

1.0 WHAT IS FRAUD AND CORRUPTION?

What is Fraud?

- 1.1. The Audit Commission Fraud Manual defines **Fraud** as:
- 1.2. *'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'*
- 1.3. Most actual and attempted fraud against local authorities is committed by people who do not work for the authority, usually by claiming grants and benefits to which they are not entitled.
- 1.4. Fraud does not include petty theft or misappropriation unless there is distortion of financial statements or other records.
- 1.5. However, this policy is designed to promote propriety in public office and so the following, more general, definition of fraud is also appropriate: *'deliberate deception, trickery or cheating with the intention to gain an advantage'*.

What is Corruption?

- 1.6. The Audit Commission Fraud Manual defines **Corruption** as:

'the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person'
- 1.7. Unlike fraud, corruption usually needs a council employee or Councillor to take part.
- 1.8. In addition, the Bribery Act 2010 which came into force on 1 July 2011 applies to attempts to influence the improper performance of relevant functions or activities.
- 1.9. The Act describes 4 types of offence:
 - Bribing another person
 - Receiving a bribe
 - Bribing a foreign public official
 - Failure of commercial organisations to prevent bribery
- 1.10. Members in particular need to be aware mainly of the first 2 of these. As they could be exposed to potential attempts at bribery, given their responsibilities for planning, licensing and public expenditure.

2.0 MID DEVON DISTRICT COUNCIL'S APPROACH TO COMBAT FRAUD AND CORRUPTION

- 2.1 MDDC's expectation is that Members and employees at all levels will lead by example to ensure high standards of propriety and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times.
- 2.2 The Council's Anti-Fraud and Corruption Policy demonstrates a firm, clear and unambiguous commitment to preventing fraud and corruption. This policy, along with others such as the Codes of Conduct for both Officers and Members, is designed to prevent fraud and corruption. However, if fraud or corruption is discovered, the Council will deal swiftly with the perpetrators in accordance with this policy.
- 2.3 The Council is committed to an effective anti-fraud and corruption strategy, which is designed to:
- Encourage prevention
 - Promote detection
 - Identify a clear approach for investigation

3.0 CULTURE

- 3.1 MDDC has a responsibility for the proper administration of public funds and must maintain a culture which does not tolerate fraud and corruption, and which is based on openness, fairness, trust and value.
- 3.2 Managing the risk of fraud and corruption is the responsibility of management. However, each member and officer of the Council must be aware of the risk of fraud, and has a duty to report any reasonable suspicions. All members and officers are encouraged to raise concerns about fraud and corruption, immaterial of rank, seniority or status, in the knowledge that such concerns will be properly investigated. The Council has a Whistle-blowing Policy to give confidence to anyone who wishes to raise concerns about behaviour and practice.
- 3.3 The Council will deal firmly with those who seek to defraud the authority, or who are found to be corrupt, in accordance with this policy (and operates a zero tolerance approach).
- 3.4 We believe the best defence against fraud and corruption is to create a strong anti-fraud culture within the organisation. The Council has adopted the seven Nolan principles of public life governing conduct, which are:

- **Selflessness.** Holders of public office should act solely in terms of the public interest.
 - **Integrity.** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.
 - **Objectivity.** Holders of public office must act and take decisions impartially fairly and on merit using the best evidence and without discrimination or bias.
 - **Accountability.** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
 - **Openness.** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
 - **Honesty.** Holders of public office should be truthful.
 - **Leadership.** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.
- 3.5 We expect all our officers and members to follow these principles and all legal rules, procedures and practices, and to protect our legitimate interests at all times. Any member or officer, and any person or organisation who falls short of these standards can be sure that we will take all necessary action to deal with the matter.
- 3.6 We also expect that individuals and organisations with which MDDC comes into contact, and particularly those to which it provides finance, act towards the Council at all times with integrity and without fraudulent or corrupt intent.
- ## 4.0 PREVENTION
- 4.1 The Council's chief officers – Chief Executive, Group Managers and Service Managers – are responsible for establishing sound systems of internal control in all of their service's operations. 'Internal control' means the systems of control devised by management to ensure the Council's objectives are

achieved in a manner that promotes economic, efficient and effective use of resources. Such systems must safeguard the authority's assets and interests from fraud.

- 4.2 Internal Audit independently monitors the existence, appropriateness and effectiveness of internal controls, as a service to management.
- 4.3 Where fraud or corruption has occurred because of a breakdown in the authority's systems or procedures, management will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 4.4 The Council's chief officers are responsible for ensuring that all staff are aware of the existence and content of the Financial and Contract Procedure Rules and other regulatory documents.
- 4.5 MDDC must ensure that staff are properly trained to discharge the responsibilities allocated. Once training has been provided, performance must be managed and use of proper practices enforced.
- 4.6 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps during the recruitment process to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Council's recruitment policy should be adhered to during this process, and adequate employment references/employment checks performed.
- 4.7 Members are required to adhere to the Members' Code of Conduct, to be found in the Constitution, which has been formally adopted by MDDC. As part of the compliance with this code, Members are required to declare to the Council's Monitoring Officer when elected, and update when circumstances dictate, relevant interests. These are recorded in the register maintained for this purpose by the Monitoring Officer. These are subject to independent review by Internal Audit on a regular basis.
- 4.8 Similarly, all employees are bound by the requirements of the Code of Conduct for Employees. Employees are required to declare non-financial interests that they consider could bring about conflict with the authority's interests. MDDC employees are also expected to follow any code related to their professional role and qualifications.
- 4.9 Employees are required to report to their line manager, supervisor or other responsible senior officer any illegality, impropriety, breach of procedure or serious deficiency. The Council has a Whistle-blowing Policy to give confidence to anyone who wishes to raise concerns about behaviour and practice.

- 4.10 Section 151 of the 1972 Local Government Act requires that every local authority shall make arrangements for the proper administration of its financial affairs. This includes maintaining strong financial management underpinned by effective financial controls and an adequate and effective system of internal audit. The Section 151 Officer also has to produce Financial Regulations for adoption by the Council. The adequacy and appropriateness of the Council's financial and other systems is independently monitored by both Internal and External audit.
- 4.11 Arrangements are in place, and will continue to be developed, which encourage the secure exchange of information/data between the Council and other Government agencies on national and local fraud and corruption activity. All such arrangements will adhere to Data Protection legislation.

5.0 DETECTION AND INVESTIGATION

- 5.1 The Council undertakes specific tests or initiatives to detect fraud, such as the data matching as part of the National Fraud Initiative (NFI) which is mandatory for district councils.
- 5.2 Employees are required to report matters of genuine concern to their managers or supervisors. The Council's Whistle-blowing Policy provides a framework for reporting, investigating and following up such concerns.
- 5.3 Where it appears that a potential fraud or financial impropriety has occurred this must be reported to Internal Audit, the Section 151 Officer and where an employee is involved the Group HR Manager or where a councillor is involved the Monitoring Officer. An audit investigation will then commence.
- 5.4 Internal Audit is responsible for the initial receipt and investigation of any allegations of fraud or corruption received. Internal Audit will ensure that potential fraud or irregularity is responded to promptly and discreetly;
- All evidence is recorded;
 - Evidence is sound and adequately reported;
 - All evidence is held securely;
 - The Council's insurance section is notified where appropriate;
 - Findings are reported promptly to management; and
 - Further action is taken, where appropriate
- 5.5 Depending on the nature and extent of the allegations, Internal Audit works closely with management and other agencies such as the Police to ensure all allegations and evidence are properly investigated and reported upon.

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- 5.6 The Council's Disciplinary Procedures are used where any investigation indicates improper conduct on the part of staff. Disciplinary action may be taken in addition to, or instead of, criminal proceedings, subject to the advice of the Human Resources Section.
- 5.7 The Council's Communications Team will liaise with the press to publicise any anti-fraud and corruption initiatives undertaken by the Council.

6.0 POLICIES

- 6.1 The Whistle-blowing and Anti-Money Laundering Policies are on the Governance pages of SharePoint. See also the Financial Regulations, section 18 in particular, on the Finance pages of SharePoint and the website.
- 6.2 When a new member of staff commences employment with the Council they will receive induction training and be made aware that these policies are available.