

Anti-Fraud and Corruption Policy

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1. Foreword

We believe that the overwhelming majority of the Company's employees, customers, contractors and suppliers are honest and have no thought to defraud the Company. However, we recognise that a small minority may attempt to do just that. Fraudsters not only cheat local taxpayers, but they deprive local people of the services they depend upon.

This is why fraud in Alliance Environmental Services (AES) will not be tolerated. We are determined to keep up a strong guard against it through the approach set out in this document.

We all have a part to play in stamping out fraud. As we deliver our services, we must recognise the importance of the controls set out in this document to protect us from fraud. We must all remain vigilant and recognise the many forms that fraud and corruption may take. We must have the conviction to raise any concerns we come across. And we must have the resolve to investigate those concerns promptly and to take tough action against proven fraudsters.

This document sets out a comprehensive approach to ensuring that fraud is reduced to an absolute minimum. Its success will depend on our co-operation to send out the robust message to potential fraudsters that they will be rooted out and dealt with.

This policy and associated policies and procedures will be published on the shared drive and featured from time to time in the Company newsletter. In addition, all employees will be issued with an Employee Code of Conduct

2. Anti-Fraud and Corruption Policy Statement

The United Kingdom public sector maintains high standards of ethics and has a good reputation for protecting the public purse. Sound systems of accountability are vital to effective management and in maintaining public confidence. AES shares these high standards and is committed to protecting the public funds entrusted to it. Although we have good policies and procedures they are sometimes not applied effectively and much of the fraud committed happens when non-compliance with procedures leads to simple checks being neglected. The minimisation of losses to fraud and corruption is essential to ensure that resources are used for their intended purpose to provide services to the public.

The Company conducts its affairs with integrity, honesty and openness, and demands the highest standards of conduct from those working for it. This Anti-Fraud and Corruption Policy forms a part of the governance arrangements of AES and outlines the Company's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of funds.

The policy is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and to take effective action against any attempted or actual fraudulent act affecting AES.

3. Introduction

The purpose of this Policy is to outline AES' approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption, both internally and externally. It applies to:

- Directors
- employees
- agency staff/contractors/consultants
- suppliers

- service users
- employees and principals of partner organisations

This policy sets out the Company's commitment to tackling fraud and corruption. It also makes clear to all concerned that appropriate and decisive action will be taken against those committing or attempting to commit, fraudulent or corrupt acts against AES.

In order for AES to be effective in its approach to dealing with the problem of fraud and corruption it is committed to ensuring that it creates a culture of 'zero tolerance' rather than indifference to such matters

The following definitions are provided for the purposes of this policy and those who seek to commit fraudulent or corrupt acts will be dealt with in accordance with this policy:

- **Fraud:** is the intentional distortion of financial statements or other records by persons internal or external to the Company, which is carried out to obtain an advantage, avoid an obligation or cause loss to another party.

Fraud is therefore a deliberate, dishonest act by an individual or group of people, which can be committed, as per The Fraud Act 2006, by:

- False representation
 - Failing to disclose information
 - Abuse of position
- **Bribery:** is offering, promising or giving someone a financial or other advantage to induce or reward that person to perform their functions or activities improperly as per The Bribery Act 2010, which came into force 1st July 2011. It is also an offence to request, receive or accept a bribe.

The Bribery Act 2010 also introduces a corporate offence of failing to prevent bribery, which requires adequate procedures to be in place and appropriately supported from the very top of the organisation.

- **Theft:** is the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it.

The above definitions cover such acts as deception, forgery, extortion, blackmail, conspiracy, collusion, embezzlement, false accounting, false representation, concealment of material facts, the offering of a gift or reward to influence a person's actions and misappropriation.

Good Corporate Governance requires that the Company is firmly committed to dealing with fraud and corruption, including bribery, and will deal equally with perpetrators from inside and outside the Company. All cases will be viewed seriously and following investigation the action taken will be in line with the merits of each case and in accordance with other procedures and obligations applicable to AES.

