

Counter fraud strategy and framework

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Counter fraud strategy

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Key points

- This strategy and framework set out the council's commitment to preventing, detecting and deterring fraud and corruption.
- The council expects the highest ethical and legal standards from its members, officers, contractors and agents carrying out business on its behalf.
- This framework includes guidance on types of fraud and corruption, how to report concerns and the investigation process.
- All cases of suspected financial irregularity or corruption must be reported to the Chief Internal Auditor.
- A Whistle Blowing Policy is in place to support a safe environment for concerns to be raised.
- Failure to comply with the policies contained within this document will result in sanctions being considered.

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Next review date: December 2018

1. Introduction

- 1.1 Surrey County Council is one of the country's largest local authorities, with a gross budget of £1.7billion in 2017/18 and employing over 26,000 people. The public is entitled to expect the council to conduct its business with integrity, honesty and openness and demand the highest standards of ethical conduct from those working for and with it.
- 1.2 The council takes its statutory duty to protect the public funds it administers seriously. It is essential that we protect the public purse and ensure that council funds are used only for their intended purpose: to support and deliver services to our community within Surrey. As such we maintain a zero tolerance approach to fraud and corruption whether it is attempted from outside the council or within.
- 1.3 This strategy forms part of the council's counter fraud framework, a collection of interrelated policies and procedures including the Code of Conduct, Financial Regulations and Whistle Blowing Policy. It also includes policies and procedures that are specifically targeted at countering fraud and corruption. These are attached as the following appendices:
 - A. 'Reporting categories' by which fraud and corruption are reported;
 - B. 'Anti-bribery policy' outlining measures to combat acts of bribery by or to anyone carrying out business for or on behalf of the council;
 - C. 'Anti-money laundering policy' detailing the responsibilities of members and officers, in particular the need to promptly report suspicions;
 - D. 'Fraud response plan' providing guidance on reporting concerns and the investigation process; and
 - E. 'Sanctions policy' explaining how to determine which sanctions are appropriate when fraud or corruption is identified.

2. Aims

- 2.1 This strategy sets out the council's commitment to preventing, detecting and deterring fraud and corruption, taking into consideration the council's three strategic goals that it aims to achieve for all residents:
 - Everyone in Surrey has a great start to life and can live and age well;
 - Surrey's economy remains strong and sustainable; and
 - Residents in Surrey experience public services that are easy to use, responsive and value for money.
- 2.2 This strategy aims to:
 - Embed an anti-fraud culture where people are empowered to challenge dishonest behaviour;
 - Actively prevent, deter and promote detection of fraudulent and corrupt acts;
 - Maintain the council's awareness of emerging fraud risks such as those associated with digital and cyber security;
 - Provide clear guidance on the roles and responsibilities of members and officers; and
 - Identify a clear pathway for investigative and remedial action.

3. Our commitment

At Surrey County Council we recognise that every pound lost to fraud reduces our ability to provide services to our residents who really need them.

While the majority of our staff and the people we deal with each day are honest and law abiding, we acknowledge that this may not always be the case and that fraud can and does regrettably happen.

The Council is committed to a zero tolerance policy in relation to fraud and corruption and we fully endorse the Counter Fraud Strategy and Framework.

This has been developed in line with the latest professional good practice guidance and should help to safeguard public funds by minimising the risk of loss as a result of fraud. Everyone at Surrey County Council has a role to play in this.

David Hodge
Leader of Surrey County Council

Julie Fisher
Acting Chief Executive Officer

4. Definitions

- 4.1 Fraud can be broadly described as a deliberate act, involving deception or concealment, carried out with the intention of making a gain or causing a loss (or risk of loss) to another. The Fraud Act 2006 includes three main offences:
- ‘False representation’ to a person or device, for example, falsely claiming to hold a qualification to obtain a job or misuse of another person’s debit card;
 - ‘Failing to disclose information’ which you are under a legal duty to disclose, such as not declaring assets as part of a means tested application for services; and
 - ‘Abuse of position’ whereby you act against or fail to safeguard any financial interests you are expected to protect, for example, financial abuse of individuals receiving social care.
- 4.2 For the purpose of this strategy the term ‘fraud and corruption’ includes a range of dishonest acts such as those involving theft, misappropriation, bribery, money laundering, concealment of material facts, false representation and abuse of position.
- 4.3 Definitions relating to bribery and money laundering are detailed in Appendices B and C, respectively. A brief description of the categories by which the council reports fraud and corruption, including examples, is attached at Appendix A.

5. Strategic approach

- 5.1 The council’s approach to fraud and corruption is based on three key strands, as set out in the Local Government Counter Fraud and Corruption Strategy:
- **Acknowledge** and understand fraud risks
 - **Prevent** and detect more fraud
 - **Pursue** losses and be stronger in punishing fraud

Acknowledge

- 5.2 We acknowledge that fraud risks exist both from within and outside the council. These are recorded in a risk register that is updated on a regular basis to reflect both emerging risks and changes to the likelihood and impact of risks in light of any developments. Fraud risks are also considered at the council's Strategic Risk Forum to facilitate coverage of all council services. Internal Audit will work with services and provide advice to mitigate identified fraud risks.
- 5.3 Our response to fraud and corruption is clearly documented in a Fraud Response Plan (Appendix D), which is designed to make available suitable resources and support to tackle fraud and corruption. We will regularly review our approach to tackling fraud, taking into consideration emerging risks, themes and trends both within the council and across wider local government areas.

