

Agenda Item 10

**JOINT AUDIT COMMITTEE
4 September 2024**

**ANTI FRAUD BRIBERY AND CORRUPTION POLICY
AND FRAUD RESPONSE PLAN**

1. PURPOSE OF REPORT

- 1.1 Anti-Fraud and Corruption policies were last reviewed by the Committee in September 2022 and it was agreed in the Committee Workplan for a review in 2024/25. This report is to provide members the opportunity to comment upon this refreshed document prior to being approved by the respective organisations.

2. BACKGROUND

- 2.1 JAC's terms of reference includes a requirement to review and monitor the strategy and supporting policies of both the Police and Crime Commissioner and Chief Constable on anti-fraud, bribery and corruption.
- 2.2 The Policy has been reviewed in consultation with the Head of Professional Standards, the Chief Finance Officer and the Director of Commercial Services.
- 2.3 The Policy has been reviewed and the changes are minimal and include:
- Changes and additions to other relevant policies
 - Expanding the prevention section to include reference to the Professional Standards Departments Prevention and Intervention team
 - Added a new paragraph into the monitoring and review section to reflect the work of external audit who consider the risks of fraud as part of their audit process
 - Removed some duplication within the Fraud Response Plan

3. RECOMMENDATIONS

- 3.1 The Committee are requested to consider and comment on the attached policy.

CONTACT OFFICER

Name: Jane Heppel
Title: PCC, Chief Finance
Officer

BACKGROUND DOCUMENTS

None



west midlands
office of the police
and crime commissioner

Anti - Fraud, Bribery and Corruption Policy

Police and Crime Commissioner for the West Midlands and West Midlands Police

The Police and Crime Commissioner for the West Midlands and West Midlands Police are committed to the principles of equality and diversity. No member of the public, member of staff, volunteer or job applicant shall be discriminated against on the grounds of age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; or sexual orientation.

Document Control

Document Control	
Title:	Anti - Fraud, Bribery and Corruption Policy for the Police and Crime Commissioner for the West Midlands and West Midlands Police
Purpose:	Policy outlining the roles & responsibilities for the prevention and detection of fraud, bribery & corruption
Author:	Chief Finance Officer (CFO)
Other relevant policies:	<p>Business Interests Policy</p> <p>Notifiable Association Policy</p> <p>Code of Conduct related policies</p> <p>Gifts, Gratuities & Hospitality Policy</p> <p>Whistleblowing Policy</p> <p>Protocol between Internal Audit & Professional Standards Department for reporting, managing and investigating suspicions and allegations in respect of financial irregularities & fraud</p>
Responsible Officers:	<p>Chief Finance Officer (CFO)</p> <p>Force Chief Finance Officer (FCFO)</p>
Lead Officer:	Jane Heppel, Chief Finance Officer (CFO)
Target Audience:	All staff groups

	Agency & Partnership Staff Third party organisations and suppliers
Reviewed By:	Joint Audit Committee (JAC)
Date:	4 September 2024
Review Date:	September 2026

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1. INTRODUCTION

General

- 1.1 One of the basic principles of public sector organisations is the proper use of public funds. It is, therefore, important that all those who work in the public sector are aware of the risk of and means of enforcing the rules against fraud, bribery and other illegal acts involving dishonesty. In carrying out its functions and responsibilities the Police and Crime Commissioner for the West Midlands (PCCWM) and West Midlands Police (WMP) are firmly committed to dealing with and reducing fraud, bribery and corruption and will seek the appropriate disciplinary, regulatory, civil and criminal sanctions against perpetrators both within and outside of the organisation.
- 1.2 PCCWM and WMP wishes to encourage anyone having suspicions of fraud to report them. Any employee reporting reasonably held suspicions should not suffer as a result of the allegations, so long as the allegations are made without malice and in the public interest. Victimising or deterring staff and police officers from reporting concerns is a serious disciplinary matter.
- 1.3 PCCWM and the local policing body, the West Midlands Police Force (WMP), already have procedures in place that reduce the likelihood of fraud and/or bribery occurring, including standing orders, financial regulations, documented procedures, and systems of internal control and risk management.
- 1.4 The Anti-Fraud, Corruption & Bribery Policy forms part of the overall governance arrangements for PCCWM and WMP, and provides a framework for the prevention, detection and investigation of fraud.