4. Corporate Framework and Culture

AES has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements and professional best practice, and include:

- Codes of Conduct for employees
- Finance and Contract Procedure Rules
- Accounting procedures and records
- Sound systems of internal control
- Effective internal audit arrangements
- Effective recruitment and selection procedures
- Disciplinary Procedure
- Anti Fraud and Corruption Policy
- Whistleblowing Policy
- The Public Interest Disclosure Act 1998
- The Regulation of Investigatory Powers Act (RIPA) Procedure
- The Fraud Act 2006
- The Bribery Act 2010

AES believes that the maintenance of a culture of honesty and openness, based on values such as fairness, trust and integrity is a key element in tackling fraud. In this respect, each Director and employee of the Company is under a duty to report any reasonable suspicions and is encouraged to raise any concerns they may have in the knowledge that such concerns will be properly investigated. To this end, the Company has a Whistleblowing Policy to protect anyone who wishes to raise concerns about behaviour or practice.

5. Prevention

The Company recognises that fraud and corruption are costly, both in terms of reputational risk and financial losses. The prevention of fraud is therefore a key objective of the Company and fundamental roles and responsibilities are outlined below.

Employees of AES

AES recognises that employees are often the first line of defence in preventing fraud. A key preventative measure in that fight is the effective recruitment of employees.

Employee recruitment is undertaken in accordance with the Company's policies and procedures for recruitment and selection. These include pre-employment checks that must be carried out prior to an offer of employment being made which include; written references and checks to confirm the identity and right to work of all potential employees.

All management and employees must abide by the Company's Code of Conduct for Employees, which sets out requirements on personal conduct and where applicable employees are also expected to follow the codes of conduct laid down by their respective professional institutes.

The responsibility for the prevention of fraud and corruption is placed on all employees and as such staff should be alert to the possibility of fraud and how to report any concerns that they may have. AES has a Whistleblowing Policy in place to assist employees in reporting concerns about fraud and corruption and other issues, including bribery, without fear of harassment, victimisation or any other detriment.

AES has in place disciplinary procedures for all employees and those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution. In addition, recompense will be sought from those who are found to have carried out fraudulent acts.

If an employee has been implicated in a criminal offence in their private life they must notify the Company in writing immediately. If the employee is found to have breached the code of conduct, disciplinary action may be taken.

Employees must operate within the Company's procedures regarding the disclosure of financial interests in contracts relating to the Company, or the non-acceptance of any fees, gifts, hospitality or any other rewards, other than their proper remuneration. The Bribery Act 2010 makes it an offence to request, agree to receive, or accept a bribe. It is also an offence to offer, promise or give a bribe.

AES policies and procedures support compliance with the Bribery Act 2010. The Code of Conduct, which includes Gifts and Hospitality and Declaration of Interest guidance, sets out the acceptable conduct for employees. Through the codes' strong ethical framework; along with transparency and scrutiny in decision making and clear procurement rules, the Company aims to ensure that employees and Directors comply with anti-bribery legislation. Non-compliance by an employee or Director may be perceived as bringing the Company into disrepute or using their office for personal gain which may result in disciplinary or criminal action being taken.

Company Directors

Directors are required to operate within:

- AES Code of Conduct
- AES Finance and Contract Procedure Rules
- Internal Control Systems

The Company has Finance and Contract Procedure Rules, Accounting Procedures, and various rules and Codes of Conduct in place. Employees are obliged to comply with these requirements when dealing with Company matters.

The Company has sound financial systems and procedures, which incorporate efficient and effective internal controls. For instance "separation of duties" is considered a fundamental control in such systems, especially when involving significant transactions. Senior managers are responsible for maintaining effective internal controls including the prevention and detection of fraud and other illegal acts. Internal Audit will monitor and report upon these controls.

Working with Others

There are a variety of arrangements in place, which assist and support the regular exchange of information between AES, Local Authorities and Agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of professionals such as Internal Auditors.

Through Cheshire East Council, AES has access to NAFN (formally known as the National Anti-Fraud Network) which provides access to information relating to fraud within the public sector.

As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored throughout AES and beyond. This enables information and intelligence to be generated, which is a recognised means of preventing fraud and corruption.

6. Detection and Investigation

Internal Audit are not responsible for preventing fraud, irregularities and errors, this is the responsibility of those charged with governance and managers. As such, all managers are required to maintain effective control systems and procedures, and to ensure that all employees comply with the instructions contained therein.

In accordance with Finance and Contract Procedure Rules, any matters which involve, or are thought to involve, any fraud or other significant irregularity involving Company assets or those of a third party fund, must be notified immediately to the Director of HR & Corporate Services. This is essential to our approach to fraud and corruption and ensures consistent treatment of information regarding fraud and corruption, proper investigation by an independent and experienced audit team and the optimum protection of AES' interests

When information relating to potential fraud or corruption is obtained, the concerns will be tested to identify the appropriate action to be taken. Some referrals will not warrant further investigation whilst others may be better dealt with as management issues; or a full investigation may be needed.

