

## **Cabinet**

**16 December 2025**

### **Counter Fraud and Corruption Strategy 2025**

Portfolio Holder: Councillor Zoe Van Dyke, Portfolio Holder for Business Management

Report from: Phil Watts, Chief Operating Officer

Author: James Larkin, Head of Internal Audit & Counter Fraud Shared Service (Chief Audit Executive)

#### **Summary**

This report asks the Cabinet to recommend the proposed Counter Fraud & Corruption Strategy to Full Council for approval.

The report was previously considered by the Audit Committee on 11 September 2025 and by the Business Support and Digital Overview and Scrutiny Committee on 23 October 2025, the minutes of which are set out at sections 7 and 8 of the report respectively.

#### **1. Recommendations**

- 1.1. The Cabinet is asked to note the comments made by the Audit Committee on 11 September 2025 and by the Business Support and Digital Overview and Scrutiny Committee, as set out in sections 7 and 8 of the report.
- 1.2. The Cabinet is recommended to consider the Counter Fraud & Corruption Strategy document presented at Appendix 1 to the report and recommend approval by Full Council.
- 1.3. The Cabinet is requested to recommend that Full Council agrees that a briefing, for all Members of the Council, be arranged in relation to the new Counter Fraud & Corruption Strategy.

#### **2. Suggested reasons for decision**

- 2.1. The Council agreeing a Counter Fraud and Corruption Strategy helps to ensure the risk of fraud and corruption activity is reduced to its lowest possible levels.

### 3. Budget and policy framework

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

### 4. Background

- 4.1. 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.
- 4.2. The Strategy is reviewed annually to ensure it reflects the latest legislative requirements and recognised best practice.

### 5. Counter Fraud & Corruption Strategy

- 5.1. 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.
- 5.2. 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.
- 5.3. 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.
- 5.4. 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.
- 5.5. 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.

- 5.6. 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.
- 5.7. 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.
- 5.8. A self-assessment against Home Office guidance to organisations on the offence of failure to prevent fraud has been undertaken, and 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.
- 5.9. 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.
- 5.10. 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.
- 5.11. The updated Counter Fraud & Corruption Strategy is included at Appendix 1. The Cabinet is requested to recommend approval to Council.

## 6. Risk management

- 6.1. 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.

- 6.2. 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.

## 7. Audit Committee

- 7.1. The report was considered by the Audit Committee on 11 September 2025, and the draft minutes of this discussion are set out below:
- 7.2. The Head of Internal Audit and Counter Fraud introduced the report and highlighted the changes in the proposed strategy. Many of the changes were to the appearance of the strategy to make it more accessible to Council staff. The strategy was shorter and clearer to encourage more staff to read the document. There was one substantive change, recent national legislation had created a new offence of failure to prevent fraud, which was included in the new strategy. He added that the strategy had been informed by best practice in other authorities.
- 7.3. Members welcomed the new strategy.

### **Decision:**

- 7.4. The Committee considered the Counter Fraud & Corruption Strategy document presented at Appendix 1 and recommended approval by Full Council.

## 8. Business Support and Digital Overview and Scrutiny Committee

- 8.1. The report was considered by the Business Support and Digital Overview and Scrutiny Committee on 23 October 2025 and the draft minutes of the discussion are set out below.
- 8.2. The Head of Internal Audit & Counter Fraud introduced the report. He explained that the Counter Fraud and Corruption Strategy was subject to annual review, but Member approval only sought when significant changes were required. This was the first significant change since 2022.
- 8.3. Changes to the strategy were required following the Economic Crime and Corporate Transparency Act 2023 which created a new offence of failure to prevent fraud. The offence would occur where a large organisation benefited from the fraud of an employee and had failed to put in place reasonable measures in place to prevent that fraud.
- 8.4. The strategy had been rewritten to provide clarity and a clear policy statement by management to set expectations and make the strategy more understandable for staff. The Head of Internal Audit and Counter Fraud added that the Service had undertaken a self-assessment of against Home Office guidance which would be considered by the Audit Committee in October 2025.

8.5. The following issues were discussed:

**Audit Procedures** – a Member commented on a recent high-profile incident in another authority and asked what measures were in place to prevent similar incidents of fraud in Medway. The Head of Internal Audit and Counter Fraud stated that regular Internal Audits were undertaken to assess effectiveness of internal controls, and there were also assessments of fraud risk as well as fraud awareness training for staff. Council procedures also ensured effective segregation of duties to prevent members of staff having the ability to carry out fraud, however fraud was often found where staff became complacent, so vigilance was required.

8.6. **Self-Assessment** - further information was requested regarding the outcome of the self-assessment, the Head of Internal Audit and Counter Fraud stated that the only defence for organisations was to have appropriate procedures in place to prevent fraud. The self-assessment was based on guidance provided by the Home Office and the results were largely positive. A number of actions had been identified to enhance the protections already in place.

8.7. In response to a question about how the service was raising its profile, the Head of Internal Audit and Counter Fraud stated that the service offered monthly counter fraud awareness training and also team specific training. The service also carried out annual surveys on the work of the teams, with the Internal Audit surveys aimed at Service Managers and Assistant Directors who had the most contact with the team and the Counter Fraud survey was for all staff. Once agreed, the Counter Fraud strategy would be sent to all staff via Meta compliance to raise awareness of the issue. The Member commented that the team provided an excellent service and encouraged Members to take an active part in such surveys.

8.8. The Committee discussed the proactive Counter Fraud work currently undertaken by the service. This included investigation of misuse of Blue Badges with Civil Enforcement Officers. Fieldwork undertaken earlier in the year had found 25% of badges had been misused, which compared with 20% nationally. Education had been provided to Civil Enforcement Officers in ongoing enforcement and further similar fieldwork would be undertaken in the future.

8.9. It was asked what the trigger was to provide action from the service. The Head of Internal Audit and Counter Fraud stated that allegations received by the service were triaged then prioritised for investigation based on the quality of information received. The team also undertook proactive work in areas of high risk such as tenancy fraud.

8.10. **Decision:**

- a) The Committee considered the Counter Fraud & Corruption Strategy document presented at Appendix 1 and recommended approval by Full Council.

- b) The Committee agreed that when the Internal Audit and Counter Fraud Service provided surveys to the Council, Members be encouraged to take part.

## 9. Climate change implications

- 9.1. There are no climate change implications in this report.

## 10. Financial implications

- 10.1. 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.
- 10.2. 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.

## 11. Legal implications

- 11.1. 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”.
- 11.2. 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

Appendix B – Current Counter Fraud and Corruption Strategy

## 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](#)