Prevent

- 5.4 We recognise the importance of a strong anti-fraud culture in preventing fraud and corruption. The council operates according to a set of core values (see Section 6) and also has policies in place intended to prevent dishonest behaviour. These include Codes of Conduct, which place a duty on officers and members to declare any interests that may conflict with the council's business, and a Gifts and Hospitality Policy restricting the acceptance of financial or other rewards.
- 5.5 A key measure in the prevention of fraud and corruption is ensuring appropriate checks are made when new employees are recruited. Hiring managers must comply with the Resourcing Policy and Safer Recruitment Policy when conducting pre-employment checks such as verifying identity, obtaining references, confirming the right to work in the UK and, when necessary, Disclosure and Barring Service checks.
- 5.6 The council acknowledges the changing nature of fraud, in particular the risks emerging as a result of increased online access to and delivery of services. In recognition of the importance of robust cyber security and identity assurance, we take a networked approach involving collaboration both with local authorities and also central government agencies and departments.
- 5.7 We will improve controls and processes by learning from instances of proven fraud and corruption and will also take into account findings from the work of Internal Audit. We are committed to making full use of information and technology to proactively detect fraud, as detailed further in Section 7.

Pursue

- 5.8 We will ensure appropriate remedial action is taken in all cases of proven fraud or corruption, in line with the Sanctions Policy (Appendix E). This may include collaboration with the police, government departments and other local authorities. We will make every effort to recover funds including, where appropriate, making best use of legislation such as the Proceeds of Crime Act 2002.

6. Culture

- 6.1 The council is committed to the highest ethical standards ranging from the expected behaviours set out in the Code of Conduct to the four core values (listen, responsible, trust, respect) that are crucial to delivering the Corporate Strategy.
- 6.2 We believe the 'seven principles of public life' are the foundation of a strong anti-fraud culture and we expect all members, officers and contractors to follow these principles, as well as all legal rules, policies and procedures.

6.3 The seven principles of public life and a brief explanation are listed below.

Principle	You should...
Selflessness	...act solely in terms of the public interest and not for the purpose of gain for yourself, family or friends.
Integrity	...avoid placing yourself under any obligation to people or organisations that might seek to influence you in your work.
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 your decisions and actions and submit yourself to scrutiny as appropriate.
Openness	...act and take decisions in an open and transparent manner. Information should only be withheld from the public if there are clear and lawful reasons for doing so.
Honesty	...be truthful. This includes declaring any conflicts of interest and taking steps to resolve such conflicts.
Leadership	...actively promote and support these principles by applying them to your own behaviour and challenging poor behaviour.

6.4 In essence, we expect everyone carrying out council business to protect the public interest and also to challenge instances of dishonest behaviour. The promotion of a strong anti-fraud culture is therefore vital, as not only will it deter potential fraudsters but it will also encourage a safe environment in which individuals can raise concerns.

7. Proactive work

- 7.1 The remit of Internal Audit includes the delivery of a risk based proactive counter fraud programme. These activities are detailed in an annual Fighting Fraud Plan, which is presented to Audit and Governance Committee. The plan takes into consideration emerging trends across the public sector, proven cases of fraud or corruption and other specific areas where there is an increased risk of fraud or corruption.
- 7.2 As part of the proactive detection of fraud and corruption, we undertake data analytics both within the council (for example payroll) and between other public sector bodies. In conducting data matching exercises, the council will comply with all relevant legislation such as the Data Protection Act 1998 and, from May 2018, the General Data Protection Regulation.
- 7.3 We are required to participate in the biennial National Fraud Initiative data matching exercise administered by the Cabinet Office. This exercise, which compares a wide range of data between publicly funded bodies, includes payroll, pensions, creditors, social care payments and concessionary travel.
- 7.4 We are committed to enhancing partnership working and information sharing as a means to reducing fraud and corruption. Where appropriate, information will be shared with anti-fraud networks such as Action Fraud and the National Anti-Fraud Network, as well as Orbis partners, to enable the identification of patterns and sharing of good practice.
- 7.5 As part of the Surrey Counter Fraud Partnership between the council and Surrey's borough and district councils, we will undertake targeted data matching exercises and publicity drives to detect and prevent fraud across the county.

8. Awareness and training

- 8.1 The success of this strategy is partly dependent on the awareness and training of members and officers across the council. In recognition of this, we will:
- Include information on the counter fraud framework in relevant training and e-learning packages;
 - Continue the delivery of presentations raising awareness to individual teams;
 - Include a discussion about fraud risks and training needs as part of Internal Audit's client liaison activities with all services; and
 - Continue to deliver an annual fraud seminar to the Audit and Governance Committee.

