

## **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 The Audit Commission recommends (and it is now acknowledged best practice) that public sector bodies and organisations introduce and adopt a Corporate Anti Fraud and Corruption Policy.
- 1.3 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.
- 1.4 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.

### **2 Policy statement**

- 2.1 The Council requires all staff and elected members to act honestly and with integrity at all times and to safeguard the resources for which they are responsible. Fraud is an ever present threat to these resources and hence must be a concern to all members of staff and elected members. The purpose of this statement is to set out specific responsibilities with regard to the prevention of fraud.

#### *Section 151 Officer*

- 2.2 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*

- 2.3 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.

### *Employees*

2.4 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.

### *Internal Audit*

2.5 The Internal Audit Service is responsible for:

- The independent appraisal of control systems and for assisting managers in the investigation of irregularities
- The investigation of allegations and suspicions of fraud or corruption, if directed to do so by the Chief Finance Officer
- Acting as the Council's consultant on issues of fraud and corruption
- Advising and leading the Council, in conjunction with Human Resources (HR) and Legal Services, with regard to prosecution, disciplinary, or alternative sanctions.

2.6 The Counter Fraud Team (within Internal Audit) is responsible for:

- The investigation into allegations of Housing and Council Tax Benefit fraud; and
- In conjunction with Legal Services, the prosecution of such offences (or the application of an alternative sanction).

### *External Audit*

2.7 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

### *Members*

2.8 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, as detailed in the Members Code of Conduct.

2.9 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.

2.10 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 The ten general principles of public life**

3.1 The Council has adopted the ten principles of standards in public life as recommended by the Standards Board for England (the model Members Code of Conduct) issued in April 2007. These principles, which apply equally to Members and officers are:

*Selflessness* - should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

*Honesty and integrity* - should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.

*Objectivity* - should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

*Accountability* - should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

*Openness* - should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

*Personal judgement* - may take account of the views of others, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

*Respect for others* - should promote equality by not discriminating against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.

*Duty to uphold the law* - should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

*Stewardship* - should do whatever they are able to do to ensure that their authorities use their resources prudently, and in accordance with the law.

*Leadership* - should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

## **4 Definitions**

4.1 An irregularity is any action by employees, Members, contractors, suppliers, agents and any external body involved in a business activity with the Council, that breaches the required high standards of financial integrity expected by the public.

4.2 Irregularities fall broadly within the following categories:

- Theft – the dishonest taking of property belonging to another person with the intention of depriving the owner permanently of its possession
- Fraud – generally defined as the intentional distortion of financial statements or other records by persons internal or external to the Council, carried out to conceal the misappropriation of assets (or otherwise) for gain
- Bribery and corruption – defined as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person

- Failure to observe Financial and contract rules, codes of conduct or other recognised codes of practice.

## **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)
  - 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 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.

## **6 Prevention of fraud and corruption**

### *Regulatory framework*

- 6.1 The Council has a wide range of mechanisms in place aimed at prevention and detection of fraud and corruption. These include the main rules and regulations set out in this document in addition to the financial and contract rules.
- 6.2 Rules and regulations must be regularly reviewed and updated, to reflect changes in circumstances.
- 6.3 Chief Officers must ensure that adequate levels of internal checks are included in working procedures, particularly financial, contract and procurement procedures.

### *Staff recruitment and checks*

- 6.4 The Council's recruitment procedure ensures that employees are appointed on merit and provides controls to eliminate the appointment of unsuitable persons.

- 6.5 Applicants are required to complete an application form and declare any criminal convictions that are not spent. Where appropriate, applicants may also be subject to a criminal records disclosure. Written references are requested and obtained for all successful applicants.
- 6.6 Where appropriate, the previous employment records of any potential employee (whether permanent or temporary) are checked with previous employers and the validity of formal qualifications declared, are verified.
- 6.7 Documentary checks are conducted on all new employees to ascertain their eligibility to employment in accordance with Asylum and Immigration Act 1996 s.8 (as amended) effective 1 May 2004.

*National Fraud Initiative (NFI)*

- 6.8 The Council is legally required under s.6 of the Audit Commission Act 1998 to provide relevant data and to participate in NFI.
- 6.9 The Council provides information obtained from its databases, which is matched with that of other authorities and agencies, to identify possible fraud and corruption.
- 6.10 Details of matches are returned to the Council's Internal Audit Service, where further internal investigations are undertaken to identify and pursue cases of fraud and irregularity perpetrated by employees.
- 6.11 Cases identified that relate to members of the public abusing the benefits system, are also referred to the Counter Fraud Team for investigation.

*Collaboration with outside agencies and other bodies*

- 6.12 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
  - Immigration Service
- 6.13 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. The Council's Counter Fraud Team will co-ordinate all assistance and exchange of information.

## 7 Detection and investigation

- 7.1 The range of preventative systems within the Council, particularly internal control systems, help to provide indicators of fraud (and error) and help to detect any fraudulent activity.
- 7.2 It is the responsibility of Chief Officers and their managers to prevent and detect fraud and corruption. However, it is often the alertness, to the possibility of fraud and corruption, of all<sup>1</sup> those involved in a business activity with the Council, that enables detection to occur and appropriate action to take place when there is evidence of the occurrence of fraud or corruption.
- 7.3 Despite the best efforts of managers and auditors, 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.

### *Whistleblowing*

- 7.4 The Council's Whistleblowing Policy is intended to encourage all<sup>1</sup> 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.
- 7.5 Management are responsible for reporting all allegations and suspicions of fraud and/or corruption from whistleblowing sources to the Chief Finance Officer, who will determine whether further investigation is necessary and if so who to carry it out, and that regular reports will be made to the Audit Committee about the number, nature and status of whistleblowing events.

### *Other methods of notification*

- 7.6 Under the Council's Employee Code of Conduct <sup>2</sup>, employees have a duty to report any suspected cases of fraud or corruption to their immediate line manager (unless the said manager is implicated) and to the Chief Finance Officer. The latter will determine who will carry out initial enquiries to confirm or repudiate suspicions raised, and if substantiated initiate further investigation. Reporting cases in this way is essential to the Anti Fraud and Corruption Policy, and:
- Ensures the consistent treatment of information regarding fraud and corruption
  - Facilitates proper investigation of suspected cases

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<sup>1</sup> Employees, members, contractors, suppliers, & organisations involved in a business activity with the Council

<sup>2</sup> Chapter 5 part 3 of the Council's constitution

- The individual's and the Council's interests are protected.

7.7 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 Standards Committee deals with Members who breach the Code of Conduct.

#### *External Audit*

7.8 The External Auditor also has powers to independently investigate fraud and corruption.

### **8 Courses of action**

8.1 There are mechanisms in place within the Council to act in cases of fraud and corruption. These include the following:

#### *Disciplinary action*

8.2 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.

#### *Prosecution*

8.3 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.

### **9 Training**

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

9.2 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.

9.3 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.

### **10 Conclusion**

10.1 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.

10.2 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.

10.3 Furthermore, the Council will also ensure that this policy document is regularly reviewed, so that it remains current and effective.

