

Counter Fraud & Corruption Strategy

Introduction

Gravesham Borough Council ('The Council') is funded by the "public purse" and aims to deliver high quality services and provide value for money by being fully accountable, honest, and open in everything that it does.

The Council recognises that fraud, bribery, and corruption undermine these aims by diverting resources from legitimate activities, damaging public confidence in the Council, adversely affecting staff morale and the standards of public service, which the council promotes.

The Council has a zero-tolerance approach to fraud and corruption to protect public funds and achieve its strategic priorities. The aim of this strategy is to ensure that the opportunity for fraud and corruption is reduced to the lowest possible risk and is designed to:

- Encourage prevention,
- Promote detection,
- Support investigation, and
- Deter others.

This strategy is particularly relevant to:

- elected Members,
- employees,
- contractors,
- consultants,
- suppliers,
- service users,
- customers (including the public), and
- partner organisations.

Statement of intent

"In administering its responsibilities, the Council is opposed to fraud and corruption whether it is attempted on or from within the Council and is committed to preventing, deterring, detecting and investigating fraud and corruption."

The Council is committed to protecting its assets and promoting honesty and integrity in all its activities. The Council will continually strive to ensure that all its financial and administrative processes are carried out and reported honestly, accurately, transparently, and accountably and that all decisions are taken objectively and free of personal interest. All staff and elected Members must always act honestly and with integrity and safeguard the resources for which they are responsible.

The council will:

- create a counter fraud culture,
 - Promote Member, officer, the general public and other stakeholder awareness of fraud, bribery and corruption,
 - Offer specific training on these issues to officers in key positions within the organisation, and
 - Encourage Members, officers, the general public and other stakeholders to report any concerns or suspicions,

- prevent fraud wherever possible,
- take steps to detect instances of fraud,
- undertake professional investigation of detected fraud,
- use sanctions, including legal action, against people committing fraud, and
- take necessary steps to recover defrauded funds.

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.
- Council tax fraud
- Business Rates (NNDR) fraud
- False homelessness
- Falsification of circumstances to secure council housing
- Tenancy fraud
- Right to buy fraud

Definitions

Fraud: any intentional act or omission designed to deceive others, resulting in, or intended to result in the victim suffering a loss and/or the perpetrator achieving a gain. The Fraud Act 2006 sets out, in broad terms, three categories of offence:

- Fraud by false representation
- Fraud by failing to disclose information, and
- Fraud by abuse of position (exploiting a position of trust within the authority for financial or material benefit).

There are also offences for possessing and making or supplying articles for use in such frauds.

Theft: The Theft Act 1968 defines theft as the dishonest taking of property belonging to another person with the intention of depriving the owner permanently of its possession. In the context of the local authority this may include dishonestly acquiring, using, or disposing of physical or intellectual property belonging to the council or to individual members of the authority.

Corruption: The abuse of one's position for direct or indirect personal gain. It covers the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.

Bribery: Bribery is defined as the offering, promising, giving, accepting or soliciting of money, a gift or other advantage as an inducement to do something that is illegal or a breach of trust in the course of carrying out an organisation's activities. The Bribery Act 2010 sets out, in broad terms, four categories of offence; bribing another person, receiving a bribe, bribing a foreign public official and the failure of a relevant commercial organization to prevent bribery by an associated person. In essence, the Act makes it a criminal offence to give a bribe to or accept a bribe.

Money laundering: The process of moving illegally generated funds through a cycle of transformation in order to create the end appearance of legitimately earned funds. The Proceeds of Crime Act 2002 details the three principal money laundering offences as:

- assisting another to retain the benefit of crime,
- acquisition, possession or use of criminal proceeds, and
- concealing or transferring proceeds to avoid prosecution.

In addition, there are related offences for failing to report where a person has knowledge, suspicion or reasonable grounds for knowledge or suspicion that money laundering has taken place, as well as for tipping off a person that a disclosure has taken place.

Council Officers and Members who suspect money laundering activities should report their concern to the Council's nominated Money Laundering Reporting Officer (MLRO) (Head of Internal Audit & Counter Fraud) and the Section 151 Officer (Director of Corporate Services). Further details are contained in the Anti-Money Laundering Policy.

Key Principles & Culture

The Council supports the Seven Principles of Public Life identified by the Nolan Committee, recognising that these are fundamental to developing an effective working environment that supports its zero-tolerance approach towards fraud, bribery, and corruption activity. The council is determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud, bribery, and corruption.

The Council expects that Members and officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices. Members and officers are expected to adhere to their relevant Code of Conduct and declare any interests they may have that could or could be perceived, to influence them in any decision-making they may be involved in relating to Council business. Members and Officers are also required to declare any gifts or hospitality they are offered relating to their role or Council business, whether these are accepted or declined.

The Council also expects that individuals and organisations (e.g., suppliers, contractors, partners, and service providers) that it comes into contact with, will act with integrity in their dealings with the Council and without thought or actions involving fraud and corruption.

Under the Council's Employee Code of Conduct, employees have a duty to report any suspected cases of fraud or corruption to their immediate line manager (unless the said manager is implicated). Therefore, managers should strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.

Any concerns relating to suspected or alleged fraud, bribery, or corruption; whether these are raised by elected Members, Directors, staff and third parties work on behalf of the council, or members of the public, will be referred to the Internal Audit & Counter Fraud Service for appropriate investigation.

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

- 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.
- The council will seek to apply appropriate sanctions, including prosecution, against those found to be involved in fraud, bribery, and corruption.
- 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.

Fraud must be a concern to all members of staff and elected Members, all of which have a responsibility for putting these principles into practice and for reporting any breaches they discover.

Framework

Corporate Governance

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 council has adopted a Code of Corporate Governance (the Code). The Code acts as the cornerstone to the council's governance framework by which it is accountable to its users and wider community stakeholders. Within that framework, the Code sets out a commitment as to how the council carries out its functions, and the procedures and processes by which it undertakes to deliver the adopted Corporate Objectives.

There are a number of corporate policies and procedures which formulate the Council's framework for minimising risk and the prevention of fraud and corruption. These include:

- Counter Fraud and Corruption Strategy
- Internal Audit Charter
- Contract Procedure Rules
- Finance Procedure Rules
- Human Resources Disciplinary Policy and Procedure
- Human Resources Code of Conduct for Employees
- Human Resources Recruitment and Selection Code of Practice
- Members' Code of Conduct
- Anti-Money Laundering Policy
- Risk Management Policy and Strategy
- Scheme of Delegation
- Whistleblowing Policy; and
- Anti-Bribery Policy

It is the responsibility of senior managers to ensure that policies and procedures remain relevant and up to date, including necessary amendment to take into account any changes to legislation or regulations, ensure that all staff have access to the relevant policies and procedures, and that staff receive suitable training as necessary.

Members and employees must ensure that they read and understand the policies and procedures that apply to them and act in accordance with them.

System of Internal Control

The risk of fraud and corruption can be minimised by good financial management, sound internal control systems, effective management supervision, and by raising public, Member, and employee awareness of fraud.

Internal control is the whole system of controls, financial and otherwise, established to provide reasonable assurance of:

- proper aims and objectives,
- efficient and effective operations,
- reliable management information and reporting,
- legitimate expenditure,
- compliance with laws and regulations,
- performance management, and
- security of assets and income.

Responsible officers are expected to ensure that effective internal control arrangements are incorporated into the design or development of systems and procedures. Weaknesses in the design and operation of administrative and financial internal control systems may increase the risk of fraud. Systems should contain efficient, effective, and well documented internal controls that cover the following:

- adequate segregation of duties,
- proper authorisation and approval procedures,
- adequate physical security over assets, and
- reliable monitoring and reporting arrangements,

to protect the council from error, misappropriation, or loss.

It is management's responsibility to install adequate internal controls and rectify weaknesses if they occur. To help management discharge this responsibility, systems may be subject to review by both Internal and External Audit. Auditors are responsible for reporting to management on significant weaknesses in the control environment, including deficiencies in the operation of internal controls and highlighting exposure to the risk of fraud. Audit recommendations to address control weaknesses are followed up to ensure that they are appropriately actioned.

Assurance of the effective operation of internal control arrangements is requested from management annually as part of the Council's arrangements for preparing the Annual Governance Statement. Managers are required to specifically provide assurance on the effective operation of internal control arrangements and staff awareness of this Strategy.

Management should instigate occasional deterrent compliance checks on the operation of internal controls within their service and are encouraged to seek advice from the Internal Audit & Counter Fraud Service on what checks should be carried out. This work should also be used to inform the Annual Governance Statement.

Members and officers are required to declare any financial and other interest in any outside bodies or organisations, which could be considered or perceived as having an influence on their actions on behalf of the Council.

The Council operates a policy for Improving Performance which incorporates the Council's disciplinary procedure, which applies to all employees. The Council has established a Standards Committee to deal with matters relating to the Member's Code of Conduct.

The Finance and Audit Committee also have a role in providing independent assurance to the Council on the adequacy of the Council's control environment. This role is discharged by the committee through the receipt of regular reports on the work and findings of internal and external audit, and the Council's governance and risk arrangements

Risk Management

The Council has developed a corporate risk register that details the most significant risks to the council being able to deliver its corporate objectives. Fraud risks relating to individual services should be included within Service Risk Registers and subject to regular review to ensure that appropriate controls are in place to mitigate those risks.

Recruitment

The Council recognises that a key preventative measure in the fight against fraud, corruption and bribery is to take effective steps at the recruitment stage to verify the propriety and integrity of the previous records of potential employees of the organisation.

Employee recruitment is required to be in accordance with procedures set out in the council's recruitment guide. This guidance requires a number of checks at the recruitment stage to establish and confirm the previous records of potential employees, including:

- verifying the identity of the applicant,
- obtaining satisfactory references prior to appointment,
- verifying the applicant is able to legitimately work in the UK,
- verifying and retaining copies of certificates for stated qualifications, and
- undertaking Disclosure and Barring Service checks, where appropriate.

These practices apply to all permanent appointments including those where employees have entered the organisation as an agency worker or consultant in the first instance.

Training

The Council recognises that training is a vital tool in implementing a successful Counter Fraud and Corruption strategy, by ensuring that both officers and Members clearly understand their roles and responsibilities within the organisation and carry these out within the Council's framework of policies and procedures. Training is particularly important where employees are required to operate within financial systems or handle monies or personal/confidential information.

It is often the alertness to the possibility of fraud and corruption, of all those involved in a business activity with the Council, that enables detection to occur. Accordingly, the Council will promote a general awareness of fraud, bribery, and corruption to all employees and Members, with specific training provided to officers engaged in the prevention and detection of such activity to ensure that they have the necessary skills to carry out these functions. This specifically includes periodic circulation of counter fraud strategy and policy documents.

The Council is also committed to developing staff who are involved in investigating fraud and corruption and suitable training will be provided where necessary.

Working with Others

The nature and scope of fraud perpetrated against local authorities is varied and often cross-jurisdiction. Accordingly, the Council is committed to working with other organisations to prevent and detect fraud, bribery and corruption. There are arrangements in place to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity. This includes participation in the National Fraud Initiative (NFI), which matches data across a wide range of public service organisations in order to detect fraud or erroneous payments.

Though not intended to be exhaustive, the Council currently works with the following:

- The Cabinet Office (NFI)
- Police
- Department for Works and Pensions (DWP)
- Home Office
- Kent Intelligence Network (KIN)
- National Health Service
- HM Revenues & Customs
- UK Border Agency

Roles & Responsibilities

Statutory Officers

The Council has a statutory responsibility, under Section 151 of the Local Government Act 1972, to ensure the proper administration of its financial affairs and also to nominate one of its Officers to take responsibility for those affairs. The Council's nominated Section 151 Officer is the Director of Corporate Services.

Their responsibilities include (but are not limited to):

- 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).
- Ensuring that public monies are spent appropriately under their duty to 'protect the public purse', and
- Liaising with the Council's appointed Auditors.

Other operational duties relating specifically to the prevention, detection and investigation of fraud are delegated to the Head of Internal Audit & Counter Fraud.

The Council's Monitoring Officer is responsible under Section 5 of the Local Government and Housing Act 1989 to guard against, inter alia, illegality, impropriety, and maladministration in the Council's affairs.

Managers

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, and
- ensuring that controls are being complied with and their systems continue to operate effectively, and

- implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place

Employees

Every 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 Council's resources and the handling and use of funds whether they are involved with cash, receipts, payments, or dealing with suppliers,
- Conducting themselves with selflessness, integrity, objectivity, accountability, openness, honesty, and leadership,
- Being alert to the possibility that unusual events or transactions could be indicators of fraud,
- Alerting their manager when they believe the opportunity for fraud exists e.g., because of poor procedures or lack of effective oversight,
- Reporting details immediately if they suspect that a fraud has been committed or see any suspicious acts or events, and
- Cooperating fully with whoever is conducting internal checks, reviews, or fraud investigations.

Any Manager with information about suspected fraud, bribery or corruption activity must report this immediately to the Head of Internal Audit & Counter Fraud. Managers are also responsible for:

- recording and securing all evidence received and collected,
- ensuring that evidence is sound and adequately supported, and
- implementing Council disciplinary procedures where appropriate.

