

## Part 8 – ANTI FRAUD AND CORRUPTION POLICY

### 1. Introduction

- 1.1 As Medway Council ('The Council') is funded by the "public purse", it is constantly under scrutiny from a number of sources about how it spends the money allocated to it. The Council has developed comprehensive financial practices and procedures to help ensure that acts of fraud or corruption are not committed against it, as anyone committing such an act will damage the integrity of the Council and those with whom they work.
- 1.2 In order to protect public funds against fraud and corruption the Council is committed to an effective Anti Fraud and Corruption Policy to ensure that the opportunity for fraud and corruption is reduced to the lowest possible risk.
- 1.3 The Council's expectation on propriety and accountability is that members and staff at all levels ensure adherence to statutory and internal rules and regulations, procedures and recommended practices.
- 1.4 Definitions relevant to this policy are as follows:

**Fraud** – is any intentional act or omission designed to deceive others, resulting in, or intended to result in the victim suffering a loss and/or the perpetrator achieving a gain (as defined in The Fraud Act 2006).  
Offences may also include:

- **Theft** – The Theft Act 1968 defines theft as the dishonest taking of property belonging to another person with the intention of depriving the owner permanently of its possession.
- **Money Laundering** - The Money Laundering Regulations put in place 2007 set out the requirement for organisations to put in place anti-money laundering controls.
- **Corruption** - is the abuse of one's position for direct or indirect personal gain. It covers the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person. Corruption may include:
- **Bribery** - The Bribery Act 2010 creates offences of making or receiving bribes, and also creates a new offence of failure of an organisation to prevent bribery by persons associated with it, including third party service providers.

## **2 Policy statement**

- 2.1 All staff and elected members must act honestly and with integrity at all times and safeguard the resources for which they are responsible. Fraud must be a concern to all members of staff and elected members. 2.2 Medway Council is committed to
- The creation of an anti-fraud culture;
  - Prevention of fraud wherever possible;
  - Prompt detection of fraud;
  - Professional investigation of detected fraud;
  - The use of sanctions, including legal action against people committing fraud;
  - Steps to ensure recovery of funds defrauded.
- 2.3 Members and staff at all levels must ensure adherence to statutory requirements and internal rules and regulations, procedures and recommended practices. The Council has developed comprehensive practices and procedures to help ensure that acts of fraud or corruption are not committed against it.
- 2.4 It is often the alertness to the possibility of fraud and corruption, of all those involved in a business activity with the Council, that enables detection to occur. Under the Council's Employee Code of Conduct, employees have a duty to report any suspected cases of fraud or corruption to their immediate line manager (unless the said manager is implicated). The manager is also required to inform the Chief Finance Officer (CFO). Reporting cases in this way is essential to the Anti Fraud and Corruption Policy.
- 2.5 Frauds are often discovered as a result of whistleblowing and the Council has arrangements in place to enable such information to be properly dealt with, and the whistleblower protected. All whistleblowing cases related to fraud and financial irregularity will be subject to initial enquiries by the Head of Audit & Counter Fraud to confirm or repudiate suspicions raised, and if the concerns are substantiated a full investigation will be undertaken.
- 2.6 There are mechanisms in place within the Council to act in cases of fraud and corruption. These include the following:
- 2.7 The Council's Employee Disciplinary Procedures identify "fraud, theft or other criminal acts" as examples of gross misconduct. This and other fraudulent or corrupt conduct will normally lead to dismissal.
- 2.8 The Council will seek full redress through the legal processes available to counter any internal or external fraudulent activities perpetrated against it. This redress will be achieved through criminal and/or civil courts as considered appropriate.

### **3 Responsibilities**

#### **Section 151 Officer**

- 3.1 The Chief Finance Officer is responsible for:
- Proper administration of the Council's financial affairs, reporting to Members and the External Auditors if the Council, or one of its representatives makes, or is about to make, a decision which is unlawful, or involves illegal expenditure or potential financial loss (Local Government Finance Act 1988 s.114).

