. The Council is one of the largest employers in Wales, delivering services to approximately 340,000 people, with assets, interests and annual transactions running into billions of pounds. This policy details how the Council will deal with its responsibilities in relation to fraud, bribery and corruption, whether it is attempted on the Council or from within it.
2. The Council's reputation is underpinned by ethical behaviour, financial probity and honesty. Fraud, bribery, corruption or other dishonesty adversely affects the Council's reputation and puts its ability to achieve its policies and objectives at risk by diverting the Council's limited resources from the provision of services to the people of Cardiff.
3. The Council has a zero tolerance approach to fraud, bribery and corruption and in managing its responsibilities is determined to protect itself against fraud and corruption both from within the authority and from those who have dealings with the Council. The Council is committed to an effective Policy designed to:
 - encourage prevention
 - promote detection
 - identify a clear pathway for investigation
 - act as a deterrent against future fraud or corruption
4. Members and staff are an important element in the Council's stance on fraud, bribery and corruption and they are expected to be alert to the possibility of such activity in all their dealings and are positively encouraged to raise any concerns associated with Council's activities, either currently or in the past. They can do this in the knowledge that such concerns will be properly investigated.
5. The Council requires Members and employees at all levels to lead by example in adhering to legal requirements, financial and contract rules, codes of conduct and prescribed procedures and practices.

FRAUD PREVENTION

Policies, Action and Awareness

6. The Council uses a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts (including bribery) whether they are inside and/or outside of the Council, including:-
 - Having a zero tolerance approach to fraud;
 - Publicising the Council's determination to prevent and detect fraud, bribery and corruption e.g. clauses in contracts, publications etc;
 - Acting robustly and decisively when fraud, bribery and corruption are suspected and proven e.g. the termination of contracts, dismissal, prosecution etc;

- Taking action to recover any losses through fraud, bribery and corruption e.g. through agreement, Court action, penalties, insurance etc;
- Having sound internal control systems, which allow for innovation, whilst limiting opportunities for fraud, bribery and corruption;
- Optimising the publicity opportunities associated with anti - fraud and corruption activity within the Council and where appropriate, publishing the results of any action taken, including prosecutions in the media.

Recruitment and Training

7. The Council recognises that a key preventative measure in the fight against fraud, corruption and bribery is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of candidates in terms of their propriety and integrity. Staff recruitment is, therefore, required to be in accordance with procedures laid down by the Council. In particular, written references regarding known honesty and integrity of potential staff must be obtained before employment offers are confirmed. Where appropriate Disclosure and Barring Service (DBS) checks will also be undertaken before appointments are confirmed.
8. It is essential that the Council delivers appropriate training to employees that relates to identifying possible fraud, corruption and / or bribery and that this is tailored for employees who are involved in internal control systems and financial and finance-related systems. The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work.
9. Senior managers have a responsibility to understand and implement this policy in seeking ways of preventing fraud by working with employees specifically involved in the review of internal control systems and investigative work.

Procedures for Preventing and Detecting Fraud

10. There are a wide range of procedures in place to minimise the risk of fraud that constitute a major part of the Council's system of internal control, designed to ensure the Council conducts its business properly and effectively and completes its transactions fully, accurately and correctly.
11. The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility lies with senior management who are expected to design and operate systems and procedures that will minimise losses due to fraud, bribery, corruption and other dishonest action. The Council's Internal Audit Team supports senior management through an independent appraisal of the integrity of all internal control systems and assists with or leads investigations as appropriate.
12. Key documents in the prevention of fraud and corruption are the Council's Financial Procedure Rules and Contract Standing Order & Procedure Rules which must be adhered to at all times. Employees are expected to abide by their professional Codes of Conduct and the [Local Government Wales Code of Conduct](#). Members

are required to adhere to the Council's Member's Code of Conduct – need link to this document.

13. Employees are reminded that they must operate within Section 117 of the Local Government Act 1972, regarding the requirement to disclose any pecuniary interests in contracts relating to the Council and not to accept any fee or reward other than their proper remuneration. Employees are also required to comply with other Council policies such as those relating to gifts and hospitality etc.
14. Any failure to comply with this policy may result in disciplinary proceedings in accordance with the Council's [Disciplinary Policy](#).
15. The County Clerk is the appointed Monitoring Officer in line with the Local Government Act 2000. This role includes overall responsibility for the Council's [Whistleblowing Policy](#).