Contractors, Suppliers and Consultants

Those organisations employed to work on behalf of the Council are expected to maintain strong counter fraud principles. The Council's contract partners will be expected to have adequate recruitment procedures and controls when they are administering finance on behalf of the Council.

The Council expects its partners to have adequate controls in place to minimise fraud and to provide access to their financial records as they relate to the Council's finances, and their staff will be required to assist fully in any investigation.

The Council will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. The Council will request that the organisation takes necessary action against the individual and the Council will require them to be removed from its account.

Internal Audit & Counter Fraud

The Council's Internal Audit function has the responsibility to objectively examine, evaluate and report on the adequacy of the control environment by evaluating its effectiveness in achieving the organisation's objectives. This work includes the review of the existence and effectiveness of the Council's internal control arrangements.

Any review work undertaken by the internal audit function will give due consideration to the risk of fraud or corruption within the area subject to audit and where necessary will make recommendations to put in place or improve the design of an effective control environment to prevent fraud, bribery, and corruption.

The council's Counter Fraud function is responsible for:

- acting as the Council's consultant on issues of fraud and corruption,
- completing assessments of the Council's fraud risks associated with each of the key organisational objectives,
- establishing an effective counter fraud response plan, in proportion to the level of fraud risk identified.
- undertaking proactive work to support management in strengthening fraud resilience,
- undertaking proactive work to identify fraud committed against the Council,
- ensuring that appropriate counter fraud training is made available to Members, Directors and staff as required,
- ensuring that appropriate action is taken to minimise the risk of identified frauds occurring again in the future.
- establishing appropriate mechanisms for:
 - reporting fraud risk issues
 - reporting suspicions of fraud or corruption, and
 - reporting significant incidents of fraud or attempted fraud to the Chief Executive;
- the investigation of allegations and suspicions of internal fraud or corruption, including advising and leading the Council, in conjunction with Human Resources (HR) and Legal Services, with regard to prosecution, disciplinary, or alternative sanctions, and
- the investigation of allegations and suspicions of fraud perpetrated against the council by third parties, including advising and leading the Council, in conjunction with Legal Services, with regard to prosecution or alternative sanctions.

Conclusions to all investigations will be based on fact, allowing management to take forward any required disciplinary and/or criminal proceedings as they determine appropriate.

Once an investigation is completed the Counter Fraud function may have responsibilities in relation to:

- recommending improvements to systems,
- attendance at disciplinary hearings and tribunals,
- attendance at Court as a witness, and
- reporting to the Finance & Audit Committee.

External Audit

As part of its statutory duties, the External Auditor has specific responsibilities for:

- reviewing the stewardship of public money,
- considering whether the Council has adequate arrangements in place to prevent fraud and corruption.

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

Elected Members

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 by compliance with the Members Code of Conduct.

Members of the Finance & Audit Committee will also have responsibility for oversight of the councils Internal Audit & Counter Fraud Service and will receive regular reports detailing (but not limited to):

- the performance of the service,
- the findings and recommendations resulting from completed assurance reviews,
- progress in relation to key activities, such as participation in NFI, and
- the results of identified fraud cases, including the value involved in proven offences and details of actions taken.

Detection

The Council has put in place a range of internal control arrangements within its systems and processes to detect inappropriate or dishonest activity, including budget monitoring and reconciliations. These arrangements should be sufficient in themselves to detect fraud, corruption and bribery activity should this occur. The Council recognises, however, that the detection of such activity is often as a result of the alertness of employees, Members, the general public and other stakeholders.

Employees at all levels are expected, and positively encouraged to raise any concerns relating to fraud and corruption which they become aware of. Such concerns should be reported to the Internal Audit & Counter Fraud Service or through the Council's Whistleblowing Policy. If the issues are of a serious or sensitive nature or involve management concerns, they should be reported directly to Head of Internal Audit & Counter Fraud or the Council's Monitoring Officer (Legal Services).

The Council's Financial Procedure Rules require all employees to immediately notify the Director (Corporate Services) of any financial irregularity or suspected financial irregularity.

The Council recognises that on occasions, employees, Members, and organisations working with the Council may not want to express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. In such instances, persons are urged to report concerns or suspicions through the channels set out in the Council's Whistleblowing Policy.

Whichever route is chosen, the employee can be assured that concerns raised in good faith will be passed to the Internal Audit & Counter Fraud Service, who will make independent preliminary enquiries and determine whether there are grounds for an investigation. Where appropriate, concerns will be fully investigated and, wherever possible, those raising concerns will be dealt with in confidence.