9. Reporting

- 9.1 Responsibilities contained within this strategy rest with all officers and members of the council but its delivery will be led by the Internal Audit team. The biannual reports presented to Audit and Governance Committee, summarising investigations and counter fraud work, will include an update on progress against this strategy and the Fighting Fraud Plan.
- 9.2 This strategy will be reviewed on an annual basis.

Reporting categories

Reporting category	Description	Examples (not an exhaustive list)	Legislation / Policies (examples)
False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification	Fraud Act 2006
Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the council to the risk of loss	Failing to declare pecuniary interests, or assets as part of a means tested assessment	
Abuse of position	Use of position to act against, or fail to safeguard, the interests of the council or Surrey's residents	Nepotism; financial abuse of individuals receiving social care	
Theft	Misappropriation of assets (often cash) belonging to the council or individuals under the council's care	Removing cash from safes; removing individuals' personal items in care homes	Theft Act 1968
Corruption	Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier	Bribery Act 2010
False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position	Theft Act 1968; Financial Regulations; Procurement Standing Orders
Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments	
Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations	
Misconduct	Failure to act in accordance with the Code of Conduct, council policies or management instructions	Undertaking additional work during contracted hours; inappropriate use of council assets and equipment	Code of Conduct; IT Security Policy
Poor Control	Weak local or corporate arrangements that result in the loss of council assets or a breach of council policy	Storing a key to a safe in the immediate vicinity of the safe	

Anti-bribery policy

Policy statement

Surrey County Council will:

- Not tolerate bribery or corruption in any form or at any level;
- Consider anti-bribery measures as part of its governance process; and
- Commit to policies and procedures to prevent, deter and detect bribery.

1. Introduction

- 1.1 The council expects its business to be conducted with probity, openness and accountability. Key to maintaining the council's high standards is the requirement for members, officers, contractors and agents carrying out business on behalf of the council to behave honestly, lawfully and with integrity.
- 1.2 This policy forms part of the council's counter fraud framework and sets out:
- Definitions and legal background in respect of bribery; and
 - The council's approach to bribery including fulfilling its duties under the Bribery Act 2010 (the Act).

2. Scope of the policy

- 2.1 This policy applies to all areas of council business and therefore all members, officers, contractors and agents carrying out business on behalf of the council. Any act of bribery by a person outside the council will be a matter for the police.
- 2.2 This policy should be read alongside the Gifts and Hospitality Policy. Other relevant policies (such as the Code of Conduct and Procurement Standing Orders) should be referred to where appropriate.
- 2.3 Failure to comply with this policy will result in action being considered under the Sanctions Policy (see Appendix E).

3. Definitions and legal background

- 3.1 Bribery is the act of offering, giving, receiving or seeking an inducement or reward intended to influence the performance of a relevant function or duty to gain a personal, commercial, regulatory or contractual advantage.

Bribery Act 2010

- 3.2 The Act includes four key offences:
- Offering, promising or giving a bribe to reward a person for improperly performing a relevant function (Section 1);
 - Requesting, agreeing to accept or receiving a bribe as a reward for improperly performing a relevant function (Section 2);
 - Bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business (Section 6); and
 - A corporate offence by a 'commercial organisation' of failing to prevent bribery that is intended to obtain or retain business or an advantage in the conduct of business (Section 7).

- 3.3 The Act makes no distinction between a bribe being offered, promised or given directly or through a third party. Further, it makes no difference whether the person requesting, agreeing to accept or receiving the bribe knows or believes that the performance of the function will be improper; or whether this person asks another person to carry out the improper performance of the function on their behalf.
- 3.4 The council accepts that it may be classed as a ‘commercial organisation’ in relation to the corporate offence of failing to prevent bribery. The Act allows for a defence to this corporate offence if an organisation can show that it had in place ‘adequate procedures’ designed to prevent bribery.
- 3.5 Good practice and robust governance arrangements include having adequate procedures in place to prevent bribery and protect the council from reputational and legal damage. Whether an organisation’s procedures are ‘adequate’ will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation.

Public Contracts Regulations 2006

- 3.6 The Public Contracts Regulations 2006 place a duty on the council to automatically and perpetually exclude from participation in a procurement procedure any company or director that has been convicted of a corruption offence. The council may disregard this regulation on an exceptional basis, for example due to reasons relating to the public interest such as public health or protection of the environment.

4. The council’s approach to bribery

- 4.1 The council has in place a framework of arrangements intended to manage the risk of bribery and corruption and ensure business is conducted to the highest standards. This policy does not change the requirements of other guidance, which includes:
- Member and Officer Codes of Conduct, which require members and officers to declare any personal or pecuniary interests;
 - Procurement Standing Orders governing the negotiation of contracts; and
 - Gifts and Hospitality Policy, which sets out the restrictions on accepting gifts and hospitality and the need to register approved gifts that are accepted.
- 4.2 In the context of this policy, it is unacceptable for members, officers, contractors and agents carrying out business for or on behalf of the council to:
- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
 - Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to ‘facilitate’¹ or expedite a routine procedure;
 - Accept payment from a third party that is known or suspected to be offered with an expectation that it will obtain a business advantage for them;
 - Accept a gift or hospitality from a third party if it is known or suspected that it is offered with an expectation that a business advantage will be provided by the council in return;

¹ Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions, including but not limited to: awarding contracts; making appointments to temporary or permanent positions; and determining eligibility to receive services.

- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy; or
- Engage in activity in breach of this policy.

5. Reporting suspected bribery

- 5.1 You should report any suspected acts of bribery. If you have been offered an inducement from another party, you should report this even if you declined.
- 5.2 The council has put in place a safe environment to report suspected cases of fraud and corruption, including bribery. The Fraud Response Plan (see Appendix D) provides full details of who to contact but any individual may contact the council's Internal Audit team directly as below.

Email: internal.audit@surreycc.gov.uk

Telephone: 020 8541 9299

Post: Internal Audit
Surrey County Council
Room 318, County Hall
Penrhyn Road
Kingston upon Thames
Surrey KT1 2DN

Anti-money laundering policy

Policy statement

Surrey County Council will do all it can to:

- Prevent any attempts to use the council and its staff to launder money;
- Identify potential areas where money laundering may occur; and
- Comply with all legal and statutory requirements, especially with regard to the reporting of actual or suspected cases of money laundering.

1. Introduction

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000 (and all relevant amending legislation) place obligations on the council, including its members and employees, with respect to suspected money laundering.
- 1.2 While most money laundering activity in the UK occurs outside of the public sector, vigilance by council employees and members can help identify those who are, or may be, perpetrating crimes relating to the financing of terrorism and money laundering.
- 1.3 This policy forms part of the council's counter fraud framework and sets out:
 - Definitions and legal background in respect of money laundering;
 - The council's approach to money laundering including the responsibility of members and officers to report suspicions promptly; and
 - Guidance and procedures for members and officers.

2. Scope of the policy

- 2.1 This policy applies to all members and officers of the council and aims to maintain the high standards of conduct that the public is entitled to expect from the council.
- 2.2 It is vital that all members and officers are aware of their responsibilities and remain vigilant; criminal sanctions may be imposed for breaches of legislation.
- 2.3 Failure to comply with the procedures set out in this policy will result in action being considered under the Sanctions Policy (see Appendix E). This may include disciplinary action in line with the Officer, or Member, Code of Conduct.

3. Definitions and legal background

- 3.1 Money laundering is the process of converting illegally obtained money or assets into 'clean' money or assets with no obvious link to their criminal origin.
- 3.2 There are three primary money laundering offences set out in legislation:
 - Concealing, disguising, converting, transferring, or removing from the UK any criminal property (Section 327 of the Proceeds of Crime Act 2002);
 - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328); and
 - Acquiring, using or possessing criminal property (Section 329).

- 3.3 There are also two secondary offences:
- Failure to disclose any of the three primary offences; and
 - Tipping off (the act of informing a person suspected of money laundering in such a way as to prejudice an investigation).
- 3.4 Any member or employee of the council may potentially be implicated in money laundering if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The key requirement is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

4. The Money Laundering Reporting Officer (MLRO)

- 4.1 The officer nominated to receive disclosures about money laundering activities within the council is the Chief Internal Auditor:

Russell Banks
Orbis Chief Internal Auditor

Telephone: 01273 481447 / 020 8541 9299
Email: russell.banks@eastsussex.gov.uk

Surrey County Council
Room 318, County Hall
Penrhyn Road
Kingston upon Thames
Surrey, KT1 2DN

- 4.2 In the absence of the MLRO, the Audit Performance Manager is authorised to deputise:

David John
Audit Performance Manager

Telephone: 020 8541 7762
Email: david.john@surreycc.gov.uk

Surrey County Council
Room 318, County Hall
Penrhyn Road
Kingston upon Thames
Surrey, KT1 2DN

5. Procedures

Cash

- 5.1 The council will not accept any cash payment in excess of £5,000 irrespective of whether this is through a single payment or series of linked payments. 'Cash' includes notes, coins, banker's drafts and travellers cheques.
- 5.2 This does not necessarily mean that cash transactions below this value are legitimate and legal. Professional scepticism is encouraged at all times and any suspicions must be reported to the MLRO or their deputy.

Responsibilities of members and officers

- 5.3 Any member or officer who suspects money laundering activity must report their suspicion promptly (as soon as practicable) to the MLRO or their deputy if appropriate. If you prefer, you can discuss your suspicions with your line manager first.
- 5.4 Your disclosure must be made at the earliest opportunity following the information coming to your attention, not weeks or months later, and should be made to the MLRO or deputy using the form attached at the end of this policy.
- 5.5 You must follow any subsequent directions from the MLRO or deputy. You must not:
- Make any further enquiries into the matter;
 - Take any further steps in any related transaction without authorisation from the MLRO or deputy;

- Disclose or otherwise indicate your suspicions to the person suspected of money laundering; or
- Discuss the matter with others or make a note on file that a report to the MLRO or deputy has been made, as this may alert the suspected perpetrator.

