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Introduction

The Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. The Council’s elected Members and employees are expected to uphold the highest possible standard of conduct in public life in accordance with the Nolan principles.

The Council also expects that all individuals and organizations associated or collaborating with the Council will act with integrity and without intent to commit fraud or corruption and that such persons and bodies will use the resources given to them for the purposes intended.

Within the Council’s Strategic Theme Corporate Capacity the ambition is to “manage our resources to provide value for money, high standards of governance, financial control and budget management”. This strategy is therefore designed to reduce losses to fraud and corruption to an absolute minimum.

Fraud and corruption is rare and not tolerated by the honest majority. Nevertheless, as part of its strategic risk management process, the Council has to ensure that there is robust framework in place to mitigate the risk of fraud and corruption. Therefore, the Council’s aim is to:

- Maintain and extend its ‘zero-tolerance’ culture to fraud and corruption
- Maintain its stance of providing a strong deterrent
- Prevent fraud and corruption by designing and reformulating policies and systems
- Provide fraud awareness training
- Continue to undertake the detection and investigation of fraud and corruption including aiming to apply sanctions and recovery procedures where it is identified.

This Anti-fraud and Corruption Strategy sets out roles and responsibilities and the means by which the Council will combat fraud and corruption.

In carrying out its functions and responsibilities, Merton has always adopted a culture of openness and fairness and has expected that elected Members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence
to rules, procedures and agreed practices. These standards have also been expected from organisations that have dealings with the authority (e.g. suppliers/contractors).

1.6. The Council is currently in a strong position due to the controls that have already been put in place, i.e. standing orders, financial regulations and the Members’ Code of Conduct, but must not be complacent.

1.7. 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 an employees) and outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.

1.8. This strategy document embodies a series of measures designed to frustrate an attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:

- Culture
- Prevention
- Deterrence
- Detection and investigation
- Awareness and Training

1.9. The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, the Local Government Ombudsman, the Information Commissioner, the Chief Surveillance commissioner and HM Revenue and Customs. These bodies are important in highlighting any areas where improvements can be made.

1.10. For the purposes of this strategy, fraud is as defined in the Fraud Act 2006. The Act provides for a general offence of fraud and three ways of committing it by false representation, by failing to disclose information and by abuse of position. Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person.

2. CULTURE

2.1. The culture of the authority has always been one of openness and the core values of fairness, trust and value support this. The authority’s culture has always supported opposition to fraud and corruption and Members have always supported an anti-fraud culture.

2.2. The prevention/detection of fraud/corruption and the protection of the public purse is everyone’s responsibility.
2.3. The authority's elected Members play an important role in creating and maintaining this culture and have their own "Members Code of Conduct". The Code contains provisions which would be breached by corrupt or fraudulent actions by councilors. These include:

- compromising the impartiality of those who work for the Council;
- acting in a manner which could reasonably be regarded as bringing the office of councilor into disrepute;
- ensuring that resources are not used for political purposes;
- declaring personal interests;
- identifying prejudicial interests and withdrawing from meetings etc; and
- registering the receipt of gifts and hospitality.

2.4. Councillors are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. Under the code of conduct they are bound to report conduct which they reasonably believe to constitute a breach of the code by another member.

2.5. Officers are expected to conduct themselves beyond reproach. They are required to follow the council's Financial Procedures and the officers 'Code of Conduct'. The Code requires employees to report their suspicions or knowledge of fraud or corruption to their line manager. Where they are unable to do this they should report it the Head of Audit and Support.

2.6. Members and Officers are expected to set an example by their own behaviour, which should be in accordance with Nolan's Seven Principles of Public Life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

2.7. Concerns must be raised when Members, the public or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
2.8. The Head of Audit and Support 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, subject to the requirements of the Human Rights Act 1998, Police and Criminal Evidence Act, Regulation of Investigatory Powers Act 2000 and other appropriate legislation.

2.9 Merton will deal firmly but fairly and consistently with those who defraud the authority, 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 raising malicious allegations) may be dealt with as a disciplinary matter.

