



Agenda Item 7

JOINT AUDIT COMMITTEE
13th December 2019

**Anti-Fraud, Bribery and Corruption Policy
Annual Review of Effectiveness**

1. **Purpose of the report**

- 1.1 The purpose of this report is to update the Joint Audit Committee on the effectiveness of the Anti-Fraud, Bribery and Corruption Policy of the PCC and Force.

2. **Background**

- 2.1 A key role of the Joint Audit Committee is to monitor the policies of both the Police and Crime Commissioner and Chief Constable on 'Raising Concerns at Work', and anti-fraud and corruption strategy. This is to ensure adequate arrangements are in place to safeguard both organisations, as far as possible, against any form of fraud and corruption activity.
- 2.2 The PCC and Force promote a zero tolerance approach towards fraud, bribery, corruption and other malpractice for personal gain. To that extent, dishonesty, lack of integrity, avoidance of controls and failure to comply with agreed policies will not be tolerated.
- 2.3 The Anti-Fraud, Bribery and Corruption Policy and Fraud Response Plan are key to promoting a strong ethical and counter fraud culture. The Policy was last reviewed in September 2018 and was subsequently considered by Joint Audit Committee at its meeting on 27th September 2018 before formally being approved by the Commissioner in December 2018. The next review is due in September 2020.
- 2.4 The Anti-fraud, Bribery and Corruption Policy is supported by the Governance Framework and a number of interrelated policies, including:
- Confidential Reporting Policy
 - Gifts and Hospitality Policy
 - Financial Regulations
 - Business Interest Policy
- 2.5 This report provides:
- an update on the counter fraud work undertaken by Internal Audit since the previous report to Joint Audit Committee on Anti-Fraud, Bribery and Corruption in December 2018.

- highlights of the outcomes of work performed within the National Fraud Initiative (NFI) data matching exercise administered by Internal Audit; and
- Provides an investigations update report from the Professional Standards Department summarising the results, including sanctions and redress where appropriate, arising from significant internal fraud investigations carried out by Professional Standards, along with an update on the work by the Professional Standards Department to reduce issues of fraudulent conduct. This report is attached at Appendix 1.

3 Internal Audit contribution to Counter Fraud Work

- 3.1 Internal Audit contribute to the anti-fraud and corruption arrangements by providing assurance that internal controls are effective to maximise the deterrence and prevention of fraud. The internal audit plan includes time to devote to specific counter fraud activities, including time to investigate matches identified by the National Fraud Initiative data matching exercise, although fraud risks are considered when planning all audits, particularly those audits of financial systems and processes.
- 3.2 The outcome of Internal Audit's work informs the Head of Internal Audit's annual opinion on risk, governance and the internal control environment, and will help determine areas for future internal audit plans.
- 3.3 A number of internal audits completed over the last 12 months have had a specific emphasis on fraud. Examples include: credit cards, asset management, VAT, debtors and creditors, expense system etc. Whilst the audits completed to date have not identified any frauds, for some reviews there were weaknesses identified where the control framework is not as robust as it could be; or, is not being operated effectively to prevent or detect fraud, for example, where appropriate authorisation controls have not been applied or a lack of management reporting may exist to identify potential fraudulent activity.
- 3.4 Robust access controls are also key to preventing fraud and unauthorised activity, by ensuring access to key systems is only granted to those who require it to fulfil their role and to ensure appropriate segregation of duty is applied. User access controls within Shared Services systems and intelligence systems have been reviewed since the previous fraud update.
- 3.5 Any significant control issues resulting in a 'Limited' or 'Minimal' assurance opinion have been reported to Joint Audit Committee as part of Internal Audit's regular activity update report, and where control weaknesses have been identified, action plans have been agreed with management to address the weakness, with updates on progress also being reported to Committee.
- 3.6 For the remainder of 2019/20, Internal Audit will place further emphasis on auditing financial systems and contract management processes where fraud risks are greater. The Committee will be updated on significant findings arising from these reviews in due course. We will continue to assess progress against the recommendations made and provide updates on high and medium rated recommendations that pose greatest risk.
- 3.7 Internal Audit are represented on the Payroll Governance Board. The core purpose of this Board is to discuss overpayments made, the cause, recovery arrangements and identify if any corrective actions are required to any processes to reduce the risk of future overpayments. Whilst not strictly to identify fraud, Internal Audit will make recommendations to improve internal control arrangements to prevent similar overpayments and suggest when a case should be referred to the Professional Standards Department for investigation from an

ethics and honesty perspective. This group meet on an ad-hoc basis when complex cases arise or appeals need to be considered. The Group has met twice to date this financial year.

