



**APPENDIX 1 A  
ANTI FRAUD, BRIBERY AND CORRUPTION POLICY**

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## **Statement of Commitment from Leadership Management Team (LMT)**

*Middlesbrough Council's Leadership Management Team is committed to implementing and maintaining high standards of corporate and financial governance and ethical behaviour. LMT understands that fraudulent and corrupt activity against the Council not only can harm its employees but also the residents and taxpayers of the Borough. LMT will therefore not tolerate fraud, bribery and corruption against the Council and will support the investigation of any suspected or actual incidents of this nature. LMT will also promote the development of a robust anti-fraud and corruption culture and framework within the Council and will seek to understand the main fraud and corruption risks facing the organisation and how these risks can be mitigated. In accordance with the expected behaviours of the Middlesbrough Manager framework, LMT will expect all managers and staff to establish a strong control environment within their areas of responsibility in order to minimise the risk of fraud, bribery and corruption occurring.*

### **1.0 Summary**

- 1.1 Middlesbrough Borough Council is committed to the highest possible standards of openness, probity and accountability and is committed to maintaining an effective anti fraud, bribery and corruption regime. The Council will not tolerate fraud, bribery and corruption in the administration of its responsibilities, whether from inside or outside the Authority. 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.
- 1.2 The Council's expectation of propriety and accountability is that councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council must maintain a culture which does not tolerate fraud, bribery and corruption, and which is based on openness, fairness, trust and value.
- 1.3 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers and partners) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud, bribery and corruption.

### **2.0 Context**

- 2.1 CIPFA's annual fraud tracker 2017 estimated that more than 75,000 frauds had been detected or prevented during 2016/17 with a total value of £336.2m. It also identified the three greatest fraud risk areas for local government are procurement, adult social care and council tax single person discount. An estimated 40% of all fraud committed against local authorities concerns abuse of the procurement cycle, with an estimated value of £6.2m in losses per year. ~~It is estimated that fraud costs local government £2.1 billion per annum.~~ Any fraud committed against the Council effectively represents a theft of taxpayers' money. It is unlawful and diverts resources away from services to the public. Fraud may also cause reputational damage to the Council, have an adverse impact upon staff morale and lead to a loss of public or stakeholder confidence. Indeed, the damage to the Council of any fraudulent or corrupt acts can be far greater than the actual financial loss incurred.
- 2.2 This Policy takes into account the Bribery Act 2010, the UK Anti Corruption Strategy 2017 – 2022 Plan and follows the principles of the Chartered Institute of Public Finance and

Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption. The Code consists of five key principles:

- Acknowledge responsibility.
- Identify risks.
- Develop a strategy.
- Provide resources.
- Take action.

2.3 The term fraud is used in this policy to broadly include (but is not limited to) any acts that fall within the definition of the Fraud Act 2006 or any act of bribery or corruption including special offences covered by the Bribery Act 2010. Detailed definitions of fraud, corruption and bribery are provided in the Response Plan.

2.4 This policy ~~has been~~was revised in 2016 in order to meet the requirements of the Middlesbrough Manager Framework and has been subject to further review in 2018.

### 3.0 Purpose

3.1 This policy document demonstrates Middlesbrough Council's firm, clear and unambiguous commitment to preventing fraud, bribery and corruption. If fraud, bribery or corruption is discovered, the Council will deal swiftly with the perpetrators in accordance with this Policy.

3.2 The ~~Chief Finance Officer~~Strategic Director Finance Governance & Support -is the Section 151 officer for the Council and has a statutory responsibility under Section 151 of as defined by the Local Government Act 1972 to ensure that arrangements exist for the proper administration of the Council's financial affairs.~~and is responsible for ensuring that the Council has an adequate financial control environment.~~

3.3 The Accounts and Audit Regulations (England) 2015 require the Council to have appropriate control measures in place to enable the prevention and detection of inaccuracies and fraud. The Bribery Act 2010 introduces a corporate offence of failing to prevent bribery, which requires adequate procedures to be in place and appropriately supported from the very top of the organisation. The Act includes the following offences: offences of bribing another person, offences relating to being bribed and offences relating to the bribery of foreign public officials. The Council is committed to an effective anti-fraud approach designed to reduce losses to fraud by:

- Acknowledging and understanding fraud risks faced.
- Preventing fraud happening and detecting it when it does occur.
- Pursuing and punishing fraudsters and recovering losses.

3.4 Responsibility for the prevention and detection of fraud rests with all management. Good management, in accordance with the Middlesbrough Manager Framework, can discharge its responsibilities for the prevention of fraud, bribery, other irregularities and error by employing the following measures:

- an effective accounting system.
- an appropriate system of internal control.
- employees and Members understand relevant codes of conduct and behaviour.
- monitoring relevant legal and procedural requirements.
- independent internal audit programme of work.
- responding to internal audit findings and implementing agreed actions.
- identification of key fraud risks to the Council.

- raising awareness of the risk fraud throughout the Council

3.5 More detail on individual roles and responsibilities is set out in the Response Plan.

#### 4.0 Policy Details

4.1 The Council has in place a series of measures to prevent, deter and detect fraudulent or corrupt acts, which are supported by policies designed to reinforce a culture of integrity and accountability of elected members, staff and Council stakeholders. The Response Plan documents the steps to be taken if a suspected or actual fraudulent or corrupt act occurs, which are further illustrated by means of a flowchart.

4.2 The Council has in place Financial and Contract Procedure Rules that cover:

- responsibility for approving financial systems.
- tendering arrangements.
- cash handling.
- investigation of potential fraud and irregularity.

4.3 The Council supports the legislation afforded by the Public Interest Disclosure Act 1998 and therefore encourages members, employees, contractors and others that it deals with, to come forward and voice any serious concerns they may have about any aspect of the Council's work. The Council recognises the need for cases to be treated confidentially. The Council has a separate **Whistleblowing Policy** that sets out how an individual may report a suspected concern of fraud, corruption or bribery without fear of victimisation, subsequent discrimination or disadvantage.

4.4 Internal Audit systematically monitors the Council's objectives and management of risks and through an examination of system and management controls attempts to ensure that those objectives are being met in the most efficient, economic and effective manner. The annual Internal Audit plan includes specific anti-fraud and governance work around:

- identifying potential areas of fraud risk.
- review of corporate fraud management.
- corporate system key controls.
- raising awareness of fraud.
- review and update of fraud & corruption policies.
- co-ordination of the National Fraud Initiative (NFI) data matching exercise.

4.5 Middlesbrough Council is committed to protecting public funds through its action against benefit fraud and will recover any overpaid benefit and consider prosecuting any person who deliberately provides false or misleading information or who fails to declare a change in circumstances with a view to getting benefit, for themselves or some other person, to which they are not entitled.

4.6 The maintenance of an effective accounting system, including budgetary control, medium term financial plan, the monitoring of financial trends and results and the interpretation of financial statistics all assist in preventing errors and fraudulent claims from entering the system. Reviews undertaken by internal and external audit provide management with an independent assessment of the adequacy of their financial and non-financial systems.

4.7 Service managers are responsible for establishing internal control arrangements that, amongst other things, will protect the Council's assets from losses of all kinds. Internal Audit provides a service to managers by independently reviewing systems of internal control. The

Middlesbrough Manager Framework defines the competencies expected of all Middlesbrough Managers and should be used to assess strengths and areas for development.

- 4.8 Recruitment procedures exist as set out in the **Recruitment and Selection Policy** and **Disclosure and Barring Service Policy** to ensure that personnel employed are of the requisite standard to meet the needs of work and that appropriate checks are carried out. These policies and associated documents set out the standards that facilitate effective recruitment and selection, and provide guidance for managers to ensure a fair, consistent and effective approach to the recruitment of vacancies within the Council, ensuring compliance with all relevant legislation, including the Equality Act 2010, the Council's Equal Opportunities Policy and national requirements relating to DBS checking and safeguarding.
- 4.9 Systems of internal check are in place to ensure that all errors are detected and corrected. Within the Benefits environment, this is achieved by regular quality control checks on assessment work.
- 4.10 Management monitoring and review is an important tool for the prevention and detection of fraud and error. All managers must accept their role in detecting and deterring fraud and abuse of Council resources by implementing effective monitoring and checking regimes for expenditure, pay and expense claims, use of Council vehicles, IT and other equipment. By adopting the behaviours set out in the Middlesbrough Manager Framework, managers will be well equipped to reduce the risk of financial loss to the Council caused by fraud and error.
- 4.11 The Council takes part in the National Fraud Initiative data matching exercise to help prevent and detect fraud. This exercise matches various data sets across the public sector in areas such as blue badges, housing benefits, council tax discounts, pension and payroll and insurance. All data extraction and use adheres to Data Protection legislation, and has regard to the confidentiality of information.
- 4.12 Within key financial and information systems, roles and responsibilities of individual officers are clearly defined to reduce the risk of intentional errors or abuse and the opportunity for collusion.
- 4.13 Financial Procedure Rules set out the system controls to ensure that transactions are properly initiated and reviewed by authorised personnel. Internal audit testing regularly reviews the operation of these controls. Similar controls exist over the initiation of direct debit mandates on the Council's bank accounts. Controls are also in place to ensure that any request to change suppliers' bank details are properly verified.
- 4.14 Both elected Members and employees must ensure that they avoid situations where there is potential for a conflict of interest. The Council has codes of conduct for both elected Members and for employees. The Council also has a Gifts and Hospitality Policy which outlines the principles that should be applied when deciding whether it would be proper to accept any gift or hospitality. The Council also has in place arrangements for officers to declare any interest that they may have in a contract. Where staff have concerns, with regard to any potential conflicts of interest, they should raise these with either their line manager or Director.
- 4.15 Theft, fraud, bribery and corruption are serious offences against the Council. Employees will face disciplinary action if there is evidence that they have been involved in these activities. Where financial or criminal impropriety is involved, the Police will be notified and criminal proceedings considered. The Crown Prosecution Service determines whether a prosecution will be pursued. Referral to the Police will not prohibit action under disciplinary procedures.

- 4.1~~65~~ Wherever an investigation indicates that fraud or corruption has occurred, all avenues for recovering losses will be considered, including confiscation under the proceeds of crime act, civil claims, recovery from accrued pensions and appropriate insurance claims.
- 4.17 All anti-fraud and corruption activities may be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs. The Council will optimise the publicity opportunities associated with its anti-fraud and corruption activity. It will also try to ensure where appropriate that the results of any action taken, including prosecutions, are reported in the media.
- 4.1~~86~~ The Fraud, Bribery and Corruption Response Plan provides additional information on the action to be taken in response to suspected incidents or fraud, bribery or corruption.

## **5.0 Monitoring and Review**

- 5.1 To ensure that the Council remains resilient to the changing and growing fraud threats, this Policy will be reviewed at least every 2 years or as and when required, to address changes in legislation, government policies, organisation and contact details.