DETECTION

16. It is important that there are ways of detecting fraud when it happens. Most systems will have controls to measure the throughput of transactions and provide management reports for monitoring as a means of identifying suspected fraud.
17. The work of both Internal and External Audit is primarily to ensure controls are embedded into systems as a prevention measure, but as part of their work around compliance etc they will be proactively looking at areas where there is increased risk of fraud or financial impropriety and reporting any suspicions that arise. Management should also have inbuilt mechanisms to support early detection of anything untoward.
18. It is the responsibility of all managers, Members and employees to prevent and help detect fraud, bribery and corruption.
19. The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the Data Protection Act and with the Audit Commission's Code of Practice for the National Fraud Initiative, Data Matching exercises, and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud, corruption or bribery against a local or national agency could be the subject of disciplinary proceedings which could result in dismissal. Internal Audit, undertakes the NFI Data Matching exercise at least every 2 years.
20. With the increase in recent years of fraud perpetrated against a variety of public bodies, which usually involve fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include Police forces, the Audit Commission, Universities and Colleges, Student Loans Company, HM Immigration Service, Department for Work and Pensions and the National Anti Fraud Network.
21. Fraud, corruption or bribery is often detected because employees and the public are alert to this activity. Any person who suspects fraud or financial impropriety has a responsibility to report this and if in doubt, should contact Internal Audit for advice.

All referrals will be considered, but officers must not abuse the process by raising unfounded or malicious allegations.

22. Depending on the nature and anticipated extent of the allegations, Internal Audit will work closely with Directorates, other agencies and, as appropriate, the Police, to ensure that all allegations and evidence are properly investigated and reported upon.

REPORTING

Employees

23. Under the [Financial Procedure Rules – Section 4](#), Senior Managers are required to notify the Audit Manager immediately when any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of its functions.
24. Suspected fraud can be notified in a number of ways, but in all cases it is important that employees and/or the public feel confident to report their concerns and are clear of the means by which they are able to do so.
25. If an employee discovers suspected fraud then they should first report the matter, as soon as is practicable, to their line manager. Line managers should attempt to establish as many details as possible (by discussion with the notifying officer only).
26. If the concern relates to the employee's line manager, the notifying officer may consider reporting their concerns direct to the Audit Manager or the Section 151 Officer.
27. Following any notification of fraud, financial impropriety or irregularity, Management should in the first instance take the following actions:
 - a. Send an email to the Group Auditor Investigations, d.hexter@cardiff.gov.uk summarising allegation(s), including as much detail as possible;
 - b. Determine and agree with the Group Auditor Investigations who will lead the investigation i.e. Directorate or Internal Audit;
 - c. Determine and agree with the Group Auditor Investigations who will initiate actions where the allegation is against an employee
28. The overall responsibility for investigating suspected fraud, bribery, corruption or financial impropriety rests with management of the employing Directorate; however, the Section 151 Officer has overall responsibility for financial stewardship throughout the Council and as such seeks assurance, through the Audit Manager, that a proper investigation is undertaken.
29. For the majority of allegations a Director/Assistant Director will appoint an Investigating Officer from within their own Directorate and it is important that this person is of sufficient grade, seniority and status with the appropriate skills, experience and training to undertake the role. Ideally the Investigating Officer

should be independent of the area where the suspicion has arisen to reduce the risk of any conflict of interest.

30. For all Investigations where the Investigation Officer is appointed from within the employing Directorate, support will be provided by an Investigator from the Internal Audit Team, who will provide professional advice and guidance and ensure proper process is followed in accordance with this policy.
31. There may be certain circumstances i.e. serious and/or complex cases or where monitoring of an employee's movements are involved, where discussion with the Group Auditor Investigations determines that it will be more appropriate for Internal Audit to lead the investigation.
32. Where the circumstances suggest a criminal offence has been, or is about to be committed, then consideration should be given to referring the matter immediately to the Police. Internal Audit can advise on this and need to be informed, at the earliest opportunity. In such circumstances reference should be made to the guidance "Police involvement in allegations against Council employees" contained within the Council's [Disciplinary Policy, Procedures & Guidance Notes](#)
33. Every effort should be made to protect the interest of any person who honestly reports a suspicion of fraud or corruption to try to ensure they do not receive any adverse treatment as a consequence of making such a report.