Aims and Objectives

- 1.5 The purpose of this policy is to provide a strategic overview outlining the framework arrangements in place to develop and maintain an anti-fraud culture within PCCWM and WMP, which encourages prevention, promotes detection and provides an effective process for reporting and investigating suspected acts of fraud.

Scope

- 1.6 The policy should be read in conjunction with the organisation's Whistleblowing Policy and applies to police officers, all civilian and police staff, contractors and any third party or agency staff working on behalf of PCCWM and WMP.
- 1.7 The policy is also supported by the following inter related policies, regulations, orders and protocols:
 - Gifts & Hospitality Policy
 - Business Interest and Notifiable Association Policies
 - Whistleblowing Policy
 - Police Officer and Staff Business Conduct Policy
 - Code of Conduct related policies, such as (including Code of Ethics, Staff Code of Conduct (PCCWM), Standards of Behaviour (Police staff)
 - Corporate Governance Framework; including Financial Regulations and Contract Standing Orders

2. KEY LEGISLATION

2.1 Fraud Act 2006

The Act provides a statutory definition of the criminal offence of fraud, as classified under three main headings:

- **Fraud by false representation** – dishonestly and knowingly making an untrue statement with the intention of making a gain or causing another to make a loss. This includes anything said, written or entered into a system or device.
- **Fraud by (wrongfully) failing to disclose information** – dishonestly failing to disclose information that should legally be disclosed with the intention of making a gain or causing another to make a loss; and
- **Fraud by abuse of position** – someone in a post in which they are expected to protect the interests of another dishonestly doing something or failing to do something with the intention of making a gain or causing another a loss.

Those found guilty under the Act are liable for a fine or imprisonment, with a maximum custodial sentence of ten years.

2.2 Bribery Act 2010

Corruption is defined as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.”

The Act strengthened UK anti-bribery and corruption legislation and created a new offence which can be committed by organisations which fail to prevent persons associated with them from committing bribery on their behalf. Offering and requesting a bribe for financial or other advantage does not have to go direct to the person being influenced and there is no materiality threshold in the Act.

Individual offences under the Act are as follows:

- Bribing another person
- Receiving a bribe, and
- Bribery of foreign public officials

2.3 Theft Act 1968

The basic definition of theft under the Act is that “a person is guilty of theft if s/he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it; It is immaterial whether the appropriation is made with a view to gain, or is made for the thief’s own benefit.”

Those found guilty under the Act are liable for a fine or imprisonment, with a maximum custodial sentence of seven years.

3 CULTURE

- 3.1 The PCCWM and WMP promote a zero-tolerance approach towards fraud, bribery, corruption and other malpractice for personal gain. Dishonesty, lack of integrity, avoidance of controls and failure to comply with agreed policies will not be tolerated.
- 3.2 It is the responsibility of managers and individual employees to create and maintain a culture underpinned by the seven principles of public life defined by the Nolan Committee, i.e. selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.
- 3.3 The PCCWM and WMP promote a climate of open communication, whereby all staff should be able to raise concerns about financial malpractice without fear of victimisation and with the protection afforded by the Employment Rights Act 1996. The Whistleblowing Policy of the PCCWM and the confidential reporting mechanism of the Professional Standards Department support these principles.
- 3.4 The actions and responsibilities outlined within this Policy aim to help the PCCWM and WMP to ensure that the culture and tone of the organisation continues to be one of honesty and opposition to fraud and corruption.
- 3.5 It must be recognised that the PCCWM and WMP will not accept intentional misuse of the reporting and investigative process. It is the PCCWM's and WMP's policy to deal with any intentional abuse of the policy, such as raising malicious allegations, as a disciplinary matter.

4 DETERRENCE

- 4.1 The publication of this Anti-Fraud, Bribery and Corruption Policy and regularly reinforcing that the PCCWM and WMP operate a zero-tolerance approach will help deter those considering perpetrating fraudulent acts.
- 4.2 In order to deter any persons from attempting to defraud the PCCWM and WMP, appropriate action will be taken to publicise the general outcomes of disciplinary action and to remind employees of the control measures that are in place.
- 4.3 Where any loss is incurred to fraud and corruption the PCCWM and WMP will act to affect maximum recoveries.
- 4.4 Managers are encouraged to conduct self-assessments of the systems and procedures for which they are responsible and to regularly test high risk systems, for example income collection and banking procedures.
- 4.5 The Joint Audit Committee receives regular reports on Professional Standards Department activity and these will include summary details of investigations into allegations of fraud and financial impropriety.
- 4.6 There is a high degree of external scrutiny of the PCCWM and WMP's affairs by a variety of bodies including the appointed External Auditors. Although the primary purpose of this scrutiny is not to detect fraud or corruption, the knowledge that regular inspections take place should act as a deterrent.

5 PREVENTION

- 5.1 All individuals within the PCCWM and WMP have their role to play in ensuring that attempts at fraudulent behaviour are unsuccessful. Appendix 1 identifies the roles and responsibilities that key groups and individuals play in reducing the risk of fraud against the PCCWM and WMP.
- 5.2 WMP Professional Standards Department have a Prevention and Intervention team who provide inputs, learning sessions and tools to continue to raise awareness about standards of professional behaviour, reporting mechanisms etc. in an attempt to prevent corrupt and improper practice.
- 5.3 WMP also undertake an Annual Integrity Health Check (AIHC) which applies to all staff members and is a conversation with their line manager which ensures staff understand the relevant policies: i.e. gifts and hospitality, business interests etc. It also provides an opportunity for staff to declare any changes in circumstances.

6 DETECTION

- 6.1 The array of preventative systems, particularly internal control systems within the organisation, helps to provide indicators of, and help to detect, any fraudulent activity.
- 6.2 The annual programme of Internal Audit work includes reviews of areas at risk of fraud. Any irregularity identified by Internal Audit as part of its normal review function will be reported and investigated in accordance with the Fraud Response Plan (Appendix 2).
- 6.3 It is the responsibility of management to prevent and detect fraud and corruption. It is, however, often the alertness of staff and the public that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may have been committed or is in progress.
- 6.4 Despite the best efforts of managers and auditors, many frauds are discovered by chance, or 'tip-off', and the PCC and Chief Constable have arrangements in place to enable such information to be properly dealt with.
- 6.5 There is participation in the National Fraud Initiative data matching exercises and investigations of matches that are identified. Where any instances of fraud or overpayment are identified action is taken to recover any losses.

7. INVESTIGATION

- 7.1 The Fraud Response Plan, as set out in Appendix 2, gives full guidance on how the PCCWM and WMP conduct investigations into allegations of fraud and the roles and responsibilities of all parties involved.
- 7.1 When managers suspect that fraudulent activity may have occurred they must report this immediately to the Head of Professional Standards (WMP incidents) and / or the Head of Internal Audit (PCCWM incidents). Once the potential extent of the allegation has been established the Head of Professional Standards and/or the Head of Internal Audit will consult with representatives of HR and Legal as required, to agree the strategy and approach for conducting the investigation and appoint the Investigating Officer.
- 7.2 Investigating Officers are required to ensure that investigations are fair, complete and objective and that they comply with the relevant statutory requirements and Disciplinary Procedures. The Investigating Officer must be suitably trained and

experienced in undertaking fraud investigations and the evidence needs to be collected to a criminal evidence standard.

