

## **MAGHULL TOWN COUNCIL**

# **ANTI-FRAUD AND CORRUPTION STRATEGY**

## **1. INTRODUCTION**

1.1 This strategy has been developed by the Council as part of its policy of openness and scrutiny.

1.2 The Council has adopted the Model Code of Conduct and is committed to sound corporate governance. It supports the Nolan Committee's 'Seven principles of Public Life' for the conduct of Council Members and employees, namely:

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

1.3 This Anti-Fraud and Corruption Strategy is designed to encompass all of these areas as well as protect the Town Council against fraud and corruption both from within the Town Council and from outside. The Town Council is committed to an effective Anti-Fraud and Corruption Strategy designed to:

- Encourage prevention;
- Promote detection; and
- Identify a clear pathway for investigation.

1.4 The Town Council expects Members and employees at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices

1.5 The Town Council also expects that individuals and organisations (e.g. suppliers, contractors and services providers) that it comes into contact with, will act with integrity and without thought or actions involving fraud and corruption.

1.6 This Anti-Fraud and Corruption Strategy is based upon a series of procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:

- Culture
- Prevention
- Detection and investigation
- Training

## **2.0 CULTURE**

- 2.1 The Town Council has always had the view that the culture and tone of the organisation is one of honesty and integrity and opposition to fraud and corruption.
- 2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Town Council will act with integrity, and that Town Council employees at all times will lead by example in these matters.
- 2.3 Town Council employees are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where associated with the Town Council's activity.
- 2.4 They can do this in the knowledge that such concerns will be treated in confidence and will be properly investigated. If necessary, a route other than their normal line manager maybe used to raise such issues. Examples of such routes are: -
- Town Clerk
  - Departmental Managers
  - Internal Auditor (An External Provider)
  - External Audit (Audit Commission
  - Elected Members
- 2.5 The Town Clerk/Departmental Managers will be responsible for following up any allegation of fraud or corruption received and will do so through clearly defined procedures. (See Detection and Investigation Section).
- 2.6 The Town Clerk/Departmental Managers are expected to deal swiftly and firmly with those who defraud or are corrupt. The Town Council, including Members, will be robust in dealing with financial malpractice.
- 2.7 There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising unfounded malicious allegations) may be dealt with as a disciplinary matter.

- 2.8 It is the Council's intention to simultaneously introduce a formal "confidential reporting code" which will improve the system in terms of procedures relating to the reporting of such concerns. This will be designed to reassure individuals that they will not suffer repercussions, and indeed will be encouraged to voice their legitimate concerns. The "Confidential Reporting Code" is attached at Appendix A.

### **3.0 PREVENTION**

- 3.1 Prevention will be achieved via: -

- Staffing policies
- Making Members aware of their responsibilities
- Internal control systems
- Working in partnership

#### *Employees*

- 3.2 As an employer, the Town Council is entitled to expect, and obliged to maintain, high standards of conduct among its employees to ensure that public confidence in their integrity and impartiality is not undermined. The public is entitled to demand conduct of the highest standard and that employees work honestly and without bias in order to achieve the Town Council's objectives.
- 3.3 The Town Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the propriety and integrity of potential employees. In this regard temporary and contract employees are treated in the same manner as permanent employees.
- 3.4 Department Heads should ensure that recruitment procedures are followed and, in particular, written references should be obtained regarding the known honesty and integrity of potential employees before employment offers are made.
- 3.5 Employees of the Town Council are expected to follow the Town Council's Code of Official Conduct, which includes regulations regarding the registration of interests, gifts and hospitality. Employees are reminded that they must also operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Town Council, or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration.

#### *Members*

- 3.6 Members are expected to operate honestly and without bias. Their conduct is governed by:

- The Adopted Code of Conduct
  - Sections 94-96 of the Local Government Act, 1972
  - Local Authorities Members' Interest Regulations, 1992
  - Maghull Town Council's Standing Orders relating to Business and Proceedings and Standing Orders for Contracts.
- 3.7 These matters and other guidance are specifically brought to the attention of Members. Members are specifically required under the Adopted Code of Conduct to be alert to and have regard for the need to register potential areas of conflict between Town Councillors duties and responsibilities, and any other areas of their personal, or professional lives.
- 3.8 These codes and regulations are the subject of review, Members will be closely involved in the process, and will be fully advised as to their responsibilities.

#### Internal Control System

- 3.9 The internal control system comprises the whole network of financial, operation and managerial systems established within the Town Council to ensure that its objectives are achieved in the most economic and efficient manner. The Financial Regulations of the Town Council provide the framework for financial control. Under Financial Regulations, all staff are required to ensure that:
- Arrangements, guidelines and procedures for the proper administration of their Services' financial affairs are operated in accordance with Financial Regulations.
  - The Town Clerk/Responsible Financial Officer, are informed where there has been a failure to comply with Financial Regulations, or where amendment or revision of a regulation is considered necessary.
  - The Town Clerk/Responsible Financial Officer are informed as soon as possible of any matters involving, or suspected of involving, irregularity in the use of Town Council resources or assets.
- 3.10 The Town Council has developed, and is committed to continuing with, systems and procedures, which incorporate efficient and effective internal controls. The existence, appropriateness and effectiveness of these internal controls are independently monitored by the Town Council's External Provider of Internal Audit Services.
- 3.11 Working in Partnership
- Arrangements are in place, which encourage the exchange of information between the Town Council and other agencies on national and local fraud corruption activity.

- 3.12 With the rapid increase in recent years of frauds perpetrated against a variety of local authorities and benefit agencies, usually involving fraudsters having multiple identities and addresses, the necessity to liaise between organisations has become paramount. The Town Council will liaise with all relevant Agencies, as deemed necessary.

#### **4.0 DETECTION AND INVESTIGATION**

- 4.1 When fraud and corruption occur, systems should assist in revealing the occurrences, and people should be encouraged to do likewise. They must then be investigated in a fair and impartial manner.
- 4.2 A Fraud and Corruption Response Plan has been developed and this gives detailed guidance on the process for employees who wish to notify suspicions and how the Council's officers should respond.

##### **Detection**

- 4.3 The array of preventative systems, particularly internal control systems and Audit, within the Town Council generally should be sufficient in themselves to deter fraud, but they have also been designed to provide indications of any fraudulent activity.
- 4.4 It is often the alertness of employees and the Members to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in process.
- 4.5 Despite the best efforts of managers and auditors, many frauds are discovered by chance or 'tip off', and the Town Council has in place such arrangements to enable such information to be properly dealt with.

##### **Investigation**

- 4.6 Depending on the nature and the anticipated extent of the allegations, the Town Clerk will normally work closely with management and other agencies, such as the Police, to ensure that all the allegations are properly investigated and reported upon and where appropriate, maximum recoveries are made for the Town Council. The follow up of any allegation of fraud and corruption received will be through agreed procedures, which ensure that:

- Matters are dealt with promptly;
- All evidence is recorded;
- Evidence is sound and adequately supported;
- All evidence is securely held;
- Where appropriate, the Police and the Town Council's Insurers are informed
- The Town Council's Disciplinary Procedures are implemented;

- The rules of natural justice are incorporated.
- 4.7 The procedures and reporting lines are an integral part of the Town Council's Anti-Fraud Strategy which ensures:
- Consistent treatment of information about fraud and corruption;
  - Proper investigation;
  - Restitution or compensation
  - The optimum protection of the Town Council's interests.
- 4.8 Where financial impropriety is discovered, referral to the Police is a matter for the Town Clerk. In deciding whether to recommend referral the following factors are taken into account:
- The amount of loss and duration of the offence;
  - The suspect's physical and mental condition;
  - Voluntary disclosure and arrangement for restitution;
  - How strong the evidence is.
- 4.9 The Town Council's Disciplinary Procedure will be used as appropriate irrespective of Police involvement or not.

## **TRAINING**

- 5.0 The Town Council recognises that the continuing success of its anti-fraud and corruption strategy and its general credibility, will depend largely upon the effectiveness of its training programmes and the responsiveness of employees throughout the organisation.
- 5.1 To facilitate this, the Town Council supports the concept of induction training and continuous development appraisal, particularly for employees involved in internal control systems, to ensure that their responsibilities and duties in respect are regularly highlighted and reinforced.
- 5.2 The Town Council has in place a Disciplinary Procedure for all categories of its employees who are fully aware of the consequences of disregarding it.

## **6.0 CONTINUOUS REVIEW OF STRATEGY**

- 6.1 The Town Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corporate activity that may affect its operation.
- 6.2 The Council will maintain a continuous review of such arrangements through the Town Clerk, Finance and Amenities and Audit and

Governance Committees and Internal and External Auditors and will update the arrangements as required.

## **7.0 FRAUD AND CORRUPTION RESPONSE PLAN**

### **Introduction**

- 7.1 The Authority is committed to the values of probity and accountability, but the determined perpetrator will always find a way round systems and procedures. It is therefore necessary for all Managers to be aware of what is required in the event of being notified of a suspected fraud. This document sets out the process for persons who wish to notify any suspicions and also how the Authority's Officers should respond.

### **Notifying Suspected Fraud**

- 7.2 Suspected fraud can be discovered in a number of ways but in all cases it is important that employees feel able to report their concerns and are also aware of the means by which they are able to do so.

**The Authority has several means available to employees:**

#### **Departmental Manager**

- 7.3 If an employee discovers a suspected fraud then it should be reported to the Departmental Manager as a matter of urgency. Whilst the Departmental Manager should establish as many details as possible (by discussion with the notifying employee only) he/she should formally report the incident to the Town Clerk.

#### **Town Clerk**

- 7.4 The Town Clerk is ultimately responsible for all operations and as such, should be able to be contacted by an employee regarding suspicions they may have.

#### **Responsible Financial Officer**

- 7.5 The Town Clerk is the Responsible Financial Officer and as the Authority's Section 151 Officer, with overall responsibility for the proper financial administration of the Council, can be contacted if employees have concerns.

#### **Internal Auditor (External Provider)**

- 7.6 The primary role of the Internal Auditor is to report on the adequacy of systems and procedures (the 'internal control' environment). However, they are also charged with the responsibility for being the usual means

of investigating suspected fraud. The Internal Auditor provider has many years experience in fraud investigations.

### **External Audit**

- 7.7 The Council's external auditors have responsibilities to review, in accordance with the Code of Audit Practice for Local Authorities, the arrangements made by management to prevent and detect fraud. External Audit also reviews the adequacy of measures taken by the Authority to limit the possibility of corrupt practices. As such External Audit will investigate any concerns that are brought to their attention.

### **Initial Steps**

- 7.8 Once fraud is suspected it is crucial that any investigation is conducted in a professional manner aimed at ensuring that the current and future interests of both the Authority and the suspected individual(s) are protected. The latter is equally important as a suspicion should not be seen as guilt, which has to be proved. To this end the Authority's disciplinary procedure will be invoked where necessary.
- 7.9 It is also crucial that the notifying employee does not feel threatened. As far as possible the Authority undertakes to protect the identity of such employees and not to release the source of notification at any time during the investigation. See the "Confidential Reporting Code".
- 7.10 For each notified suspicion the Town Clerk will appoint 'Investigating Officers' to be in charge of the investigation on a day-to-day basis.

### *Subsequent Steps*

#### **The Investigating Officers and Town Clerk must:**

- Initially assess whether there is a need for any employee to be suspended. The decision should be kept under review at all stages of the investigation.
  - Identify an action plan. (what, who, when, how, where).
  - Identify the reporting process (who by, to whom, when and how) and ensure that strict confidentiality is continuously maintained.
- 7.11 The Investigating Officer will:
- Open a file to record chronologically:
    - Telephone conversations
    - Face to face discussions
    - Record/documents reviewed



- Tests undertaken and results

The file should be indexed and all details recorded no matter how insignificant they initially appear.

- Ensure the correct form of evidence is obtained and appropriately retained, witnessed and corroborated:
  - prime documents
  - certified copies
  - physical items
  - secondary evidence
  - circumstantial
  - hearsay
- Ensure interviews are conducted in the right manner. In particular, that the requirements of the Police and Criminal Evidence Act are complied with when interviewing suspects.

## **Liaison with External Audit and the Police**

### *External Audit*

- 7.12 Each Local Authority has a duty to report all suspected frauds to its external auditors. This will be done by the Town Clerk or Responsible Financial Officer at the earliest opportunity.

### *Police*

- 7.13 The experts at investigating fraud are the Police, they will also advise on the likely outcome of any intended prosecution. Initial contact with the Police should only be undertaken following discussion between the Town Clerk and the relevant Departmental Manager and the relevant Chairmen of Committees. It is the policy of the Police to welcome early notification of suspected fraud.
- 7.14 If the Police decide a formal investigation is necessary, all employees should co-operate fully with any subsequent requests or recommendations.
- 7.15 Where the Police decide to formally investigate this will not prejudice any internal disciplinary procedures; these should continue as normal, but may be suspended until the formal external investigation is complete. However, the internal investigation and the Police's should be co-ordinated to make maximum use of resources and information.

### *Interim Report*

- 7.16 As soon as the initial 'detection' stage of investigation has been completed an interim confidential report, which may be verbal, but is more likely to be written, should be made by the Investigating Officer to the Town Clerk/Responsible Financial Officer and any other Officer decided upon at the preliminary stage.

The interim report should set out:

- the findings to date
- the interim conclusions drawn from those findings; and
- should seek approval to continue the investigation if this is appropriate.

If it is decided to continue the investigation then future reporting Arrangements and any changes to the planned action should be confirmed.

### **Final Report**

- 7.17 This report will supercede all other reports and be the definitive document on which management (in a disciplinary situation) and possible the Police (in a criminal situation) will base their initial decisions.
- 7.18 The format of the final report will not always be the same as each case in unique, but will frequently set out:
- how the investigation arose
  - who the suspects are
  - their position in the Authority
  - how the investigation was undertaken
  - the facts and evidence that were identified
  - summary of findings and recommendations, both regarding the fraud itself and any additional work required on the system weaknesses identified during the investigation.

### 7.19 *Defamation*

All reports must be sustained by the strongest evidence and avoid contents that could be considered to be defamatory in the event of the report being made public.

Defamation in law is defined as:

'The publication (i.e. communication) of a statement which tends to lower a person in the estimation of right-thinking members of society in general or which tends to make them shun or avoid that person'.

**CONFIDENTIAL REPORTING CODE**

**Responsibilities of Members of Staff**

**On Discovery of Fraud, Misconduct, or Wrongful Doing by Others**

**Introduction**

As part of an effective system of internal control, the Council is required to have procedures in place for members of staff to be able to report, in total confidence, any evidence or suspicions of wrongdoing by others within their Department.

Hopefully you will never have the need to use these instructions. However, if a situation does arise which causes you worry or concern, the procedures outlined below are designed to enable you to report to the right person who will know what to do next.

**What to do next**

First of all, **don't** worry.

Instead you should act in accordance with this guidance, which is designed to ensure that further impartial checks are carried out before any appropriate action is taken. These procedures should also give you the reassurance that all reported incidents will be properly and fully investigated. In the event that a suspicion proves to be groundless, provided that you have acted in good faith and in the best interests of the Council, there will be absolutely no consequences for you.

Please note that you are **not** expected to know the precise nature of any wrongdoing, nor its extent. In particular you are **not** authorised to carry out any investigation work on your own account to obtain evidence or confirm your suspicions.

**In no circumstances should you confront any member of staff whom you suspect of any wrongdoing.**

These arrangements are an important and integral part of the Council's control systems. All members of staff are given a copy of this guidance and are expected to understand and comply with it.

**Who you should contact**

All staff should address their suspicions to either the Town Clerk or Departmental Manager who have responsibilities for internal control.

Contact may be made either by telephone or in writing with the envelope marked "Private and Confidential – to be opened by addressee only". In exceptional circumstances (or if your suspicions involve the Town Clerk), you should contact the Chairman of the Finance and/or Personnel Committee who are wholly independent of the town's administrative staff. Depending on the nature of the suspicion, he will either take up the matter with the Town Clerk or contact the Council's auditors.

It is important to note that you should **not** discuss your suspicions with anyone else – this includes your line manager if you have one.

### **What happens next**

Once you have reported your suspicions, you should await acknowledgement. You should **not** discuss your suspicions with anyone in the meantime.

You may be requested to attend an interview, and this will be arranged in absolute privacy.

Keep a copy of any report or item submitted. If you have not had any response from the Town Clerk etc. within two weeks you should contact the Chairman of the Finance or Personnel Committee.

Remember: you are **not** expected to form any judgement about your findings. The responsibility of every employee is primarily to notify one (or more if you wish) of the contacts named above, who will know what further procedures will need to be taken.

### **The legal position**

The Public Interest Disclosure Act, 1998 gives statutory protection to any employee who, with "reasonable belief" discloses information suggesting that a criminal offence has been committed or that there has been a failure to comply with any legal obligation, or that such facts are being deliberately concealed. The disclosure must be made to the employer's representatives, as directed in this memorandum unless there are exceptional circumstances for not doing so. Further guidance may be obtained in confidence from the Public Concern at Work hotline (0207 404 6609).