



# **COUNTER FRAUD AND CORRUPTION POLICY**

**Reviewed May 2023**

**Gateshead Council**  
**Counter Fraud and Corruption Policy**

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## 1. **Foreword by the Chief Executive**

- 1.1 Gateshead Council is opposed to fraud and corruption in all forms, whether perpetrated from within or outside of the organisation. We advocate a zero tolerance approach and will seek to prevent fraud and corruption, including bribery, in all areas of our activities. Where any instances are discovered the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

Fraud and corruption cheats the local tax payer and undermines the aims of our Council to achieve our vision of 'Making Gateshead a place where everyone thrives', by providing value for money services in an open, honest and accountable way.

As the Council considers how to maintain core services against the background of public sector funding cuts it is essential that we continue to maintain strong defences against fraud and corruption by directing resources most effectively to mitigate the risks we face. This will involve working closely with partners, contractors and other stakeholders to overcome any barriers to effective fraud fighting and making the best use of available information and intelligence.

All councillors and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud, corruption and other irregularities and by promptly identifying and reporting potential instances for investigation.



**Sheena Ramsey**  
**March 2018**

## **2. Introduction**

- 2.1 The Policy is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and corruption and to take effective action against any attempted or actual fraudulent or corrupt act affecting the Council.
- 2.2 Gateshead Council's Internal Audit and Risk Service has the key function of monitoring the effectiveness of internal controls in operation. This also includes carrying out investigations into suspected cases of fraud and corruption.
- 2.3 The purpose of this policy is to outline Gateshead Council's approach, as well as defining roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally. It applies to:
- Councillors
  - Employees
  - Agency Staff
  - Contractors
  - Consultants
  - Suppliers
  - Service users
  - Employees and committee members of organisations funded by Gateshead Council
  - Employees and Principals of Partner Organisations

In addition to the above, the Council also expects the residents of Gateshead to adhere to the principles set out in this policy and be honest in their dealings with the Council.

- 2.4 This policy sets out Gateshead Council's commitment to tackling fraud and corruption. This makes it clear to all concerned that appropriate and decisive action will be taken against those committing or attempting to commit, fraudulent or corrupt acts against the Authority.

## **3. Corporate Framework**

- 3.1 Gateshead Council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:
- Codes of Conduct for Councillors and Officers
  - Manager and Employee HR Policy and Procedures
  - Individual Job Profiles
  - Code of Corporate Governance
  - Council's Constitution – including Standing Orders, Contract Procedure Rules and Financial Regulations
  - "Whistle Blowing" Policy

- Fraud Awareness and Training
- Effective Internal Control Systems
- Internal Audit and Risk Service Fraud Response Plan
- Effective Recruitment and Selection Procedures
- Anti-Money Laundering Policy
- Counter Fraud and Corruption Strategy
- Statement on the Prevention of Bribery
- Information Security Policy

3.2 Gateshead Council believes that a culture of honesty and openness is a key element in tackling fraud. The Codes of Conduct for Councillors and Staff are based on the Nolan Principles of Standards in Public Life. Where councillors or employees fail to adhere to these codes appropriate action will be taken against them.

#### **4. Legal Definitions**

4.1 Gateshead Council has a duty to detect, investigate and prevent fraud within the organisation and the Gateshead area. It is our aim to fight fraud by using intelligence to understand the nature of fraud risks, investigate where offences are suspected to have been committed, reduce its impact on the organisation and drive forward improvements.

#### **4.2 Fraud**

The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

#### **4.3 Bribery**

The Bribery Act 2010 identifies criminal offences of offering and receiving a bribe. It also places specific responsibility on organisations, such as Gateshead Council, to have in place adequate procedures to prevent bribery and corruption taking place.

Bribery can generally be defined as offering, promising or giving a financial or other advantage to influence others to use their position in an improper way (i.e. to obtain a business advantage). A benefit can be money, gifts, rewards etc. and does not have to be of substantial financial value. No actual gain or loss has to be made.

