



Counter Fraud & Corruption Policy

June 2017

Foreword

Melton Borough Council is committed to the highest standards of financial probity and takes its duty to protect the public funds it administers very seriously.

This is Melton Borough Council's Counter Fraud and Corruption Policy. It provides a clear framework for the Council to investigate suspected fraud thoroughly, to prosecute wherever the evidence supports such action and seek recovery of defrauded monies through all possible legal means.

The Council administers significant public funds and is sometimes targeted by persons wishing to defraud the public purse. This policy, and the structures maintained by the Council, demonstrate that we will make every effort to identify attempts to defraud the public purse and will robustly pursue individuals responsible.

The Council, through this policy, has adopted a zero tolerance towards fraud including:

- The referral of matters to the Police for investigation wherever appropriate and the full recovery of fraudulently obtained public funds by all legal means;
- The prosecution of persons responsible for defrauding the Council including prosecution through civil and criminal courts in the Council's own name or through the Police etc;
- The termination of contracts with partners and contractors; and
- The dismissal of employees proven to have defrauded or who have attempted to defraud the Council, including where an employee is complicit with another person's attempts to defraud the Council.

The Council requires all partners and contractors to assist in this role and cooperate with any fraud investigation undertaken by authorised officers.

Cllr Pat Cumbers
Governance Committee Chair

Lynn Aisbett
Chief Executive

1. INTRODUCTION

- 1.1 The authority aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities, the authority has always adopted a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the authority (eg suppliers/contractors).
- 1.3 However, in light of the Nolan Report, several well-publicised fraud and corruption cases within local government and the Local Government Act 2000, the authority has formalised these accepted standards and practices and developed an anti-fraud and corruption policy.
- 1.4 The authority demonstrates clearly (through this policy) that it is firmly committed to dealing with fraud and corruption and no distinction will be made for perpetrators inside (members/governors and employees) or outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 1.5 This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into the following sections:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and Training Section 6
- 1.6 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as its External Auditors, inspection bodies, the Local Government Ombudsman, HM Revenue & Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.7 Fraud and corruption are defined by the Audit Commission as:
- FRAUD – “the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.**

In addition, fraud can also be defined as:

“The use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.”

- 1.8 Corruption is the deliberate misuse of your position for direct or indirect personal gain. Corruption includes offering, giving, requesting or accepting bribe or reward, which influences your actions or the actions of someone else.
- 1.9 The Council’s Anti-Bribery Policy provides further details on bribery and the Council’s procedures in this area.
- 1.10 Other risk areas which need to be considered and are covered by this policy include:
- Facilitation payments – i.e. payments designed to make things happen but do not secure agreement. Section 106 payments are the subject of legal debate in this area.
- Gifts and Hospitality – genuine low level hospitality is deemed acceptable but it is imperative that registers are kept up to date and all staff must make declarations of interest.
- Disclosures of Interests – and ‘the failure to disclose an interest in order to gain financial or other pecuniary gain’.

2. CULTURE

- 2.1 The culture of the authority has always been one of the highest ethical standards, probity, openness and the core values of fairness, trust and value support this. The authority’s culture therefore supports the opposition to fraud and corruption.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone’s responsibility and of paramount importance to the authority.
- 2.3 The authority’s elected members and all employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. To that effect the Council has adopted a Whistleblowing Policy.
- 2.4 The definitions of Fraud and Corruption are by their nature technical and have their basis in the Fraud Act which became law on 15th January 2007. A more practical definition is where the Council’s assets, including money, are dishonestly obtained by someone not entitled to them. Examples include :
- theft of cash or assets;
 - obtaining access to services not entitled to e.g. obtaining a Council house or grant funding;

- falsifying information or documentation e.g. timesheets, overtime, expenses, qualifications etc;
- dishonesty between officers and management;
- the deliberate concealment of information required by the Council e.g. convictions or activities inconsistent with the Council's duties and responsibilities; and
- Defrauding welfare payments such as Housing Benefit and Council Tax benefit and Council Tax Single Person Discounts etc.

2.5 The authority will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions.

2.6 The authority will deal firmly with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.

2.7 When fraud or corruption have occurred because of a breakdown in the authority's systems or procedures, Corporate or Service Directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

2.8 In certain circumstances and where appropriate a commercial settlement between the Council and an employee may be deemed necessary as a way of disposing of a case. This should only be undertaken following agreement by the Chief Executive and Monitoring Officer and following an independent review by Counsel.

