

HORDEN PARISH COUNCIL

ANTI FRAUD AND CORRUPTION **POLICY**

November 2017

Policy Version v.2

1. Purpose and Scope

- 1.1 In carrying out its functions and responsibilities the Council will promote a culture of honesty, openness and fairness and requires elected members and employees at all levels to conduct themselves in accordance with the principles contained in the Code of Conduct.
- 1.2 The Council will not tolerate fraud and corruption in the administration of its responsibilities or undertaking of its affairs and will deal equally with offenders whether from inside or outside the Council.
- 1.3 Consequently the Council recognises and accepts the need for an Anti-Fraud and Corruption Policy.
- 1.4 Fraud and corruption are defined by the Audit Commission as follows:-
- *Fraud is the intentional distortion of financial statements, accounts or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain or to mislead or misrepresent.*
 - *Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person to act against the interests of an organisation.*
 - *In addition, corruption is hereby defined to also include the deliberate failure to disclose an interest in order to obtain a financial or other pecuniary gain for oneself or another.*
- 1.5 This policy identifies a series of measures designed to frustrate any attempted fraudulent or corrupt acts and the steps to be taken if such action occurs.

2. General Principles

- 2.1 The general principles of this policy are set out in **Appendix 1**.

3. Culture

- 3.1 The Council promotes a culture of honesty, openness and fairness which supports its opposition to fraud and corruption. The prevention and detection of fraud and corruption and the protection of the public purse are the responsibility of everyone. Elected members and employees play an important role in creating and maintaining this culture. All are positively encouraged to raise concerns regarding fraud and corruption in the knowledge that such concerns will wherever possible be treated in confidence.
- 3.2 The Council will ensure that any allegations received will be taken seriously and investigated in an appropriate manner. Those who defraud the Council or who are corrupt or who instigate financial malpractice will be dealt with firmly. There is however a need to ensure that any investigation process is

not misused and, therefore, any abuse may, where appropriate, be dealt with as a disciplinary matter.

- 3.3 Where fraud and corruption has occurred due to a breakdown in systems or procedures, arrangements will be made to ensure that the appropriate improvements in systems of control are implemented to prevent a re-occurrence.

4. Prevention

4.1 Role of Elected Members

As elected representatives all Members of the Council have a duty on behalf of their electorate to protect the Council from all forms of fraud and corruption. This is reflected through the adoption of this Policy and compliance with the Code of Conduct for elected Members, the Councils Standing Orders and Financial and Contract Regulations and other relevant legislation.

When they take office elected Members are required to sign to the effect that they have read and understood the Code of Conduct. The Code requires elected Members, inter alia, to declare and register interests and to register receipt of gifts and hospitality. In addition elected members may be given the opportunity to attend periodic update sessions on matters of conduct and standards provided by Durham County Council's Monitoring Officer.

4.2 Managers/Supervisors

Managers are responsible for the communication and implementation of this Policy in their respective work areas. They are also responsible for ensuring that their employees are aware of the Council's Financial Regulations and Standing Orders and that the relevant requirements of each are being met in the day to day conduct of Council business.

Managers are expected to strive to create an environment in which employees feel able to approach them with any concerns they may have regarding suspected irregularities. All such concerns must be communicated by Managers to the Clerk.

Special arrangements will apply where employees are responsible for cash handling or are responsible for financial systems and systems that generate payments. Checks are carried out on a regular basis to ensure that proper procedures are being followed.

The Council recognises that a key preventative measure in dealing with fraud and corruption is ensuring that effective steps are taken 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 has a recruitment procedure which contains appropriate safeguards on matters such as written references and verification of qualifications held.

4.3 **Employees**

The work of employees is governed by the Council's Standing Orders and Financial Regulations and other relevant policies i.e. Health and Safety etc.

In addition to the above employees are responsible for ensuring that they follow the instructions given to them by their manager particularly with regard to the safekeeping of the Council's assets.

Employees are expected to be aware of the possibility that fraud, corruption and theft may occur in the workplace and consequently must feel able to share their concerns with management. Concerns must be raised in the first instance directly with their line manager.

4.4 **Conflicts of Interest**

Elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Effective role separation will ensure that decisions made are seen to be based on impartial advice and therefore avoid questions regarding improper disclosure of confidential information. The Council has produced a Protocol on Member/Officers Relations which provides advice on this and related issues.

4.5 **Role of Internal Audit**

The Clerk is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting, financial and other systems in accordance with the provisions of the relevant and current Accounts and Audit Regulations. Internal audit plays a significant preventative role in ensuring that the relevant systems deter fraud and corruption and will work with management to identify the procedural changes necessary to prevent the Council from exposure to losses. Internal audit will also investigate cases of suspected irregularity or fraud.

4.6 **Role of External Audit**

The external auditor has a responsibility to review the Council's arrangements for preventing and detecting fraud and irregularities and arrangements designed to limit the opportunity for corrupt practices. This responsibility is satisfied by undertaking a number of specific reviews and tests of the adequacy of the relevant financial systems and other arrangements for the prevention and detection of fraud. The outcome of these reviews and tests are reported each year in the Annual Audit Letter which is presented to elected Members by the external auditor.

5. **Deterrence**

5.1 Fraud, corruption and theft are considered to be serious offences against the Council and employees will face a disciplinary investigation if there is an allegation that they have been involved in any of these activities. Where

necessary, disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case in a consistent manner.

- 5.2 Similarly any elected Member will face appropriate action under this policy if it is shown that they have been involved in fraud, corruption or theft against the Council or have otherwise acted illegally.
- 5.3 The Council will not seek to cover up cases of fraud and corruption but conversely will try to ensure that the results of any action taken, including prosecutions, are notified to the media.
- 5.4 In all proven cases where financial loss has occurred and it is in the public's interest to do so the Council will seek to recover such loss and will give consideration to publicising the fact.
- 5.5 All anti-fraud and corruption activities, including the adoption of this policy, will be publicised to make employees and the public aware of the Council's commitment to taking appropriate action on fraud and corruption when it occurs.

6 Detection and Investigation

- 6.1 Systems of internal control have been established together with Financial Regulations and Standing Orders to deter fraud and corruption. These are complemented by the work undertaken by Internal Audit in the review of systems and financial controls.
- 6.2 In addition it is often the vigilance of employees and members of the public that aids detection. Employees are to be encouraged to raise their concerns without the fear of recrimination.
- 6.3 Frauds are, in some cases, discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.
- 6.4 All suspected irregularities should be reported directly, or via an intermediary, to the Clerk. This is essential to ensure the consistent treatment of information regarding fraud and corruption and will facilitate a proper and thorough investigation.
- 6.5 Investigations will normally be conducted by the Council's internal audit and reported to the Clerk who will determine whether or not referral to the Police is appropriate. The outcome of all investigations where loss has been suffered will be reported to the Council's external auditor.
- 6.6 Following the completion of an investigation, the circumstances will be assessed to determine the need for procedural and system changes to ensure that future risks are eliminated.

6.7 Where necessary, following the investigation, the Council's disciplinary procedures will be applied to any employee found to be guilty of improper behaviour.

7 Awareness and Training

7.1 The Council recognises that the sustained success of this policy and its general credibility will depend upon the effectiveness of its training programmes and awareness on the part of elected members and employees throughout the organisation.

7.2 Employees will be made aware of their responsibilities and the procedures to be followed for the safekeeping of Council's assets and will be advised that failure to adhere to the specified procedures may lead to disciplinary action being taken.

8 Conclusion

8.1 The Council has in place a network of systems and procedures to assist in the prevention and detection of fraud and corruption. The Council is determined to ensure that these arrangements will keep pace with future developments in prevention and detection techniques regarding fraudulent or corrupt activity that may affect its operations.

8.2 The Clerk has day to day responsibility for the successful operation of the relevant systems supported by internal and external audit and will ensure that this policy is reviewed annually in order to be satisfied that the Councils exposure to potential fraud and corruption is minimised.

Appendix 1

THE GENERAL PRINCIPLES

Selflessness

Members should only serve the public interest and should never improperly confer an advantage or disadvantage on any person

Honesty and Integrity

Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour

Objectivity

Members should make decisions on merit, including when making appointments, awarding contracts or recommending individuals for rewards or benefits

Accountability

Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities and should co-operate fully and honestly with any scrutiny appropriate to their particular office

Openness

Members should be as open as possible about their actions and those of their authority and should be prepared to give reasons for those actions

Personal Judgement

Members should take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions

Respect for Others

Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or gender disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees

Duty to Uphold the Law

Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them

Stewardship

Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law

Leadership

Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence