

ANTI-FRAUD AND CORRUPTION POLICY



MALTON TOWN COUNCIL

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ANTI-FRAUD AND CORRUPTION POLICY

1. Introduction

In administering its responsibilities, the Town Council aims to prevent fraud and corruption whether it is attempted by someone who is not part of the council, or from within the council, by an employee or Member. The Council is committed to an effective Anti-Fraud and Corruption Policy designed to promote high ethical standards, encourage prevention, and promote detection.

The Responsible Financial Officer as the “section 151 officer” has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council’s financial affairs and has developed financial codes of practice and accounting instructions.

The Town Clerk has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council’s actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council’s Policies and Procedures to demonstrate that the Council is acting in an open and transparent manner.

Any suggestions of fraud, corruption or theft will be investigated, both from within the Council and from external sources. Any proven fraud will be dealt with in a consistent and proportionate manner.

2. Definitions

Fraud and Corruption are defined as:

Fraud

The Fraud Act 2006 defines fraud as follows:

A person is guilty of fraud if he/she is in breach of any of the following: -

Fraud by false representation; that is if a person:

- i. Dishonestly makes a false representation, and
- ii. Intends, by making the representation
- iii. To make a gain for themselves or another, or
- iv. To cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- i. Dishonestly fails to disclose to another person information which he/she is under a legal duty to disclose, and
- ii. Intends, by failing to disclose the information
- iii. To make a gain for themselves or another, or
- iv. To cause loss to another or to expose another to a risk of loss

Fraud by abuse of position; that is if a person:

- i. Occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- ii. Dishonestly abuses that position, and
- iii. Intends, by means of the abuse of that position
- iv. To make a gain for themselves or another, or
- v. To cause loss to another or to expose another to a risk of loss.

Many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

“Fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting, or the supply of false information. In legal terms, all these activities are the same crime – theft.

Corruption

The deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

Theft

The physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

Money Laundering

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.

Bribery

The Bribery Act 2010 received Royal Assent on 8 April 2010. The Bribery Act 2010 introduces four main offences, simplified as the following: -

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person. –
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient’s ultimate advantage or not. –
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person’s intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the Town Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: a “financial” or “other advantage” may include money, assets, gifts or services. Prior to entering into any business arrangements, all Council officers should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

3. Reporting Procedure

The Council’s expectation is that Members and employees at all levels will comply with Standing Orders, Financial Regulations and Council Policies.

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to the Town Clerk.

The Town Clerk will, depending on the nature and anticipated extent of the allegations, determine how the allegations are to be investigated. The Town Clerk will then determine the method of further investigation and will then initiate an investigation team where appropriate.

The Town Clerk will:

- (a) Deal promptly with the matter.
- (b) Record all evidence received.
- (c) Ensure that evidence is sound and adequately supported.
- (d) Ensure security of all evidence collected.
- (e) Contact other agencies e.g. Police.
- (f) Notify the Council's insurers.
- (g) Implement the Council's disciplinary procedures where appropriate.

The Council will also work in co-operation with the following bodies that will assist in scrutinising its systems and defences against fraud and corruption:

- (a) Internal Audit
- (b) External Audit
- (c) Central Government Departments and Parliamentary Committees
- (d) HM Customs and Excise
- (e) Inland Revenue
- (f) Department for Work and Pensions
- (g) Police

4. Culture

There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with integrity and that all employees and Members will lead by example in these matters.

Employees have an important role to play in relation to protection against fraud and corruption. They will be encouraged to report any concerns, associated with the Council's finances, resources and responsibilities and these will be thoroughly investigated. Any concern thus raised in confidence will be treated in confidence as far as possible, but relevant information may be passed on to those who need to know.

The Town Clerk is expected to deal promptly under the necessary procedures with those who are suspected of defrauding the Council or who may be corrupt. There is, of course, a need to ensure that any investigation process is not misused and, therefore raising unfounded malicious allegations by an Officer/Member may amount to misconduct. Similar allegations raised by other parties may result in legal action.

