



# Anti-Fraud and Corruption

## POLICY STATEMENT AND STRATEGY

### Document Details:

Owner/Lead Officer: Head of Internal Audit & Assurance Service, Corporate Resources Department

Created: February 2017

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## Anti-Fraud and Corruption Policy Statement

This Statement sets out Leicestershire County Council's (the Council's) policy in relation to fraud and corruption. It has the full support of both the Council's senior management in the form of the Corporate Management Team (CMT) and elected members through Corporate Governance Committee (CGC).

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. To achieve the objectives set out within the Council's Strategic Plan 2014-18, the Council needs to maximise the financial resources available to it. In order to do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption and other forms of financial irregularity.

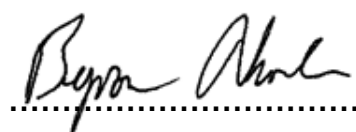
The Council advocates **strict adherence** to its anti-fraud framework and associated policies. Whilst individual circumstances of each case will be carefully considered, in the majority of cases there will be a **zero tolerance** approach to fraud and corruption in all of its forms. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners, service users or members of the general public and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, loss recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in our Members' Code of Conduct and Officers' Code of Conduct, both documents forming part of the Constitution of the County Council.

The County Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary the investigation, of fraud and corruption is therefore seen as an important aspect of its duties which it is committed to undertake. The procedures and also the culture of the County Council are recognised as important in ensuring a high standard of public life.

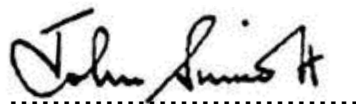
The County Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. In particular members and employees are expected to lead by example and be accountable for their actions.

The County Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships of which the County Council is a member. This will be done through applying appropriate elements of this Strategy to all partnership working, where it is relevant to do so. With regard to partnership working, responsibility for Codes of Conduct and policies of this nature (and so for enforcement action for breach of those codes or policies) generally lies with the relevant individual organisation in the partnership. Where appropriate, the County Council will draw the attention of the partner organisation to its concerns.

This Policy Statement is underpinned by an [Anti-Fraud and Corruption Strategy](#) (the Strategy). The Strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption. It sets out the key responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.



..... **Byron Rhodes, Cabinet Lead Member for Resources**



..... **John Sinnott, Chief Executive**



..... **Chris Tambini, Director of Finance**



..... **Lauren Haslam, Director of Law & Governance**

**February 2017**

# Anti-Fraud and Corruption Strategy

## 1. Introduction

Leicestershire County Council (the Council) advocates **strict adherence** to its anti-fraud framework and associated policies. In the majority of cases this would be a **zero tolerance** approach to all forms of fraud, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine the standards of public service that the Council seeks to achieve;
- Reduce the level of resources and services available for the residents of Leicestershire; and
- Result in major consequences which reduce public confidence in the Council.

This Strategy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The Strategy provides overarching governance to the Council's suite of counter fraud policies and procedures which include: -