#### **4.4 Corruption**

Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing favour or disfavour which may influence any person to act improperly.

#### **4.5 Money Laundering**

Money Laundering is the process where criminally obtained monies or criminal property are exchanged for 'clean' money or other assets with no obvious links to their criminal origins. Money laundering involves one or more of three principal offences: concealing, arranging and acquisition/use/possession as identified under the Proceeds of Crime Act 2002.

### **5. Prevention**

#### **Employees**

- 5.1 Gateshead Council recognises that employees are often the first line of defence in preventing fraud. A key preventative measure in that fight is the effective recruitment of employees.
- 5.2 Employee recruitment will be undertaken in accordance with Council's policies for Recruitment and Selection. Strategic and Service Directors should ensure that procedures laid down in the HR Policies and Procedures in respect of recruitment are followed and that, in particular, references are obtained before employment offers are confirmed.
- 5.3 For certain posts, Gateshead Council will undertake checks on potential new employees, to ascertain whether they are or have been falsely claiming Housing and/or Council Tax Benefit. These posts are based in the Benefits, Housing and Council Tax areas plus any additional posts the relevant Strategic Director considers appropriate.
- 5.4 Employees of the Council are expected to follow any Code of Conduct related to their Professional Institute and are also required to abide by the Code of Conduct for Local Government Employees adopted by the Council in April 1998. This includes provisions in respect of the declaration or registration of interests, gifts and hospitality.
- 5.5 Employees must operate under Section 117 of the Local Government Act 1972 regarding the disclosure of pecuniary interests in contracts relating to the Council, or the non-acceptance of any fees or rewards whatsoever, other than their proper remuneration, subject to the provisions of the Council's Code of Conduct for Employees.
- 5.6 The Council recognises that training and the responsiveness of employees is important to the continuing success of its counter fraud and corruption strategy. Employees should therefore be alert to the possibility of fraud and corruption and report any concerns. Gateshead Council has a "Whistle Blowing" Policy in

place to assist employees and other stakeholders in reporting concerns about fraud and other issues without fear of reprisal.

- 5.7 The Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the Police for investigation and possible prosecution, in accordance with the Fraud Response Plan. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.

### **Councillors**

- 5.8 Councillors are expected to operate honestly and without bias. Their conduct is governed by:

- The Code of Conduct for Councillors of Gateshead Council
- The Council's Constitution
- Council Protocols

- 5.9 These matters are specifically brought to the attention of councillors at their induction course and are in the Councillor Engagement and Development Framework. They include rules on the declaration and registration of potential areas of conflict between Council duties and responsibilities and any other areas of their personal or professional lives.

- 5.10 Gateshead Council has in place an Overview and Scrutiny process. Its remit includes the decisions and actions undertaken by the Council. Any matter arising from this process, in which fraud is suspected, can be referred to Internal Audit for independent investigation.

- 5.11 Gateshead Council's Audit and Standards Committee has included within its terms of reference a responsibility to consider the effectiveness of the Council's internal control environment and its associated counter fraud and corruption arrangements.

- 5.12 The Local Government Act 2000 requires all councillors to give a written undertaking to comply with the Code of Conduct, if they are to remain on the Council.

### **Internal Control Systems**

- 5.13 Financial Regulations of the Council provide the framework for financial control. The Council's Financial Regulations require each Strategic Director to establish effective internal controls so that the activities under their responsibility are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of control and methods, both financial and otherwise, which are established to: -

- Safeguard the Council's assets;
- Ensure the reliability of records; and

- Monitor adherence to policies and procedures.

5.14 The Council's Internal Audit and Risk Service independently review, appraise and report on the soundness, adequacy and application of internal controls. Strategic and Service Directors are required to notify at once, and before proceeding with any further investigation, the Strategic Director, Resources and Digital of any matters involving, or thought to involve theft, fraud, corruption or financial irregularity which involves the Council's interests.