5. Prevention

The Council recognises that a key measure against fraud and corruption is prevention. The first step in prevention is to take effective measures at the recruitment stage to establish propriety and integrity as far as reasonably practicable. In this regard temporary and contract employee should be treated in the same manner as permanent employees.

Employees must be appointed in accordance with the Council's Recruitment and Selection Procedures. Also, written references should be obtained and should include information regarding honesty and integrity of potential employees. Employment will be conditional upon the receipt of two satisfactory references.

Employees are required to follow the Council Policies and Procedures as well as any relevant professional standards. In addition, employees must also abide by the law.

The Council is responsible for ensuring that there is a sound system for internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

This is set out in the Council's Code of Corporate Governance. The Council has developed systems and procedures, which incorporate efficient and effective internal controls, and which include adequate separation of duties.

Members of the Council are required to follow the Members' Code of Conduct including the appropriate declaration and registration of interests, the compliance with which will be subject to review by the Town Clerk.

6. Money Laundering and E-Mail Scams

All employees should be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails.

Any Service that receives money from any external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought.

E-mail scams can take the form of either requests for personal financial information such as bank account details or a suggestion of the depositing of funds for money laundering purposes. Employees are advised to forward the email to the Town Clerk and to then immediately delete the email without responding or copying the email to any other person. The Town Clerk will decide what further action, if any, needs to be taken, including possible referral to the police.

7. Detection and Investigation

Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. It also relies on employees, members and the public to be alert and to report any suspicion of fraud and corruption.

Frauds are often discovered by a "tip-off" but nevertheless it is essential that Officers and other employees have clear monitoring and supervision arrangements in place, particularly in relation to high risk areas.

Employees are required to report every suspected irregularity in accordance with Clause 3 of the Reporting Procedure. Reporting is essential to the Anti-Fraud and Corruption Policy as it:

- (a) Ensures the consistent treatment of information prior to or during an investigation;
- (b) Facilitates proper investigation; and
- (c) Ensures the proper implementation of a fraud response investigation plan.

The Town Clerk will be expected to take action in accordance with the Council's Disciplinary Procedures where the outcome of the investigation indicates improper behaviour. The Council will normally wish the police to be made aware of and to prosecute independently offenders where financial impropriety is discovered. The Town Clerk is responsible for referring any such matter to the police.

8. Reporting Arrangements

Where a suspected irregularity is material or could seriously affect the reputation of the Council then the Members must be informed of this by the Town Clerk.

The type and nature of report(s) to the Council will vary according to the type of alleged fraud being investigated. These reports although confidential may need to be passed on to those who need to know e.g. police, officers or Members and may be oral or written and either interim or final. The usual procedure will be a preliminary investigation followed by a brief report which may recommend an in-depth investigation, with further interim reports as required. The final report will supersede all interim reports and is the definitive document on which the Town Clerk will base their further action.

For major incidents of fraud/corruption the Town Clerk will, within 6 months of the submission of the final investigation report, submit a summary report, in closed session, to Members. These reports will contain details of the area investigated, the outcome, action taken to prevent future occurrences, any losses suffered by the Council and any action taken to recover such losses.

The Responsible Financial Officer as Section 151 Officer as part of the annual update to Full Council, will submit a summary of the control issues arising from completed investigations to Members from Internal Audit Service. Depending on the nature of the alleged fraud being investigated it may be necessary to have some informal briefings to both officers and Members.

9. Post Investigation

The Council wishes to see that following an investigation action is taken to minimise future occurrence. This may require a change in management, systems and procedures or retraining of employees.

10. Training

The Council recognises that the continuing success of its Anti-Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Members throughout the organisation.

To facilitate this the Council supports the concept of induction and re-induction training for Members and particularly for employees involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. Employees who fail to follow such training and guidance, or fail to follow proper working practices, may face disciplinary action. Investigation of fraud and corruption may require specialist training.

11. Conclusion

The 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 corrupt activity that may affect its operation.

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