8 SANCTIONS

- 8.1 After an investigation, sanctions will be applied where fraud and corruption are proven to be present. This will be undertaken in a comprehensive, consistent and proportionate manner whereby all possible sanctions - disciplinary, civil and criminal - are considered. The level of sanction pursued will be considered at the end of the investigative process when all evidence is available. The sanction will be considered in line with the College of Policing's Guidance on Outcomes in Police Misconduct Proceedings (2022).
- 8.2 The outcome of a disciplinary process may include a range of levels of warning or, where gross misconduct is found, dismissal of the individual concerned.
- 8.3 When fraud or impropriety has been perpetrated by organisations or individuals with whom the PCC / WMP has a contractual relationship, robust action will be taken including, where appropriate, the termination of the contract, publication of findings and civil recovery proceedings.

9 REDRESS

- 9.1 The manager responsible for the service in which a loss has occurred as a result of fraud or other misconduct must ensure that all possible means to recover losses are pursued and that effective co-operation takes place between interested parties.
- 9.2 When an employee offers to resign before a disciplinary hearing takes place the manager of the service concerned must consult the Head of Professional Standards, Human Resources and Legal Services to decide the most appropriate action to be taken and how to enforce the repayment of all losses incurred by the PCC and WMP.
- 9.3 When a case leads to a criminal prosecution, the investigating police officer will be asked to submit a request that an order for compensation is made by the Court, unless otherwise decided.
- 9.4 When neither a voluntary agreement nor a compensation order is made the manager will consult with Legal Services about other legal action that can be taken to recover the organisation's losses. This may include making application for recovery from an employee's pension fund.

10 SUBSEQUENT ACTION

- 10.1 Where an investigation identifies an incident of fraudulent behaviour, the Internal Audit team will review the internal controls and report on the weaknesses in the system that had allowed this fraud to occur. This will be reported to the relevant manager and it will be the manager's responsibility to promptly and robustly implement agreed actions to resolve this.
- 10.2 The external auditor for the PCC and WMP will be informed by the Head of Internal Audit of all major incidents of fraud or financial impropriety and on occasion it may also be necessary to inform other organisations such as HM Revenue and Customs and the Department of Work and Pensions.
- 10.3 Details of investigations of fraud will be reported to the Joint Audit Committee. The Professional Standards Department (PSD) may also consider pension forfeiture and

make an application to the Office of Police and Crime Commissioner (OPCC) for this to be progressed.

11 MONITORING AND REVIEW

- 11.1 Monitoring and auditing is essential to ensure that controls are appropriate and robust enough to prevent or reduce fraud. The CFO will monitor the operation of this policy and the application of controls, which will form part of the Internal Audit work plan, and will report any non-compliance to the CFO in the first instance. The effectiveness of the policy should form part of the Annual Report from the CFO. Continued failure to implement this policy should be reported by the CFO to the JAC.
- 11.2 As part of the audit risk assessment procedures the external auditor for the PCC and WMP is required to consider risks of fraud. The external auditor is responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. This includes considering the arrangements management has put in place with regard to fraud risks, including:
- assessment that the financial statements could be materially misstated due to fraud;
 - process for identifying and responding to risks of fraud, including any identified specific risks;
 - communication with the Joint Audit Committee regarding its processes for identifying and responding to risks of fraud; and
 - communication to employees regarding business practices and ethical behaviour.
- 11.3 All employees should be made aware of this policy and have clear access to it via the Intranet. The policy should be highlighted in all induction training and documentation for new employees and staff working in partnership or agency arrangements. The attention of contractors and suppliers of goods and services should be drawn to the requirements of the policy.
- 11.4 The policy will be formally reviewed by the CFO on a bi-annual basis.

12 TRAINING

- 12.1 The PCC and Chief Constable both recognise that the continuing success of their joint Anti-Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of programmed training and the responsiveness of the PCC, Chief Constable and their respective employees throughout the organisations. To facilitate this, the PCC and Chief Constable support the concept of induction and training and appraisal and development for employees, particularly those involved in internal control systems, to ensure that a thorough understanding of their responsibilities and duties in this respect are regularly highlighted and reinforced. Heads of Departments and other line managers should ensure that employees have access to the relevant rules and regulations and that they receive suitable training. Employees must make sure that they read and understand the rules and regulations that apply to them and act in accordance with them. Employees who do not comply with these rules and regulations risk disciplinary action being taken against them.