2.10 When fraud or corruption has occurred because of a breakdown in the authority’s systems or procedures, departmental directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

2.11 To promote the council’s culture of anti fraud and corruption, fraud awareness training is provided, there are publicity campaigns and the council publishes newspaper articles in relation to fraud cases.

3. PREVENTION

The Corporate Framework

3.1 The corporate framework, which underpins the operation of the Council, has a number of facets that exist to protect the Council against losses from fraud. These include:-

- An established Standards Committee and an adopted code of conduct for members
- Members formally signing a declaration accepting the terms of the code of conduct
- The constitution, financial regulations, standing orders and the scheme of delegation
- Constitution arrangements which are disseminated to the public, partners, members and staff.
- The Code of Corporate Governance
- Internal control reviews by Internal Audit
- Whistleblowing Policy
Anti Money Laundering Policy
An anti-fraud and corruption strategy
Data Protection procedures
A complaints procedure
Proactive fraud work within the Internal Audit Section
Participation in national anti-fraud initiatives (e.g. National Fraud Initiative) and organizations like the CIPFA Counter Fraud Group and the London Counter Fraud Public Sector Partnership.
The promotion of awareness of anti fraud and corruption issues reinforced by training and publicity.
Disciplinary procedures
Recruitment procedures

3.2 Our strategy to reduce fraud is based on prevention, detection, investigation and remedy within an over-riding anti fraud culture. We will promote this culture across all our service areas and within the community as a whole.

3.3 We will seek to promote an antifraud culture within our community by publishing articles on the impact of fraud on the community. We will also seek to assist our partners and our community to understand and reduce fraud threats through publicity and general campaigns.

The Role of Members

3.4 As elected representatives, all Members of the authority have a duty to protect the authority from all forms of abuse.

3.5 This is done through the anti-fraud strategy and compliance with the Code of Conduct for Members, the Council’s Standing Orders and Financial Regulations and the relevant legislation.

3.6 Elected Members sign to the effect that they have read and agree to be bound by the Code of Conduct for Merton’s members when they take office. These 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 Civic and Legal Services advises Members of new legislative and procedural requirements.

3.7 Allegations of fraud and corruption made against our Members will be fully investigated in accordance with the provisions of the Local Government Act 2000 and any subsequent statute or codes of practice. The Standards Committee is responsible for the initial assessment into members’ misconduct.

3.8 The Council will fully assist the Standards Committee or other law enforcement agencies with any investigation concerning a Member.
3.9. Allegations about Members that are received by Internal Audit will be referred to the Monitoring Officer. The Monitoring Officer may utilise the Internal Audit for the purposes of any investigation.

3.10. The Council will utilise its own Standards Committee to the fullest extent to promote high standards and regulate the conduct of our Members and will take action as required by the Standards Board for England.

**The Role of Management**

3.11 The Chief Executive, Directors, Heads of Service and managers at all levels are responsible for ensuring there are proper procedures and systems of internal control in place to safeguard the resources for which they are accountable. They also need to ensure that their staff are aware of the requirements of the Council’s Constitution and comply with them.

3.12 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 Managers Handbook, financial regulations and procedures and Standing Orders, and that the requirement of each are being met in their everyday business activities. All of these documents are available on the intranet.

3.13 Managers are expected to strive to create an environment in which their staff 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 or seek advice.

3.14 There is a need for a greater level of internal control where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the benefits system or Council Tax. Managers must ensure that relevant training is provided for employees.

3.15 Managers should be alert to the potential areas of fraud within their service and satisfy themselves that satisfactory checks are in place to detect irregularities at the earliest opportunity. The Internal Audit Team can provide advice and guidance.

3.16 Under the Whistleblowing Policy and the Anti-Fraud and Corruption Strategy managers should respond to their staff’s concerns about suspected irregularities and ensure they act according to such procedures.
3.17  The Council recognizes 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. The Council’s Equal Opportunity policy will be adhered to during this process.