Responsibilities of the MLRO

- 5.6 The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency (NCA). Any decision not to submit a report to the NCA must be recorded.
- 5.7 If they so determine, the MLRO or deputy must promptly submit an online Suspicious Activity Report (SAR) to the NCA. Alternatively, a SAR may be manually reported to the NCA. Both online and up to date manual reporting forms are available on the NCA's website.
- 5.8 If a disclosure provides the MLRO or deputy with knowledge or reasonable grounds to suspect that a person is engaged in money laundering, and they do not disclose this to the NCA as soon as practicable, the MLRO or deputy will have committed a criminal offence.

Customer due diligence

- 5.9 Customer due diligence refers to taking steps to identify customers and checking they are who they claim to be. The Money Laundering Regulations 2017 require customer due diligence measures to be applied when:
- A business relationship with a customer is established;
 - There are doubts about a customer's previously obtained identification;
 - There is a change in an existing customer's circumstances;
 - There is an 'occasional transaction' of €15,000 or more (or the equivalent in Sterling); and/or
 - Money laundering or terrorist financing is suspected.
- 5.10 Customer due diligence measures include:
- Identifying and verifying the client's identity based on reliable and independent sources, such as a passport;
 - Where applicable, identifying the beneficial owners of the client and taking reasonable steps to verify their identity and, if the beneficial owner is an entity or legal arrangement, taking reasonable steps to understand its ownership and control structure;
 - Assessing and, where appropriate, obtaining information on the purpose and intended nature of the business relationship or transaction; and
 - Identifying and verifying the identity of a person who purports to act on behalf of a client and verifying that they are authorised to act on behalf of the client.
- 5.11 Where the customer is a corporate body, you must obtain and verify:
- Its name, company number or other registration; and
 - The address of its registered office and its principal place of business.
- 5.12 In addition, unless the corporate body is a company listed on a regulated market, you must take reasonable steps to determine and verify:

- The law to which it is subject and its constitution or other governing documents; and
- The names of the board of directors (or equivalent managing body) and the senior persons responsible for its operations.

5.13 The level of due diligence required should be determined following a risk assessment. 'Simplified' due diligence is permitted where the business relationship or transaction presents a low risk of money laundering or terrorist financing. Among other criteria, 'Enhanced' due diligence must be applied where the business relationship or transaction involves a 'politically exposed person' or a customer established in a 'high risk third country'.

6. Record keeping

- 6.1 A copy of all documents and information obtained as part of the customer due diligence checks, together with supporting records of the transaction(s), must be retained for a period of five years following the completion of the transaction or end of the business relationship.
- 6.2 The MLRO will keep a record of all referrals received and any action taken to ensure an audit trail is maintained. All disclosure reports referred to the MLRO and reports made to the NCA will be retained by the MLRO in a confidential file for a minimum of five years.

7. Guidance and training

7.1 The council will:

- Make members and officers aware of the requirements and obligations placed on the council, and on themselves as individuals, by anti-money laundering legislation; and
- Give targeted training to those considered to be the most likely to encounter money laundering.

7.2 Further information can be obtained from the MLRO and the following sources:

- Anti-money laundering responsibilities from gov.uk: <https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities>
- Anti-money laundering guidance from the Law Society: <http://www.lawsociety.org.uk/support-services/advice/articles/quick-guide-to-the-money-laundering-regulations-2017/>
- CIPFA: www.cipfa.org/members/members-in-practice/anti-money-laundering
- The National Crime Agency: www.nationalcrimeagency.gov.uk

[OFFICIAL – SENSITIVE]

Confidential report to the Money Laundering Reporting Officer

To: Money Laundering Reporting Officer
From: _____ *[insert your name]*
Title/Service: _____ *[insert your post title and service]*
Telephone: _____
Date of report: _____
Response needed by: _____ *[e.g. transaction due date]*

Name(s) and address(es) of person(s) involved:
[If a company/public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please give full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

	Yes	No	
Has any investigation been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	If 'yes' please provide details below
Have you discussed your suspicions with anyone else?	<input type="checkbox"/>	<input type="checkbox"/>	

Details of investigation undertaken and/or discussions held:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

[OFFICIAL – SENSITIVE]

To be completed by the Money Laundering Reporting Officer

Date report received:

Date acknowledged:

Evaluation

What action is to be taken?

Are there reasonable grounds to suspect money laundering activity?
If so, please provide details

Reporting

If there are reasonable grounds for suspicion, will a report be made to the NCA?

Yes

No

If 'no', reasons for non-disclosure

If 'yes', date of report to NCA

Online / Manual
[delete as appropriate]

Consent

Is NCA consent required for any ongoing or imminent transactions?

Yes

No

If 'yes', please confirm details

Date consent received from NCA

Date consent passed on to officer

Other relevant information

Signed _____

Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

Fraud response plan

1. Introduction

- 1.1 This plan provides guidance on the action to be taken where fraud, theft or corruption against the council is suspected or discovered. It sets out who to report your concerns to, the investigation process and what to expect from Internal Audit.
- 1.2 This document forms part of the council's counter fraud framework and should be read in conjunction with the other documents that make up the Strategy against Fraud and Corruption. You may also wish to refer to the council's Whistle Blowing Policy, Code of Conduct, Disciplinary Policy and Financial Regulations.
- 1.3 The objectives of this plan are to ensure timely and effective action can be taken to:
- Minimise the risk of inappropriate action or disclosure which would compromise an investigation;
 - Ensure there is a clear understanding of who will lead any investigation and keep other individuals informed and involved as appropriate;
 - Prevent further loss of funds or other assets and maximise recovery of losses;
 - Identify the perpetrator and secure sufficient evidence necessary for disciplinary or legal action;
 - Review the reasons for the incident and identify the measures required to prevent a reoccurrence;
 - Reduce the adverse impacts on the business of the council and minimise adverse publicity arising from fraud; and
 - Identify any action needed to strengthen future responses to fraud.