Depending on the nature and extent of the information obtained, Internal Audit will normally work closely with:

- Senior Management
- Human Resources
- Legal Services
- Other agencies, such as the Police, the Department for Work and Pensions, and other local Authorities

This will enable the organisation to determine who is best placed to take the issues forward. It also ensures that all allegations and evidence supplied are properly investigated and reported upon, and that where possible, losses are recovered for the Company. Where appropriate this will include the use of Proceeds of Crime legislation.

AES' Whistleblowing Policy provides clear guidance for individuals to raise any concerns of malpractice within the Company, without the fear of suffering detriment. AES will take appropriate action to protect anyone who has raised a concern that they believe to be true. The Policy deals with the reporting of suspected fraud and corruption including bribery through formal channels, whether this is through management, or Internal Audit. The Policy also includes making disclosures to external bodies if there is an unsatisfactory outcome to a disclosure made internally.

Where it is found that a Company employee has been involved in fraudulent activity they will be subject to AES' disciplinary procedures.

Where financial non-compliance and wrongdoing is discovered relating to employees or Directors, the Director of HR & Corporate Services will, in consultation with Audit, decide whether the matter should be referred to the Police or other appropriate enforcement agency. Referral to the police will not necessarily prevent action under the disciplinary procedure.

The Company's External Auditor, currently Grant Thornton, also has powers to independently investigate fraud and corruption.

The Director of HR & Corporate Services will maintain a Fraud Register and will report to the Board on a quarterly basis, on the number of matters raised under this policy and the outcome of any investigations

7. Deterrence

There are a number of ways in which we deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside or outside of the Company. These include:

- Publicising the fact that AES will not tolerate fraud and corruption by promoting this at every appropriate opportunity, e.g. publicising successful prosecutions.
- Acting quickly, efficiently, and decisively when fraud and corruption is suspected and proven, e.g. the termination of contracts, the dismissal and prosecution of offenders.
- Taking action to recoup the maximum recoveries (including losses and costs) for AES, e.g. through agreement, court action, penalties, insurance, superannuation etc. Where appropriate the Proceeds of Crime Act will be used to maximise the penalty suffered by the fraudster, and the level of recovery by the Company.
- Having sound internal control systems, that still allow for innovation and calculated risk, to create maximum opportunities for the Company whilst minimising the potential for fraud and corruption.

It is the responsibility of Senior Management to communicate the Anti-Fraud and Corruption Policy to managers and employees and to promote a greater awareness of fraud within their Departments.

8. Raising Fraud Awareness

AES recognises that the success and credibility of its Anti-Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. Every opportunity will be taken to bring it to the attention of employees, Directors and other stakeholders. The policy will also be shown on the Company's website and be available on the Company Intranet.

To facilitate the raising of awareness of this Policy, consideration will be given to the most effective ways of increasing Director and employee awareness of this policy and their associated responsibilities in complying with it

9. Conclusions

AES has put into place a number of arrangements to protect itself from the risk of fraud. However in the current climate of change there are issues that will increase the risk of loss.

Changes in structure, systems and the reduction of staff, as well as external pressures due to the economy, all contribute to our exposure to the risk of fraud. To mitigate against this risk the Company will carry out regular reviews of these arrangements.

The Anti-Fraud and Corruption Policy provides a framework for preventing and tackling fraudulent and corrupt acts against AES. The approval of the Policy by the Board, on behalf of AES, demonstrates the Company's commitment to protecting public funds and minimising losses to fraud and corruption. Having made this commitment, it is imperative that arrangements are put in place for circulating the policy and promoting fraud awareness, throughout the Company.

10. Equality

The organisation is committed to promoting equality of opportunity and developing and maintaining a diverse workforce, working with our staff to establish a workplace culture that is inclusive, fair and respectful to all.

In applying this policy, the organisation will have due regard for the need to eliminate unlawful discrimination, promote equality of opportunity, and provide for good relations between people of diverse groups, in particular on the grounds of the following characteristics protected by the Equality Act (2010); age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, and sexual orientation, in addition to offending background, trade union membership, or any other personal characteristic.

11. Monitoring & Review

Data relating to counter fraud and corruption will be collated and monitored regularly to ensure that the Policy is operating fairly, consistently and effectively. Issues that are identified from the data will be dealt with appropriately.

