

Counter Fraud and Corruption Policy

Key policy details

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1 Introduction

1.1 Definitions and scope

The Council will not tolerate fraud or corruption (or other forms of financial irregularity) by anyone. Consequently, this policy applies to a wide range of persons, including:

- All Council employees (including volunteers, temporary staff and agency staff);
- Elected Members;
- Council partners;
- Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working). The Council's standard terms and conditions, (or bespoke contractual terms) set out the main principles which the Council expects all suppliers to comply with. The Council expects its suppliers throughout the supply chain to support the principles contained in the Code of Conduct, and to actively communicate and promote the principles to their own supply chains;
- Organisations receiving grant payments from the Council;
- Service users; and
- Members of the general public, including council tax and business rate payers.

The Council acknowledges its wider responsibilities towards those individuals that it has a duty of care to, e.g. vulnerable service users, and will provide any necessary support to such individuals in cases of suspected fraud or financial irregularity against them (e.g. signposting to law enforcement agencies).

Fraud is a type of criminal activity, defined by the Serious Fraud Office as: 'abuse of position, or false representation, or prejudicing someone's rights for personal gain'. Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

The general criminal offence of fraud is defined by the Fraud Act 2006 and can include:

- deception whereby someone knowingly makes false representation
- failure to disclose information

- abuse of a position /office.

Corruption is the deliberate misuse of a position for direct or indirect personal gain. This includes offering, giving, requesting or accepting a bribe or reward, which influences actions or the actions of someone else. The Bribery Act 2010 makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval to giving or receiving a bribe. The Act also created the Corporate Offence of “Failing to prevent bribery on behalf of a commercial organisation” (corporate liability). To protect itself against the corporate offence, the Act requires an organisation to have “adequate procedures in place to prevent bribery”. The Council has a separate Anti-Bribery Policy which addresses bribery and the provisions of the Bribery Act in detail, including advice for staff on escalating concerns. In addition, this policy, the Council’s Codes of Conduct and the Whistleblowing Policy, along with raising awareness of fraud risk with staff (e.g. through induction, e-learning, targeted training, employee bulletins etc.) are designed to meet the requirement.

Theft is the misappropriation of cash or other tangible assets. A person is guilty of “theft” if they dishonestly take property belonging to another, with the intention of permanently depriving the other of it. The criminal offences associated with theft are predominantly set out in the Theft Act 1968 and the Theft Act 1978. Some allegations of fraud may, upon investigation, fall under the definition of theft and will be referred accordingly for appropriate action and recovery.

1.2 Objectives and outcomes

The objective of the Counter Fraud and Corruption Policy is to set out the Council’s commitment to tackling fraud and corruption and to detail the Council’s strategic approach to protecting the organisation and its stakeholders. The Council’s strategy for acknowledging, preventing and protecting against fraud and corruption is aligned with the latest national guidance and best practice and the associated roles and responsibilities are explained.

The policy also contains details on how suspicions of fraud or corruption should be reported and how this links to the Fraud Response Plan. The Fraud Response Plan is an operational document maintained by the Chief Internal Auditor, setting out the actions that will be taken upon receiving allegations of fraud or corruption.

The intended outcomes are the embedding of a robust counter fraud and corruption framework and recognition of the need to continuously reflect on the changing risks posed and how best to protect the Council’s assets. Through applying this policy, the Council intends to:

- reduce fraud and corruption losses within the Council to an absolute minimum;
- protect its valuable resources by ensuring they are not lost through fraud or corruption but are used for improved services to Melton residents;

- promote a Counter Fraud culture which:
 - highlights our zero tolerance of fraud, corruption and theft
 - defines roles and responsibilities
 - actively engages everyone – the public, councillors, staff and managers;
- proactively deter, prevent and detect fraud, corruption and theft;
- investigate suspected or detected fraud, corruption and theft;
- enable the application of appropriate sanctions and recover all losses;
- provide recommendations to inform policy, system and control improvements. This will reduce the Council’s exposure to fraudulent activity; and
- work with strategic partners to protect against harm that fraud can do in the community.

1.3 Fraud risks

The very nature of fraud changes over time and evolves to take account of new opportunities and different methodologies. Crime groups attack the UK public sector and government departments, and billions of pounds are estimated to be lost to tax and benefit fraud each year. A list of the most common frauds committed against local government is provided in Appendix A, as defined by the Local Government Counter Fraud and Corruption Strategy (Fighting Fraud and Corruption Locally).