2. Reporting your concerns

- 2.1 You should report your concerns to an appropriate person as soon as possible. All reporting channels shown overleaf are (with the exception of Expolink) available to members, officers, contractors, partners and the public.
- 2.2 Regulation 4.5 of the Financial Regulations requires all cases of suspected corruption or financial irregularity to be reported to the Chief Internal Auditor. The individuals listed overleaf will notify the Chief Internal Auditor of any referrals.
- 2.3 Employees may wish to approach their line manager in the first instance (unless this is not appropriate because, for example, they are implicated) to pass on the information on their behalf. This is acceptable in all cases except suspected money laundering, which must be reported directly to the Money Laundering Reporting Officer or their deputy (see Appendix C).
- 2.4 While you may choose to make an anonymous referral, please consider the following:
- There will not be any opportunity to ask you follow up questions or seek clarification, which may prevent an investigation from reaching a satisfactory conclusion.
 - The Whistle Blowing Policy clearly sets out the council's zero tolerance approach to harassment or victimisation and its commitment to protect officers who raise concerns in good faith.
- 2.5 You must only report concerns that you believe to be true. If it is subsequently determined that a referral was made maliciously, or for personal gain, it may be dealt with as a disciplinary matter.

2.6 You may report your concerns to:

Chief Internal Auditor (Money Laundering Reporting Officer – see Appendix C)

Telephone: 01273 481447 / 020 8541 9299

Email: internal.audit@surreycc.gov.uk

Director of Finance (Section 151 Officer)

Telephone: 020 8541 7012

Email: sheila.little@surreycc.gov.uk

Director of Legal, Democratic & Cultural Services (Monitoring Officer)

Telephone: 020 8541 9088

Email: monitoring.officer@surreycc.gov.uk

Elected Members

Find your local councillor: <http://mycouncil.surreycc.gov.uk/mgFindMember.aspx>

Chairman of the Audit and Governance Committee

Email: david.harmer@surreycc.gov.uk

Grant Thornton (the council's external auditors)

Email: marcus.ward@uk.gt.com

Public Concern at Work (charity offering free whistle blowing advice)

Telephone: 020 7404 6609

Email: whistle@pcaw.org.uk

Expolink (independent, confidential hotline)

Telephone: 0800 374 199

Submit an online report: www.expolink.co.uk/whistleblowing/submit-a-report

Please note, this is not available to the public; the access code is available on s-net.

3. Initial response

3.1 If someone approaches you to report concerns, you should:

- Listen patiently and without prejudice to their concerns
- Ask whether they wish to remain anonymous (obtaining contact details if not)
- Treat all information seriously and in strict confidence
- Obtain as much information as possible during the referral (but do not conduct your own investigation), such as:
 - Outline of the allegations and their impact
 - People involved including job role in the case of employees
 - Amount of money and/or details of other assets involved
 - Timescales (one-off or ongoing)
 - Evidence (available notes, documents or other evidence)
- Not interfere with any evidence and ensure it is kept secure

3.2 As required by the Financial Regulations, you should contact the Chief Internal Auditor to agree any proposed action. The Chief Internal Auditor may request additional information before determining whether a full investigation is necessary and advice will be given on how to approach this without alerting the suspected perpetrator.

3.3 You should also consider whether the allegations pose any immediate safeguarding risks and contact the relevant managers in Adult Social Care or Children Schools and

Families directorates if necessary. Safeguarding concerns will take priority over an allegation of fraud and corruption, although this should still be reported.

- 3.4 Where an allegation involves an employee, it may not be appropriate for the employee to remain in their role whilst the investigation is undertaken. Any risk assessment and decision to suspend an employee (or move them to alternative duties) will be taken by Human Resources in consultation with the line manager and advice from the Chief Internal Auditor.

4. Investigating officer

- 4.1 The Chief Internal Auditor will evaluate the outcomes from the initial enquiries to determine whether a full investigation is warranted and, if so, appoint an investigating officer. In most cases this will be an officer from Internal Audit but, where an officer from another service is appointed, advice and support will be provided.
- 4.2 The investigating officer will remain impartial throughout the investigation and will:
- Conduct the investigation in a prompt manner;
 - Obtain evidence in line with the guidance in section 5 of this plan;
 - Record and secure all evidence obtained;
 - Ensure any information and/or knowledge is contained;
 - Involve and notify other key officers as appropriate (management, Human Resources, Insurance, Internal Audit); and
 - Conclude the investigation in line with guidance in section 6 of this plan.

5. Evidence

- 5.1 It is essential that all available evidence relating to the allegation is preserved. This involves a fine balance between not alerting the suspected perpetrator before it is appropriate, complying with council policies and ensuring evidence remains admissible in a court of law.
- 5.2 Legislative requirements must also be fulfilled, in particular those of the Police and Criminal Evidence Act 1984 (PACE) and the Regulation of Investigatory Powers Act 2000 (RIPA). If you are uncertain, seek advice from the Chief Internal Auditor. The most common forms of evidence and brief guidance are given below.

Council premises

- 5.3 Inspection of any council premises or property must be witnessed by a key/code holder in the case of locked areas, safes and cash tins, or at least one manager in the case of other store rooms, cupboards and work stations. A list of the contents should be made and the list signed and dated by both you and the witness as being a true record of what was found.
- 5.4 You must not remove any cash or other valuables without first speaking with the Chief Internal Auditor to agree such action and arrange alternative secure storage.

Original documents

- 5.5 Original documents should be obtained and retained, handled as little as possible and placed in a protective folder. Under no circumstance must they be marked in any way. All copies of original documents or screen images should be formally certified as a true copy with the date of copying. You should maintain a record of all documents detailing how, when and where they were obtained.

Computer data

- 5.6 When evidence is held on a computer hard drive, the computer should be secured. You must not attempt to access or download information from the computer yourself. Information may also be held on the council's network, for example, networked folders and emails.
- 5.7 In both cases, the Chief Internal Auditor and Technical Delivery Manager in IMT will advise on the most appropriate way of retrieving the data in accordance with council policy and the rules of evidence.

Video footage

- 5.8 If you suspect that a CCTV or other camera system may have information of value, secure the hard copy media or arrange for a certified download of the data that is compliant with PACE requirements. The camera system engineer should be able to provide an appropriate download but you should seek advice initially from the Chief Internal Auditor about how to proceed.

Interviews

- 5.9 You should maintain a record of interviews or meetings held, including the date, location, attendees and, as a minimum, summary notes. When obtaining evidence through interviews and meetings, be aware of how much (or little) information needs to be shared for the meeting to be useful.
- 5.10 Interviews with the suspected perpetrator are normally conducted by two people. Unless the interview is part of a formal disciplinary process, the person is not expected to be accompanied by a representative. You should retain original copies of any handwritten notes made during the interview in addition to any subsequently typed notes. These notes should try to reflect a full account of the conversation.
- 5.11 Within the council, 'interviews under caution' will only be conducted by officers from Internal Audit or Trading Standards to ensure such interviews are appropriately recorded and fully compliant with PACE.

Surveillance

- 5.12 RIPA provides a clear statutory framework for certain investigative techniques such as surveillance, the definition of which includes:
- Monitoring, observing or listening to persons, their conversations, their movements or their other activities; or
 - Recording anything monitored, observed or listened to in the course of surveillance; and
 - Surveillance by or with the assistance of a surveillance device.
- 5.13 RIPA authorisation must be obtained before conducting certain types of surveillance. You **must not** use any 'covert'² and/or 'directed'³ surveillance without first seeking advice from the Chief Internal Auditor. Failure to comply with RIPA may result in evidence being deemed inadmissible in court and the council being fined.

² Action is 'covert' if it is carried out in a manner that is calculated to ensure that the person who is subject to surveillance is unaware that it is or may be taking place.

³ 'Directed' surveillance targets an individual with the intention of gaining private information. This includes information relating to private and family life, home and correspondence, and includes activities of a professional or business nature.

6. Investigation conclusion

- 6.1 You will present your conclusions, together with your evidence and notes, to the Chief Internal Auditor who will review the outcome of the investigation irrespective of whether the investigating officer is a member of the Internal Audit team.
- 6.2 Your conclusions must be based solely on the available evidence and any recommended sanction should be in accordance with the Sanctions Policy (Appendix E). You should be prepared to give a statement, if required, as part of any subsequent disciplinary or legal action.
- 6.3 The Chief Internal Auditor will take into account your conclusions when agreeing the appropriate action to take including sanctions.

7. What to expect from Internal Audit

- 7.1 Any conversations you have, or information that you share, with the Internal Audit team will remain confidential. You should remember, however, that the Chief Internal Auditor has a responsibility to investigate all cases of suspected fraud.
- 7.2 When a decision is made not to conduct a full investigation, Internal Audit will offer advice and assistance to improve management controls and minimise adverse impacts on the service.
- 7.3 If the investigating officer is within Internal Audit, a summary email, briefing note or full report (as appropriate) will be issued to relevant council officers and members. Due to requirements of the Data Protection Act, however, and the council's duty of confidentiality to its clients, employees and members, information about investigation outcomes may be limited for those outside the council.
- 7.4 Any investigation led by Internal Audit will seek to make recommendations to reduce the risk of reoccurrence and strengthen control systems. Information gained during investigation may also be used to help disclose similar frauds within the council.

8. Press and publicity

- 8.1 Publicity can act as a strong deterrent to fraud and corruption with publicity of successful cases demonstrating the council's zero tolerance approach. Under no circumstance, however, must details of any cases suspected or under investigation be released to the press or public.
- 8.2 All press and publicity, whether internal or external, will be managed by the council's Communications team. Disclosure of details of a case, successful or otherwise, to the media without the express authority of Communications may be dealt with as a disciplinary matter.
- 8.3 Publicity within the council will be managed by Internal Audit in consultation with Communications. Case details in any such publicity will be anonymised.

