

## **Audit Committee**

**11 September 2025**

### **Counter Fraud & Corruption Strategy 2025**

Report from: Phil Watts, Chief Operating Officer

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#### **Summary**

This report seeks endorsement from the Audit committee for the proposed Counter Fraud & Corruption Strategy and to recommend Council approval.

#### **1. Recommendations**

- 1.1. The Committee is recommended to consider the Counter Fraud & Corruption Strategy document presented at Appendix 1 and recommend approval by Full Council.

#### **2. Budget and policy framework**

- 2.1. Council delegates responsibility for the oversight and monitoring the effectiveness of the Council's counter fraud arrangements to the Audit Committee.
- 2.2. Approval of the strategy is a matter for Full Council, in addition to Audit Committee, the strategy will also be considered by Cabinet.

#### **3. Background**

- 3.1. The Council has a Counter Fraud and Corruption Strategy sets out the council's approach to combating of fraud and corruption and is designed to ensure the risk of such activity is reduced to its lowest possible levels.
- 3.2. The Strategy is reviewed annually to ensure it reflects the latest legislative requirements and recognised best practice.

#### **4. Counter Fraud & Corruption Strategy**

- 4.1. The Counter Fraud & Corruption (CF&C) Strategy is reviewed annually to ensure it remains fit for purpose and reflects the latest best practice and legislative requirements.
- 4.2. In 2023 the government introduced the Economic Crime and Corporate Transparency Act 2023 along with a new 'failure to prevent fraud offence' to hold large organisations to account if they profit from fraud committed by their employees. This offence came into effect on 1 September 2025.
- 4.3. Medway Council falls within the scope of the legislation as a large company. A

“large organisation” is defined in section 201 as meeting two or three out of the following criteria.

- More than 250 employees
- More than £36 million turnover
- More than £18 million in total assets

- 4.4. The offence will hold organisations to account for fraud committed by their employees, agents, subsidiaries or other “associated persons” who provide services for or on behalf of the organisation, where the fraud was committed with the intention of benefiting the organisation or their clients. The intention to benefit the organisation does not have to be the sole or dominant motivation for the fraud. The offence can apply where a fraudster’s primary motivation was to benefit themselves, but where their actions will also benefit the organisation. It does not need to be demonstrated that the organisation’s senior managers or directors ordered or knew about the fraud.
- 4.5. An employee, an agent or a subsidiary of the relevant body is automatically an “associated person” for the purposes of this offence. A person who provides services for or on behalf of the relevant body is also an associated person while they are providing those services.
- 4.6. Companies within the Council’s supply chain are not associated persons unless they are providing services for or on behalf of the Council. These include, an employee of a council subsidiary company, regardless of being considered a ‘large organisation’, or a sole contractor/ employee of a contacted business delivering a service on behalf or for the council (for example, housing repairs, highways and transportation, leisure and recreation, and outreach services) would be considered an associated person. The term “providing services” does not include providing goods or services to the Council. Thus, persons providing services to the Council (for example, commercial cleaning, external lawyers, valuers, accountants or engineers) are not acting “for or on behalf” of the Council. This means they would not be associated persons for the purposes of the offence.
- 4.7. Relevant organisations will have a defence if they have reasonable procedures in place to prevent fraud, or if they can demonstrate to the satisfaction of the court that it was not reasonable in all the circumstances to expect the organisation to have any prevention procedures in place.
- 4.8. A self-assessment against Home Office guidance to organisations on the offence of failure to prevent fraud is currently being undertaken, but while the existing strategy had been designed to incorporate the themes outlined in the Fighting Fraud and Corruption Locally Strategy 2020 and how the council would respond to fraud; this was all incorporated into a very long document. As such, it was already known that it would require updating to give greater clarity around how it aligned with best practice.
- 4.9. Accordingly, the Strategy has been re-written to:
- provide a clearer high-level strategy for counter fraud and corruption,
  - give a clear policy statement on behalf of the Council to set the ‘tone from the top’,
  - give specific reference to the themes outlined in the Fighting Fraud and Corruption Locally Strategy 2020, which remains the latest form of best practice, and

- include a dedicated fraud response plan.

4.10. This new strategy is designed to align with the expected practice contained within the Home Office guidance and form part of the mitigations of risk relating to the new offence of failing to prevent fraud.

4.11. The updated Counter Fraud & Corruption Strategy is included at Appendix 2 and endorsement is sought from the Audit Committee along with a recommendation to Cabinet that the updated Strategy is adopted.

## 5. Risk management

5.1. The council should publicise its arrangements for preventing, detecting and investigating fraud and corruption to inform the public, stakeholders, Members and officers of the arrangements in place and, more specifically, how they are able to report any suspicion or concerns. The strategy document within this report should also act as a deterrent for those intending to attempt to commit fraudulent actions against the council.

5.2. Failure to approve the updated and strategy document will result in the council's strategic counter-fraud and corruption arrangements not reflecting current legislation and local arrangements for investigating fraud and corruption activity.

## 6. Climate change implications

6.1. There are no climate change implications in this report.

## 7. Financial implications

7.1. Effective counter fraud arrangements are intended to detect, prevent and respond to fraud entering the system, which in turn would stop or reduce the risk of financial loss to the council and the wider public purse.

7.2. The Counter Fraud service undertakes activity that is aimed at identifying fraud and error that could have an adverse effect on the financial statements of the council.

## 8. Legal implications

8.1. The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them. Section 151 of the Local Government Act 1972 requires the council to “make arrangements for the proper administration of their financial affairs”.

8.2. The Economic Crime & Corporate Transparency Act 2023 includes an offence of ‘Failing to Prevent Fraud’, the only defence against which is appropriate fraud prevention measures.

## Lead officer contact

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## Appendices

Appendix A – Draft Counter Fraud & Corruption Strategy 2025

## Background papers

Fighting Fraud and Corruption Locally Strategy 2020.

Economic Crime & Corporate Transparency Act 2003

Economic Crime and Corporate Transparency Act 2023: Guidance to organisations on the offence of failure to prevent fraud