



**SUBJECT: MONMOUTHSHIRE CC  
ANTI FRAUD, BRIBERY AND CORRUPTION  
POLICY STATEMENT**

**DIRECTORATE: Chief Executive  
MEETING: Audit Committee  
DATE: 16<sup>th</sup> March 2017  
DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

To receive and consider the Council's updated and revised Anti Fraud, Bribery and Corruption Policy Statement.

## **2. RECOMMENDATION(S)**

That the Audit Committee provides comment before endorsing the revised Anti Fraud, Bribery and Corruption Policy Statement prior to Cabinet and Council approval.

## **3. KEY ISSUES**

- 3.1 The previous Anti Fraud, and Corruption Statement was approved by Cabinet and then Council in 2011. In line with good practice this Policy should be reviewed and updated periodically. This is the first review and update since it was approved. The revised Policy Statement is shown at Appendix 1.
- 3.2 Monmouthshire Council is one of the largest organisations in the County. The Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.
- 3.3 Good Corporate Governance requires that the Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 3.4 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs.

3.5 It incorporates The Fraud Act 2006 which defines fraud through three key offences, provides a definition of corruption and takes account of The Bribery Act 2010 where there are four key offences.

3.6 The maximum sentence is 10 years imprisonment when found guilty of Fraud and / or Bribery, with the potential of an unlimited fine when found guilty of Bribery.

#### **4 REASONS**

4.1 In line with good practice and sound governance arrangements, the Council's Anti Fraud, Bribery and corruption policy has been updated to incorporate The Fraud Act 2006 and The Bribery Act 2010.

#### **5 RESOURCE IMPLICATIONS**

None.

#### **6 CONSULTEES**

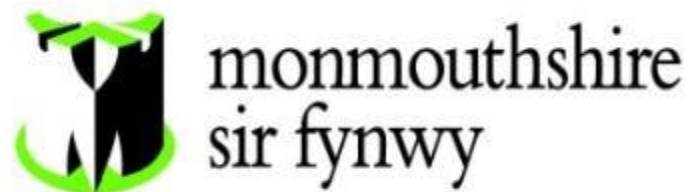
Head of Finance  
Senior Leadership Team

#### **7 BACKGROUND PAPERS**

Fraud Act 2006  
The Bribery Act 2010  
Monmouthshire Anti-fraud & Corruption Policy 2011

#### **8 AUTHOR AND CONTACT DETAILS**

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# **ANTI FRAUD, BRIBERY & CORRUPTION STRATEGY POLICY STATEMENT**

Version: Draft 01  
Date: 28<sup>th</sup> Feb 2017  
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## 1. Introduction

1.1 Good Corporate Governance requires that the Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This policy statement, however, will not compromise the Council's Strategic Equality Plan and Objectives, the requirements of the Human Rights Act 1998 or the Council's Regulation of Investigatory Powers Act (RIPA) Policy.

1.2 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs. For ease of understanding it is separated into five areas as below:-

Culture	Section 3
Prevention	Section 4
Deterrence	Section 5
Detection and Investigation	Section 6
Training	Section 7

1.3 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:

- Public Services Ombudsman for Wales
- Wales Audit Office
- Central Government Departments and Parliamentary Commissions
- Her Majesty's Revenue & Customs
- The Department for Work & Pensions
- National Assembly and Welsh Government

## 2. What is Fraud and Corruption ?

### Fraud

2.1. The Fraud Act 2006 defines fraud through three key offences:

- ***Fraud by false representation*** – where a person dishonestly makes a false representation and intends by making the representation, to make a gain for himself or another or to cause or expose the risk of loss to another;
- ***Fraud by failing to disclose information*** – where a person has dishonestly failed to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, to make a gain for himself or another; or to cause or expose another to the risk of loss; and

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- **Fraud by abuse of position** – where a person occupies a position in which he is expected to safeguard or not to act against the financial interests of another; dishonestly abuses that position with the intention to make a gain for himself or another or to cause or expose the risk of loss to another.

2.2. It also creates new offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non- corporate traders.

2.3. The maximum sentence is 10 years imprisonment.

2.4. The Act largely replaces the laws relating to obtaining property by deception, obtaining a pecuniary advantage and other offences that were created under the Theft Act 1978.

### Corruption

2.5. There is no universally accepted definition of corruption, although the World Bank defines it as '*offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party*'.

