



Agenda Item 07

**JOINT AUDIT COMMITTEE
22 December 2021**

**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 Police and Crime Commissioner 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. 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 2020 and was subsequently considered by Joint Audit Committee at its meeting on 28 September 2020. The next review is due in September 2022.
- 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/Whistleblowing
 - 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 January 2020.

- 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 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 financial processes and systems such as Accounts Payable, Commissioning (OPCC) and Payroll, as well as ensuring recommendations relating to key financial processes have been actioned to prevent risk of fraud and error etc. Whilst the audits completed to date this year 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. 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.
- 3.4 A number of controls were paused temporarily during the Covid-19 pandemic and whilst Internal Audit were considerate of the difficulties the pandemic caused, some of the processes paused created significant gaps in the control framework. Internal Audit have advised management where processes should be reinstated to strengthen the control framework and minimise opportunity for fraud and error. Examples include, checking management reports within Payroll, and reconciliation of the BACS report in Accounts Payable.
- 3.5 Risk of fraud, corruption or general dishonesty have also been considered in wider audits such as in access controls to systems, which is 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. We continue to review system access as part of system audits and follow up on audit recommendations from previous audits of access controls to confirm appropriate action is taken by management to identify weaknesses in the process that may grant inappropriate access.
- 3.6 For the remainder of 2021/22, Internal Audit will place further emphasis on auditing systems and processes, e.g. Cash Office functions etc. where fraud risks are greater. The Committee will be updated on significant findings arising 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.

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.
- 4.3 Outcomes of the 2020/21 data matches investigated are reported on the NFI website. These matches 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 Force and Office of the Police and Crime Commissioner (OPCC) total overpayments amount to £342,904 at the time of writing this report.
- 4.5 In addition to the biennial NFI exercise, the Pension Section subscribed to an additional Mortality Screening exercise offered by Cabinet Office. The matches for the data mortality screening are added to the existing matches for the biennial exercise. A combined total of 2,157 data matches were received across all data sets for the Force and OPCC. 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. We have investigated a total of 1047 high quality matches which resulted in the reported overpayments being identified.
- 4.6 64 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 (16 cases), the investigations have currently identified £61,441 of overpayments in pensions relating to deceased pensioners. £12,488 of this is currently being recovered where a next of kin has been identified.
- 4.7 The remaining matches investigated relate to payroll and creditors. No errors have been identified in relation to payroll matches, however £281,463 of creditor overpayments have been identified where duplicate payments were made. These matches relate to 10 creditors and a total of £252,463 has been recovered to date. The remaining £29,000 is in the process of 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 Force's intranet. As required within the Anti-Fraud, Bribery and Corruption Policy, the Head of Professional Standards has prepared her update report attached at Appendix 1, which explores complaints (externally/public generated) and conduct matters (internally 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, with the latest exercise identifying total overpayments of £342,904 to date.
- 6.2 The Force and OPCC 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 delivering training on the Standards of Professional Behaviour to 1500 staff and officers and all new recruits into the Force receiving an input from Professional Standards covering many aspects including change in personal circumstances and business interests. Further work will be done to increase awareness of the requirement to disclose business interests.
- 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 the Force's operations.

7 Recommendations

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

CONTACT OFFICER

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BACKGROUND DOCUMENTS

None



PSD INVESTIGATIONS UPDATE

1. INTRODUCTION

- This report has been developed by the Professional Standards Department (PSD) for the consideration of the Joint Audit Committee (JAC) and explores complaints and conduct matters relating to fraud as described within the responsibilities of the Head of Professional Standards within the Anti-Fraud, Bribery and Corruption Policy.
- The system has been manually trawled via key word searches to identify the cases relevant for this report (*key words - fraud, bribe, expense, overtime, business interest, theft, flexi*).
- There is a focus on cases that involve theft/fraud from WMP in the 12 months from 3rd November 2020 to 3rd November 2021.
- To protect the identity of the subject, individual officer and staff details are not disclosed.
- Allegations of fraudulent expenses or overtime claims continue to be low and do not form one of the most common complaint types.

2. CASES

- There are nine cases reported in the 12 month period, relating to nine subjects (Appendix A), six relate to claims of overtime, one refers to fraudulently claiming hours not worked, one is about fraud and forgery in business practices and the final case has a number of fraudulent elements to it, including the misuse of the purchase ordering system and failing to adhere to the flexi-time scheme and annual leave policy.
- There were also six cases about failing to disclose a business interest. This area continues to generate a number of allegations; however, for the purpose of this report, these cases were not deemed to be relevant. These types of cases tend to be dealt with locally by the subject's department and result in no further action.
- In the previous report, two of fourteen allegations related to matters of fraud and overtime. In the last 12 months, PSD have been alerted to more allegations of this nature.

