Part I – Release to Press

Stevenage BOROUGH COUNCIL

Agenda item: ##

Meeting Audit Committee

Portfolio Area Resources & Performance

Date 16 Sep 2026

ADOPTION OF ANTI-FRAUD & CORRUPTION POLICY STATEMENT & STRATEGY / ANTI-MONEY LAUNDERING POLICY / FRAUD SANCTIONS POLICY

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NON KEY DECISION

1 PURPOSE

1.1 To provide the Committee with the Council's revised Anti-Fraud and Corruption Policy and Strategy, substantially revised and extended in line with CIPFA guidance, the National Audit Office recommendations, and the Fighting Fraud and Corruption Locally framework, incorporating the latest legislative developments and strengthened governance arrangements, for review, comment, and formal adoption.

1.2 To provide the Committee with the Council's revised Anti-Money Laundering Policy, updated in line with CIPFA guidance, evolving legislative expectations, and best practice in the public sector. Whilst local authorities are not directly within the regulated sector, the Policy ensures compliance with the underlying principles of relevant legislation, including the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017, and establishes robust controls and procedures to mitigate money laundering and terrorist financing risks, for review, comment, and formal adoption.

1.3 To provide the Committee with the Council's revised Fraud Sanctions Policy, updated in line with CIPFA guidance, national counter-fraud strategies, and evolving legislative and regulatory expectations. The Policy sets out a clear, consistent, and proportionate framework for applying sanctions in response to fraud, theft, corruption, and financial irregularity, and is presented for review, comment, and formal adoption.

2 RECOMMENDATIONS

2.1 That the Audit Committee adopts the proposed Anti-Fraud and Corruption Policy Statement & Strategy, as set out at **Appendix A** to the report.

2.2 That the Audit Committee adopts the proposed Anti-Money Laundering Policy, as set out at **Appendix B** to the report.

2.3 That the Audit Committee adopts the proposed Fraud Sanctions Policy, as set out as **Appendix C** to the report.

3 BACKGROUND

Anti-Fraud and Corruption Policy Statement & Strategy

3.1 Fraud remains the most prevalent crime type in the UK, accounting for a significant proportion of all reported offences and presenting a substantial and evolving risk to the public sector. The increasing sophistication of fraud, particularly in areas such as cyber-enabled crime, procurement, and economic crime, continues to place local authorities at heightened risk of financial loss, reputational damage, and service disruption. National estimates have previously indicated that fraud against the public sector costs billions of pounds each year, reinforcing the importance of strong counter-fraud arrangements.

3.2 Research published by the Chartered Institute of Public Finance and Accountancy (CIPFA) highlights that fraud is widely recognised as a significant issue for local government. Reports such as *Perspectives on Fraud – Insights from Local Government* identify that a majority of senior managers consider fraud to be a major challenge, with weaknesses in organisational controls increasing exposure to risk. The findings emphasise that prevention, detection, and a strong anti-fraud culture are critical components of an effective response.

3.3 The Council has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of its financial affairs and to safeguard public funds. This includes implementing effective arrangements to prevent, detect and respond to fraud and corruption. These responsibilities are further reinforced by the CIPFA *Code of Practice on Managing the Risk of Fraud and Corruption*, which sets out best practice expectations for local authorities.

3.4 Since the previous Anti-Fraud and Corruption Strategy was approved, there have been significant developments in the legislative and regulatory landscape, most notably the introduction of the Economic Crime and

Corporate Transparency Act 2023, including the new corporate offence of "Failure to Prevent Fraud". This legislation places enhanced obligations on organisations, including local authorities, to implement robust and proportionate fraud prevention procedures. Failure to do so may result in corporate criminal liability.

3.5 In response to these changes, as well as evolving fraud risks and national good practice, the Council has undertaken a comprehensive review of its Anti-Fraud and Corruption framework. The revised document has been developed as a combined Policy and Strategy, aligning with the Fighting Fraud and Corruption Locally (FFCL) framework, and incorporating the full Govern, Acknowledge, Prevent, Pursue and Protect principles.

3.6 The updated Policy strengthens the Council's approach by:

- Expanding the legal framework to reflect current legislation, including economic crime, tax evasion, and money laundering requirements
- Embedding a clearer governance and accountability structure across all services
- Enhancing fraud risk assessment, prevention, and control arrangements
- Introducing stronger requirements for fraud awareness, training, and organisational culture
- Supporting collaboration with the Shared Anti-Fraud Service (SAFS) and other enforcement bodies

3.7 The revised Policy and Strategy therefore provides a robust, modern and legally compliant framework to support the Council in protecting public funds, strengthening governance, and responding effectively to the increasing threat of fraud and corruption.