Appendix 1

Anti- Fraud, Bribery and Corruption – Roles and Responsibilities

Group or individual	Fraud and Corruption prevention responsibilities
All Employees	<p>Employees, at all levels, have a responsibility to adhere to legal requirements, Code of Conduct related policies, such as (including Code of Ethics, Staff Code of Conduct (PCCWM), Standards of Behaviour (Police staff) etc., standard procedures and best professional practice as well as raise any suspicions that they may have of fraudulent activity, whether attempted from within the PCCWM and WMP or by any outside individual, group or organisation.</p> <p>Concerns can be raised without fear of recrimination through the Confidential Reporting process.</p> <p>Employees are expected to follow the relevant code of conduct related policies, gifts and hospitality policies, IT security policies and to declare any interests they have in contracts that have been, or are proposed to be, entered into by the PCCWM and WMP.</p>
All Managers and Budget Holders	<p>Managers are responsible for assessing the risk of fraud in their area and ensuring there are appropriate and effective controls in place to mitigate the risk. Budget holders in particular have a key accountability and responsibility to operate financial controls, as set out in the Financial Regulations.</p> <p>Managers who receive information about any suspected fraud or corruption must, in accordance with the PCCWM's Confidential Reporting process and Fraud Response Plan, report it immediately to Professional Standards and/or the Head of Internal Audit, who will ensure that the appropriate senior managers are informed and investigation protocols are followed.</p> <p>Managers must maintain a continuous assessment of risks associated with the service activities for which they are responsible, including risks of fraud and impropriety, and maintain effective controls to mitigate those risks. Managers should promptly implement agreed management actions where weaknesses in controls are identified during audit reviews.</p> <p>When policies, service delivery arrangements (such as partnerships) and systems are being developed managers should obtain appropriate advice from Finance, Internal Audit and Legal Services.</p> <p>Managers must consider invoking disciplinary policies and practices in the event of suspected fraudulent activity by employees arising from breaches of Codes of Conduct or incidents of whistleblowing. This should be considered in cooperation with the Professional Standards department.</p>
All recruiting managers	<p>Recruiting managers must manage the risk of inappropriate or fraudulent appointment of employees (or volunteers) by adhering to recruitment and selection policies and procedures. It is essential that effective reference and propriety checks are undertaken.</p> <p>Recruiting managers are responsible for ensuring the appropriate level of recruitments checks are undertaken, with vetting clearance obtained for all new employees by the vetting team within WMP.</p>

Group or individual	Fraud and Corruption prevention responsibilities
The Chief Financial Officer (Section 151 Officer)	<p>The CFO has a statutory responsibility under Section 151 of the Local Government Act 1972 for ensuring that adequate systems and procedures are in place for the PCCWM and WMP's financial affairs. The CFO is also the professional advisor to the Police and Crime Commissioner in respect of financial propriety.</p> <p>The CFO is responsible for undertaking a continuous internal audit, under the shared control of the CFO/FCFO, of the accounting, financial and other operations within PCCWM and WMP, including to what extent assets and interests are accounted for and safeguarded from losses due to fraud and other offences.</p> <p>The CFO will be responsible for monitoring the actions taken in respect of all allegations of fraud reported to the Professional Standards Department (PSD), irrespective of whether the matter is the subject of criminal investigation, of any loss, financial irregularity or suspected irregularity, including those relating to cash, physical assets or other property of the organisation.</p> <p>The CFO will monitor the implementation of the Anti - Fraud, Bribery and Corruption Policy and will report to the CFO/FCFO on its effectiveness and appropriateness.</p> <p>The CFO will undertake pro-active work within the agreed Internal Audit Plan to detect cases of fraud and corruption, particularly where system weaknesses have been identified. Where this work identifies cases of fraud these will be referred to the Head of Professional Standards (HOPS) for investigation.</p>
Force Section 151	The Force Section 151 Officer is appointed by the Chief Constable and is responsible for managing the finance function within WMP, including the maintenance of financial and accounting systems, risk management systems and the system of internal control.
The Joint Audit Committee	<p>The JAC will review and consider the Anti-Fraud, Corruption and Bribery Policy which will be reviewed bi-annually.</p> <p>The JAC will receive a joint report from the CFO/ Force Section 151 Officer detailing the current status of all fraud investigations in progress and any sanctions and redress taken.</p> <p>The JAC will review and approve the Anti-Fraud, Corruption and Bribery Work Plan produced by the HOPS.</p> <p>The JAC will review and consider the Anti-Fraud, Corruption and Bribery Annual Report.</p>
The Head of Professional Standards (HOPS)	<p>The HOPS will receive and review all allegations or reported suspicions of fraud from managers, staff, and third parties, in conjunction with Internal Audit, HR and Legal Services and is responsible for managing/overseeing the disciplinary investigation of all cases agreed with the CFO and FCFO.</p> <p>The HOPS will provide an Anti-Fraud, Corruption and Bribery Annual Report for the JAC which will provide a summary of the work undertaken during the year. The Report will include the measures taken to develop an anti-fraud culture within the organisation, and work undertaken relating to the detection and investigation of fraud.</p> <p>As part of this annual report, the HOPS will set out plans for continuous improvement activity to raise awareness across the organisation and to ensure the workforce has relevant training, knowledge and information each year.</p>