2.6. Corruption is often associated with the act of bribery. The Bribery Act 2010 identifies four key criminal offences:

- **Bribing another person** - A person commits an offense by offering, promising or giving a financial or other advantage to another person, directly or through an intermediary: intending that advantage to induce a person to perform improperly a Function or to reward a person for so doing (whether or not it is the same person to whom the advantage is offered) or knowing or believing that accepting the advantage would itself be improper performance of a Function;
- **Being bribed** - A person commits this offence by requesting, agreeing to receive or accepting a financial or other advantage, directly or through a third party, for his or her own or someone else's benefit: that person intends that, as a consequence, there is improper performance of a Function (whether as a reward, in anticipation of or as a consequence of the request, agreement or acceptance). The request, agreement or acceptance itself may be the improper performance of a Function;
- **Bribery of a Foreign Public Figure** – This offence will be committed if a person offers or gives a financial or other advantage to a foreign public official with the intention of influencing the foreign public official and obtaining or retaining business, where the foreign public official was neither permitted nor required by written law to be so influenced; and

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- **Failing to prevent Bribery** – An organisation is “strictly liable” for any bribe paid by a person performing services on its behalf, unless the organisation proves that adequate anti-bribery procedures were in place.
- 2.7. The maximum penalty for the offences is 10 years' imprisonment and/or an unlimited fine. For the "failure to prevent" offence, the fine alone applies.
- 2.8. The Bribery Act 2010 replaces the fragmented and complex offences at common law and in the Prevention of Corruption Acts 1889-1916.

### 3. Culture

- 3.1. The culture of the Council has always been embedded in the core values of Openness, Fairness, Flexibility & Teamwork support this. The culture therefore supports the opposition to fraud and corruption.
- 3.2. The prevention/detection of fraud, bribery and corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. There is an expectation and requirement that all individuals and organisations associated with the Council will act with integrity and that elected Members and Employees at all levels will lead by example. All aspects of this Policy must be complied with and the Council will maintain a zero tolerance culture to fraud and corruption.
- 3.3. The Council's elected Members and 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. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.
- 3.4. Concerns must be raised when members, employees or organisations associated with the Council reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- A criminal offence;
  - A failure to comply with a statutory or legal obligation;
  - Improper or unauthorised use of public or other official funds;
  - A miscarriage of justice;
  - Misconduct or malpractice;
  - Deliberate concealment of any of the above
- 3.5. Concerns must be raised, in the first instance, directly with the Supervisor/Business Unit Manager/Head Teacher/Head of Establishment or if necessary, anonymously (letter, telephone) and via other routes:-
- Chief Executive, Chief Officers, Heads of Service, or the Council's Monitoring Officer, who will report such concerns to the Chief Internal Auditor;

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- Directly to the Chief Internal Auditor;
  - Where line management is suspected of fraud, directly to Head of Service or Chief Internal Auditor;
  - External Auditor, who depending upon the nature of the concern will liaise with the Chief Internal Auditor;
  - Trade Union Representative.
- 3.6.** This can be done in the knowledge that such concerns will be treated in the strictest confidence and be properly investigated.
- 3.7.** The Council also has a *Whistleblowing Policy* to ensure the highest possible standards of openness probity and accountability. The Council will ensure that any allegations received in any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner.
- 3.8.** The Council will deal firmly with those who defraud the Council 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 employees/Members raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through the Standards Committee (Members).
- 3.9.** When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, Heads of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent a recurrence.

## **4. Prevention**

### **Elected Members**

- 4.1.** As elected representatives, all Members of the Council have a duty to the Citizens of the County to protect the Council and public money from any acts of fraud, bribery and corruption.
- 4.2.** This is done through adherence to the Anti-Fraud, Bribery and Corruption Policy Statement, as well as compliance with the Council's Code of Conduct for Members, the Council's Constitution, including Financial Regulations and Contract Standing Orders, and relevant legislation.
- 4.3.** Elected Members sign to the effect that they have read and understood the Code of Conduct for Members 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 Head of Legal Services will advise Members of new legislative or procedural requirements.