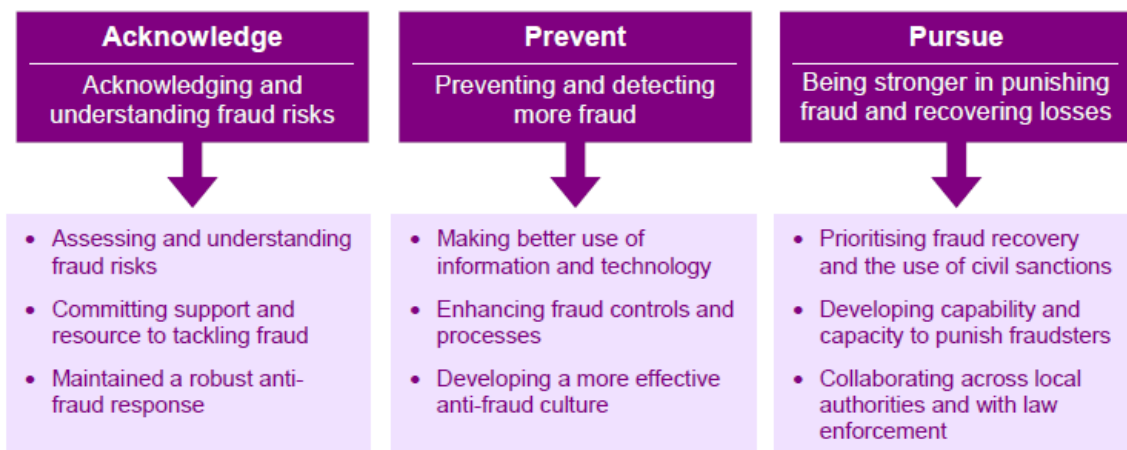
- The Council's [Constitution](#), incorporating the Members' Code of Conduct, Officers' Code of Conduct, Contract Procedure Rules, Financial Procedure Rules;
- [Employee Whistleblowing Policy](#);
- [Gifts & Hospitality Policy](#);
- [Policy on the Declaration of Personal Interests](#);
- [Anti-Bribery Policy](#);
- [Anti-Money Laundering Policy](#);
- [Loss Recovery Strategy](#);
- [Information Security Policy](#) (internal link only).

This Strategy adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management.

The five key elements of the CIPFA Code are to:

Acknowledge the responsibility of the governing body – in the Council's case Elected Members and the Corporate Management Team – for countering fraud and corruption	<b>ACKNOWLEDGE</b>
Identify the fraud and corruption risks	
Develop an appropriate anti-fraud and corruption strategy	<b>PREVENT</b>
Provide resources to implement the strategy	
Take action in response to fraud and corruption	<b>PURSUE</b>

The five elements link to three key themes: **Acknowledge**, **Prevent** and **Pursue**, contained within the Local Government Fraud Strategy: Fighting Fraud Locally.



## 2. Definitions

### What is Fraud?

**Fraud** is a type of criminal activity, defined by the Serious Fraud Office as:

*'abuse of position, or false representation, or prejudicing someone's rights for personal gain'.*

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

The general criminal offence of fraud is defined by the [Fraud Act 2006](#) and can include:

- deception whereby someone knowingly makes false representation
- or they fail to disclose information
- or they abuse a position.

### What is Corruption?

**Corruption** is the deliberate misuse of a position for direct or indirect personal gain.

This includes offering, giving, requesting or accepting a bribe or reward, which influences actions or the actions of someone else. The [Bribery Act 2010](#) makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

The Act also created the Corporate Offence of “Failing to prevent bribery on behalf of a commercial organisation” (corporate liability). To protect itself against the corporate offence, the Act requires an organisation to have “adequate procedures in place to prevent bribery”. The Council has a separate [Anti-Bribery Policy](#) which discusses bribery and the provisions of the Bribery Act in detail, including advice for staff on escalating concerns. In addition, this Strategy, the Council’s Codes of Conduct and the Whistleblowing Policy, along with the educating of staff (e.g. through induction, e-learning etc.) are designed to meet the requirement.

### What is Theft?

**Theft** is the misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly takes property belonging to another, with the intention of permanently depriving the other of it. The criminal offences associated with theft are predominantly set out in the [Theft Act 1968](#) and the [Theft Act 1978](#).

## 3. Scope

The Council will not tolerate fraud or corruption (or other forms of financial irregularity) by anyone. Consequently, this Strategy applies to a wide range of persons, including:

- All County Council employees (including volunteers, temporary staff and agency staff);
- Elected Members;
- Staff and Committee Members of Council funded voluntary organisations;
- County Council’s partners;
- LA-maintained schools;
- County Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working);
- Service users; and
- Members of the general public.