5.15 The Council's external auditors also provide safeguards for the stewardship of public monies. The external auditor has a specific responsibility to review the adequacy of the Council's financial systems and its arrangements for the prevention and detection of fraud and corruption.

### **Working / Liaison with Others**

5.16 There are a variety of arrangements in place, which facilitate the regular exchange of information between Gateshead Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators / inspectorates and include Internal Auditors, Trading Standards Officers and the Department for Work and Pensions.

5.17 With the increase in recent years of frauds perpetrated against a variety of public bodies, the necessity for liaison with other organisations has become paramount. The Council recognises that to prevent fraudsters using multiple identities and addresses, it cannot work in isolation and must liaise with other organisations. It has therefore developed a number of external contacts which include:-

- National Anti-Fraud Network
- Northumbria Police
- CIPFA Better Governance Forum and Counter Fraud Centre
- Networks of Heads of Internal Audit Group
- External Audit
- Cabinet Office
- North East Fraud Forum
- North East Tenancy Fraud Forum
- North East Counter Fraud Group
- Department for Work and Pensions
- HM Revenue and Customs

5.18 The Council is committed to exchanging information with other local and national agencies; such activity is carried out in full compliance with the Data Protection Act 1998 and with the Code of Practice for National Fraud Initiative data matching exercises and includes providing information to other agencies for data matching purposes.



## **6. Deterrence**

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, from both inside and outside of the Council, and these include: -

- Publicising the Council's stance against fraud and corruption and stating this at every appropriate opportunity.
- Acting robustly and decisively when fraud and corruption are suspected and proven.
- Taking action to effect the maximum recoveries for the Council.
- The Service Director, Office of the Chief Executive optimising the publicity opportunities associated with counter fraud and corruption activity within the Authority.
- Having sound internal control systems, that still allow for innovation, but at the same time do not provide opportunity for fraud and corruption.
- The Council's "Whistle Blowing" Policy
- The operation and advertising of a fraud hotline and online fraud reporting form.

6.2 It is the responsibility of Strategic and Service Directors to communicate the Counter Fraud and Corruption Policy to their staff and to promote a greater awareness of fraud within their Services.

## **7. Detection and Investigation**

### **Detection**

7.1 The preventative systems within the Council, particularly internal control systems and audit, generally should be sufficient in themselves to deter fraud but they have also been designed to provide indications of any fraudulent activity. In performing their duties, internal auditors will:

- Endeavour to reveal any serious defects in systems of internal control which might lead to the perpetration of fraud;
- Be alert to the possibility of malpractice or corruption;
- Take nothing for granted; and
- Be aware of the possibility of collusion.

7.2 It is often the alertness of councillors, employees and the public that enables detection to take place and they are positively encouraged to raise any concerns that they have in connection with the Council's activities. Such concerns will be treated in confidence and properly investigated. These concerns can be raised through any of the following routes:

- Line Managers
- Internal Audit and Risk Service
- Strategic Director, Resources and Digital
- Chief Executive, Strategic Director or Service Director

- Council's Complaints Procedure
- Council's "Whistle Blowing" Policy
- Corporate Fraud Hotline or online fraud reporting form

### **Investigation**

7.3 The Strategic Director, Resources and Digital is responsible for following up all allegations of fraud and corruption received and will do so by arranging for the Internal Audit and Risk Service to carry out an investigation. The Internal Audit and Risk Service will ensure that:

- Investigations are both independent and objective;
- Matters are dealt with promptly;
- All evidence is recorded;
- Evidence is sound and adequately supported;
- All evidence is held securely;
- Liaison with the Police is undertaken if appropriate;
- In consultation with Human Resources and the Strategic Director, Corporate Services and Governance and the relevant Strategic Director, the Council's disciplinary procedures are implemented;
- The Council's insurers are informed if appropriate;
- Rules of natural justice are applied; and
- The Council's "Whistle Blowing" Policy is adhered to.