#### **Managers**

- 3.2 All managers are responsible for:
- Maintaining internal control systems and ensuring that the Council's resources and activities are properly applied in the manner intended;
  - Identifying the risks to which systems and procedures are exposed;
  - Developing and maintaining effective controls to prevent and detect fraud;
  - Ensuring that controls are being complied with.
- 3.3 Key mechanisms for fraud prevention are the checks included in working procedures relating to financial, contract and procurement procedures, and the recruitment procedures for ensuring employees are appointed on merit, and appropriate pre-appointment checks are completed to eliminate the appointment of unsuitable persons.

#### **Employees**

- 3.4 Each member of staff is responsible for:
- His or her own conduct and for contributing towards the safeguarding of corporate standards (including declarations of interest, gifts and hospitality offered and received, private working, Whistleblowing, etc);
  - Acting with propriety in the use of official resources and in the handling and use of corporate funds, whether they are involved with cash or payments systems, receipts or dealing with contractors or suppliers;
  - Reporting details immediately to their line manager or the Chief Finance Officer, if they suspect that a fraud has been committed or see any suspicious acts or events.

#### **Contractors and suppliers**

- 3.5 Those organisations employed to work on behalf of the Council are expected to maintain strong anti-fraud principles. The Council's contract partners will be expected to have adequate recruitment procedures and controls when they are administering finance on behalf of the Council. The Council expects its partners to have adequate controls in place to minimise fraud and to provide access to their financial records as they relate to the Council's finances, and their staff will be required to assist fully in any investigation.

The Council will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. The Council will request that the organisation takes necessary action against the individual and the Council will require them to be removed from its account.

### **Internal Audit**

- 3.6 Audit & Counter Fraud, which includes Internal Audit and the Corporate Anti-Fraud Team is responsible for:
- Acting as the Council's consultant on issues of fraud and corruption;
  - Completing annual assessments of the Council's fraud risk;
  - Undertaking proactive work to support management in strengthening fraud resilience;
  - Undertaking proactive work to identify fraud committed against the Council
  - The independent appraisal of control systems for managing fraud risk;
  - The investigation of allegations and suspicions of internal fraud or corruption and then advising and leading the Council, in conjunction with Human Resources (HR) and Legal Services, with regard to prosecution, disciplinary, or alternative sanctions;
  - The investigation into allegations of Housing and Council Tax Benefit fraud.
- 3.7 In undertaking investigations Audit & Counter Fraud
- Ensures the consistent treatment of information regarding fraud and corruption;
  - Facilitates proper investigation of suspected cases;
  - Ensures that the individual's and the Council's interests are protected.

### **External Audit**

- 3.8 The External Auditors have specific responsibilities for:
- Reviewing the stewardship of public money;
  - Considering whether the Council has adequate arrangements in place to prevent fraud and corruption;
  - The External Auditor also has powers to independently investigate fraud and corruption.

### **Members**

- 3.9 Each elected member of the Council is responsible for:
- His/her own conduct and for contributing towards the safeguarding of corporate standards (including declarations of interest, gifts and hospitality offered and received, Whistleblowing, etc);
  - Contributing towards the safeguarding of corporate standards by compliance with the Members Code of Conduct.
- 3.10 The Council is accountable to all the people of Medway and is responsible for conducting its business in an open, honest, equal and fair manner. In

doing so, it will take positive action against any identified fraudulent or corrupt activities.

- 3.11 The Council's employees and elected Members are important elements in its stance on fraud and corruption and they are positively encouraged to raise any concerns, which they may have on issues associated with the Council's activities. They can do this in the knowledge that such concerns will be treated in confidence, properly investigated and fairly dealt with.
- 3.12 In recent years there has been a rapid increase of fraud perpetrated against local authorities in general. The nature and scope of much of this fraud is varied and cross-jurisdiction. Accordingly it has become necessary to liaise with and undertake joint working with certain agencies, including (but not limited to):
- Other local authorities;
  - The Department for Work and Pensions (DWP);
  - Police;
  - UK Border Agency.
- 3.13 The Council is committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, the Council will assist and exchange information with other appropriate bodies to assist in the investigation of and to combat fraud.