## 4. Strategy Aims and Objectives

Through this Strategy the aims and objectives are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Leicestershire residents and visitors;
- Create and promote a robust 'anti-fraud' culture across the organisation which highlights the Council's **zero tolerance** of fraud, corruption and theft;
- Ensure effective Counter Fraud systems and procedures are in place which:
  - Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
  - Proactively deter, prevent and detect fraud, corruption and theft;
  - Investigate suspected or detected fraud, corruption and theft;
  - Enable the Council to apply appropriate sanctions, including criminal and/or civil proceedings, to recover losses, where appropriate; and
  - Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken
- Ensure the rights of people raising legitimate concerns are properly protected
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

## 5. What is LCC's Approach to Countering Fraud

### Managing the Risk of Fraud and Corruption

Whilst all stakeholders in scope have a part to play in reducing the risk of fraud, Elected Members and Senior Management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity.

As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered within their individual service areas and in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring (i.e. proactive) rather than the actual incidence of fraud that has occurred in the past (reactive). Once the fraud risk has been evaluated, appropriate action should be taken by management to mitigate those risks on an

ongoing basis, for example through introducing and operating effective systems of internal control (“first line of defence”).

Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Good corporate governance procedures are a strong safeguard against fraud and corruption. The Council’s Corporate Governance Committee plays a key role in scrutinising the Council’s approach to both fraud and risk management; and its wider resiliency to financial irregularity in general (“second line of defence”).

The Council’s Internal Audit & Assurance Service undertakes risk-based assurance work each year centred on a management approved Internal Audit Plan. This assurance work involves a review of systems and procedures, including a review of the management of risk (of both fraud and other types of risk) whereby system vulnerabilities are brought to the attention of management along with recommendations to strengthen systems and procedures (“third line of defence”).

## 6. Fighting Fraud Locally: Acknowledge – Prevent – Pursue

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by a strategic approach consistent with that outlined in both CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption and in the [Local Government Fraud Strategy – Fighting Fraud Locally](#), and its three key themes of Acknowledge / Prevent / Pursue: -

<b>ACKNOWLEDGE</b>	<b>Committing Support</b>	The Council’s commitment to tackling fraud threat is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. Staff awareness of fraud risks is through corporate induction, e-learning and other training. Our suite of counter fraud strategies, policies and procedures is widely published and kept under regular review.
	<b>Assessing Risks</b>	We continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments inform our internal controls and counter fraud priorities. Elected Members and Senior Officers have an important role to play in scrutinising risk management procedures and risk registers.  Also, the Internal Audit & Assurance Service carries out assurance work in areas of higher risk to assist management in preventing fraudulent activity.
	<b>Robust Response</b>	We will continue to strengthen measures to prevent fraud. The Internal Audit & Assurance Service works with management and our internal partners such as HR, Finance, Legal and policy makers to ensure new and existing systems and policy initiatives are adequately fraud proofed.



<b>PREVENT</b>	<b>Better Use of Information Technology</b>	We make effective use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. We play an active part in the biennial National Fraud Initiative (NFI) data matching exercise.
	<b>Fraud Controls and Processes</b>	<p>We are proactive in educating managers with regard to their responsibilities for operating effective internal controls within their service areas.</p> <p>We promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine internal audit reviews seek to highlight vulnerabilities in the control environment and make appropriate recommendations for improvement.</p>
	<b>Anti-Fraud Culture</b>	We will continue to promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool and provide information on all aspects of our counter fraud work.

<b>PURSUE</b>	<b>Fraud Recovery</b>	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where it is appropriate to do so.
	<b>Punishing Fraudsters</b>	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.
	<b>Enforcement</b>	We will investigate instances of suspected fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders, or received via the whistleblowing procedure. We will work with internal / external partners/organisations, including law enforcement agencies.

## 7. Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption; duties in relation to members' interests.
Director of Law & Governance (Monitoring Officer)	<p>To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Conduct/Practice. Overall responsibility for the maintenance and operation of both Officers' and Members' Codes of Conduct, the Whistleblowing Policy and other policies.</p> <p>Determination of whether a case should be referred to the Police.</p> <p>Advice on recovery of losses under the Council's Loss Recovery Strategy (see <a href="#">Appendix 2</a>)</p>
Director of Finance (S.151 Officer)	Legal duties with regard to the proper administration of financial affairs including ensuring that the Council's accounting control systems include measures to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records and a requirement for an

	adequate and effective internal audit of accounting records and of the system of internal control in accordance with the proper practices in relation to internal control. Additionally, a Head of Profession responsibility to implement appropriate measures to prevent and detect fraud and corruption.
Corporate Governance Committee	To monitor the adequacy and effectiveness of the arrangements in place for ensuring an adequate internal control environment and for combating fraud and corruption. Further responsibility for oversight of the Council's risk management processes.
Elected Members	To comply with the Members' Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Head of Internal Audit & Assurance Service	Responsible for developing and maintaining advice and guidance on the Council's approach to managing the risks of fraud, bribery and corruption. The HoIAAS compiles a risk-based annual Internal Audit Plan designed to evaluate the effectiveness of the control environment. Responsible for undertaking an annual Fraud Risk Assessment for the Council.  Responsible for ensuring that all suspected or reported irregularities are dealt with promptly and in accordance with this Strategy and that action is identified to improve controls and reduce the risk of recurrence. Advises on (or, where appropriate, carries out) investigations.
Human Resources	Provision of advice to managers on internal disciplinary investigations, including suspensions. Maintenance of the Council's disciplinary policies and procedures. Promotion of the Council's <b>zero tolerance</b> approach in HR-supported investigations.
Senior Management, DMTs, Service Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Director of Law & Governance (Monitoring Officer) and the Director of Finance (s151 Officer). To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
LCC Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud and corruption, and to report via line management or, where appropriate, the Whistleblowing procedure any genuine concerns to management or the Director of Law & Governance (Monitoring Officer) or Director of Finance (s151 Officer).
Public, Service Users, Partners, Contractors etc.	To be aware of the possibility of fraud and corruption against the Council and to report any genuine concerns / suspicions.

## 8. Reporting, Advice, Support

The Council's approach to suspected fraud can be demonstrated in its Fraud Response Plan - see [Appendix 1 - Fraud Response Plan](#)

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If anyone believes that someone is committing a fraud or suspects corrupt practices, these concerns should be raised in the first instance directly with line management **or** to the Director of Law & Governance (Monitoring Officer) **or** Director of Finance, in accordance with the Council's Whistleblowing Policy and Financial Procedure Rule 17.

Where managers are made aware of suspected fraud by employees, they have responsibilities for passing on those concerns to the Director of Law & Governance (Monitoring Officer) or Director of Finance. Managers should react urgently to allegations / evidence of potential fraud or corruption. Headteachers of LA-maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence should not be included in the notification procedure.

Employees who wish to raise a serious concern should refer to the detailed [Whistleblowing Policy](#). The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. Our Whistleblowing Policy complies with PIDA.

The Director of Law & Governance (Monitoring Officer) will refer all concerns in relation to possible financial impropriety to the Director of Finance. Thereafter, it is likely that the Internal Audit & Assurance Service, in conjunction with other services such as Human Resources, Legal Services, ICT Services, will give advice and support to managers involved in fraud investigation including on evidence gathering, documentation and retention, disciplinary proceedings and, where relevant, referral to the Police and/or further actions to recover losses.

## 9. Investigations

**Investigations** - To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions of fraud or corruption, as detailed above.

In more complex cases, investigations will be carried out by the Internal Audit & Assurance Service. Otherwise, the Internal Audit & Assurance Service will give guidance to departments (managers) on how to carry out investigations. In such circumstances the Internal Audit & Assurance Service will continue to have a 'watching brief' throughout the course of the investigation and will continue to provide advice, where required. **Managers should not carry out their own investigations without first seeking advice from the Internal Audit & Assurance Service.** Although departments and the Internal Audit & Assurance Service may undertake interviews there is a local agreement with the Police that these are not conducted under caution. There is a presumption therefore that contact with the Police will occur at a relatively early stage, once there is sufficient evidence to justify it. The outcome of an investigation would typically be a full report produced for the relevant Director which can then be used, if appropriate, in further disciplinary action (or as part of a criminal investigation).