## **Employees**

### **The Role of the Head of Finance**

- 4.4.** The Head of Finance has been designated the statutory responsibilities of the Finance Director as defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should:

*“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”.*

- 4.5.** Under the Head of Finance responsibilities, proper administration encompasses all aspects of local authority financial management including:

- Compliance with the statutory requirements for accounting and internal audit;
- Ensuring the Authority’s responsibility for ensuring proper administration of its financial affairs;
- The proper exercise of a wide range of delegated powers both formal and informal;
- The responsibility for managing the financial affairs of the local authority in all its dealings; and
- The recognition of the fiduciary responsibility owed to local tax payers.

- 4.6.** Under these statutory responsibilities the Head of Finance contributes to the Anti-Fraud, Bribery and Corruption framework of the Council.

### **The Role of Managers**

- 4.7.** Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council’s policies and procedures, the Council’s Financial Procedure Rules and Contract Procedure Rules and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Employee Code of Conduct through the induction process.

- 4.8.** Managers are expected to create an environment in which their officers feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures they must refer to the information on the Intranet site or seek advice from appropriate senior managers.

- 4.9.** 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, creditor payments or the Revenues



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computer system. Managers must ensure that relevant training is provided for all employees.

- 4.10.** The Council recognises that 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 and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. As in other public bodies Disclosure and Barring Service (DBS) checks are undertaken for employees / volunteers working with or who may have contact with children or vulnerable adults.

**Responsibilities of Employees**

- 4.11.** Each employee including agency and volunteer staff is governed in their work by the Council's Contract Procedure Rules and Financial Procedure Rules, Employee Code of Conduct and other policies on conduct Health, Safety and Welfare Policy, Information Management Policy and Information Security Policy, etc.). Included in the Council policies are guidelines on gifts and hospitality, and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council and are available to all on the Intranet or from their line manager.
- 4.12.** 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.
- 4.13.** Employees are expected always to be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named above in section 3.5.

**Contractors and Third Party Organisations**

- 4.14.** There are joint ventures, partnerships and contracted work carried out on behalf of the Authority. As an organisation, it should be ensured that third party organisations should have a similar culture and approach as the Authority in tackling fraud, bribery and corruption.
- 4.15.** Members and officers should ensure that partner organisations have appropriate mechanisms in place to prevent, detect, deter and investigate where necessary any concerns raised in relation to fraud and corruption.
- 4.16.** Members and officers including officers working for contractors and third party organisations should be able to raise any concerns through the mechanisms identified in 3.5. The Council has a duty to notify the relevant organisations, Government Agencies and take action where appropriate to investigate any concerns raised.

### **Conflicts of Interest**

**4.17.** Both elected Members and 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.

### **Official Guidance**

**4.18.** In addition to Financial Procedure Rules and Contract Procedure Rules, service areas may have their own procedures to prevent and deter fraud. There may also be audit reports, which recommend methods to minimise risks and losses to the Authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

### **Role of Internal Audit**

**4.19.** Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud, bribery and corruption. Internal Audit investigates all employee cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations (see below), in accordance with agreed procedures. Within the Financial Procedure Rules in the Constitution, representatives of Internal Audit are empowered to:

- Enter at all reasonable times any Council premises or land;
- Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary;
- Have access to records belonging to third parties such as contractors when required;
- Require and receive such explanations as are regarded necessary concerning any matter under examination;
- Require any employee of the Council to account for cash, stores or any other Council property under his/her control or possession;
- Internal Audit liaises with management to recommend changes in procedures to reduce risks and prevent losses to the Authority.

### **The Role of the Shared Benefits Service and the Single Fraud Investigation Service (Department for Work and Pensions)**

**4.20.** The administration of Housing Benefits and the Council Tax Reduction Scheme in Monmouthshire is undertaken by the Shared Benefits Service, operated by Torfaen CBC. The Service investigates suspected frauds in the Council Tax Reduction Scheme and refers suspicions in respect of Housing Benefits and other Benefits to the DWP's Single Fraud

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Investigation Team, in accordance with legislation and agreed codes of conduct. In cases where Council employees are involved, the Shared Benefits Service will work with Internal Audit, People Services and appropriate senior management to ensure that correct procedures are followed and that this Policy is adhered to.

**The Role of the External Auditor**

- 4.21.** Independent external audit is an essential safeguard of the stewardship of public money. The Wales Audit Office (including any associated third party external audit partners) are responsible for this through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, 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 Council's arrangements for preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunity for corrupt practices.
- 4.22.** Where external audit is required to undertake an investigation they will operate within legislation and their own codes of conduct.