3.18  The authority has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. It is a manager’s responsibility to ensure that each post is risk assessed, and steps taken in the course of the appointment process to minimise risk, such as seeking appropriate information about past convictions and analysing past employment history, with particular reference to periods between employments and reasons for leaving past posts.

The Role of Employees

3.19  The Council’s Standing Orders, Financial Regulations and other Codes and Policies such as Health and Safety, E Mail and Internet Usage Policy etc govern each employee in their work. Merton’s Staff Code of Conduct also governs them as employees. Included in these are guidelines on gifts and hospitality and conflicts of interest.

3.20  Members of staff, either as witnesses or professional experts, have a role to play in prevention of fraud and the expectation is that they will attend Human Resources and judicial proceedings required as a consequence of any investigation.

3.21  In addition, employees are responsible for ensuring that they follow the instructions given to them by Managers, particularly in relation to the safekeeping of the assets of the Council.

3.22  Employees are expected always to be aware of the possibility that fraud, corruption or 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 officers named in the Council’s Whistleblowing Policy and below:

- The Chief Executive, Directors or Heads of Service
- The Head of Civic and Legal Services (Monitoring Officer)
- The Head of Audit and Support
- The External Auditor

3.23  Both Elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations arise with the contracting out of services, 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.

3.24. In addition to Financial Regulations and Standing Orders, Department and Sections will have their own procedures to prevent and detect fraud. Schemes of authorization from directors should clearly identify officers with powers to take delegated decisions, agree entry into contractual relationships and authorise expenditure. There may also be Audit reports that recommend methods to minimize losses to the Authority. Managers and employees must be aware of these various sources of guidance and alter their working practices accordingly.

The Role of Service Users and Members of the Public

3.25. Service users and members of the public are also encouraged to report any concerns they have either through the corporate complaints procedure or by contacting an appropriate service officer or the Chief Internal Auditor.

The Role of Contractors, Partners and Other Associated Bodies

3.26 Contractors, Partners and other bodies working with the Council are expected to maintain strong anti fraud principles. We will work with such organizations to provide advice on anti fraud measures. Through contract documentation we will ensure that our partners take the issue of fraud seriously. Our contractor partners will be expected to have adequate recruitment procedures and controls when they are handling finance on behalf of the council. This expectation will be written into all contract terms and agreements.

3.27 We will expect our partners to have adequate controls in place to minimize fraud. We will provide fraud awareness training to our partners as required. We will also provide support and training to our community partners to help them implement proper controls and protect the funds they administer.

3.28 Where our partners are involved with the administration of our finances, or those for which we have responsibility, we will conduct internal audit reviews and pro-active anti-fraud exercises as we would our own service.

3.29 Our partners will provide full access to their financial records, as they relate to our finances and the staff will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements. Personnel records of any person suspected of being involved in fraud will be made available to the internal Audit section.
3.30 We will seek the strongest available sanctions against contractor staff who commit fraud against the council or who commit fraud against the public purse. We will request that the organization takes appropriate disciplinary action against the individual and/or we will require that they are removed from the council account.

The Role of Internal Audit

3.31 As part of the council's system of internal control the Internal Audit section undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.

3.32 The Head of Audit and Support is responsible for providing a pro-active corporate anti-fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud and corruption.

3.33 Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit investigates all cases of suspected irregularity, except external benefit fraud investigations (see below), in accordance with the requirements of the Human Rights Act 1998 and other legislation. They liaise with Management to recommend changes in procedures to prevent further losses to the Council.

3.34 The Head of Audit and Support is responsible for receiving and reviewing notifications of fraud reported within the council, monitoring investigations and analyzing the fraud situation within the council.

3.35 The Head of Audit and Support is responsible for making appropriate arrangements to co-ordinate the Council work on the Audit Commissions National Fraud initiatives and to undertake internal date matching across council systems.

3.36 The Head of Audit and Support is responsible for managing the Council's whistleblowing hotline and monitoring to ensure appropriate investigations are undertaken in accordance with the Whistleblowing policy.

3.37 The Head of Audit and Support is responsible for reporting to and liaising with the local police on individual cases and for issuing guidance to members and management in relating to fraud and corruption related legislation and procedures.