Anti-Money Laundering Policy

3.8 The current legal framework for anti-money laundering is primarily set out in the Proceeds of Crime Act 2002, the Terrorism Act 2000, and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, supported by subsequent amendments and national guidance. Whilst local authorities are not directly within the regulated sector, they are expected to operate in accordance with the underlying principles of this legislation to mitigate the risk of money laundering and terrorist financing.

3.9 CIPFA guidance advises that local authorities adopt a proportionate and risk-based approach to anti-money laundering arrangements. In response, the Council has developed a comprehensive Anti-Money Laundering Policy which establishes clear governance, procedures, and controls to identify, prevent, and respond to suspicious financial activity, in line with best practice across the public sector.

3.10 A key principle of the current framework is the requirement to apply a risk-based approach to customer due diligence and financial transactions. The revised Policy reflects this by strengthening procedures relating to customer identification, monitoring of transactions, and management of higher-risk activities (such as refunds and third-party payments), ensuring that appropriate and proportionate checks are applied based on the level of risk identified.

Fraud Sanctions Policy

3.11 A core component of the *Fighting Fraud and Corruption Locally (FFCL)* framework is the “Pursue” pillar, which requires local authorities to take a robust and proportionate approach to enforcement. This includes prioritising the recovery of losses, applying a full range of sanctions, and ensuring that those committing fraud are held accountable. The revised Fraud Sanctions Policy reflects this strengthened national direction by embedding a more proactive, prevention-led approach, emphasising recovery of public funds, effective use of both civil and criminal sanctions, and closer working with partner organisations to support enforcement activity.

3.12 National counter-fraud strategies and guidance continue to emphasise the importance of transparency, deterrence, and organisational learning as part of an effective sanctions’ framework. The revised Policy incorporates these principles by promoting the routine publicising of successful enforcement outcomes (where appropriate), maintaining comprehensive records of sanctions activity, and ensuring that outcomes inform future risk management and prevention work. It also reinforces the requirement to consider asset recovery and the use of proportionate sanctions in all cases, supporting a consistent and evidence-based approach aligned to current best practice.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Anti-Fraud and Corruption Policy Statement and Strategy has been substantially revised and expanded since the previous version approved in 2021 to reflect significant legislative developments, including the Economic Crime and Corporate Transparency Act 2023, emerging fraud risks and current counter-fraud best practice. The Anti-Money Laundering Policy and Fraud Sanctions Policy have also been reviewed and updated to reflect legislative changes, strengthened controls and current national guidance.

4.2 The revised **Anti-Fraud and Corruption Policy Statement and Strategy** has been developed to provide a comprehensive and robust framework to enable the Council to prevent, detect, and respond to fraud and wider economic crime. It forms a key part of the Council’s overall governance framework and should not be considered in isolation, operating alongside a suite of supporting policies and procedures including those relating to anti-bribery, anti-money laundering, data protection, and whistleblowing to ensure a coordinated and effective approach to managing fraud risk.

4.3 The new **Anti-Fraud and Corruption Policy Statement and Strategy** will supersede all previous versions of the Council’s Anti-Fraud and Corruption Strategy.

4.4 The revised **Anti-Money Laundering Policy** ensures that the Council operates in line with the underlying principles of relevant legislation, including the Proceeds of Crime Act 2002, the Money Laundering Regulations 2017, and the Terrorism Act 2000. The Policy adopts a risk-based approach, strengthening controls around customer due diligence, monitoring of financial transactions, and the identification and reporting of suspicious activity. It also introduces enhanced operational safeguards, particularly in high-risk areas such as refunds, third-party payments, and customer account verification, ensuring that proportionate and effective measures are in place to mitigate money laundering risks.

4.5 The revised **Anti-Money Laundering Policy** establishes clear governance arrangements, including defined roles and responsibilities for staff, Members, and the Money Laundering Reporting Officer (MLRO), and aligns with the Council's wider governance framework, including Financial Regulations and the Anti-Fraud and Corruption Policy. As a partner authority within the Shared Anti-Fraud Service (SAFS), the Council continues to benefit from specialist oversight and expertise in the fulfilment of the MLRO function and the management of suspicious activity reporting.

4.6 The adoption of the revised **Anti-Money Laundering Policy** will ensure that the Council maintains a consistent, transparent, and proportionate approach to preventing and responding to money laundering and wider financial crime. It reinforces the expectation that all staff act with integrity and vigilance, supports compliance with statutory and best practice requirements, and helps safeguard public funds, the Council's reputation, and the integrity of its services.

