

# SCC Anti-Fraud and Corruption Strategy and Framework 2021 - 2024

## Statement on Fraud by the Corporate Leadership Team

*The Surrey County Council Corporate Leadership Team are committed to implementing and maintaining the highest standard of corporate and financial governance and ethical behaviour. We recognise that fraud against the Council harms the individuals, communities and businesses of Surrey and for that reason, fraud, bribery and corruption against the Council will not be tolerated, and all such occurrences will be investigated. We will undertake to consider the circumstances of each case of alleged fraud we investigate to ensure we seek a fair and balanced outcome.*

*We fully support the investigation of allegations of fraud, the continued development of a robust anti-fraud culture and framework within the Council, and a strong stance being taken where fraud is found.*

*The diverse nature of services provided by the Council mean that there are many areas where we could be a target for fraud. We will ensure we understand the main fraud risks we face and set out how we protect against them in our fraud risk registers.*

*We, the Corporate Leadership Team, with your support, will strive to ensure that we have robust processes in place to help prevent the risk of fraud, and that we do not forget the risk of fraud in our drive to improve efficiency in our services.*

## **Introduction**

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. The Council takes the threat of fraud and corruption and its statutory duty to protect the public funds it administers seriously, and has allocated specific resource to focus on coordinating its approach to protecting its assets and finances from fraud, corruption, and other wrongdoing. The Council expects the highest ethical and legal standards from its members, officers, contractors and agents carrying out business on its behalf.

It is essential that it protects the public purse and ensures that Council funds are used only for their intended purpose: to support and deliver services to our community. As such the Council maintains a zero-tolerance approach to fraud and corruption whether it is attempted from outside the Council or within.

It is an expectation that where employees have workplace concerns, or suspect wrongdoing, that this is raised through appropriate channels. All allegations relating to potential fraud, financial maladministration, conflicts of interest, breach of confidentiality, improper use of resources, ICT misuse or any other forms of financial irregularity should be reported to Internal Audit, who will take appropriate action.


The strategy forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Whistleblowing Policy, Anti-Money Laundering Policy, Sanctions Policy, Employee Code of Conduct, and Financial Regulations. The framework includes guidance on types of fraud and corruption, how to report concerns, and the investigation process. This strategy and framework set out the Council's commitment to preventing, detecting and deterring fraud and corruption to ensure public funds are used for their intended purposes.

## **Strategic approach**

To fulfil the Council's Counter Fraud Strategy and Framework 2021 - 2024, the Authority must ensure that fraud, bribery, corruption, and misappropriation is minimised. Every pound lost to fraud and corruption is a reduction in resources and negatively influences the Authority's' ability to deliver its objectives.

The Council has reviewed its arrangements in line with the Fighting Fraud and Corruption Locally Strategy (2020) – the Local Government blueprint for tackling fraud in Local Government. The strategy outlines four strategic principles for effective fraud management, together with the overarching principle of 'Protect':



 **PROTECTING ITSELF AND ITS RESIDENTS**  
*Recognising the harm that fraud can cause in the community.*  
*Protecting itself and its' residents from fraud.*

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**Action Plan**

What we will do against each of these strategic principals is set out in the following table.

Our principles	What we will do
<b>Govern</b>	<ul style="list-style-type: none"> <li>• Ensure that there is full support from the top of the organisation and throughout, for the robust investigation into any allegations of fraud, bribery, corruption, or wrongdoing;</li> <li>• Ensure that our zero tolerance culture is embedded throughout the organisation;</li> <li>• Promote our Whistleblowing Policy to both employees and those external to the organisation;</li> <li>• Report instances of fraud and corruption to the Audit Committee, who support officers in their work to prevent, detect and investigate fraud and corruption.</li> </ul>
<b>Acknowledge</b>	<ul style="list-style-type: none"> <li>• Acknowledge and understand fraud risks;</li> <li>• Commit the right support to tackle fraud and corruption;</li> <li>• Conduct and maintain a strategic fraud risk assessment for the Council;</li> <li>• Develop and maintain a strong framework of internal controls;</li> <li>• Commit support and resources to tackling fraud and corruption;</li> <li>• Demonstrate a robust counter fraud response;</li> <li>• Communicate the risks to those charged with Governance.</li> </ul>

<p><b>Prevent</b></p>	<ul style="list-style-type: none"> <li>• Develop and maintain a robust and effective anti-fraud culture;</li> <li>• Ensure that the standards in public life adopted are set out clearly in the Council’s policies and effectively communicated;</li> <li>• Conduct employee and third-party due diligence;</li> <li>• Make the best use of information and technology to identify and tackle fraud;</li> <li>• Continue to invest in the training and development of investigative staff to ensure high levels of competence, so that staff have the right skills and follow set standards;</li> <li>• Regularly communicate with staff on countering fraud and provide fraud awareness training;</li> <li>• Identify control weaknesses and enhance fraud controls and processes;</li> <li>• Communicate counter fraud activity and successes through reporting to Leadership, Audit Committee and staff training/workshops.</li> </ul>
<p><b>Pursue</b></p>	<ul style="list-style-type: none"> <li>• Prioritise the recovery of financial losses as a result of fraud, and use of civil sanctions where appropriate;</li> <li>• Develop capability and capacity to investigate and punish offenders, through the support of appropriate disciplinary processes and working with outside agencies, including the Police.</li> <li>• Monitor and promote our confidential reporting hotline;</li> <li>• Develop and maintain internal investigation protocols and disclosure protocols;</li> <li>• Provide a consistent and effective response for dealing with fraud cases;</li> <li>• Collaborate across geographical boundaries with other local authorities through working groups, sharing of intelligence, benchmarking, and on joint investigations;</li> <li>• Learn lessons from identified fraud and corruption and close the gaps in control weaknesses that allowed any wrongdoing to be perpetrated.</li> </ul>
<p><b>Protect</b> <i>(this is an overarching aim which sits across the previous four principles)</i></p>	<ul style="list-style-type: none"> <li>• Recognise the harm that fraud can cause in the community;</li> <li>• Protect the Council, the public funds it administers, as well as residents and other stakeholders, from risks and financial losses relating to fraud and corruption, now, and in the future.</li> </ul>

## Governance

This is about the Council having robust arrangements and executive support to ensure ‘zero-tolerance’ anti-fraud, bribery and corruption measures are embedded throughout the organisation.

Internal Audit work closely with senior officers, including Leadership and the Chief Executive. The Corporate Leadership Team are committed to setting a ‘tone from the top’ through the support of a zero-tolerance approach to fraud and corruption, which includes the investment of resources into a dedicated Counter Fraud team that sits within Internal Audit.

The Chief Internal Auditor reports all instances of identified fraud, theft, and corruption quarterly to the Audit Committee. The Chief Internal Auditor additionally maintains a close relationship with the sitting chair of this committee, ensuring that members are appropriately briefed of all significant instances of identified wrongdoing.

The Council expects everyone carrying out Council business to protect the public purse and to report suspicions of dishonest behaviour. The promotion of a strong anti-fraud culture will deter potential fraudsters and those considering wrongdoing, as well as encouraging a safe environment in which individuals can feel comfortable to raise concerns, without fear of reprisals or victimisation.

## **Acknowledge**

The Council accepts that no Authority is immune from the risk of fraud, bribery, and wrongdoing. It seeks to use all available recourse to help to reduce the opportunity, motivation and justification for fraud, bribery, and wrongdoing and to act robustly when it is identified.

A fraud and misconduct risk assessment is maintained to help the Council identify the risks it faces from fraud, corruption, bribery, and other wrongdoing. This risk assessment then documents the controls in place to mitigate these risks, identifies gaps or weaknesses in the control mechanisms, and feeds into the development of a work programme to target and reduce these risks.

The Council will regularly review its approach to tackling fraud, keeping abreast of emerging risks and current trends which occur across the Council and nationally.

This strategy is part of the counter fraud framework, which includes the following policies and procedures which set out the Council's commitment to preventing, detecting, and deterring fraud and corruption to ensure public funds are used for their intended purposes:

- Employee Code of Conduct;
- Code of Conduct for Members;
- Whistleblowing Policy;
- Anti-money Laundering Policy;
- Sanctions Policy;
- Financial Regulations;
- Procurement Standing Orders.

## **Prevent**

The Council faces a variety of risks and threats and acknowledges that prevention is the best and most efficient way to tackle fraud, bribery, and wrongdoing and to prevent / minimise losses.

The best defence against fraud, corruption, bribery, and wrongdoing is to create and maintain a strong and robust anti-fraud culture within the Council. The Council will promote the standards of business conduct it expects and requires from all its employees (including contractors and Councillors) as documented in the Council's Code of Conduct (and set out under the 'Seven principles of public life' heading later in this strategy).

The Council will continue to invest in the training and professional development of Internal Audit staff to ensure high levels of competence, so that staff have the right skills to prevent, identify, investigate, and pursue fraud, corruption, and other wrongdoing.

Practical counter fraud and risk guidance and training has been produced and is disseminated to staff. This details risk identifiers and is based on lessons learned elsewhere and recognisable risk scenarios. Targeted anti-fraud presentations are also delivered to services, which are prioritised via a risk-based approach.

Internal Audit will continue to make the best use of information and technology to identify and tackle fraud. This will include the development and utilisation of data analytics, both as embedded tests that sit within audit work, and targeted proactive exercises aimed at identifying fraud and error.

The Council also recognises that a key preventative measure to combat fraud and misconduct is to ensure that the appropriate due diligence is exercised in the hiring, retention, and promotion of employees and relevant third parties. This applies to all staff whether, permanent, temporary, contracted, or voluntary. Procedures will be followed in accordance with the Council's recruitment and selection framework. We will always undertake the appropriate pre-employment checks (for example: qualification verification and obtaining references) before any employment offer is confirmed.

Any system weakness identified as part of the work carried out by Internal Audit will be recorded, with controls recommended to minimise any system weaknesses and these will be agreed and monitored to ensure compliance as part of the audit process.

## **Pursue**

Fraud, corruption, and malpractice will not be tolerated and where it is identified the Council will deal with proven wrongdoings in the strongest possible terms, including:

- Disciplinary action;
- Reporting to the Police or other external agencies;
- Prioritise the recovery of any losses on behalf of the taxpayer, including use of criminal or civil legal action through the Courts.

The Counter Fraud team within Internal Audit will provide a consistent and effective response for responding to allegations of alleged financial irregularity. The team works to defined internal investigation protocols, which are under regular review and are shared with management and HR. The team collaborates across geographical boundaries with other local authorities through working groups, sharing of intelligence, and benchmarking.

Where information relating to a potential or actual offence or wrongdoing is uncovered, a comprehensive, independent, and objective investigation will be conducted. Any investigation will take account of relevant policies and legislation.

The purpose of any investigation is to gather all available facts to enable an objective and credible assessment of the alleged irregularity and to enable a decision to be made as to a sound course of action.

In such instances, Internal Audit will work closely with management and where appropriate, other local authorities or other agencies such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon.

Referral to the Police on matters of alleged fraud or other financial irregularity is a matter for the Chief Internal Auditor, in consultation with the Section 151 Officer and the relevant senior managers. Any referral made to the Police will not prohibit action under the Council's disciplinary procedure.

In cases of alleged theft, fraud, corruption, or other irregularity involving staff, the Council may pursue the case through its disciplinary processes, even if the member of staff has submitted their resignation.

All completed investigations will include a review of lessons learned which may result in the production of an Internal Control Report for management. This aims to identify where there are any gaps or weaknesses in the system of internal control which contributed to the ability of the identified fraud, theft, corruption, or other irregularity to be perpetrated. This report will contain actions for management which will aim to close these gaps in control. These actions will be monitored and reported upon, in line with Internal Audit's action tracking process.

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### Seven Principles of Public Life

The Council is committed to the highest ethical standards as set out in the Code of Conduct. The Council believes the 'seven principles of public life' are the foundation of a strong anti-fraud culture and expects all members, officers, and contractors to follow these principles, as well as all legal rules, policies, and procedures.

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

Principle	Explanation
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.

## Definitions

**Fraud** - can be broadly described as, someone acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false statement or representation;
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose;
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

**Theft** - Theft is stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, consumables, machinery, or even data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on Council property.

**Obtaining services dishonestly** – is broadly where services which were to be paid for were obtained knowing or intending that no payment (or only part-payment) would be made.

**Bribery** – is ‘the offering, promising, giving, soliciting, agreement to accept or acceptance of a financial or other advantage which may induce or reward a person to perform improperly a relevant function’ under The Bribery Act 2010.

**Corruption** – is the offering or acceptance of inducements designed to influence official action or decision making. These inducements can take many forms including cash, holidays, event tickets or meals.

**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. Detailed guidance is set out in the Council’s Anti-Money Laundering Policy (attached as annex 1.1).

This strategy also covers other irregularities or wrongdoing, for example failure to comply with Financial Regulations, Standing Orders, National and Local Codes of Conduct, Health and Safety Regulations and all other relevant laws and legislation that result in an avoidable loss to the Council.



## **Surrey County Council Related Policies**

### **[The Whistleblowing Policy Code of Conduct](#)**

The following policies are attached as an Annexes:

- 1.1 Ant-Bribery Policy**
- 1.2 Anti-Money Laundering Policy**
- 1.3 Sanctions Policy**

## 1.1 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.

### 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'<sup>1</sup> or expedite a routine procedure;

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<sup>1</sup> 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.

- 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;
- 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**

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- 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. Any individual may contact the Council's Internal Audit team directly as below.

Email: [internal.audit@surreycc.gov.uk](mailto:internal.audit@surreycc.gov.uk)

Telephone: 020 8541 9299

## 1.2 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. 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 Auditor Manager (Counter Fraud):

Simon White  
Audit Manager (Counter Fraud)

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

Telephone: 0208 541 9191 / 07779 455501  
Email: simon.white@surreycc.gov.uk

4.2 In the absence of the MLRO, the Principal Auditor (Counter Fraud) is authorised to deputise:

Alex McLaren  
Principal Auditor

Brighton Town Hall  
Bartholomew Square  
Brighton  
BN1 1JP

Telephone: 01273 292573 / 07592 103574  
Email: Alex.Mclaren@brighton-hove.gov.uk

#### 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.

***Risk based approach, customer due diligence and record retention***

- 5.9 Under MLR 2017, the Council is obliged to adopt a risk-based approach towards anti-money laundering regulations and how they approach due diligence.
- 5.10 MLR 2017 stipulate risk mitigation policies must be in writing and be proportionate to the risks identified. They must include internal controls over money-laundering and terrorist financing risks. They must also include revised customer due diligence procedures as well as reporting, record keeping and monitoring requirements.
- 5.11 Regulation 18 of MLR 2017 requires a written risk assessment to identify and assess the risk of money laundering and terrorist financing that the Council faces. This will:
- Assist in developing policies, procedures and controls to mitigate the risk of money laundering and terrorist financing;
  - Help in applying a risk-based approach to detecting and preventing money laundering terrorist financing Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers;
  - Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers.
- 5.12 In carrying out risk assessments we will take into account information on money-laundering and terrorist financing risks made available by the Law Society and/or SRA, and risk factors relating to:
- Customers;
  - Geographic areas where the Council operates;
  - Products and services;
  - Transactions;
  - Delivery Channels.

- 5.13 Under MLR 2017, there ceases to be "automatic" simplified due diligence requirements for any transactions. Instead, a relevant person needs to consider both customer and geographical risk factors in deciding whether simplified due diligence is appropriate. There are various levels of due diligence as follows:
- Simplified due diligence is only permitted where it is determined that the business relationship or transaction presents a low risk of money laundering or terrorist funding, taking into account the risk assessment;
  - Enhanced due diligence' (Regulation 33) for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested;
  - The 'beneficial owner', the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified;
  - The business relationship should be scrutinised throughout its existence and not just at the beginning.
- 5.14 In all cases, the evidence of the customer identification and record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). The records that must be kept are:
- A copy of, or references to, the evidence of the identity obtained under the customer due diligence requirements in the Regulations;
  - The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring;
  - A copy of the identification documents accepted and verification evidence obtained;
  - References to the evidence of identity.
- 5.15 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.
- 5.16 The customer identification procedure must be carried out when the Council is carrying out 'relevant business' and:
- Forms a business partnership with a customer;
  - Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of £5,000 or more;
  - Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of £5,000 or more;
  - It is known or suspected that a one-off transaction, or a series of them, involves money laundering;
  - This must be completed before any business is undertaken for that customer in relation to accountancy, procurement, asset management, audit and legal services with a financial or real estate transaction.
- 5.17 In the above circumstances, employees must:
- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company);
  - Verify their identity using reliable, independent sources of information, Identify who benefits from the transaction;



- Monitor transactions to make sure they are consistent with what you understand about that person or country;
- Understand the source of their funds;
- Ensure there is a logical reason why they would want to do business with the Council.

5.18 Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer.

5.19 The steps that will be followed to continuously mitigate the risks associated with money laundering are:

- Applying customer due diligence measures to verify the identity of customers and any beneficial owners obtaining additional information on customers;
- Conducting ongoing monitoring of the transactions and activity of customers with whom there is a business relationship;
- Having systems to identify and scrutinise unusual transactions and activity to determine whether there are reasonable grounds for knowing or suspecting that money laundering or terrorist financing may be taking place.

5.20 Risks will be reviewed continuously as part of the annual review of the Council Risk Register.

## **6. Guidance and training**

6.1 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.

6.2 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](http://www.cipfa.org/members/members-in-practice/anti-money-laundering)
- The National Crime Agency: [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk)

**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**

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**To be completed by the Money Laundering Reporting Officer**

Date report received:

Date acknowledged:

<b>Evaluation</b>	
What action is to be taken?	
Are there reasonable grounds to suspect money laundering activity? If so, please provide details	
<b>Reporting</b>	
If there are reasonable grounds for suspicion, will a report be made to the NCA?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If 'no', reasons for non-disclosure	
If 'yes', date of report to NCA	Online / Manual [delete as appropriate]
<b>Consent</b>	
Is NCA consent required for any ongoing or imminent transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If 'yes', please confirm details	
Date consent received from NCA	
Date consent passed on to officer	
<b>Other relevant information</b>	

Signed \_\_\_\_\_

Date: \_\_\_\_\_

**THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS**

## 1.3 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

- 1.3 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.
- 1.4 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.
- 1.5 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

- 2.4 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
- 2.5 These options are not mutually exclusive and parallel sanctions may be pursued.

#### ***No further action***

- 2.6 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***

- 2.7 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***

- 2.8 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.
- 2.9 Additional sanction options will be considered alongside any disciplinary action including referral to professional bodies, civil proceedings and criminal prosecution.

### ***Civil proceedings***

- 2.10 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.
- 2.11 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***

- 2.12 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 Sussex Police, will be taken by the Section 151 and / or Monitoring Officer as advised by the Chief Internal Auditor.
- 2.13 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
- 2.14 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.

2.15 The Council will only consider undertaking prosecutions through this route under exceptional circumstances and any decision to do so will be taken by the Section 151 Officer and Monitoring Officer as advised by the Chief Internal Auditor.

2.16 Any criminal proceedings will include an attempt to recover money under the Proceeds of Crime Act 2002.

### **3. Leaving the Council**

3.7 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.

3.8 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**

4.3 The decision to publicise outcomes will consider the following criteria:

- Interests of Surrey County Council;
- Interests of Surrey residents; and
- Deterrent value to others.