As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered within their individual service areas and in support of achieving strategic priorities, plans, project and programme objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring (i.e. proactive) rather than the actual incidence of fraud that has occurred in the past (reactive). Once the fraud risk has been evaluated, appropriate action should be taken by management to mitigate those risks on an ongoing basis, for example through introducing and operating effective systems of internal control (“first line of defence”). Where considered appropriate, fraud risks should be considered for inclusion as part of directorate risk management processes and, if necessary, included in directorate risk registers.

Good corporate governance procedures are a strong safeguard against fraud and corruption. The Council’s Audit and Standards Committee plays a key role in scrutinising the Council’s approach to both fraud and risk management; and its wider resilience to financial irregularity in general (“second line of defence”).

The Council will play a proactive role in fraud prevention, as well as a robust reactive response where fraud is detected. Fraud prevention is key and fraud awareness raising is a vital tool in mitigating fraud risk at the outset, particularly in high-risk areas and surrounding emerging fraud risks, e.g. cyber-crime.

The Council's Internal Audit and Counter Fraud Service undertakes risk-based assurance work each year based on the approved Internal Audit Plan. This assurance work involves a review of systems and procedures, including a review of the management of risk (of both fraud and other types of risk) whereby system vulnerabilities are brought to the attention of management along with recommendations to strengthen systems and procedures ("third line of defence").

The Council also seeks to make best use of data analytics / data matching to flag potential indicators of fraud risk and to provide a valuable tool in tackling potential risk areas.

2 Strategic approach to countering fraud and corruption

2.1 Strategy

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by a strategic approach consistent with that outlined in both CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and in the Local Government Fraud Strategy – Fighting Fraud Locally (2020).

This strategy is aligned with the key themes set out in the Fighting Fraud Locally strategy, which all support the objective to 'protect' against fraud, as follows:

- **Govern** – 'The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud'.
- **Acknowledge** – 'In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud'.
- **Prevent** – 'Local authorities should set in place controls to prevent fraudsters'.
- **Pursue** – 'Punishing fraudsters and recovering losses'

Table 1 sets out how the Council's strategy aligns to each of these themes and the lead responsibility for each area.

Table 1: Thematic approach to countering fraud and corruption

Theme	Details	Lead responsibility
Govern	<p>The Council's commitment to tackling fraud threat is clear.</p> <ul style="list-style-type: none"> • The Council has strong whistleblowing procedures and supports those who come forward to report suspected fraud. • All reports will be treated seriously and acted upon. • Staff awareness of fraud risks is through corporate induction, e-learning and other training. • A suite of counter fraud strategies, policies and procedures is widely published and kept under regular review. 	<p>Monitoring Officer</p> <p>Senior Leadership Team</p> <p>Senior Leadership Team</p> <p>Director for Corporate Services</p>
Acknowledge	<p>The Council continuously assesses those areas most vulnerable to the risk of fraud through:</p> <ul style="list-style-type: none"> • Escalating risks to directorate risk registers, as appropriate • Conducting specific fraud risk assessments as part of standalone exercises such as grant schemes. • Referring to risk registers during consultation on annual Internal Audit planning. • Including consideration of fraud risks in the scoping of every Internal Audit assignment and seeking assurances on these, as appropriate. 	<p>Extended Leadership Team</p> <p>Extended Leadership Team</p> <p>Chief Internal Auditor</p> <p>Chief Internal Auditor</p>

Theme	Details	Lead responsibility
	<ul style="list-style-type: none"> • Rolling review of directorate and strategic risk registers. • Scrutinising of risk management arrangements and strategic risk register entries. 	<p>Extended Leadership Team</p> <p>Audit and Standards Committee</p>
Prevent	<p>Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture. This takes the form of:</p> <ul style="list-style-type: none"> • Exercising internal controls • Internal audit reviews seek to highlight vulnerabilities in the control environment and make appropriate recommendations for improvement • Advisory work with managers, project boards etc. regarding the ‘fraud-proofing’ of new system developments, process designs or amendments. <p>The Council makes effective use of data and analytical software to prevent and detect fraudulent activity, by playing an active part in the biennial National Fraud Initiative (NFI) data matching exercise.</p> <p>The Council continues to promote and develop a strong counter fraud culture and raise awareness, as follows</p> <ul style="list-style-type: none"> • Providing a fraud awareness e-learning module. 	<p>All officers</p> <p>Chief Internal Auditor</p> <p>Chief Internal Auditor</p> <p>Director for Corporate Services</p> <p>Assistant Director for Organisational Development</p>