The policy will be reviewed on a regular basis to take into account operating experience and/or changes in legislation and best practice.

The outcome of such reviews will be reported to the Board

Appendix One: Fraud Response Plan

1. Introduction

This plan deals mainly with the responsibilities of all staff in deterring losses to funds. There are additional responsibilities borne by managers. The document deals mainly with the internal response and actions that we need to take within the Company to both deter fraud, and to respond to any suspicion of it that comes to our attention. That said, it is important to remember that fraud could be carried out by people outside the Company and we each of us need to be aware of this in our dealings with external parties.

Any suspicion of fraud will be investigated as set out in this plan. Any proven instance of fraud will result in disciplinary action being taken against any member of staff involved. The policy of the Company is to notify the police in circumstances where there is evidence that a crime may have been committed.

The Employee Code of Conduct sets out standards which staff are expected to meet at all times, particularly with regard to the safeguarding of funds.

2. What is fraud?

For practical purposes, so far as this document is concerned, fraud may be taken to mean the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

The essential elements of fraud are dishonesty, which can include non-disclosure of important facts, and deprivation or risk of deprivation.

The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

3. Responsibilities

Individual members of staff are responsible for:

- Acting with propriety in the use of official resources and in the handling and use of funds, whether they are involved with cash or payments systems, receipts or dealing with contractors or suppliers.
- Reporting immediately to their line manager or next most senior manager if they suspect that a fraud has been committed or see any suspicious acts or events.

In addition to those individual responsibilities, managers are responsible for:

- Identifying the risks to which systems and procedures are exposed.
- Developing and maintaining effective controls to prevent and detect fraud.
- Ensuring that controls are complied with.

4. Objectives of this Plan

The objectives of having a widely circulated and understood response plan are to:

- deter fraud by publicising steps that will be taken if any is discovered.
- set out managers' responsibilities in this area.
- set out clear guidance on the appropriate steps to be taken if managers become aware of, or suspect that, fraud may be taking place.

The steps set out in the Plan have been devised with the aims of:

- Minimising delay in taking any appropriate action:
- Reducing the impact of any fraud which takes place.
- Ensuring that any possible frauds are investigated.
- Preventing or minimising losses of funds.
- Maximising the possibility and amounts of recovery.
- Identifying perpetrators of fraud and increasing the likelihood of successful disciplinary or legal action.
- Minimising the possibility of adverse publicity.
- Ensuring that lessons learned from any instances of suspected fraud are acted upon.

5. Reporting

Immediately that fraud is discovered or suspected, the matter should be reported to the Director of HR & Corporate Services, or a person nominated by them, who will decide what further action is appropriate.

6. Immediate Considerations and Actions

The primary objective should be to ensure that funds are protected. So, the initial investigation should attempt to determine whether there is any possibility of further offences taking place. If there is thought to be any possibility of recurrence, then actions which should be considered include:

- Freezing bank accounts.
- Suspending BACS or cheque payments.
- Suspending individuals.

7. Enquiries

Enquiries into the possibility of fraud taking place should be begun without delay. Facts need to be established, steps taken to protect any individual who may have been unwittingly involved and to ensure that any evidence that is discovered can be used in any subsequent action that might be necessary. To assist in this, it may be appropriate to involve the Police where there is evidence that a criminal offence may have taken place.

8. Recovery Action

Prompt action is likely to be important in maximising recovery of any funds which have been lost or are thought to be vulnerable as a result of the fraud.

Consideration should be given to involving other parties such as:

- The Bank Manager to discuss the desirability or possibility of recalling BACS/CHAPS payments, cancelling cheque payments or withdrawing and replacing pre-printed payment stationery.
- A legal adviser for advice on recovery of other assets.

9. Reporting Action

The circumstances of the fraud and action taken should be reported to the Director of HR & Corporate Services who will be responsible for:

- Reporting the incident in any required returns.
- Reporting the matter to our internal auditors and the Board.

10. Disciplinary/Legal Action

Where evidence of fraud is discovered and those responsible can be identified:

- Appropriate disciplinary action will be taken in line with the disciplinary procedure.

- When legal action is considered appropriate, full co-operation will be given to investigating and prosecuting authorities.

11. Further Action

A full report on the circumstances and outcome of any fraud or suspected fraud will be produced. The report will cover the identification of any shortfall in current procedures which contributed to the commission, recommendations on actions which could be taken to prevent or reduce the effect of any future occurrence and who will be responsible for considering these.