4 National Fraud Initiative (NFI)

- 4.1 Both the Police and Crime Commissioner and Chief Constable are required to participate in a biennial data matching exercise, facilitated by the Cabinet Office, to assist in the prevention and detection of fraud. Internal Audit undertake the Key Contact role on behalf of both organisations and as such are responsible for co-ordinating and monitoring the overall exercise and providing feedback on the outcomes of the exercise.
- 4.2 The 2018/19 Data Matching exercise is underway. Audit submitted the relevant data sets to Cabinet Officer in October 2018. The data provided includes information extracted from Payroll, Creditor and Pension systems. Results of the data matches were reported on a phased basis, with pension and payroll data matches being reported in January 2019 and Creditor payment matches being issued in March 2019.
- 4.3 Data matches are reported on the NFI website and are primarily investigated by Internal Audit, with some matches related to deceased pensioners being investigated directly by the Pensions Section. Access to data matches on the NFI website is restricted to selected staff within Internal Audit and within the Pensions Section (for pension matches only).
- 4.4 As the overall process is monitored by the Cabinet Office, match investigation results are input onto the NFI website and are categorised appropriately, e.g. Closed - error, Closed – fraud, Closed – already known. If an overpayment due to a fraud or error is established the savings identified are also input on the website. This enables the Cabinet Office to report on the overall results. The National results of the current exercise will not be published by the Cabinet Office for some time as the exercise is still ongoing, however, the previous data matching service reportedly enabled participating organisations to prevent and detect over £300 million fraud and error in the period April 2016 to March 2018.
- 4.5 In addition to the biennial NFI exercise, the Pension Section subscribed to an additional Mortality Screening exercise offered by Cabinet Office in July 2019. The matches for the data mortality screening are added to the existing matches for the biennial exercise. A combined total of 1466 data matches were received across all data sets for WMP Force and Office of the Police and Crime Commissioner. Data is matched across a number of criteria and a risk dial is applied indicating the strength of the match, the higher the figure on the risk dial the greater potential of fraud and error.
- 4.6 244 of the recommended matches related to deceased persons for whom a pension was potentially still being paid. In most instances these matches appeared due to timing differences between the data being submitted to Cabinet Office and matches being released for investigation and were therefore already known cases with recovery already in progress. For those few not already known, the investigations have currently identified £17,883 of overpayments in pensions relating to deceased pensioners. In addition, £7,443 overpayments have been identified for individuals in receipt of an enhanced injury pension who have failed to declare relevant state benefits that may remove or reduce entitlement to the enhanced pension.
- 4.7 The remaining recommended matches relate to payroll and creditors. No frauds have been identified from the investigations completed to date, although two duplicate creditor payments totalling £3,549 were identified and are being recovered.

5 Professional Standards Department

- 5.1 The Professional Standards Department undertake investigations into suspected fraud or irregularity. The work of Professional Standards also helps promote an effective anti-fraud culture by raising awareness of misconduct cases, and by publicising sanctions on the Forces intranet. As required within the Anti-Fraud, Bribery and Corruption Policy, the Head of Professional Standards has prepared his update report attached at Appendix 1, which explores complaints (externally/public generated) and conduct matters (internally/West Midlands Police generated) relating to fraud. The report also describes the proactive work of the Prevention and Intervention Team within Professional Standards to reduce and prevent corrupt practice.

6 Conclusion

- 6.1 The Internal Audit Plan includes elements of counter fraud work and work reviewing controls intended to deter and prevent fraud. This work is supplemented by the biennial national fraud initiative exercise, which has identified total overpayments of £28,875 for WMP to date.
- 6.2 The Force and Office of the Police and Crime Commissioner have a range of detailed policies and guidance which provide a framework to ensure that employees are aware of what is expected of them. This reduces the risk of inappropriate behaviour/conduct. However, despite this, isolated incidents of misconduct do occur and the Professional Standards Department has in place robust arrangements to investigate any suspected fraud and irregularity.
- 6.3 In addition to the misconduct investigations undertaken, Professional Standards have embarked on a number of proactive activities during the year, including developing a comprehensive series of training packages for new staff and front line supervisors covering a wider range of topics, publishing the force's whistleblowing Policy and launching the Corruption Line which allows two way contact between the person alleging misconduct and the investigators within the Professional Standards Department.
- 6.4 Members can therefore be assured that prevention and detection of fraud, along with promoting high standards of conduct, are given high priority within the OPCC's and Forces operations.

7 Recommendations

- 7.1 The Committee is asked to note the contents of this report.

CONTACT OFFICER

Name: Mark Kenyon
Title: Chief Finance Officer

Name: Chief Superintendent
Christopher Todd
Title: Head of Professional
Standards

BACKGROUND DOCUMENTS

None



west midlands
police and crime
commissioner



INVESTIGATIONS UPDATE

1. INTRODUCTION

- 1.1 This report has been developed by the Professional Standards Department (PSD) for the consideration of the Joint Audit Committee (JAC) and explores complaints (externally/public generated) and conduct matters (internally/West Midlands Police generated) relating to fraud as described within the responsibilities of the Head of Professional Standards, within the Anti-Fraud, Bribery and Corruption Policy.
- 1.2 N.B. the allegation criteria as recorded in PSD which are mandated by national guidance, are not directly analogous to the terms of reference provided by the Office of the Police and Crime Commissioner (OPCC). This has necessitated a manual trawl of the system via key word search which has returned several results which are not relevant to the scope of this report, and have therefore been removed. In previous reports this has meant that it is possible that some cases may also have been missed during the data mining process, but during repeated iterations of this process the chances of missing a case are increasingly slim. Further, PSD have included a specific Internal Audit field designed to capture relevant cases to assist in reporting.
- 1.3 Allegations of fraudulent expenses or over time claims are relatively rare and do not form one of the most common complaint types, which are 'Other Neglect or Failure in Duty', followed by 'Incivility, Impoliteness and Intolerance', and then 'Other Assault'. Conduct matters regarding this are also raised relatively infrequently in comparison to other allegation types.
- 1.4 Please note that the data below refers to all cases that have been recorded in a 12 month period between 1st November 2018 and 31st October 2019. Previous reports have included investigations relating to the accessing of police information for non-policing purposes. Whilst elements of deception are often found in such matters, this year's report has focused on those offences where the intention has been to deceive for the purposes of pecuniary advantage, as data integrity is already subject to separate audit.
- 1.5 Ten allegations have been identified involving 11 subjects. Of these subjects, eight are officers and three are staff. This number of allegations represents a significant decrease against last year's report, but this can largely be attributed to the more rigid attention to matters concerning pecuniary advantage.
- 1.6 The majority of cases of alleged fraud are externally raised (80%), which is a reversal of circumstances highlighted in the last report. The nature of such referrals are varied but the majority result from external prosecutions of criminal matters and a smaller group of anonymous reporting. Of the internally reported cases, one results from the professional vigilance of colleagues and one from personal knowledge learnt by colleagues followed by conscientious consideration on their behalf. The reduction of internally reported allegations

could be hypothesised as resulting from improved levels of management within the organisation.

- 1.7 During the reporting period four cases have been finalized (the results of these cases are discussed below). There are currently five live cases, all of which are awaiting misconduct or gross misconduct proceedings. One matter was not substantiated.
- 1.8 Individual officer and staff details are not disclosed in this report. Those matters that have been concluded in public hearings will have been published separately to ensure transparency

2. CASES

- 2.1 Prevalent offending has previously included the fraudulent claiming of overtime. Two of the ten investigations relate to such matters in this report. Unusually two separate matters relate to the misuse of disabled parking permits. Otherwise there are no discernible trends. The losses incurred in most cases are minor. One ongoing external investigation is more serious but precise assessments are not yet available.
- 2.2 Most allegations, following investigation, do not meet the criminal threshold and amount solely to conduct matters. Three cases have resulted in minor criminal convictions, whilst another is currently sub judice as the criminal investigation proceeds, but is of a more serious nature.
- 2.3 Of the four convictions, two members of staff resigned whilst under investigation and one officer was allowed to retire. Another related to an historic allegation dealt with retrospectively long after the resignation of the member of staff. Where staff members receive criminal convictions no further action is required as future DBS and vetting checks will identify the conviction or caution. Officers are nevertheless included on the barred list through progression to a special case hearing. Employment terms for staff do not allow the same provision for such action as do Police Regulations
- 2.4 Only one of the ten allegations has been unsubstantiated and this report was received anonymously. Four have been found or proven and the remaining five are still under investigation.
- 2.5 There are two main hypotheses as to why reporting of such allegations remains low.
 - Firstly, it can be inferred that local management is sufficiently intrusive and that routine checks and balances highlight irregularities prior to issues becoming a conduct matter.
 - Secondly, the introduction of regular integrity health checks and reviews of business interests alongside WMP Conversations has raised awareness across staff and improved levels of compliance.
- 2.6 PSD note the above report and have used the methodology described in section 3 to assist managers with dealing with these issues, disseminating organisational learning, where appropriate, through the prevention and intervention team.