Theme	Details	Lead responsibility
	<ul style="list-style-type: none"> Annual Fraud Awareness Week promotion. <p>When fraud or corruption have occurred because of a breakdown in the authority's systems or procedures, senior management will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.</p>	<p>Chief Internal Auditor</p> <p>Extended Leadership Team</p>
Pursue	<p>A crucial element of the Council's response to tackling fraud is recovering any monies lost through fraud. This is an important part of the strategy and will be rigorously pursued, where it is appropriate to do so.</p> <p>The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action. Any decision to refer a matter to the police will be taken by the Director for Corporate Services in consultation with the Monitoring Officer</p> <p>In all cases where financial loss to the Council has occurred, officers will seek to recover the loss and publicise this fact.</p> <p>Any allegations against Members will be reported to the External Auditor and Monitoring Officer and handled under the Member Complaints Process.</p> <p>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.</p>	<p>Senior Leadership Team</p> <p>Legal team</p>

3 Roles and responsibilities

Preventing fraud is everyone's responsibility. To support ongoing delivery against the Council's Counter Fraud and Corruption Policy, there are some specific responsibilities that must be fulfilled by Council stakeholders, in addition to those strategic roles referenced in Table 1. These are summarised as follows:

Chief Executive (Head of Paid Service)

Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption and setting a zero-tolerance culture towards fraud and corruption.

Director for Corporate Services (S151 Officer)

Legal duties with regard to the proper administration of financial affairs including ensuring that the Council's accounting control systems include measures to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records.

Responsibility for ensuring the Council has an adequate and effective internal audit function and a system of internal controls.

Determination of whether a case should be referred to the Police.

Assistant Director for Governance and Democracy (Monitoring Officer)

To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Conduct/Practice.

Overall responsibility for the maintenance and operation of the Members' Code of Conduct, the Whistleblowing Policy and other related ethical governance policies.

Providing advice and legal support on recovery of losses.

Audit and Standards Committee

To monitor the adequacy and effectiveness of the arrangements in place for ensuring an adequate internal control environment and for combating fraud and corruption.

Responsibility for oversight of the Council's risk management processes.

Elected Members

To comply with the Members' Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.

Members are required to apply the principles of good governance regarding their own affairs and when acting for the Council including declaring 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 the Council.

External Audit

Statutory duty to report on whether the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.

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.

Chief Internal Auditor

Responsible for developing and maintaining advice and guidance on the Council's approach to managing the risks of fraud, bribery and corruption, including the Fraud Response Plan.

To produce and deliver a risk-based annual Internal Audit Plan designed to evaluate the effectiveness of the control environment.

Responsible for ensuring that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and the Fraud Response Plan and that action is recommended to improve controls and reduce the risk of recurrence.

Leading on fraud investigations. Where there is a valid reason for an investigation involving allegations of fraud to be led by another officer, the Chief Internal Auditor must be engaged to ensure oversight of the process.

Advice to services on fraud-proofing major system developments / changes at design stage.

Proactive counter fraud advice surrounding both common and emerging risk areas, e.g. cyber-crime.

Reporting annually to the Audit and Standards Committee on statistics relating to fraud referrals and outcomes, to provide insight into counter fraud activity and the effectiveness of the strategy.

Assistant Director for Organisational Development

Provision of advice to managers on internal disciplinary investigations, including suspensions.

Maintenance and communication of the Council's disciplinary policies and procedures and officer code of conduct.

Promotion of the Council's zero-tolerance approach to fraud and corruption in HR-supported investigations.

Senior Leadership Team / Extended Leadership Team

To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Chief Internal Auditor.

To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.

To ensure that due consideration is given to 'fraud-proofing' major system developments and changes during an early stage, and to seek specialist advice from Business Partner Teams and/or Internal Audit accordingly.

To provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout the Council.

To strive to create an environment in which staff feel able to approach them with any concerns they may have about suspected irregularities.

All line managers

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.

A key preventative measure in 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 Council's recruitment procedures will be adhered to during this process.

Management investigations into disciplinary matters must liaise with the Chief Internal Auditor regarding any potential fraud implications of the conduct / investigation

All staff

To comply with Council policies and procedures, to be aware of the possibility of fraud and corruption, and to report via line management or, where appropriate, the Whistleblowing procedure any genuine concerns to management or the Chief

Internal Auditor, Assistant Director for Governance and Democracy (Monitoring Officer) or Director of Corporate Services (S151 Officer).

To undertake fraud awareness and other relevant counter fraud training, including at induction stage.

All staff must ensure that they avoid situations where there is 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.

Communications team

The Council's Communications officers will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. The Council seek to ensure that the results of any action taken, including prosecutions, are reported in the media, as appropriate, to act as a deterrent and evidence the zero-tolerance culture.

Partners and contractors

To be aware of the possibility of fraud and corruption against the Council and to report any genuine concerns / suspicions. Examples of types of fraud to be alert to and report are provided in Appendix A.

Contractors and partners have a responsibility for the communication and implementation of this policy within their organisation, and in accordance with contractual terms.

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 senior manager for that area or may approach the Chief Internal Auditor directly.

Public and service users

Whilst this policy is primarily aimed at implementing the necessary culture and processes within the Council, stakeholders and customers may become aware of issues that they feel indicate fraud. They should use the Council's fraud reporting mechanisms to report any genuine concerns / suspicions (reportfraud@melton.gov.uk).

4 Reporting suspicions of fraud and corruption

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If anyone believes that fraud is being committed or suspects corrupt practices, these concerns should be raised in the first instance directly with line management, the Chief Internal Auditor, the Director for Corporate Services (S151 Officer) or the Assistant Director for Governance and Democracy (Monitoring Officer). Concerns can also be raised under the Whistleblowing policy, as appropriate.

Where managers are made aware of suspected fraud by employees, they have responsibilities for passing on those concerns to the Chief Internal Auditor, the Director for Corporate Services (S151 Officer) or the Assistant Director for Governance and Democracy (Monitoring Officer). Managers should react urgently to allegations / evidence of potential fraud or corruption.

Members of the public should be advised to report suspicions of fraud or corruption to the reportfraud@melton.gov.uk email address.

Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence should not be included in the notification procedure. Advice must be sought from the Chief Internal Auditor on the securing of evidence at the earliest opportunity.

Employees who wish to raise a serious concern should refer to the detailed Whistleblowing Policy. The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. The Council's Whistleblowing Policy complies fully with PIDA. The Assistant Director for Governance and Democracy (Monitoring Officer) will refer all concerns in relation to possible financial impropriety to the Chief Internal Auditor and Director for Corporate Services (S151 Officer). Thereafter, where required, the Internal Audit and Counter Fraud service, in conjunction with other services such as Human Resources, Legal Services and ICT Services, will give advice and support to managers involved in fraud investigation including on evidence gathering, documentation and retention, disciplinary proceedings and, where relevant, referral to the Police and/or further actions to recover losses.

The Council's approach to investigating suspected fraud is detailed in its Fraud Response Plan, maintained by the Chief Internal Auditor.

Appendix A: Types of Fraud

The Local Government Counter Fraud and Corruption Strategy (Fighting Fraud & Corruption Locally) sets out risks considered to be prevalent nationally, including:

- Tenancy: Fraudulent applications for housing or successions of tenancy, and subletting of the property.
- Procurement: Tendering issues, split contracts, double invoicing.
- Payroll: False employees, overtime claims, expenses.
- Council tax: Discounts and exemptions, council tax support.
- Grants: Work not carried out, funds diverted, ineligibility not declared.
- Economic Support Grants, e.g. related to government run business support schemes or support for disadvantaged families / fraudulent applications.
- Pensions: Deceased pensioner, overpayments, entitlement overstated.
- Internal fraud: Diverting council monies to a personal account, accepting bribes, stealing cash or assets, working elsewhere whilst claiming to be off sick, false overtime or expense claims, stealing information, etc.
- Identity fraud: False identity/fictitious persons applying for services/payments.
- Business rates: Fraudulent application for exemptions / reliefs, unlisted properties.
- Right to buy: Fraudulent applications under the right to buy/acquire.
- Money laundering: Exposure to suspect transactions.
- Insurance Fraud: False or exaggerated claims including slips and trips.
- Disabled facility grants: Fraudulent applications for adaptations to homes.
- No recourse to public funds: Fraudulent claim of eligibility.
- Activity-related payments (payments by results): Over-inflated claims.
- Commissioning of services: Including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion.

- Cyber dependent crime and cyber enabled fraud: Mandate fraud, malware, ransomware, phishing, etc