Members of the Public

34. The Council's website www.cardiff.gov.uk hosts an [online referral form](#) which may be completed by members of the public to report their suspicions.
35. Alternatively the Internal Audit Investigation Team can be contacted as follows:

Email: fraud@cardiff.gov.uk
Telephone: 029 2087 2284
Post: Audit Manager, Internal Audit Section, Financial Services, County Hall, Atlantic Wharf, Cardiff CF10 4UW. All mail to Internal Audit is delivered unopened.
36. Any member of the public wishing to report suspicions of a breach of security, theft, or irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the Council, should in the first instance refer to information, guidance and FAQ's available on the Council's Fraud web page at www.cardiff.gov.uk. ([Your Council/Council Finance/Managing the Council's Finances/Fraud](#)).

INVESTIGATION

37. The Internal Audit Investigation Team is professionally trained and follows methodology in accordance with professional standards. The team is available to offer advice and support to Investigating Officers. The team has a responsibility to provide assurance to the Section 151 Officer that all suspicions of fraud, bribery and corruption and financial impropriety are dealt with in an effective, efficient and consistent manner and it is important it works closely with the Directorate where fraud or financial impropriety is suspected.

38. In all investigations undertaken by the Council or the Police into fraud, bribery or corruption, the Council requires full co-operation to demonstrate and preserve transparency, integrity and accountability for the public funds it administers.
39. Whether the investigation is led by a Manager from within the employing Directorate or from within Internal Audit, it is important that both are kept fully informed and that there is an ongoing dialogue as the investigation proceeds.
40. Following an assessment of the case, where it is decided further investigation is not appropriate, then this will be agreed between the Investigating Officer and the Internal Audit Investigator. The officer who raised the initial concern will be notified with the reason why the matter is not being pursued.
41. All investigations into the conduct of officers will be undertaken in accordance with the Disciplinary Policy and Procedure.
42. If at any time there is a suspicion or an allegation that a serious crime may have been committed (or is about to be committed) the Directorate, in conjunction with the Audit Investigation Team, should immediately report the matter to the Police (see paragraph 32).
43. Throughout all investigations the Investigating Officer will retain material obtained as part of the investigation. This includes not only material coming into the possession of the investigator (such as documents seized) but also material generated by them (such as interview records).
44. The Investigating Officer will ensure that interviews are conducted and statements taken in accordance with relevant Council policy and procedures.
45. The Council's [Disciplinary Policy, Procedures & Guidance Notes](#) will be used where the outcome of the investigation indicates any evidence of employee misconduct.
46. Where a case to answer is established against an employee, this will be managed in accordance with the Disciplinary Policy. Internal Audit will report anonymised Disciplinary Hearing outcomes and sanctions relating to fraud, bribery, corruption or financial impropriety to the Audit Committee.

POST INVESTIGATION

47. The Investigating Officer is responsible for identifying and reporting on failures to comply with procedures and/or control failings, however, it is important that Internal Audit works closely with Directorate colleagues to ensure that all control issues relating to any suspected financial impropriety are identified along with appropriate actions to target weaknesses.
48. Where applicable the Investigating Officer should incorporate weaknesses or failings in a report/action plan (along with appropriate recommendations to address the control issues) which will be forwarded to the Director for him/her to consider and act upon.

49. Internal Audit will follow up the issue of a report/action plan after 3 months to confirm all recommendations have been implemented or ensure progress is being made towards doing so.
50. Where Directorates do not respond to the report of action plan, or there are delays in taking action, this will be referred to the Audit Manager and consideration will be given to advising the Section 151 Officer and Audit Committee.

COUNCIL MEMBERS

51. The County Clerk and Monitoring Officer, in liaison with the Audit Manager, will arrange for an appropriate investigation of referrals, in accordance with the [Member's Code of Conduct](#).

CONTACTS

52. Initial contact on any matters relating to investigations should be with David Hexter, Group Auditor Investigations, Tel: (029) 2087 2284, alternatively, contact the Audit Manager, Tel: (029) 2087 2248.
53. Further guidance relating to making a fraud referral can be found on the Council's internet site at www.cardiff.gov.uk ([Your Council/Council Finance/Managing the Council's Finances/Fraud](#)).

Cardiff Council

Money Laundering Policy and Procedure



A Proud Capital



1. Introduction

Although local authorities are not directly covered by the requirements of the Money Laundering Regulations 2007, guidance from the Chartered Institute of Public Finance and Accounting (CIPFA) indicates that they should comply with the underlying spirit of the legislation and regulations.