**Co-operation with Others**

- 4.23.** As appropriate, arrangements will be made to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. These include :
- Police
  - Local Authority Financial Organisations
  - Internal Auditor Networks
  - Wales Audit Office
  - Other councils
  - Central and local government partners;
  - National Anti-Fraud Network.
  - National Fraud Initiative
  - Action Fraud
  - CIFAS
  - National Fraud Intelligence Bureau

**The Role of the Public**

- 4.24.** This Policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.

## **5. Deterrence**

**5.1.** There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity e.g. clause in contracts, statements on benefits claim forms, website, publications etc.
- Acting robustly and decisively when fraud and corruption are suspected and proven e.g. the termination of contracts, dismissal, prosecution, reporting employee to their professional body etc.
- Taking action to effect the maximum recoveries for the Council e.g. through agreement, court action, penalties, under Proceeds of Crime Act etc.
- Having sound internal control systems, that still allow for innovation, whilst at the same time minimising the opportunity for fraud and corruption.
- The operation and advertising of a Benefit Fraud Hotline and formal arrangements for whistleblowing.
- Publicising instances of fraud/corruption and the resultant disciplinary/prosecution action for cases both within the Council and for other public organisations.

## **6. Detection and Investigation**

**6.1.** Internal Audit plays an important role in the detection of fraud, bribery and corruption. Included in their strategic plan are reviews of system controls including financial controls and specific fraud and corruption tests and auditors will, on occasions, make spot checks and unannounced visits.

**6.2.** In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection. The Council's *Whistleblowing Policy* is intended to encourage and enable staff to raise their concerns.

**6.3.** 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.

**6.4.** The Council takes part in the National Fraud Initiative which is co-ordinated by Internal Audit.

**6.5.** All suspected irregularities are required to be reported (verbally or in writing) to one of the officers identified at 3.5. This is essential to the strategy and:

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- Ensures the consistent treatment of information regarding fraud and corruption; and
- Facilitates a proper and thorough investigation by an experienced audit team or appropriate officer, in accordance with agreed procedures.

**6.6.** This process will apply to all the following areas:

- a) fraud/corruption by elected Members;
- b) internal fraud/corruption;
- c) other fraud/corruption by Council employees;
- d) fraud by contractors and/or partnership employees;
- e) external fraud (the public)

**6.7.** Cases under d) and e) where necessary would be referred to the external auditor or Police. Cases under (a) in respect to the Code of Conduct for Members will be referred to the Public Services Ombudsman for Wales in addition to the External Auditor and/or the Police. Cases under b) and c) may be dealt with under the Council's disciplinary procedures and / or referred to the Police.

**6.8.** Any decision to refer a matter to the Police will require the involvement of the Head of Finance, the Monitoring Officer, Chief Internal Auditor and the relevant Head of Service or, in their absence of any of these Officers, their nominated representatives. In these circumstances, it will be the responsibility of the Chief Internal Auditor to call a formal meeting of these officers to discuss the appropriate course of action. Any referral to the Police must be agreed by the relevant Chief Officer or Head of Service.

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

**6.10.** The Council's disciplinary policies will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 3.8 will cover Members.

## **7. Awareness & Training**

**7.1.** The Council recognises that the continuing success of this Policy and its general credibility will depend in part on the effectiveness of training and awareness for members and employees. The Policy is an integral part of the induction programme.

**7.2.** To facilitate this, the Council supports the provision of training programmes and circulation of relevant information to ensure that responsibilities and duties in this respect are regularly highlighted and reinforced. This includes the requirement for information to be provided to third parties providing services to and on behalf of the Council.

**7.3.** Specialist training in fraud and corruption issues will also be given to appropriate staff involved in investigation work.

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- 7.4.** Internal Audit will publicise the Anti-Fraud, Bribery and Corruption Policy on the Intranet with other up to date advice and guidance on current issues and will facilitate fraud awareness training to staff as and when required.

**8. Conclusion**

- 8.1.** The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values Openness, Fairness, Flexibility and Teamwork. This Policy fully supports the Council's desire to maintain an honest authority, free from fraud and corruption.
- 8.2.** The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.
- 8.3.** The Council will maintain a continuous review of all these systems and procedures through Internal Audit.
- 8.4.** This policy statement will be reviewed on a regular basis, with a maximum of three years between each review.

February 2017