3 WORK BY PSD TO REDUCE ISSUES OF FRAUDULENT CONDUCT.

- 3.1 PSD have now established the Prevention and Intervention Team which endeavours to identify organisational learning at an early stage so that endemic issues likely to lead to corrupt practice can be prevented.
- 3.2 PSD have developed a comprehensive series of training packages and inputs for new staff and front line supervisors that discuss several issues. Fraud and honesty related offences are a central theme in the training, and case studies are presented to challenge the ethical alignment of staff and practitioners. There are also a number of '60 Second Standards' videos

which are short cartoon briefings which give staff/officers a brief overview across a range of topics, including Business Interests, Vulnerable Associations and drugs and alcohol misuse. These will be easily accessible by staff/officers, and can be disseminated widely through Message of the Day and Newsbeat, as well as being included in training packages.

- 3.3 In addition to the above, PSD have instituted an annual integrity health check, which touches upon changes of circumstances, vulnerability and other issues. This mandatory annual check provides supervisors an opportunity to discuss matters pertaining to clocking in and out, duties and other issues. Where previously this may have been a difficult conversation for some supervisors to initiate, with a mandatory form driven by the centre, this is an easier conversation to have.
- 3.4 Previously, the confidential reporting line allows staff to raise issues anonymously and without fear of reprisal. However, the old system was only designed for one-way dialog (i.e. investigators could not ask questions to the individual reporting). The launch of The Corruption Line now allows this two-way dialog between the individual alleging misconduct and investigators, whilst remaining anonymous.
- 3.5 The force's Whistleblowing policy has now been published, and is available on the Force's policies page. This policy provides a formal framework for the duty that WMP owes its staff who have the courage to come forward and report matters.

4 RECOMMENDATIONS.

That the committee take note of the details of this report.

5 CONCLUSION

It is essential to note that fraudulent overtime and expenses claims remain rare, but there is evidence to suggest that colleagues feel empowered to challenge and report corrupt practices where they are identified. The reduction in internally generated reports infers that the introduction of regular integrity health checks is having a positive impact on organisational culture and levels of corporate compliance have increased over the reporting period.

PSD REFERRALS

2018/19						
Date Internal Audit informed	Allegations Against	Summary	Case Type	Action Taken	Investigated By	Conclusion
02/12/2018	Officer	Allegation that a constable was involved in a Facebook Market Fraud.	Conduct	Enquiries undertaken by CCU	CCU	CLOSED No further action.
28/02/2015	Officer x 2	Allegation that officers have falsely claimed overtime not worked.	Conduct	Investigation by PSD	PSD	ONGOING Sub-judice
01/11/2018	Officer	Allegation that officer in receipt of pension following the death of a previous spouse has misled the pension provider about their co-habiting status & over-claimed their entitlement as a result.	Conduct	Investigation by PSD	PSD	ONGOING Sub-judice
29/11/2018	Ex-Staff	Ex-employee left WMP in 2016. Prior to leaving a vehicle owned by a family member was registered with TFL for exemption of congestion charges and Dartford Tunnel crossing. This only came to light in 2018 as still being registered.	Criminal	Criminal Investigation of ex-employee	PSD	CLOSED Resigned Criminal Caution
28/08/2019	Officer	Officer was involved in business with a colleague and also a treasurer for another body. It is alleged the second officer used funds in their trust from other body to purchase items for their joint business and that WMP officer was complicit in such activity.	Criminal	External Criminal Investigation Separate Conduct investigation by PSD	Partner Agency WMP PSD	ONGOING Sub judice

Date Internal Audit informed	Allegations Against	Summary	Case Type	Action Taken	Investigated By	Conclusion
24/04/2019	Ex-Officer	Officer fraudulently used an outdated 'blue badge' belonging to a family member to secure free parking in a disabled parking area.	Criminal	Investigated by PSD	PSD	ONGOING Court Fine Pending SCH Retired
9/10/2018	Staff	PCSO used 'blue badge' of family member to secure free parking in disabled bay near police station during tour of duty.	Conduct	Investigated by PSD	PSD	CLOSED Written Warning
16/10/2018	Ex-Staff	Member of staff off duty swapped price tags in shop for more expensive item to attempt to pay cheaper price. Challenged by staff and reported to Police.	Criminal	Investigated by PSD	PSD	CLOSED Convicted Resigned
20/12/2018	Officer	Allegation that Officer has been viewing inappropriate material on a WMP laptop device whilst attending residential course and whilst claiming overtime.	Conduct	Investigation by PSD	PSD	ONGOING Sub-judice
3/12/2018	Officer	Allegation that officer who is on sick leave with restricted mobility was working in a part time role without having registered a business interest.	Conduct	Investigation by PSD	PSD	ONGOING Sub-judice