



DORCHESTER TOWN COUNCIL

STAFF DOCUMENTS SERIES

**ANTI-FRAUD AND
CORRUPTION
POLICY**



1. INTRODUCTION

- 1.1 Dorchester Town Council aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities, the Council has always adopted a culture of openness and fairness and has expected elected members and employees at all levels to adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the authority, for example suppliers and contractors.
- 1.3 However, there have been several well-publicised fraud and corruption cases within local government and the Council has decided that it should formalise these accepted standards and practices and develop this Anti-Fraud and Corruption Policy. It should be read in conjunction with all of the Council's corporate governance documents, in particular the codes of conduct for members and staff, Financial Regulations, Standing Orders, the Confidential Reporting Procedure and the Risk Management Strategy.
- 1.4 The Council wants to 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 authority. In addition, there will be no distinction made in investigation and action between allegations of financial misconduct and other allegations of impropriety.
- 1.5 This Policy, however, will not compromise the authority's equal opportunities policy or any obligations as an employer under the Code of Conduct for local government employees.
- 1.6 This Policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt acts and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness Section 6
- 1.7 The Council is also aware of the high degree of scrutiny of its affairs by a variety of bodies such as the Internal Auditor, the Audit Commission and HM Revenue and Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.8 Fraud and corruption are defined by the Audit Commission 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 covers *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*

2. CULTURE

- 2.1 The culture of the Council has always been one of openness and the core values of fairness, trust and value support this. The Council's culture therefore emphasises and underpins its opposition to fraud and corruption and its determination to deal with it expeditiously should it occur.
- 2.2 The prevention and detection of fraud and corruption and the protection of the public purse are everyone's responsibility.
- 2.3 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.
- 2.4 Concerns must be raised when members or employees 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 unauthorised use of public or other funds
 - a miscarriage of justice
 - maladministration, misconduct or malpractice
 - endangering of an individual's health and safety
 - damage to the environment
 - deliberate concealment of any of these.
- 2.5 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner.
- 2.6 The Council will deal firmly with those who defraud the authority, 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 raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.7 When fraud or corruption have occurred because of a breakdown in the Council's systems or procedures, the Council, through the Policy Committee and the Town Clerk, will ensure that appropriate improvements in systems of control are implemented to prevent a recurrence.

3. PREVENTION

ELECTED MEMBERS

3.1 The Role of Elected Members

- 3.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the authority from all forms of abuse.

- 3.1.2 This is done through the Anti-Fraud and Corruption Policy and compliance with the Council's Code of Conduct for members, Financial Regulations and Standing Orders and relevant legislation.
- 3.1.3 Elected members undertake to abide by the Council's code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Town Clerk advises members of new legislative or procedural requirements.

EMPLOYEES

3.2 The Role of Managers

- 3.2.1 Managers at all levels are responsible for the communication and implementation of this Policy in their work area. They are also responsible for ensuring that their employees are aware of the Council's employment and ethical policies and, where appropriate, Financial Regulations and Standing Orders, and that the requirements of each are being met in their everyday business activities. In addition, employees are made aware of the requirements of the National Code of Conduct for Local Government Employees through the induction process.
- 3.2.2 Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the Council's Confidential Reporting Procedure or the Town Clerk.
- 3.2.3 Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments. Managers must ensure that relevant training is provided for employees and that formal documented procedures are in place. The Council's Internal Auditor will pay particular attention to areas of activity that lend themselves to fraudulent practices.
- 3.2.4 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers 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. The Council's Equality Policy will be adhered to during this process.

3.3 Responsibilities of Employees

- 3.3.1 Each employee is governed in their work by the Council's Financial Regulations and Standing Orders and other codes of conduct and policies (health and safety, IT strategy, IT security, etc). They are also governed by the National Code of Conduct for Local Government Employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority.
- 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 authority. These will be included in induction training and procedure manuals.

- 3.3.3 Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to the Town Clerk or the Deputy Town Clerk.
- 3.3.4 Concerns must be raised, in the first instance, directly with the supervisor or line manager, or, if necessary, anonymously (by letter or telephone), and via other routes, in accordance with the Council's Confidential Reporting Procedure.

3.4 Conflicts of Interest

- 3.4.1 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 (although it is acknowledged that this can sometimes be difficult in a small organisation) will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

3.5 Role of Internal Audit

- 3.5.1 The Internal Auditor plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Town Clerk and/or the Policy Committee will investigate all cases of suspected irregularity. They liaise with management to recommend changes in procedures to prevent further losses to the Council.

3.6 The Role of External Audit

- 3.6.1 Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, 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 delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and irregularity and arrangements designed to limit the opportunity for corrupt practices.

3.7 Co-operation with Others

- 3.7.1 The Town Clerk should be updated on any changes in legislation which would affect this policy by one of the professional bodies of which either he or the Council is a member. In addition, the Town Council maintains close links with the Police for the exchange of information relating to national and local fraud and corruption activity and will provide information to any other *bona fide* organisation whose aims include the detection and elimination of fraud and corruption.

4. DETERRENCE

4.1 Disciplinary Action

4.1.1 Theft, fraud and corruption are serious offences 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, after relevant consultation.

4.1.2 Members will face appropriate action under this Policy if they are found to have been involved in theft, fraud or corruption against the authority. 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. Without exception all allegations or suspicions of fraudulent or corrupt practice by a member will be automatically referred to the West Dorset District Council's Standards Committee for investigation and attention.

4.2 Publicity

4.2.1 The Policy Committee will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority.

4.2.2 All anti-fraud and corruption activities, including the update of this Policy, will be publicised in order to make members, employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

5. DETECTION AND INVESTIGATION

5.1 Internal Audit plays an important role in the detection of fraud and corruption.

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

5.3 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.

5.4 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator (under the Council's Confidential Reporting Procedure. This is essential to the Policy, and:

- ensures the consistent treatment of information regarding fraud and corruption; and
- facilitates a proper and thorough investigation by an experienced audit team.

5.5 This process will apply to all the following areas:

- fraud or corruption by elected members
- internal fraud or corruption
- other fraud or corruption by employees
- fraud by contractors' employees
- external fraud (the public).

- 5.6 Depending on the circumstances and the identity of those involved cases may be referred to any one or more of the Police, the Council's external auditor and West Dorset District Council's Standards Committee.
- 5.7 Any decision to refer a matter to the Police will be taken by the Town Clerk and/or Mayor and/or Chairman of the Policy Committee. The Council will normally wish the police to be made aware of, and investigate independently, instances where financial impropriety is discovered.
- 5.8 Depending on the nature of an allegation the Town Clerk will work closely with the relevant members of staff to ensure that all allegations are thoroughly investigated and reported upon.
- 5.9 The Council's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.1.2 will cover members.

6. AWARENESS

- 6.1 The Council recognises that the continuing success of this Policy and its general credibility will depend in part on the awareness of elected members and employees throughout the authority of the importance of maintaining the highest standards of personal conduct and probity.
- 6.2 To facilitate this, positive and appropriate provision has been made via induction and for employees via their development plans. This will include specialist training for certain elected members and employees where this is identified as necessary.

7. CONCLUSION

- 7.1 The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This Policy fully supports the desire to maintain an honest authority, free from fraud and corruption.
- 7.2 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 techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures.
- 7.4 This Policy will be reviewed bi-annually.