The legislative requirements concerning money laundering procedures are lengthy and complex. Cardiff Council is committed to the highest possible standards of conduct. This policy has been written to enable the Council to meet the legal requirements in a way that is proportionate to the Council's risk of contravening the legislation and to ensure that there are adequate safeguards and reporting arrangements to ensure that the Council is not used by 3rd parties for the purpose of money laundering.

This Policy sets out the procedures which must be followed and it is suggested that this be read in conjunction with the referral guide for money laundering, the Fraud, Bribery and Corruption Policy and the Financial Procedure Rules which governs the day to day operation of the Authority's financial administration.

2. Scope of the Policy

This policy applies to:

- All council employees (permanent, temporary or casual)
- Elected Members
- Agency Staff
- Consultants
- Contractors
- Partners

The aim of this policy is to enable officers and Members to respond to a concern they have in relation to suspicions of money laundering activity as part of their work and sets out the procedures that must be followed. The policy and procedures as set out are commended for use by schools.

Individuals who have a concern relating to a matter outside work should contact the Police.

3. Definition of Money Laundering

Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under the Proceeds of Crime Act 2002 as the following "prohibited acts":

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Doing something that might prejudice an investigation e.g. falsifying a document
- Failure to disclose one of the offences above, where there are reasonable grounds for knowledge or suspicion

- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of, or prejudice an investigation

Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities as serious criminal sanctions may be imposed for breaches of the legislation.

4. What are the obligations on the Council

The main requirements of the legislation are:

- Appoint a Money Laundering Reporting Officer to receive disclosures from employees of money laundering activity
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain client identification procedures in certain circumstances and
- Maintain record keeping procedures.

The key areas covered by the Act relate mainly to Accountancy, Audit services and property transactions undertaken by Legal Services. However, to ensure compliance with the law, all staff are required to comply with the reporting / disclosure procedure set out in section 6 below.

5. The Money Laundering Reporting Officer (MLRO)

The Council is not obliged to appoint a MLRO, however, it is considered to be best practice to nominate one or more officers to become responsible for their organisations anti money laundering activities. The officer appointed to receive disclosures about suspected money laundering activity within the Council is David Hexter, Group Auditor (Investigations) whose contact details are as follows:

Group Auditor (Investigations)
Resources
Internal Audit
County Hall
CF10 4UW

Telephone: 029 2087 2284

The Money Laundering Reporting Officer is responsible for receiving reports of suspicious activities relating to money laundering and evaluating the information provided, before determining if a referral should be made to the National Crime Agency.

6. Reporting Procedure for Suspicions of Money Laundering

Where a person identified in section 2 knows or suspects that money laundering activity is taking / has taken place, or is concerned that their involvement may amount to a prohibited act, a disclosure must be made to the MLRO as soon as is reasonably practicable, a referral form is available on the intranet. You must not make any further enquiries yourself or warn the individuals against whom you have concerns.

The Council has set a general cash transaction limit of £13,000 (in line with the Money Laundering Regulations 2007) over which any transaction or group of transactions for the purchase of goods must be classified as suspicious. This does not mean that transactions under this limit should not be reported, as all suspicious transactions, irrespective of their value should be reported.

A significant overpayment of an amount owed, which results in a repayment should be treated as suspicious and advice sought from the MLRO.

7. Client Identification

Although there is no legal requirement for the Council to have formal procedures for evidencing the identity of those they do business with, staff should be alert to potentially suspicious circumstances. Where there may be doubt and in particular, when forming a new business relationship or considering a significant one off transaction, identification of the party to the transaction(s) should be sought.

8. Record Keeping

Each section of the Council conducting relevant business (Accountancy, Audit and certain Legal Services) must maintain appropriate records of:

- Client identification evidence obtained and
- Details of all relevant business transactions carried out for clients for at least 5 years. This is so that they may be used as evidence in any subsequent investigation into money laundering.

The precise nature of the records to be held is not prescribed by law, however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the party giving rise to concern and the relevant transaction and recording in what form any funds were received or paid.

9. Training and Awareness

The Council does not have any areas of activity that are considered to be especially vulnerable to money laundering. This is supported by the fact that local authorities are not included as a "relevant person" in the Money Laundering Regulations 2007 and are therefore not covered by those regulations.

Those receiving, or arranging to receive cash on behalf of the Council must ensure they are familiar with this policy. As the types of transactions which may be used by money launderers are almost unlimited, it is difficult to define a suspicious transaction.

Training will be delivered upon request.

10. Further information

Money Laundering guidance is available from professional bodies (for example ACCA, CIPFA, IIA, The Law Society) and HM Revenue and Customs.