Sanctions policy

Policy statement

Surrey County Council will ensure that:

- Appropriate sanctions are applied in all proven cases of fraud, theft and corruption;
- Public funds are recovered wherever possible; and
- The sanction decision making process is robust, transparent and fair.

1. Introduction

- 1.1 The council takes its responsibility to protect public funds seriously and expects its business to be conducted to the highest ethical and legal standards. Where there is evidence of fraud, theft or corruption against the council, those responsible, whether internal or external to the council, will be held accountable for their actions using the full range of sanctions available.
- 1.2 This policy forms part of the council's counter fraud framework and sets out:
- The range of sanctions available; and
 - Guidance on determining the appropriate action to take.
- 1.3 This policy is not prescriptive. A range of factors will require consideration before deciding on the appropriate sanction, including the individual circumstances of each case and the seriousness of the offence.

2. Sanction options

- 2.1 Where there is evidence of fraud, theft or corruption, the following options will be considered:
- No further action
 - Referral to professional bodies
 - Disciplinary action
 - Civil proceedings
 - Criminal prosecution
- 2.2 These options are not mutually exclusive and parallel sanctions may be pursued.

No further action

- 2.3 The council may consider closing a case without taking any further action. This may be due to the following factors:
- Evidence is not robust or reliable
 - The offence is minor
 - The cost to pursue the case is not proportionate to the offence committed

Referral to professional bodies

- 2.4 Where there is adequate evidence that a person or entity has breached professional duties or responsibilities, the council will refer the matter to the relevant professional body. This may include the Disclosure and Barring Service if there is evidence of a safeguarding concern.

Disciplinary action

- 2.5 In the event that an allegation is made against a council employee, the investigating officer will consult with Human Resources and the employee's line manager regarding risk assessments and disciplinary action. Any disciplinary action will be in accordance with the council's Disciplinary Policy. Sanctions may include warnings or dismissal on the grounds of gross misconduct.
- 2.6 Additional sanction options will be considered alongside any disciplinary action including referral to professional bodies, civil proceedings and criminal prosecution.

Civil proceedings

- 2.7 Where evidence is not sufficient to prove a case beyond reasonable doubt, and therefore successful criminal prosecution is unlikely, the council may consider civil proceedings for which the standard of proof is on the balance of probability.
- 2.8 Regardless of whether any sanction action is taken, the council will always seek recovery of overpaid, misused or unfairly gained monies. The following measures may be considered in the pursuit of financial recovery:
- Consultation with the council's Payroll and Pensions Teams to redress financial loss caused by employees;
 - Application of the Credit Control Team's usual procedures, which includes civil action when necessary;
 - Legal action such as search orders and freezing/tracing injunctions to preserve evidence and assets; and
 - Recovery of money through appropriate legal proceedings.

Criminal prosecution

- 2.9 Where there is sufficient evidence to indicate that a criminal act has taken place, the case may be referred to the police. The decision to refer the issue to enforcement agencies, such as Surrey Police, will be taken by the Director of Finance and/or Monitoring Officer as advised by the Chief Internal Auditor.
- 2.10 The police or Crown Prosecution Service will provide a final decision on whether to pursue the case. This decision will consider the following:
- **Evidential criteria** such that the evidence must be:
 - Clear, reliable and admissible in court
 - Strong enough for a realistic chance of prosecution; to prove a case 'beyond reasonable doubt'
 - Whether prosecution is in the **public interest**, taking into account:
 - Seriousness and/or monetary value of the offence
 - Cost and proportionality of the prosecution
 - Age, health and level of culpability of the suspect
 - Circumstances of and harm caused to the victim
 - Other factors such as community impact
- 2.11 Where the council considers it "expedient for the promotion or protection of the interests" of its residents, Section 222 of the Local Government Act 1972 empowers the council to:
- Prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name; and

- In their own name, make representations in the interests of residents at any public inquiry held by or on behalf of a public body under any enactment.
- 2.12 The council will only consider undertaking prosecutions through this route under exceptional circumstances and any decision to do so will be taken by the Director of Finance and Monitoring Officer as advised by the Chief Internal Auditor.
- 2.13 Any criminal proceedings will include an attempt to recover money under the Proceeds of Crime Act 2002.

3. Leaving the council

- 3.1 During the course of an investigation or disciplinary action, the employee(s) suspected of fraud, theft or corruption may choose to resign from their employment with the council. In this case, following a review of evidence, the council may continue to pursue referral to professional bodies, civil proceedings or criminal prosecution.
- 3.2 The employee's line manager will also consult with Human Resources to determine whether it will be appropriate to provide a reference to future employers.

4. Publicity

- 4.1 Guidance on publicity is available in the Fraud Response Plan (Appendix D). The decision to publicise outcomes will consider the following criteria:
- Interests of Surrey County Council;
 - Interests of Surrey residents; and
 - Deterrent value to others.