3. ROLES

Elected Members

As elected representatives, all members of the authority have a duty to citizens to protect the authority from all forms of abuse. This is done through this anti-fraud and corruption policy and compliance with the national code of conduct for members, the authority's Financial Procedure Rules, Constitution and the relevant legislation.

Elected members sign to the effect that they have read and understood the national code of conduct when they take office. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Monitoring Officer should advise members of new legislative or procedural requirements.

Members are required to apply the principles of good governance regarding their own affairs and when acting for the Council including declare pecuniary or non-pecuniary interests, potential for a conflict of interest and record the receipt of all gifts and hospitality. Members must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti fraud culture throughout Melton Borough Council.

Governance Committee

The Governance Committee and its members have specific responsibility re: the oversight of the Council's governance arrangements in respect of the adequacy of control systems to prevent and detect fraud but also the assurance that processes work effectively for individual cases.

The Governance Committee considers annual reports from Internal Audit on suspected and proven frauds and monitors those systems of control applicable to that area, making recommendation to Council where such protection requires improvement.

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| <p>SMT</p> | <p>SMT are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Procedure Rules and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>SMT have responsibility to ensure that effective systems of control are in place corporately and within their directorate to both prevent and detect fraud and that those systems operate properly.</p> <p>SMT are required to submit an annual self assessment of those processes for inclusion within the Council’s Annual Governance Statement.</p> <p>SMT must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Melton Borough Council. SMT are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p> |
| <p>Heads of Service/ Managers</p> | <p>Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Procedure Rules and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Managers of all levels must provide leadership by example is demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Melton Borough Council. Managers of all levels are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p> <p>Heads of Service and Managers must ensure that special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the integrated benefits computer system or council tax. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed in order to inform the directorate annual self assessment.</p> <p>The authority recognises that a key preventative measure in</p> |

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| | <p>dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The authority's recruitment procedures will be adhered to during this process.</p> <p>Management investigations into disciplinary matters must liaise with the Head of Audit regarding any potential fraud implications of the conduct / investigation.</p> |
| <p>Internal Audit</p> | <p>The Head of Audit shall recommend to the Head of Central Services whether a concern / suspicion regarding fraud requires investigation by the Internal Audit Investigators as opposed to management.</p> <p>Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Internal Audit Investigators liaise with management to recommend changes in procedures to prevent further losses to the authority.</p> <p>The Internal Audit service shall report to SMT and the Governance Committee regarding the application of the zero tolerance statement within this policy. Furthermore, the Internal Audit Investigators shall investigate all cases of suspected irregularity in accordance with the requirements of the Police and Criminal Evidence Act 1984, Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation. In all corporate related cases where employees are involved, they will work with HR and appropriate senior management to ensure that correct procedures are followed and that this policy is adhered to.</p> <p>The Head of Internal Audit maintains the Council's Fraud Log which is presented to the Governance Committee on an annual basis. The Head of Internal Audit will also review the Council's Counter Fraud Strategy and any action plans on a regular basis.</p> |

Employees

Each employee is governed in their work by the authority's Constitution and Financial Procedure Rules and other codes of conduct and policies (health and safety, IT strategy, IT security). Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority or will be provided by their manager.

In addition to the above, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the authority. These will be included in induction training and procedure manuals.

Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. Concerns should be raised, in the first instance, directly with the supervisor/business unit manager. If the employee feels that they cannot discuss their concerns directly with their line management they should refer to the Council's Whistleblowing Policy which gives details of independent persons they can discuss their concerns.

All employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services. Internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

External Audit

Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

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| <p>External Bodies</p> | <p>Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as: police, county, unitary and district Council groups, external audit service, Department of Works and Pensions and other government departments.</p> |
| <p>Contractors and Partners</p> | <p>Contractors and partners have a responsibility for the communication and implementation of this policy within their organisation. They are also responsible for ensuring that their employees are aware of the Council's Financial Procedure Rules, Whistleblowing and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Contractors and partners are expected to create an environment in which their staff feel able to approach them (or the Council directly) with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the relevant Head of Service for that area or may approach the Head of Internal Audit directly on any whistleblowing issue.</p> |
| <p>Stakeholders and Customers</p> | <p>Whilst this policy is primarily aimed at implementing the necessary culture and processes within the Council its Stakeholders and customers may become aware of issues that they feel may indicate fraud. They should refer to the Council's Whistleblowing policy or they can contact the Head of Internal Audit to discuss their concerns directly.</p> |

4. DETERRENCE

4.1. Prosecution

4.2.1 Each case will be considered on its merits.

4.2. Disciplinary Action

4.2.2 Theft, fraud and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken, if appropriate, in addition to criminal proceedings, depending on the circumstances of each individual case.

4.2.3 Disciplinary action will be undertaken in accordance with the Council's disciplinary policy and procedure with each case considered on its merits.

4.2.4 Allegations against Members will be dealt with under the Member Complaints Process.

4.2.5 Members or employees involved in fraud, theft or corruption that does not involve the Council or its finances may still be subject to the above action if it is considered to undermine the Council and its reputation.

4.3. Publicity

4.2.6 The Council recognises the key role publicity of fraud cases pursued plays in deterring other attempts to defraud the Council. To that effect a Publicity Policy is attached at Annex A of this policy which sets out these measures in detail.

4.3.1 The authority's Communications officers will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. Management will also try to ensure that the results of any action taken, including prosecutions, are reported in the media. Communications officers will maintain close working relationships with all areas involved in anti-fraud work but particularly Legal Services and Internal Audit.

4.3.2 In all cases where financial loss to the authority has occurred, the authority will seek to recover the loss and publicise this fact.

4.3.3 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make the employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs.

4.3.4 Regular reports will be made to the Governance committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

- 5.1 All staff, Members and any other stakeholder in Council services have a vital role in identifying potential fraud or corruption. It is not the responsibility of those groups to investigate their suspicions as this may undermine a case to be pursued but all parties play a key role in bringing such concerns to the Council's attention for a proper and thorough investigation to be undertaken.
- 5.2 Management are in the best position to become aware of any problems that could indicate fraud or theft etc. Management are also best placed to ensure that systems of internal control are in place and operating and thus are ideally placed to identify weaknesses or failures that may be exploited. Internal Audit can provide advice and assistance in this area.
- 5.3 Employees are also ideally placed to detect fraud, theft or corruption. Employees are encouraged to discuss concerns with their line manager but the Whistleblowing Policy also provides mechanisms to raise concerns corporately.
- 5.4 The Whistleblowing Policy provides a process to enable the Council to demonstrate :
- Proper investigations for all referrals
 - Proper action taken in relation to findings from investigations
 - Feedback is provided to anyone making a referral
 - Appropriate protection for anyone making or having made a referral.
- 5.5 Internal Audit plays an important role in the detection of fraud and corruption. Included in the annual Audit Plan are reviews of system of financial controls and specific fraud and corruption tests. Fraud risks are considered in the scoping of every audit assignment. Internal Audit operates in accordance with best practice including the adoption of a formal Audit Manual in line with CIPFA best practice and the Public Sector Internal Audit Standards. This includes suitable processes to provide assurance to management on the adequacy of systems of internal control including the completion of follow ups for previous recommendations.
- 5.6 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.7 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.
- 5.8 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This is essential to the policy, and:

- ensures the consistent treatment of information regarding fraud and corruption; and
- facilitates a proper and thorough investigation.

5.9 This process will apply to all the following areas:

- a) fraud/corruption by elected members;
- b) internal fraud/corruption;
- c) other fraud/corruption by authority employees;
- d) fraud by contractors' employees; and
- e) external fraud (the public).

5.10 Cases under a) will be referred to the Council's External Auditor and the Monitoring Officer.

5.11 In accordance with basic legal concepts any person who witnesses or discovers a criminal act has the right to refer concerns directly to the police.

5.12 Any decision to refer a matter to the police will be taken by the Head of Central Services in consultation with the Chief Executive and Corporate Governance Group. The authority will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.

5.13 Depending on the nature of an allegation under b) to e), the Head of Internal Audit will normally work closely with the Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon.

5.14 The authority's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.

6. AWARENESS AND TRAINING

- 6.1. The authority recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the authority.
- 6.2. To facilitate this in the past, positive and appropriate provision had been made via induction and for employees via their development plans. However, for the future it is intended that a programme of anti-fraud awareness training in the form of workshops possibly incorporating interactive means, will be rolled out across the Council. There will still be specialist training for certain elected members and employees.
- 6.3. All employees have access to full copies of the Whistleblowing Policy, Counter Fraud and Corruption Policy, Money Laundering Policy and Anti-Bribery Policy on the Council's network.
- 6.4. Key to effective awareness (and deterrent) is a formal and comprehensive system of feedback to provide outcome information to the person who originally referred concerns. Whilst confidentiality must be respected (including the Data Protection Act and Human Rights Act provisions) every referral should be concluded and the outcome communicated to the person making the original referral.
- 6.5. Anti-fraud services should also maintain management information to show :
 - How frauds are identified
 - Which type of frauds were affected
 - Any patterns or themes detected
 - New fraud issues highlighted
 - Prevention measures

ANNEX A

Publicity**1. Introduction**

- 1.1 Melton Borough Council has adopted this policy to address counter fraud and corruption issues enhancing public confidence in the administration of taxpayers' money.
- 1.2 The Counter Fraud & Corruption Policy and particularly this Publicity section aim to :
 - 1.2.1 Make clear the connection between saving public monies and the fraud work that achieves this.
 - 1.2.2 Dispel the belief held in some quarters that fraud is a victimless crime
 - 1.2.3 Demonstrate consistent action is taken for both complex frauds and the perceived lower level frauds
 - 1.2.4 Ensure that tough action taken against persons who commit fraud is utilised as an effective deterrent to others
 - 1.2.5 Alter perceptions of this area of work to move for an image of petty bureaucracy or snoopers to one of professional public funds watchdog.
 - 1.2.6 Ensuring that action taken is consistent with Melton Borough Council policies and legislative provisions as well as being in the public interest
- 1.3 This policy covers the methods by which the counter fraud work by the authority will be promoted including the publicity associated with specific cases.

2 Publicity Categories

- 2.1 Publicity takes many forms including
 - Leaflets
 - Posters
 - Press Releases / Articles
 - Advertisements
 - Intranet or Internet media
- 2.2 It is imperative that all available forms are maximised to promote an zero tolerance culture towards fraud throughout the organisation and to the public. However great care is needed to ensure that publicity in relation to anti-fraud work is positive and does not undermine the service or reinforce the negative perceptions of this area of work.
- 2.3 Thus publicity needs to focus on three key areas :
 - 2.3.1 Pro-active publicity of counter fraud work
 - 2.3.2 Specific cases pursued e.g. specific prosecutions / convictions sought; and

2.3.3 Reactive responses to Media enquiries.

3 Proactive publicity of counter fraud work

- 3.1 This area of work is essential to promote the work of the services and ensure that others are aware of this work and thus deterred from attempting fraud. The aim of this publicity is to increase the profile of anti-fraud work across Melton Borough Council and the wider community in order to promote the referral processes and deter fraud.
- 3.2 An internet/intranet site shall be maintained which sets out details as to how to report fraud. The site will also provide links to relevant policies.
- 3.3 Any materials used for Fraud Awareness purposes shall be reviewed annually to reflect any necessary changes.
- 3.4 Fraud Awareness training is part of the Council's Corporate Training/Induction system.
- 3.5 In addition to the above the counter fraud work shall be promoted periodically both within the Council and to the general community.

4 Specific Cases

- 4.1 Great care must be taken when publicising any specific case of fraud, theft or corruption. Data Protection Act and Human Rights Act provisions are key legal protections provided to those suspected of committing such offences and must not be breached by the Council's attempts to promote anti-fraud work.
- 4.2 However the publicity attached to any specific case is a necessary element of promoting the deterrent effect of anti-fraud work as it demonstrates actual instances and consequences to individuals.
- 4.3 Any decision that the Council should prosecute an individual, individuals or organisation must be taken following a formal quality assurance procedure.
- 4.4 Any decision to pursue prosecution will be taken on the basis of professional advice, the merits of the case itself and any applicable guidelines.
- 4.5 All prosecutions should include a consideration of publicity issues and ensure that the Council's communications team are involved / aware of the issue so that the Council can adopt a proactive publicity strategy and avoid the need to react to press enquiries.
- 4.6 A specific decision will be taken and recorded by the Head of Service to issue a press release for any specific case, in consultation with the Head of Internal Audit and Head of Central Services. If the criminal investigation remains ongoing, any decision to publicise the matter must be formally agreed with the relevant police lead. In all other cases a press statement / position shall be prepared to address any potential press enquiry.
- 4.7 Press releases shall be prepared that promote the Council's Counter Fraud and Corruption policy and maximise the deterrent effect of prosecutions.

5 Reactive Responses to Media Enquiries

- 5.1 Ideally the above measures aim to minimise the need for this where the Council proactively provides relevant information to promote anti-fraud through local (and possibly national) media.
- 5.2 Press queries will arise on some occasions and it is essential that they are responded to in such a way as to promote the anti-fraud policy of the Council.
- 5.3 Responses to Press queries regarding specific individuals must not breach Data Protection or Human Rights legislation.