3. CASES OF NOTE

- One conduct case recorded over 12 months ago (June 2020) will be going to a Police Staff Disciplinary Hearing later this year. This staff member was: (1) misusing the purchase ordering system; (2) providing property belonging to WMP to a person without authority; (3) possessing numerous police ordered property that were not required for their role as a staff member; (4) misusing and failing to adhere to the flexi-time scheme and annual leave policy; and (5) failing to work contracted hours and maintain accurate records.

- One conduct matter is currently an ongoing investigation with PSD. The subject of this investigation failed to declare business interests and has allegations of forgery and fraudulent business practices. The subject was previously arrested for involvement in fraud; the criminal case has now concluded with no further action.

4. WORK BY PSD TO REDUCE ISSUES OF FRAUDULENT CONDUCT

- The Prevention and Intervention Team (P and I) continue to identify organisational learning at an early stage, with the aim of preventing behaviours escalating to corrupt practice. In the last 12 month period, training inputs on the Standards of Professional Behaviour have been delivered to 1500 staff and officers. All new recruits into West Midlands Police receive an input from Professional Standards covering many aspects including change in personal circumstances and business interests.
- A marker of *Internal Audit Matter* has been used within the case sub-type, allowing cases to be more easily identified. However, this is not always used consistently, and moving forward, it should be enforced rigorously, allowing the department to accurately monitor and easily extract the number of cases for the review of the Joint Audit Committee.
- The confidential reporting line has been highlighted via the force intranet and message of the day as a reminder to all staff.

5. RECOMMENDATIONS

- The internal audit marker should be used more consistently to enable the relevant cases to be extracted. Work needs to be done to educate case handlers, and this should feature in the upcoming department-wide training.
- PSD could increase awareness of the requirement to disclose business interests. This will be achieved during the training inputs delivered across the Force, via the Force intranet and through completion of the Annual Integrity Health-check.
- Supervisors are encouraged to complete the integrity health check as part of the WMP conversations process. This was highlighted in the November monthly performance panel meeting to all commanders/heads of department.

6. COUNTER CORRUPTION UPDATE

Theft and Fraud do not currently feature in the CCU Control Strategy. 'Theft and Fraud' is one of the categories by which Counter Corruption records intelligence allegations but only three were received within the last year compared to five previously. Two were passed to PSD and one filed as intelligence only. CCU does not typically receive allegations concerning false time keeping, abuse of sickness policy, exaggerated overtime/expense claims etc.

7. CONCLUSION

- The overall number of fraud allegations remains low. In 2019 there were 10, which increased to 14 allegations in 2020, and 9 in 2021. However, it should be noted that instances of failing to register business interest cases were not included in this report, and if they had, the number of allegations would have increased slightly.
- There have been an increase in the number of allegations related to claims of overtime reported confidentially; it is important that this is monitored and reported on in the 2022 report.

APPENDIX A

Allegations against	Summary	Case Type	Action taken	Investigated by	Conclusion
SC	Fraudulent and forgery in business practices; and failure to disclose a business interest.	Conduct (MI converted to CM)	Investigated by PSD-converted to Conduct matter from a Miscellaneous	PSD	Ongoing
Staff	Fraudulently claimed hours worked.	Conduct	Investigated by PSD-converted to Conduct matter from a Miscellaneous	PSD	Ongoing
PC	Allegation that the Officer is claiming overtime not worked.	Miscellaneous	Dealt with locally	Birmingham East NPU	No Further Action (recorded on WMP conversations)
PC	Anonymous and uncorroborated information that an officer is abusing the process to work overtime	Miscellaneous	Being dealt with locally	CTU	Ongoing
SGT	Anonymous and uncorroborated information that an officer is abusing the overtime policy.	Miscellaneous	Dealt with locally	PPU	No Further Action
PC	Anonymous and uncorroborated information that the officer has abused the overtime policy.	Miscellaneous	Dealt with locally	Force CID	No Further Action
PC	Anonymous information received in relation to an officer allocating overtime.	Miscellaneous	Dealt with locally	Birmingham West NPU	No Further Action
Insp	Anonymous and uncorroborated information that an Insp is claiming overtime payments they are not entitled to.	Miscellaneous	Dealt with locally	Force CID	No Further Action
Staff	1. Misused the purchase ordering system 2. Provided property belonging to West Midlands Police to a person without authority.	Conduct*	Investigation by PSD	PSD	Going to a Police Staff Disciplinary Hearing

Allegations against	Summary	Case Type	Action taken	Investigated by	Conclusion
	<p>3. Within in the workplace, having possession of numerous police-ordered property items not required or linked to role as a member of West Midlands Police Staff.</p> <p>4. Misused and failed to adhere to the flexi-time scheme and annual leave policy.</p> <p>5. Failed to work contracted hours and failed to keep accurate records.</p>				

**Please note, this conduct case was recorded over 12 months ago, but fits the criteria for this report and will be going to a disciplinary hearing very soon.*