



ANTI FRAUD AND CORRUPTION STRATEGY

1. INTRODUCTION

- 1.1 Merseyside Waste Disposal Authority (MWDA) is committed to ensuring that it develops and delivers a high quality service. MWDA is determined that in delivering this service it will maintain its reputation as an Authority which will not tolerate fraud, corruption or abuse of position for personal gain, wherever that may be found in Authority activity.
- 1.2 The Authority is determined to ensure propriety and accountability in all matters and to protect itself, constituent District Councils and the public from fraud and corruption. To provide this assurance the Authority has developed governance arrangements designed to ensure proper accountability and probity in delivering its objectives.
- 1.3 The framework depends upon Members and officers of the Authority playing a key role in developing, managing and promoting counter fraud and corruption measures. This includes promoting an anti fraud culture across the whole Authority as well as providing arrangements for:
 - Raising awareness of fraud and corruption and promoting their prevention and detection
 - Performing and supporting investigations and facilitating recovery
 - Invoking disciplinary proceedings and referrals to the Police
 - Monitoring, publishing and reviewing the strategy and its related procedures

2. DEFINITIONS

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines Fraud as:

“intentional distortion of financial statements or any other records by persons internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain.”

This may involve:

- Falsification or alteration of accounting records or other documents
- Misappropriation of assets or theft, including obtaining pecuniary advantage for a third party (i.e. financial gain or the reduction of a debt or liability)
- Suppression or omission of the effects of transactions from records or documents
- Recording transactions which have no substance
- Wilful misrepresentations of transactions or of the Authority's state of affairs
- Criminal deception
- Forgery
- Blackmail / bribery

The Fraud Act 2006 also defines fraud in three classes:

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position

2.2 Corruption is defined by CIPFA as the:

'offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person'

The Bribery Act 2010 describes what is meant by the term bribery, and it can be summarised as;

'the receiving or offering of undue reward to persons in order to influence their behaviour contrary to ordinary standards of integrity or honesty'

The main areas of the Authority activity that may be susceptible to corruption or bribery include the award and management of key contracts and the disposal of assets.

3. SCOPE

3.1 The Authority's anti-fraud and corruption arrangements apply to all officers of the authority whether employed on a permanent basis, as a contractor or on any other basis where they act for or represent the Authority and its interests. The arrangements also apply to the Members of the Authority in addition to the arrangements that apply to them at their constituent District Councils.

3.2 The Authority is committed to upholding the same standards for those who deliver services on behalf of the Authority, as set out by the Nolan Committee in 1997:

“Where a citizen receives a service which is paid for wholly or in part by the taxpayer, then the government or local authority must retain appropriate responsibility for safeguarding the interests of both the user and taxpayer regardless of the status of the service provider.”

Therefore the Authority expects that individuals and organisations (e.g. partners, suppliers, contractors and service providers) that it deals with will act with integrity and without thought or actions that involve fraud or corruption. Where relevant the Authority will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption; evidence of such acts are most likely to lead to a termination of the particular contract and may lead to prosecution.

4. MWDA POLICY

- 4.1 Responsibility for an anti-fraud and corruption strategy is the joint duty of all those involved in giving political direction, determining policy and management. The Authority expects that Members and officers at all levels will lead by example in ensuring adherence to legal requirements and governance arrangements.
- 4.2 As a part of this the Authority will promote a fair, equitable and honest approach to service delivery with those providing and receiving services. To ensure this happens the Authority will:
- Provide clear routes by which concerns can be raised by Members, officers and both the public and private sector organisations
 - Actively seek out instances of fraudulent or corrupt practices and pursue the perpetrators to the full extent of the law
 - Encourage people with concerns about potential fraud, bribery and corruption to inform the Authority of their suspicions
 - Treat complaints of potential fraud and corruption positively, fairly and equitably
 - Regularly review its own procedures to ensure they offer effective protection of the Authority’s interests and reputation.
- 4.3 Senior management will deal swiftly and firmly with those who defraud the Authority or who are corrupt. The Authority will be robust in dealing with financial malpractice.
- 4.4 To deliver these aims requires the Authority to establish, communicate and maintain;

- Proper standards
- An anti fraud culture
- Supporting policies and procedures
- Reporting and investigation arrangements
- Access to information and publicity
- Review mechanisms
- Data sharing arrangements

5. THE FRAMEWORK

5.1 The Authority has developed a framework to support the anti fraud and corruption strategy that is designed to frustrate any fraudulent or corrupt act. These elements are:

1. Operating culture
2. Deterrent and Preventative Measures
3. Fraud response policy and detections and investigation procedure

5.2 Operating Culture

- 5.2.1 The Authority expects Members and employees to lead by example in ensuring opposition to fraud and corruption, and in ensuring adherence to rules and regulations, and to National and Local Codes of Conduct.
- 5.2.2 The Authority requires all individual and organisations with whom it deals in any capacity to behave towards the Authority with integrity and without intent or actions involving fraud or corruption.
- 5.2.3 Authority employees and members of the public are important elements in the stance against fraud and corruption and are positively encouraged to raise any concerns they may have on these issues which impact on the Authority's activities, using the Authority's Whistleblowing and Complaints Procedures. These procedures and a copy of this strategy are available on the Authority's website and are also in the Document Library.
- 5.2.4 Training and guidance is vital to maintaining the effectiveness of this strategy and its general credibility. The Authority supports induction and work related training, particularly for employees involved in internal control systems, to ensure that their responsibilities and duties are regularly highlighted and reinforced and best practice is followed on a consistent basis.
- 5.2.5 As part of its responsibilities, Internal Audit is required to investigate activities suspected of involving fraud and corruption. Its audit plan will take a risk based approach to provide adequate coverage in this area.

- 5.2.6 Where appropriate, the Authority will co-operate with other local authorities and public sector bodies in the prevention, detection and investigation of fraud and corruption.

5.3 Deterrent and Preventative Measures

- 5.3.1 The Authority's Procedural Rules and Scheme of Delegation set out a framework for dealing with the affairs of the Authority and all employees have a duty to comply with their provisions.
- 5.3.2 Thorough documentation, including policies and procedures, is expected of all financial and operational systems and these must be issued to relevant staff. Every effort must be made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls, including supervision by managers, the effective segregation of duties, and to deter fraudulent activity and detect error.
- 5.3.3 The adequacy and appropriateness of both the Authority's systems of internal control and the financial systems provided by St Helens MBC, are independently monitored and assessed by External Audit (currently the Audit Commission). Control and operating systems are reviewed by Internal Audit and Senior Management is committed to continuously improving the systems for which it is responsible, both through their own self-assessments and by positive response to audit recommendations.
- 5.3.4 Members must have regard to their individual District Council's Code of Conduct and acceptance of their appointment includes an undertaking to be guided by their District's Code.
- 5.3.5 Employee recruitment is required to be in accordance with the Authority's Recruitment, Selection and Retention Policy and, in particular, written references must be obtained, and other checks made appropriate to the post in question, before an appointment is made.
- 5.3.6 Authority employees are required to follow the Officer Code of Conduct. Any offers of gifts or hospitality, which are in any way related to their Authority duties, must be disclosed in accordance with the Procedure for the Disclosure of Offers and/or Receipt of Gifts and Hospitality.
- 5.3.7 Any fee, commission or any other payment collected or received by an Authority employee, arising in any way from or through their Authority employment, is not permitted to be retained except with consent of the Chief Executive or in the case of the Chief Executive, the Clerk to the Authority. Any employee in breach of these regulations may be liable to disciplinary action which could result in the termination of their contract of employment.

- 5.3.8 Authority employees must declare any possible conflicts of interest which they may have in contracts entered into by the Authority and these must be noted in a register maintained for that purpose.

5.4 Fraud Response Policy and Detection & Investigation Procedure

- 5.4.1 The Authority will be robust in dealing with any financial malpractice, and can be expected to deal promptly and thoroughly with any person who attempts to defraud the Authority or who engages in corrupt practices.
- 5.4.2 If Members of the Authority or its staff discover any fraud or irregularity that affects the affairs of the Authority, they must immediately inform the Treasurer to the Authority who will arrange for an investigation to be carried out where appropriate by Internal Audit.
- 5.4.3 Depending upon the nature of the investigation, Internal Audit will normally work closely with management and other agencies such as the Police, to ensure that all matters are properly investigated and reported upon.
- 5.4.4 The Authority's Disciplinary Procedures will be used where the outcome of the investigation indicates improper behaviour on the part of employees.
- 5.4.5 Where loss has been suffered through fraudulent activity, the Authority will pursue the perpetrator for recovery, including taking appropriate legal action.
- 5.4.6 The Treasurer to the Authority will ensure that matters are reported to the Police if there are reasonable grounds for believing that a criminal offence has been committed.

6 REVIEW

- 6.1 The Authority has in place a clear framework of systems and procedures to deter and investigate fraud and corruption. It will ensure that these arrangements are fair and are monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques regarding fraudulent or corrupt activity.
- 6.2 To this end, the Authority will regularly review its own procedures to ensure they offer effective protection of the Authority's interests and reputation. These arrangements will be reviewed through the Authority's Code of Corporate Governance and Statement of Internal Controls and in partnership with internal and external auditors to identify and implement improvements to these controls.

7 MONEY LAUNDERING AND THE PROCEEDS OF CRIME ACT

- 7.1 The Proceeds of Crime Act (POCA) 2002 and the revised Money Laundering Regulations (MLR) 2007 place a duty on Local Authorities to disclose any suspected money laundering activity to the Serious Organised Crime Agency (SOCA). CIPFA has recently issued further guidance on Anti-money laundering for public service organisations; which has necessitated a review of the Authority's approach.
- 7.2 The Authority takes a zero-tolerance approach to fraud and corruption and as such will be taking a proactive approach to the prevention, detection and reporting of suspected money laundering incidents.
- 7.3 Money laundering is the conversion of money obtained through illegal activity such as drug dealing or racketeering into "clean" money. This is achieved by processing cash through the financial system in order to hide its original source. It can then be used without suspicion by the criminals concerned. If the Authority receives income from any body or individual which was obtained illegally (i.e. as a result of a crime) then there is a statutory duty to disclose this transaction confidentially to the Serious Organised Crime Agency (SOCA), otherwise the Authority and relevant officers and Members would be committing a criminal offence.
- 7.4 The Proceeds of Crime Act (POCA) 2002 and Money Laundering Regulations (MLR) 2003 which were extensively revised in 2007, were enacted to combat the laundering of monies obtained from the proceeds of crime. Under the legislation, money laundering is interpreted very widely and includes the processing, or in any way dealing with, or concealing, the proceeds of any crime. There is no minimum monetary value, therefore any crime, no matter how small, is subject to the legislation.
- 7.5 The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007 place disclosure obligations on bodies in the "Regulated Sector" which require the establishment of internal procedures to prevent money laundering. Whilst Local Authorities are not legally obliged to apply the provisions of the Money Laundering Regulations 2007; as responsible public bodies, CIPFA recommend:

"that they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing and anti-money laundering regimes"

In addition, the Audit Commission's view is that, whilst the regulations may not apply to the public sector, public bodies have a public duty to report suspicious transactions voluntarily and to that end should adopt anti-money laundering policies and appropriate reporting procedures.

- 7.6 The Key features of MWDA's Anti-Money Laundering response set out the Authority's commitment to ensuring compliance with the requirements of the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007 and CIPFA guidance for Local Authorities on Money Laundering. The approach applies to all Members and officers and includes:
- recognising the obligations on the Authority.
 - Recognising the responsibilities of the Treasurer as the Authority's Money Laundering Reporting Officer (MLRO) who will be responsible for any disclosure to SOCA.
 - A confidential money laundering disclosure process which must ensure that any disclosure the Authority makes is confidential.
 - An identification procedure to ensure the bodies or persons who deal with the Authority are legitimate.
- 7.7 MWDA will ensure that it adheres to the CIPFA Money Laundering Guidance for Local Authorities. In particular:
- Ensuring those staff most likely to be exposed to or suspicious of money laundering are aware of the requirements and obligations placed on the Authority and on them as individuals.
 - Providing targeted training where staff are considered to be likely to encounter money laundering.
 - Making arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports where necessary to NCIS.
 - Establishing internal procedures to help forestall and prevent money laundering.

Reporting of Money Laundering Concerns

- 7.8 The Authority has nominated the Treasurer as the main point of contact for money laundering issues. Staff should report any suspicions to the Treasurer (or Business Support Manager in the Treasurer's absence) immediately they arise.
- 7.9 Suspicions may be reported informally by telephone or e-mail and the responsible officer will seek to establish the facts of the case and determine whether a formal referral to the National Criminal Intelligence Service (NCIS) is appropriate.
- 7.10 The Money Laundering Reporting Officer will consult with staff as appropriate in order to investigate the matter.
- 7.11 Staff must not discuss their suspicions with the suspect and must not take any action that may alert the suspect to their suspicions. Tipping off a money laundering suspect is an offence punishable by fine or prison sentence.

- 7.12 The procedure is entirely consistent with the Authority's governance arrangements. The procedure will be subject to annual review by the MLRO on behalf of the Authority.