#### **National Fraud Initiative (NFI)**

- 3.14 The Council is legally required under s.6 of the Audit Commission Act 1998 to provide relevant data and to participate in NFI.
- 3.15 The Council provides information obtained from its databases, which is matched with that of other authorities and agencies, to identify possible fraud and corruption.
- 3.16 Details of matches are returned to the Council's Audit & Counter Fraud, where the data is shared with the relevant managers to identify potential cases of fraud. Where further internal investigations are required the matter is referred to Audit & Counter Fraud to pursue cases of fraud and irregularity perpetrated by employees.
- 3.17 Cases identified that relate to members of the public abusing the benefits system, are also referred to the Corporate Anti-Fraud Team for investigation.

#### **4. The seven general principles of public life**

4.1 The Council has adopted a Member Code of Conduct in accordance with the Localism Act 2011. This Code must (in line with the Localism Act 2012) be consistent with the following principles

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

#### **5. Constitution**

5.1 The Council has agreed a Constitution, which sets out how the Council operates, how decisions are made, and the procedures to follow to ensure that these are efficient, transparent and accountable to local people. While some of these processes are required by law, others are a matter for the Council to choose. The Constitution also has a number of codified rules and regulations to make sure that financial, working and organisational procedures are properly controlled. These are an important part of the internal control processes, and it is important that all members and staff know about them.

5.2 The most notable ones are:

- Financial rules (Chapter 4, part 6)
- Contracts rules (Chapter 4, part 7)
- Employment rules (Chapter 4, part 8)
- Whistleblowing Policy (Chapter 4, part 9)
- Members code of conduct (Chapter 5, part 1)
- Employee code of conduct (Chapter 5, part 3)
- Code of corporate governance (Chapter 5, part 6)

5.3 Chief Officers must ensure that relevant rules and regulations are up to date, that all staff have access to the relevant rules and regulations, and that staff receive suitable training.

5.4 Members and employees must ensure that they read and understand the rules and regulations that apply to them and act in accordance with them.

#### **5.5 Whistleblowing**

5.5.1 The Council's Whistleblowing Policy is intended to encourage all individuals to raise serious concerns. Those reporting concerns this way are afforded certain rights and protection through legislation enacted under the Public Interest Disclosure Act 1998. Everything possible will be dealt with in a confidential manner and protect them from reprisals.

5.5.2 Management are responsible for reporting all allegations and suspicions of fraud and/or corruption from whistleblowing sources to the Audit Services Manager, as Head of the relevant Specialist Team, who will determine any initial investigation required and inform the Chief Finance Officer.. Annual Reports will be provided to Audit Committee on the number, nature and status of all whistleblowing events, and reports will be provided to the Audit Committee on the findings of full investigations relating to fraud and/or corruption.

5.6 Outcomes of irregularity reports are reported to the Audit Committee; breaches of conduct by employees are dealt with through the Council's disciplinary procedures. The Councillor Conduct Committee deals with Members who breach the Code of Conduct.

## **6. Training**

6.1 Implementing a successful Anti Fraud and Corruption Policy is largely dependent on the awareness and responsiveness of employees and Members throughout the Council.

6.2 The Council supports the concept of fraud awareness training for Members and employees to ensure that their responsibilities and duties in respect of this are regularly reviewed and reinforced.

6.3 The Council is also committed to training and developing staff who are involved in investigating fraud and corruption and suitable training will be provided where necessary.

## **7. Conclusion**

7.1 The Council will target and fight all identified or suspected instances of fraud or corruption including but not limited to:

- Financial irregularity
- Misuse of office
- Misuse of Council property
- Corruption
- Collusion
- Theft
- Bribery
- Stealing supplies
- Working while on sick leave
- Falsifying time sheets and expense claims
- Selling Council equipment
- Failure to declare an interest
- Fraudulent tendering process
- Fraudulent property letting
- Fraudulent certification for payment of goods or services not received.

7.2 The Council has a number of systems and procedures in place to assist in the fight against fraud and corruption. These arrangements need to keep pace with future developments in prevention and detection techniques.

- 7.3 Furthermore, the Council will also ensure that this policy document is regularly reviewed, so that it remains current and effective.
- Misuse of Council property
  - Corruption
  - Collusion
  - Theft
  - Bribery
  - Stealing supplies
  - Working while on sick leave
  - Falsifying time sheets and expense claims
  - Selling Council equipment
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