4.7 The revised **Fraud Sanctions Policy** reinforces the Council's zero-tolerance approach to fraud and demonstrates how the Council will respond proportionately, consistently, and decisively to fraud, theft, corruption, and financial irregularity. It provides a clear and structured framework for the application of sanctions, including prevention, deterrence, enforcement, and recovery of losses, and sets out the roles, responsibilities, and decision-making arrangements for determining appropriate outcomes in each case.

4.8 The adoption of the revised Policies forms part of the Council's wider counter-fraud and governance framework and supports compliance with national guidance and best practice. Approval of the Policy is a function of the Audit Committee as part of its responsibilities for oversight of anti-fraud and corruption arrangements. Once approved, these policies will be implemented across the Council to strengthen the consistency, transparency, and effectiveness of the Council's response to fraud and related misconduct.

4.9 **Summary of Key Changes to the Policies**

4.10 Table below shows the summary of the key changes to these policies as compared to previous versions:

Policy	Key Changes
Anti-Fraud & Corruption Policy Statement & Strategy	• Substantially revised and expanded since the previous 2021 Strategy, including conversion of the previous Strategy into a comprehensive Policy Statement and Strategy • Updated to reflect the Economic Crime and Corporate Transparency Act 2023 including Failure to Prevent Fraud requirements • Strengthened fraud risk management arrangements • Expanded coverage of fraud, corruption, bribery and money laundering • Enhanced reporting procedures and governance responsibilities.
Anti-Money Laundering Policy	• Updated to reflect current legislation and CIPFA guidance • Strengthened customer due diligence requirements • Introduced enhanced refund and overpayment controls • Reduced the cash acceptance threshold from £3,000 to £1,000 • Clarified reporting arrangements and responsibilities of the MLRO, SAFS and officers.
Fraud Sanctions Policy	• Updated to reflect current legislation and national counter-fraud standards • Introduced greater emphasis on recovery of public funds • Strengthened and clarified available sanctions • Introduced warning notices as a proportionate response where appropriate • Updated enforcement and decision-making guidance.

5 IMPLICATIONS

Financial Implications

5.1 Fraud, corruption, and money laundering present a significant and ongoing risk to the Council's financial position, with potential impacts including direct financial loss, recovery costs, and wider reputational damage. The revised Anti-Fraud and Corruption Policy and Strategy, Anti-Money Laundering Policy, and Fraud Sanctions Policy strengthen the Council's arrangements to mitigate these risks through enhanced prevention, detection, and response controls, alongside improved due diligence, enforcement, and financial recovery processes.

5.2 As a partner authority within the Shared Anti-Fraud Service (SAFS), the Council continues to benefit from specialist expertise, intelligence, and investigative support to combat fraud, bribery, corruption, money laundering, and wider economic crime, thereby helping to protect public funds and improve financial resilience.

Legal Implications

5.3 The revised Anti-Fraud and Corruption Policy and Strategy, Anti-Money Laundering Policy, and Fraud Sanctions Policy reflect the Council's obligations to operate in line with the underlying principles of relevant legislation, including the Proceeds of Crime Act 2002, the Money Laundering Regulations 2017, the Terrorism Act 2000, and other relevant fraud and economic crime legislation.

5.4 While the Council is not part of the regulated sector, failure to maintain appropriate controls, enforcement arrangements, and reporting procedures could expose the Council and its officers to legal and regulatory risk. Collectively, these Policies provide a framework to ensure compliance with these requirements and support the lawful, proportionate, and robust prevention, investigation, and sanctioning of suspected fraud, money laundering, and related financial crime.

Local Government Reorganisation (LGR) Implications

5.5 The revised Anti-Fraud and Corruption Policy and Strategy, Anti-Money Laundering Policy, and Fraud Sanctions Policy provide a consistent and robust framework that will support the Council through Local Government Reorganisation (LGR). In the event of structural changes, including the creation of new unitary authorities or service integration, maintaining strong counter-fraud, anti-money laundering, and sanctions arrangements will be essential to protect public funds, ensure compliance with statutory duties, and manage increased financial crime risks associated with organisational transition and system changes.

5.6 The Policies align with national frameworks, current legislation, and best practice, ensuring they can be adapted and applied across new governance structures. This supports effective due diligence, financial control, risk management, and the establishment of consistent counter-fraud, anti-money laundering, and enforcement controls within any successor authority.

Risk Implications

5.7 The risks of fraud, corruption, and money laundering are recognised within the Council's corporate and service risk registers. Effective mitigation of these risks includes the implementation and regular review of robust anti-fraud, anti-money laundering, and sanctions policies, procedures, and internal controls.

5.8 The revised Anti-Fraud and Corruption Policy and Strategy, Anti-Money Laundering Policy, and Fraud Sanctions Policy strengthen these arrangements by aligning with current legislation, national best practice, and the Fighting Fraud and Corruption Locally framework. Together, they enhance the Council's ability to identify, assess, and manage financial crime risks proactively, including emerging risks associated with economic crime, cyber-enabled fraud, money laundering activity, and organisational change.

5.9 Failure to maintain effective counter-fraud, anti-money laundering, and enforcement arrangements could result in financial loss, legal exposure, and reputational damage to the Council.

Policy Implications

5.10 The adoption of the revised Anti-Fraud and Corruption Policy and Strategy, Anti-Money Laundering Policy, and Fraud Sanctions Policy represents an update to the Council's existing policy framework, superseding all previous versions. Together, these Policies strengthen alignment with current legislation, national guidance, and best practice, and integrate with a range of related corporate policies, including those covering anti-bribery, whistleblowing, data protection, and financial regulations. They provide a consistent corporate approach to managing fraud, money laundering, and wider financial crime risks, and support the Council's wider governance, risk management, compliance, and enforcement arrangements.

Staffing and Accommodation Implications

5.11 There are no direct implications for staffing or accommodation. Existing resources, supported by the Shared Anti-Fraud Service (SAFS), will continue to deliver counter-fraud, anti-money laundering, and sanctions activity. The Policies reinforce staff responsibilities through increased awareness, training, and compliance with due diligence, reporting, and enforcement requirements.

Human Resources Implications

5.12 There are no direct Human Resources implications arising from the Policies. However, they reinforce staff responsibilities in relation to compliance, reporting, and adherence to procedures. Any investigations into suspected fraud or money laundering involving employees, including the application of sanctions where appropriate, will be managed in accordance with the Council's HR policies and procedures.

Equalities and Diversity Implications

5.13 The Policies align with the Council's obligations under the Equality Act 2010 and Public Sector Equality Duty (PSED). They promote fairness, transparency, and equal treatment in the prevention, detection, investigation, and sanctioning of fraud and money laundering. A combined Equality Impact Assessment has been completed for all three policies and is included as **Appendix D** to this report. The assessment identified no adverse impacts on protected groups and concluded that the policies promote fairness, consistency and equal treatment.

Service Delivery Implications

5.14 Effective implementation of the Policies supports service delivery by protecting financial resources, reducing losses arising from fraud and money laundering, and ensuring that funds are used for their intended purposes. The application of appropriate sanctions also supports the recovery of losses and acts as a deterrent to fraudulent activity. Strong financial controls and due diligence processes help maintain service integrity, public trust, and the efficient delivery of Council services.

Community Safety Implications

5.15 The Policies contribute to community safety by supporting the prevention, investigation, and sanctioning of fraud, money laundering, and related economic crime, which can have wider impacts on residents and vulnerable individuals. Effective controls, enforcement, and the application of appropriate sanctions help to reduce financial harm, deter criminal activity, and protect the integrity of services provided to the community.

Information Technology Implications

5.16 The Policies recognise the importance of data and technology in the prevention, detection, and enforcement of fraud and money laundering, including the use of data analytics, system controls, and appropriate information sharing. The application of sanctions is also supported by effective use of data and systems to monitor activity, evidence cases, and ensure accurate recording of outcomes.

Other Corporate Implications

5.17 The Policies strengthen the Council's corporate governance framework and support compliance with statutory duties, including those relating to financial management and the prevention, detection, and enforcement of fraud, money laundering, and wider economic crime. They reinforce the Council's commitment to high standards of integrity, transparency, and accountability across all services, supporting effective governance, risk management, and the consistent application of sanctions where appropriate.

6 BACKGROUND DOCUMENTS

The detailed References and Resources supporting this report are contained within each of the following documents: Appendix A - The Anti-Fraud and Corruption Policy and Strategy, Appendix B - The Anti-Money Laundering Policy, and Appendix C - The Fraud Sanctions Policy. Readers are advised to refer to the respective "References and Resources" sections within each policy for full details of the legislative framework, guidance, and supporting documentation.

APPENDICES

A The Anti-Fraud and Corruption Policy & Strategy

B The Anti-Money Laundering Policy

C The Fraud Sanctions Policy

D Combined EqIA Form (all policies)

E AML Reporting Form