Members of the public and stakeholders are encouraged to come forward and report any concerns or suspicions they may have, which may relate to fraud being committed within or against the council. Such concerns should be directed to the council's Counter Fraud team; either:

- through the council website, where further information can be found in relation to the common areas of fraud and an online reporting form is available,
- via email* to fraud@gravesham.gov.uk, or
- via the Fraud Hotline - 01634 33 22 33 (Shared Service with Medway Council)

*Contact details and names associated with any allegations received via email will be treated as anonymous at the request of the sender and will not be shared outside of the Counter Fraud team.

Investigation

The Council has established a corporate approach to co-ordinate the investigation of allegations of fraud and corruption to ensure the effective use of the skills and resources within the organisation. Responsibility for investigating suspected fraud and corruption against the Council rests with the Internal Audit & Counter Fraud Service. This is to ensure that the investigation is performed only by properly trained officers in accordance with the appropriate legislation, including (but not limited to):

- Criminal Procedures and Investigations Act (CPIA) 1996,
- Data Protection Act 2018,
- Human Rights Act 1998,
- Police and Criminal Evidence Act (PACE) 1984,
- Proceeds of Crime Act 2002, and
- Regulation of Investigatory Powers Act (RIPA) 2000
- Corruption Act 1906,
- Fraud Act 2006,
- Prevention of Social Housing Fraud Act 2013,
- Local Government Finance Act 1992,
- The Council Tax (Administration and Enforcement) Regulations 1992,
- Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

All referrals will initially be risk assessed and the Internal Audit & Counter Fraud Service will ensure the following objectives are met:

- where it is deemed appropriate, investigations are undertaken fairly, objectively and in accordance with relevant laws and regulations, to avoid jeopardising the outcome on legal and procedural technicalities,
- to protect the evidence,
- to prove or disprove the original suspicions of fraud,
- if proven, to support the findings by producing effective evidence,
- to present evidence in an appropriate format accepted by the Crown Prosecution Service or the appropriate disciplining service, and
- to apply appropriate sanctions and redress against those individuals and organisations that seek to defraud, and
- identify any improvements in internal control, training needs or other suitable solutions to prevent or deter the reported activity from recurring

Where it appears that a criminal offence may have been committed, the Council's presumption is that the issue will be pursued. The Council may decide to refer the matter to the police or instead use powers under Section 222 of the Local Government Act 1972 which enables local authorities, where they consider it "expedient for the promotion or protection of the interests of the inhabitants of their area to;

- a) Prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name, and
- b) In their own name, make representations in the interest of the inhabitants at any public enquiry held by or on behalf of any Minister or public body under any enactment".

When deciding to prosecute a matter in their name the Council will take consideration of the Code of Crown Prosecutors. A copy of the most current version of the Code can be found at www.cps.gov.uk

The council will seek, where appropriate, to maximize the recovery of any losses connected to acts of fraud and corruption.

The Council has in place disciplinary procedures which must be followed whenever staff are suspected of committing a fraudulent or corrupt act. Any decision to take action beyond the Council's disciplinary procedures will only be progressed with the agreement of the Chief Executive and Director (Corporate Services), and any such decision will not be seen to prohibit and should not unnecessarily delay action under the Council's disciplinary procedure.

The investigation process must not be misused. The council will treat any reporting of unfounded malicious allegations seriously. Where employees are concerned, any such finding from the investigation process may be treated as a disciplinary matter.

Deter

The council will make employees, Members, the general public and stakeholders aware of the Council's commitment to taking action where fraud and corruption occurs and will take all appropriate steps to deter further attempts of fraud or corruption by demonstrating the seriousness with which the Council views such cases.

Such activity will include:

- publicising details of counter fraud activity, including the update of this strategy,
- reporting the results of investigative activity to:
 - the councils Management Team, and
 - Members of the Finance & audit Committee
- applying appropriate sanctions where fraud or corruption is proven,
- publicising details of successful convictions on the council's website, social media pages and via press release to the local media,

The Council's Communications Team is responsible for optimising the opportunities available to publicise to the public any counter fraud, bribery, and corruption activity being undertaken within the Council.

Measuring the effectiveness of this strategy

The Council has recognised the importance of measuring the effectiveness of its counter fraud, bribery, and corruption arrangements and that this cannot consist of one single measure. Members of the Finance & Audit Committee will be presented with regular reports focusing on the outcomes of activities under this strategy.

This Strategy will be reviewed at least annually and updated, where necessary, to keep pace with future developments in preventative, deterrent, and detection techniques regarding fraudulent or corruption activity.

Any material amendment to this strategy will require the approval of the Cabinet.