**Criminal Offences** - The Director of Law & Governance will provide guidance as to whether a criminal offence has occurred. In such cases the Council will seek a prosecution unless the decision is taken, following advice from the Director of Law & Governance, that it would be inappropriate to do so and that other courses of action are more appropriate (e.g. civil action).

**Disciplinary Action** - The Director (after taking relevant HR advice) will decide whether disciplinary action should be taken against an employee. Cases of fraud or corruption are likely to represent gross misconduct and therefore the employee could be liable to dismissal.

**Elected Members** - The Chief Executive and the Director of Law & Governance, acting as Monitoring Officer, will advise on action in relation to members.

**Loss Recovery** - Where a case has been proved, the relevant Director and the Director of Finance, with advice from the Director of Law & Governance, will agree whether there is sufficient ground to seek redress for financial losses incurred. The Council's Loss Recovery Strategy ([Appendix 2](#)) sets out a range of options available to the Council with regard to recovering financial loss, including civil recovery action, where appropriate. The Director will also inform the Corporate Resources Insurance Section where it is believed an insurance claim can be made under the Council's fidelity guarantee insurance. The Council's preferred approach, however, is to seek recovery of losses from the perpetrator and fidelity guarantee insurance will generally be a method of last resort.

**Recording** – The Head of Internal Audit & Assurance Service (HoIAAS) will maintain a fraud database where summary details of financial irregularities will be recorded.

**Reporting** - The Head of Internal Audit & Assurance Service's (HoIAAS) routine progress reports to the Corporate Governance Committee will include summary details on investigations into suspected fraud or corruption once the outcomes are finalised especially with any cases that are subject to Police investigation. In addition, the HoIAAS also reports annually on fraud and corruption activity through:

- The National Fraud Initiative
- The CIPFA/TEICCAF Annual Fraud and Corruption Surveys leading to the annual report on Protecting the Public Purse
- The Local Government Transparency Code

## 10. Action Plan

This Strategy sets out the developments / actions the Council proposes over the medium term future to further improve its resilience to fraud and corruption. These developments include the following actions:

<b>Action</b>	<b>Target Implementation Date</b>
To participate in both local and national data matching initiatives (e.g. NFI, Cabinet Office).	Ongoing
Targeted “Leicestershire cannot afford fraud” whistleblowing campaign, posters, banners both at County Hall and at outlying offices.	August 2017
Co-ordinate a blue badge “no questions asked” amnesty.	August 2017
To ensure that zero tolerance, including loss recovery, is fully embedded in fraud investigations.	August 2017
To drive forward a cultural change within the organisation that managers are held to account for failures in the internal control environment (that consequently has led to financial irregularity).	August 2017
Sharing of fraud knowledge to others within the Internal Audit & Assurance Service (IASS) to reduce “single point of failure” risk. To include the delegation down of routine tasks such as the annual fraud risk assessment and annual fraud surveys.	August 2017
To actively promote fraud success stories (e.g. successful prosecutions).	August 2017
To go live with the new IA special investigations database and to develop it in order that it can readily provide the data required for annual survey / LGTC reporting.	August 2017
To “stress test” resilience to major fraud risks recorded in corporate and departmental risk registers, e.g. cyber crime, digital transformation.	August 2017
To broker the sharing of ideas between LCC services and other LAs with regard to fraud prevention in key areas (e.g. networking between County and City re. approaches to combating insurance fraud, blue badge fraud).	August 2018

## 11. Further Information

Further information on relevant Council policy and practice can be found in the following internal documents:

- The [Constitution](#) (includes Financial Procedure Rules, Contract Procedure Rules, Members' Code of Conduct and Officers' Code of Conduct);
- Employee [Whistleblowing Policy](#);
- [Gifts & Hospitality Policy](#);
- [Policy on the Declaration of Personal Interests](#);
- [Anti-Bribery Policy](#);
- [Anti-Money Laundering Policy](#);
- [Information Security Policy](#) (internal link only);
- LCC's Fraud Response Plan / Flowchart ([Appendix 1](#));
- Loss Recovery Strategy ([Appendix 2](#)).

The County Council seeks to fulfil its responsibility to reduce fraud and protect our resources by a strategic approach consistent with that outlined in both:

- [CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014); and
- [Local Government Fraud Strategy – Fighting Fraud Locally](#)

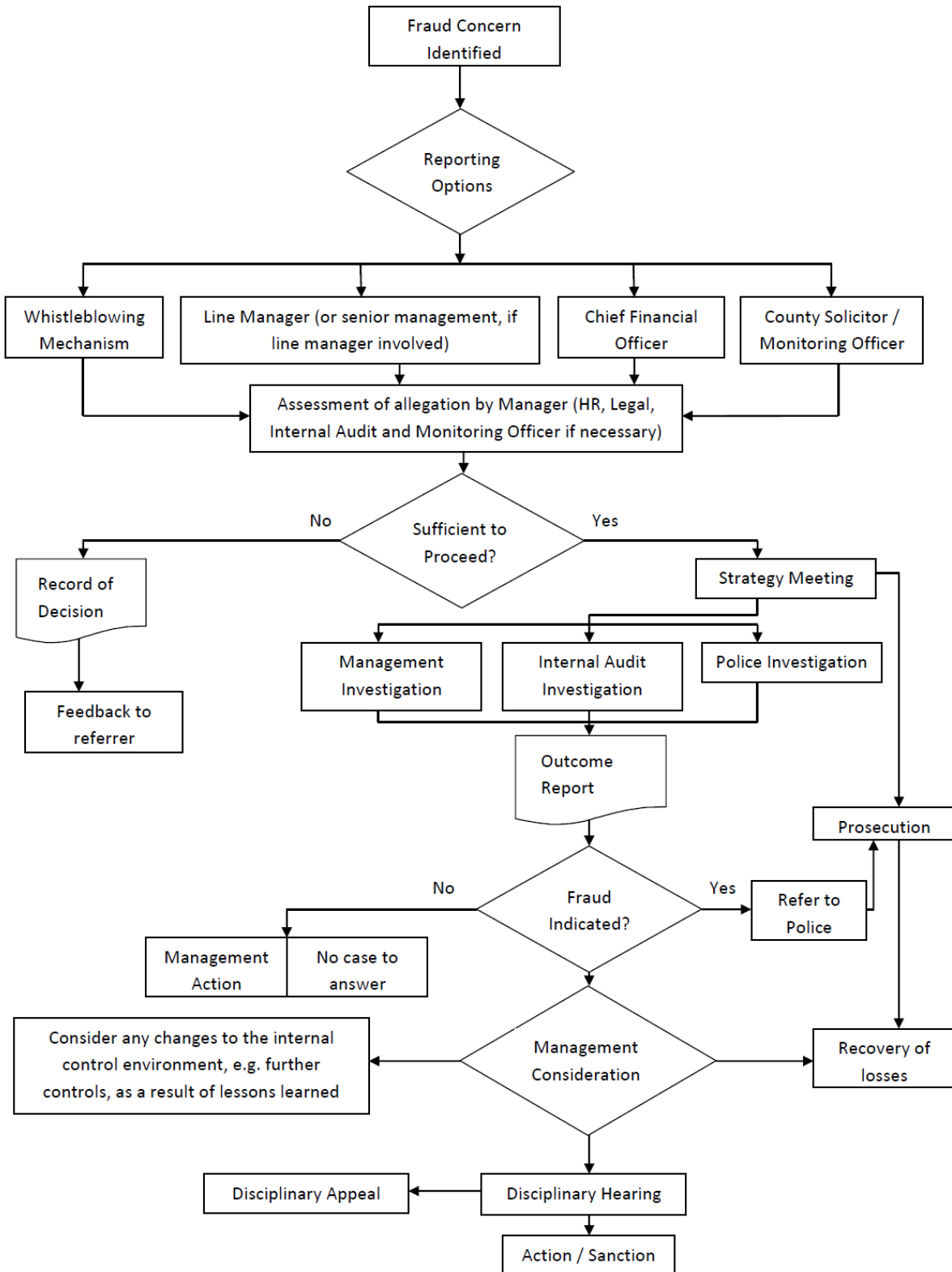
## 12. Strategy Review

The Director of Finance (s.151 Officer) and the Council's Corporate Governance Committee will ensure the continuous review and amendment of this Strategy, and the Action Plan contained within it, to ensure that it remains compliant with good practice national public sector standards, primarily CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and the Local Government Fraud Strategy – Fighting Fraud Locally, and meets the needs of Leicestershire County Council.

Responsible Officer:           Head of Internal Audit & Assurance Service

Review date:                   February 2017 and biennially thereafter

**LCC's Typical Fraud Response Plan**



**APPENDIX 2****Leicestershire County Council – Loss Recovery Strategy**

Fraud covers a wide range of criminal activity which, so far as the Council is concerned, can broadly be characterised as the dishonest appropriation of the Council's resources (whether financial or otherwise).

Because the Council's resources are finite (*whilst its functions, statutory and otherwise, are significant, diverse and complex*) and because the Council has a responsibility to safeguard public monies, fraudulent activities should be regarded with the utmost seriousness.

For the purposes of this Loss Recovery Strategy, there are two overarching considerations which inform the Council's approach to tackling any detected fraud:-

- The first consideration is the need to preserve public funds which, in appropriate circumstances, may involve the Council taking active steps to recover any misappropriated assets or obtain equivalent compensation; and
- The second is the need to ensure due process of law which, in appropriate circumstances, may require the Council to co-operate with law enforcement authorities which may investigate any alleged offences and, if appropriate, prosecute the alleged perpetrator(s).

Although the Council recognises the importance both of preserving public funds and of ensuring due process of law, these considerations may lead the Council to respond to fraud in different ways.

For example, the prioritisation of the preservation of public assets in response to fraud may prompt the Council to exhaust any civil remedies available to it. On the other hand, the prioritisation of the need to ensure due process of law may prompt the Council to report all fraudulent activities to law enforcement agencies.

For the purposes of this policy, it is recognised that although it is desirable that fraudulent activity be prosecuted, that course of action may leave the Council worse off financially than if the Council had pursued its own civil remedies.

**Financial Considerations in relation to reporting fraud to law enforcement authorities**

The Director of Law & Governance reports that legal advice received by the Council suggests that criminal prosecutions do not tend to result in high levels of recovery of assets for the Council. This can be attributed to a number of factors:-

- (1) The focus of criminal proceedings is not exclusively upon compensating the victim (*the purpose of sentencing as outlined by statute<sup>1</sup> includes a range of considerations including the need to punish offenders, protect the public, rehabilitation etc.*).

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<sup>1</sup> Section 142 of the Criminal Justice Act 2003



- (2) In proceedings brought by the Crown Prosecution Service, the Council has limited control over the question of whether the Court makes any compensation orders<sup>2</sup>
- (3) There are statutory limits<sup>3</sup> to the amount of compensation that the Magistrates Courts can order.
- (4) Those convicted of criminal offences may lose their liberty and or their livelihood and are frequently unable to compensate the Council.
- (5) Unlike Civil Courts the Criminal Courts must take account of a defendant's ability to pay before imposing financial penalties.
- (6) Proceeds of Crime Act 2002 proceedings are complex and are restricted to matters dealt with in the Crown Court.

Civil proceedings may, in appropriate circumstances, offer an increased prospect of achieving a financial recovery but this is highly dependent upon a number of factors including the availability of evidence proving the fraud as well as the ability of the Defendant to meet any judgment.

It is important to treat the civil and criminal avenues as being distinct. It should be borne in mind that law enforcement agencies, such as the Police and/or Action Fraud, are unlikely to wish to pursue a criminal case if the matter has already been pursued in the civil courts. Police may also be less inclined to take action where alleged perpetrators have had an opportunity to conceal evidence or make restitution for their alleged wrongdoing.

### **Strategy Adopted.**

- 1.1 In the event that a fraud or financial irregularity is suspected, the Council will determine on a case by case basis, after seeking the advice of the Director of Law & Governance, or a solicitor in legal services with delegated authority, what further action (if any) will be taken to recover its losses from individual(s) or organisations responsible.
- 1.2 At the earliest available opportunity the Council will consider whether it is appropriate to pursue civil remedies or refer the matter to law enforcement agencies for investigation and/or prosecution.
- 1.3 Before reaching any decision on how to proceed, the Council will seek to avoid any activities which may unnecessarily alert the perpetrator, encourage them to dispose of evidence or otherwise hamper a criminal investigation. This may on occasions not be practicable, for example when an internal disciplinary investigation has been held beforehand. In any event, it is standard operational practice to secure potential evidence at the outset.

In making its decision on whether to pursue civil remedies or report fraudulent activity to law enforcement agencies, the Council will consider the circumstances of the case as well as relevant public interest factors which, without limitation, may include the following:-

<sup>2</sup> Sections 130 - 133 Powers of Criminal Courts (Sentencing) Act 2000

<sup>3</sup> Section 40 (1) Magistrates' Courts Act 1980

Factors which tend to favour a criminal prosecution	Factors which tend to favour Civil Recovery
There is believed to be little prospect of recovery through civil means.	The defendant is known to have assets available for execution or the defendant is working and it is considered that there is a good prospect of recovery.
There is a high level of culpability or wrongdoing.	There is lower level of culpability or dishonesty.
Evidence gathered points to there having been a high level of planning of the fraudulent / criminal activity.	The fraud was opportunistic.
It has come to light during the investigation that the defendant is known to have previous convictions for this kind of activity.	The incident is believed to be a one off.
The defendant denies any responsibility and is unwilling to co-operate with the Council.	The defendant has acknowledged their wrongdoing and is prepared to co-operate with the Council.
It is likely that the police and CPS are likely to be willing to investigate / prosecute.	Whether it is believed that the Police / CPS are unlikely to investigate.

It should be borne in mind that the above factors are only *potential* indicators and any decision whether to instigate criminal or civil proceedings can never be an exact science but will be taken in conjunction with legal advice and after careful consideration of the facts.

- 2 When the Council can demonstrate that it has suffered financial loss and, where it is practical, priority should be given to civil recovery. In seeking civil remedy the Council will actively consider recovery of all relevant costs, for example the cost of staff investigating what happened and any associated administration or legal fees. If however it is believed that civil proceedings will not achieve a significant or any recovery then the Council should give consideration reporting the allegations to relevant law enforcement agencies.
- 3 Whilst primarily consideration will be given to pursuing criminal action or civil remedy, there are alternative avenues of loss recovery open to the Council including:
  - Recovery and Retention of Pension / Pension Forfeiture - where an employee is a member of the Leicestershire County Council Pension Scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme. In such cases, any administrative and legal costs incurred by the Council, e.g. actuarial valuations, will be met by the relevant section/department;
  - Bankruptcy, e.g. if it is believed an individual has a poor history of paying;

- If an individual remains an employee of the Council consideration whether any assessed losses may be recovered from future salary payments;
  - Recovery of losses through the Council's fidelity guarantee insurance cover.
- 4 Whilst the Corporate Resources Insurance Section will give advice where it is believed an insurance claim can be made under the Council's fidelity guarantee insurance, the Council's preferred approach, however, is to seek recovery of losses from the perpetrator and fidelity guarantee insurance will generally be a method of last resort.
- 5 In more serious cases, the Crown Court has powers of asset recovery under the Proceeds of Crime Act 2002. The Crown Court must consider making a confiscation order against a defendant under POCA if:
- a) the defendant is convicted of an offence or offences in the Crown Court, or has been committed to the Crown Court for sentence or to be considered for a confiscation order; and
  - b) the prosecutor requests that the court consider making a confiscation order, or the court believes that it is appropriate to consider making a confiscation order.

The Crown Court, when it considers making a confiscation order against a defendant, must determine whether the defendant has a 'criminal lifestyle'. If so, the court must determine whether the defendant benefited from his 'general criminal conduct'.

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