Anti-Fraud and Corruption Policy

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Cayton Parish Council

1. Introduction

Good Corporate Governance requires that the Council must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (members and employees) and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. The Council will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the police and/or other agencies. This policy statement, however, will not compromise the Council's commitment to Equal Opportunities or the requirements of the Human Rights Act 1998 and other relevant statutory provision.

This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs. For ease of understanding it is separated into five areas as below:-

 2 – Culture

3 – Prevention Section

4 – Deterrence Section

5 – Detection and Investigations Section

6 – Training

The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Information Commissioner and HMRC. These bodies are important in highlighting any areas where improvements can be made.

Fraud and corruption are defined as: -

Fraud - “the intentional distortion of financial statements 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”. In addition, fraud can also be defined as “the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”.

Corruption - “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

In addition, this policy statement also covers “the failure to disclose an interest in order to gain financial or other pecuniary benefit for oneself or another and area of bribery”.

Theft is the physical misappropriation of cash or other tangible assets and a person is guilty of theft if he or she dishonestly appropriates property belongings to another with the intention of permanently depriving them of it.

Money-laundering is the process by which criminals attempt to “recycle” the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back."

2. Culture

2.1. The prevention/detection of fraud/corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation.

2.2. The Council's elected members and employees play an important role in creating and maintaining this culture. They 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. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.

2.3. Concerns must be raised when members, employees or the public reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:

\* A criminal offence

\* A failure to comply with a statutory or legal obligation

\* Improper or unauthorized use of public or other official funds

\* A miscarriage of justice

\* Maladministration, misconduct or malpractice

\* Endangering an individual's health and/or safety

\* Damage to the environment

\* Deliberate concealment of any of the above

2.4. The Council 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.

2.5. The Council will deal firmly with those who defraud the Council 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/members raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through the Monitoring Officer (members).

2.6. When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, the Council will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

2.7. Under normal circumstances employees should report any suspected irregularity to their manager or to the Chairman of the Council. Members of the public are encouraged to report concerns to the Clerk or the Chairman of the Council or if appropriate through The Council's Complaints Procedure.

3. Prevention

3.1. The role of Elected Members –

3.1.1As elected representatives, all members of the Council have a duty to the residents of Cayton to protect the Council and public money from any acts of fraud and corruption.

3.1.2. This is done through existing practice, compliance with the Council's Code of Conduct, the Council's Standing Orders, Financial Regulations and relevant legislation.

3.1.3. Elected Members sign to the effect that they have read and understood the Council's Code of Conduct for Members when they take office. Conduct and ethical matters are specifically brought to the attention of members during induction training and include the declaration and registration of interests. Officers advise members of new legislative or procedural requirements.

3.2. The Role of the Parish Clerk & Responsible Financial Officer 3.2.1. The Parish Clerk & Responsible Financial Officer have been designated the statutory responsibilities as defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should: “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility or the administration of those affairs”.

3.2.2. Under the Parish Clerk & Responsible Financial Officer's responsibilities, proper administration encompasses all aspects of local authority financial management including: - Compliance with the statutory requirements for accounting and internal audit; - Ensuring the Council's responsibility for ensuring proper administration of its financial affairs; - The proper exercise of a wide range of delegated powers both formal and informal; - The responsibility for managing the financial affairs of the local authority in all its dealings; - The recognition of the fiduciary responsibility owed to local tax payers.

3.2.3. Under these statutory responsibilities the Parish Clerk & Responsible Financial Officer contribute to the anti-fraud and corruption framework of the Council.

3.2.4. The Parish Clerk & Responsible Financial Officer are responsible for the communication and implementation of this strategy. They are also responsible for ensuring that Council employees are aware of the Council's personnel policies and procedures, the Council's Financial Regulations and Standing Orders and that the requirements of each are being met in their everyday business activities.

3.2.5. The Parish Clerk & Responsible Financial Officer are expected to create an environment in which Council staff feels able to approach them with any concerns they may have about suspected irregularities.

3.2.6. Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example petty cash. Checks are carried out on a regular basis to ensure that proper procedures are being followed. These procedures will be supported by relevant training.

3.2.7. The Council recognises that a key preventative measure in dealing with fraud and corruption is 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 and agency staff. The Council's recruitment procedure contains appropriate safeguards in the form of written references. As in other public bodies DBS checks are undertaken for employees working with or who may have contact with children or vulnerable adults.

3.3. Responsibilities of Employees

3.3.1. Each employee is governed in their work by the Council's Standing Orders and Financial Regulations, and other policies on conduct and on IT usage. Included in the Council policies are guidelines on Gifts and Hospitality, and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council.

3.3.2. In addition to paragraph 3.3.1., employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council.

 3.3.3. Employees are expected always to be aware of the possibility that fraud, corruption and theft may exist/occur in the workplace and be able to share their concerns with management. Those concerns could be raised without the fear of recrimination through use of Whistleblowing policy.

3.4. Conflict of Interest Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal 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.

3.5. Official Guidance In addition to Financial Regulations and Standing Orders, due regard will be had to external and inspectorate recommendations.

3.6. Role of Internal Audit Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. In addition it can carry out a number of proactive fraud reviews in specific high risk areas each year in order to test the anti-fraud controls in place. Internal audit will also investigate cases of suspected irregularity or fraud.

3.7. The Role of the External Auditor.

 Independent external audit is an essential safeguard of the stewardship of public money. This is currently carried out by P K F Littlejohn through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice.

3.7.2. Where External Audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

3.8. The Role of the Public This policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner. Public concerns must be addressed to the Clerk.

4. Deterrence

4.1. Prosecution In terms of proceedings, the Council will ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. 4.2. Disciplinary Action

 4.2.1. Theft, fraud and corruption are serious offences which may constitute gross misconduct against the Council 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, or instead of, criminal proceedings depending on the circumstances of each individual case but in a consistent manner. Any criminal activity will be reported to the appropriate authorities.

4.2.2. Members will face appropriate action under this policy if they are found to have been involved in theft, fraud and corruption against the Council. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstance of each individual case but in a consistent manner. If the matter is a breach of the Council's Code of Conduct will be referred to the Monitoring Officer.

4.3. Publicity. The Council will optimise the publicity opportunities associated with anti -fraud and corruption activity within the Council. 4.3.2. In all cases where a loss is identified, this will be pursued through the civil processes or insurance routes as appropriate.

4.3.3. All anti-fraud and corruption activities, including the update of this policy, will be publicised.

5. Detection and Investigation

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

 5.2. In some cases frauds are discovered by chance or “tip-off” and the Council will ensure that such information is properly dealt with within its whistle blowing policy.

5.3. Investigations will normally be conducted by The Council's RFO and reported to the parish clerk who will determine whether or not referral to the Police is appropriate after consultation with the Chairman of the Council. The outcome of all investigations where loss has been suffered will be reported to The Council's external auditor. 5.4. In case the suspected irregularities involve parish clerk or RFO acting and such activities have been discovered by any of councillors or have been reported via Whistleblowing procedure The Council will establish an investigation group consisting of 3 councillors who will report on the investigation result to The Council.

 5.5. 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. Awareness and Training

The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of training and awareness for members and employees and accordingly will take appropriate action.

7. Conclusion

7.1. The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

7.2. The Parish 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 Council's exposure to potential fraud and corruption is minimised and that the results of this review are reported to the Finance Committee