The Role of the Benefit Investigation Team

3.38 The Benefits Investigation Team is responsible for all benefit fraud investigations, in accordance with the requirements of the Human Rights Act 1998 and other relevant legislation. In cases where
employees are involved, they work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and this strategy is followed.

The Role of External Audit

3.39 Independent External Audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council’s financial systems and the arrangements for preventing and detecting fraud and corruption. It is not the External Auditors function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern.

Data Matching

3.40 Participation in data matching between other organizations and agencies is encouraged to help detect and prevent fraud. Such initiatives are conducted under the Data Protection Act 1998 and organized by the Audit Commission. Employees and service users are advised of these activities. Investigations into possible fraud and corruption resulting from such initiatives will be conducted by either the Internal Audit Section or the Benefit Investigation Team and under the protocol set up for such instances.

Working in Partnership

3.41 Internal Audit and the Benefit Investigations Section has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- The Police
- Unitary and local groups
- Audit Commission
- Department for Works and Pensions; and
- Government Departments

Such initiatives will follow the principles of the Data Protection Act and the rules of confidentiality.
4. **DETERRENCE**

4.1. The authority has adopted a prosecution policy (contained elsewhere in this item). This policy encompasses the public, elected Members and employees. It is designed to clarify the authority’s action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

4.2 Theft, fraud and corruption are serious offences against the authority and any public funds and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

4.3 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the authority or any public funds. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner and may be referred to the police, the Standards Committee or appropriate group leader, as appropriate. The requirements of the Local Government Act 2000 may influence when cases are referred to the Standards Board for England, i.e. if a formal written complaint against a Member is received.

4.4 The authority’s Communications Unit will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. The Communications Unit will also try to ensure that the results of any action taken, including prosecutions, are reported in the media.

4.5. In all cases where it is economic to pursue and where financial loss to the authority has occurred, the authority will seek to recover any losses and advertise this fact.

4.6. All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the authority’s commitment to taking action on fraud and corruption when it occurs.

4.7 Regular reports will be made to the Audit Committee about countering fraud and corruption activities.

5. **DETECTION AND INVESTIGATION**

5.1. Internal Audit plays an important role in the detection of fraud and corruption. Included in their plans are reviews of system financial controls and specific fraud and corruption tests, spot checks and
unannounced visits. Anti-fraud tests are built into nearly all audit reviews.

5.2. In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.

5.3. 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, in accordance with the requirements of the Human Rights Act 1998.

5.4. All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator, as per the authority’s confidential whistleblowing policy. This is essential to the strategy, and:

- ensures the consistent treatment of information regarding fraud and corruption
- facilitates a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the Human Rights Act 1998.

5.5. We will utilise all methods available to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigation. We will also actively participate in the Audit Commission’s National Fraud Initiative (NFI).

5.6. This process will apply to all the following areas:

a) fraud/corruption by elected Members
b) internal fraud/corruption
c) other fraud/corruption by authority employees
d) fraud by contractors’ employees
e) external fraud (the public)

5.7. Any decision to refer a matter to the police for further investigation and reference to the Crown Prosecution Service will be taken by the Head of Audit and Support. The authority will normally wish the police to be made aware of, and investigate independently, offences where material financial impropriety is discovered. In cases in which the police or Crown Prosecution service decline to act the matter may be referred to the Head of Civic and Legal Services who may consider commencing proceedings where appropriate in accordance with the Council’s prosecution policy.

5.8. Depending on the nature of an allegation, the Head of Audit and Support will normally liaise with the director concerned and the appropriate Cabinet Member to ensure that all allegations are thoroughly investigated and reported upon.
5.9. Merton’s disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. However, audit investigations are not part of the disciplinary procedure.

6. AWARENESS AND TRAINING

6.1 Merton recognizes that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training in making elected members and employees of the Council aware of the risk of fraud.

6.2 All new staff receive Fraud Awareness training as part of the corporate Induction programme and further training is offered to Members, staff, school based staff and Governors.