Group or individual	Fraud and Corruption prevention responsibilities
Internal Audit team	<p>This service helps in fostering the anti-fraud approach of the organisation, and provides appropriate publicity and raises awareness.</p> <p>The service monitors and reviews the existence, appropriateness, and effectiveness of internal controls, including those controls which aim to manage the risk of fraud. The outcome of this work will inform their opinion on the internal control environment, future internal audit plans and ultimately the Annual Governance Statement.</p> <p>The service liaises with the Professional Standards Department in respect of the investigation into allegations of fraud and corruption.</p> <p>The service leads on the PCCWM's and WMP's participation in the National Fraud Initiative, which is an exercise based upon the exchange and comparison of information with other authorities and agencies. It identifies possible fraudulent activity across a range of areas, including payroll, pensions and creditor payments.</p>
Third Parties acting on behalf of PCCWM and WMP	<p>The attention of all staff working for third parties acting on behalf of the organisation must be drawn to the requirements of this policy.</p>

Appendix 2

The Fraud Response Plan

Reporting fraud, bribery and corruption

1. All managers, staff, third parties and other parties must report suspicions allegations of fraud to the HOPS or the Head of Internal Audit.
2. The HOPS will review, in conjunction with Internal Audit, HR and Legal Services, each suspicion or allegation made to determine whether or not an investigation is required. Where appropriate, the HOPS will liaise with the CFO and FCFO to agree the type of investigation required (i.e. criminal or disciplinary). The HOPS will report all allegations received to the CFO, including the action to be undertaken. The HOPS will report progress in respect of each case to the CFO on a timely basis in accordance with the materiality of the case, but no less than annually.
3. The HOPS will arrange for criminal investigations to be undertaken by an appropriately skilled investigator in all cases where the suspicion or allegation of fraud is founded and there is potential for criminal prosecution.
4. The HOPS will arrange for disciplinary investigations to be undertaken by an appropriately skilled investigator, where the suspicion or allegation is founded but there is no potential for criminal prosecution.
5. Where cases are proven, the HOPS will agree with the CFO and FCFO the sanctions and redress to be sought. Where the case is not proven, the case should be formally closed and an internal report provided to the CFO and FCFO.
6. Where the suspicion or allegation is unfounded the case should be formally closed and an internal report provided to the CFO and FCFO.
7. The disciplinary procedures of the organisation must be followed where an employee is suspected of being involved in a fraudulent or other illegal act.
8. The HOPS will maintain a case management record detailing the suspicion or allegation made and the action taken regarding the investigation. This record should be regularly updated and made available to the CFO upon request.