7.4 Where financial impropriety is discovered, either from employees defrauding the Council or from persons committing criminal offences against it (such as members of the public who have dishonestly obtained benefits to which they are not entitled), then the general rule is that the matter will be referred to the Police. The final decision on referral will lie with the Strategic Director, Resources and Digital and, where appropriate, in consultation with the Strategic Director concerned. The following factors will be taken into account:

- The amount of the loss and the duration of the offence;
- The person's physical and mental condition;
- Voluntary disclosure and arrangements for restitution;
- How strong the evidence is;
- Whether the prosecution is in the public interest; and
- The deterrent effect of any publicity associated with the case.

7.5 In the case of 'internal' fraud, disciplinary action does not depend upon the instigation or success of a prosecution; there are different standards of evidence and materiality required.

7.6 There is a need to ensure that any investigation process is not misused. Any abuse therefore such as raising unfounded malicious allegations may be dealt with as a disciplinary matter in accordance with the Council's "Whistle Blowing" Policy and may leave the complainant open to an action for defamation.

7.7 Gateshead Council will seek to utilise all measures to recover any losses arising from fraud or corruption. This will include the raising of debtor invoices, insurance cover, pension seizure and civil action under the Proceeds of Crime Act 2002.

## **8. Raising Fraud Awareness**

8.1 Gateshead Council recognises that the success and credibility of its Counter Fraud and Corruption Policy and Strategy will depend largely on how effectively they are communicated throughout the organisation and externally, the effectiveness of programmed training and the responsiveness of employees throughout the organisation. Every opportunity will be taken to bring it to the attention of employees, councillors and other stakeholders. This policy will also be published on the Council's website and Intranet.

8.2 Gateshead Council supports the concept of induction training, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The possibility of disciplinary action against officers who ignore such training and guidance is clear.

8.3 The officers involved in the review of internal control systems and investigative work will be properly and regularly trained. The Chief Internal Auditor maintains a Training and Development Plan for Internal Audit and Risk staff to satisfy this requirement and this is subject to regular review.

8.4 The Internal Audit and Risk Service offers tailored programmes in Internal Audit and Fraud. In the regular Council News bulletins the Internal Audit and Risk Service will publicise fraud related issues as well as giving details of the outcomes of some of its investigations where necessary. These newsletters are distributed to all employees and are displayed on the Council's Intranet.

## **9. Notifying Actual or Suspected Fraud or Corruption**

9.1 Suspected fraud or corruption can be discovered in a number of ways but in all cases it is important that individuals feel able to report their concerns and are also aware of the means by which they are able to do so. Matters of concern regarding suspected fraud or corruption should be reported, no matter how minor they appear. Anyone reporting suspected fraud or corruption can remain anonymous.

The routes to report concerns are:

- **Strategic Director, Resources and Digital**

The Council's Strategic Director, Resources and Digital can be contacted on 0191 433 3582.

- **Monitoring Officer**

The Council's Monitoring Officer, Strategic Director, Corporate Services and Governance can be contacted on 0191 433 2102.

- **Internal Audit**

Any cause for concern can be reported to the Internal Audit and Risk Service:

- Chief Internal Auditor, 0191 433 3711
- Audit and Risk Manager, 0191 433 3801

- **Corporate Fraud Team**

Internal Audit and Risk, Gateshead Council, Civic Centre, Gateshead, NE8 1HH.

- Telephone number 0191 433 2805
- Email: [fraudreporting@gateshead.gov.uk](mailto:fraudreporting@gateshead.gov.uk)
- [Online Fraud Reporting Form](#)

- **Line Managers**

Officers should normally raise concerns through their immediate line manager. They should then report this to the officers mentioned above. For more information refer to the Council's "Whistle Blowing" Policy.

- **Chair, Audit and Standards Committee**

Cause for concern can also be reported to the Chair of the Council's Audit and Standards Committee who can be reached through the councillors' secretariat on 0191 433 2074.

- **External Auditor (Mazars)**

The Council's External Auditor is Mazars and they too can be contacted to report areas of concern. They can be contacted at:

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF