



HOUGHTON REGIS TOWN COUNCIL

Fraud and Ethics Policy

Date of Approval:	23 rd October 2006
Reviewed:	20 th January 2014; 12 th June 2017; 1 st June 2021
Date of Re approval:	9 th October 2017; 4 th October 2021

Contents

- 1. INTRODUCTION**
- 2. CULTURE**
- 3. PREVENTION**
- 4. DETECTION and INVESTIGATION**
- 5. TRAINING**
- 6. CONTINUS REVIEW of STRATEGY**
- 7. FRAUD and CORRUPTION RESPONSE PLAN**
- 8. REVIEW**
- 9. RELATED POLICES AND DOCUMENTS**
- 10. FURTHER INFORMATION**

1.0 INTRODUCTION

- 1.1 This strategy has been developed in response to the acknowledged need to formalise procedures regarding corporate governance.
- 1.2 Houghton Regis Town Council, its councillors and employees, are committed to the highest standards of personal and corporate ethics and compliance with laws and regulations. Integrity and effort are valued, not just in financial performance, but in all dealings with staff, customers and suppliers. The objective is to be open and honest in all dealings, internal and external.
- 1.3 This policy applies at every level regardless of seniority. Non-compliance is considered to be a disciplinary offence and would be dealt with accordingly.
- 1.4 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.
- 1.5 This Fraud and Ethics Policy 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 Fraud and Ethics Policy designed to:
 - Encourage prevention;
 - Promote detection; and
 - Identify a clear pathway for investigation.
- 1.6 The Town Council expects Members and all employees to lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 1.7 The Town Council also expects that individuals and organisations (e.g. suppliers, contractors and service providers) that it comes into contact with, will act with integrity and without thought or actions involving fraud or corruption.
- 1.8 This Fraud and Ethics Policy is based upon a series of procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:
 - Culture;
 - Prevention;
 - Detection and investigation; and
 - Training

2.0 CULTURE

- 2.1 The Town Council is determined 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 what ever 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 The 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. Reporting should be through the Town Clerk.

Members of the public/third parties are also encouraged to report concerns.

- 2.5 The Town Clerk 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, 4)
- 2.6 The Town Clerk is 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 The Town Council has introduced a formal "Whistleblowing Policy" which will improve the system in terms of procedures relating to the reporting of such concerns. This is designed to reassure individuals that they will not suffer repercussions, and indeed will be encouraged to voice their legitimate concerns. Where a report is made in good faith, the employee making the report is protected in law by the Public Interest Disclosure Act 1998.

3.0 PREVENTION

- 3.1 Prevention will be achieved via:

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

Staff

- 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. Employees are expected to maintain the duty of confidentiality. Information obtained in the course of their duties should not be disclosed to a third party and should not be used for the employee's own benefit or that of others.
- 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 employee's are treated in the same manner as permanent employees.
- 3.4 The Town Clerk should ensure that recruitment procedures are followed and, in particular, written references must be obtained regarding the known honesty and integrity of potential employees before employment commences. Where the post so demands, appropriate Disclosure and Barring Service (DBS) clearance must be obtained.

Members

- 3.5 Councillors are expected to operate honestly and without bias. Their conduct is governed by:
- National Code of Local Government Conduct
 - Sections 94-96 of the Local Government Act, 1972
 - Localism Act 2011
 - Houghton Regis Town Council's Standing Orders
 - Houghton Regis Town Council's Financial Regulations
- 3.6 These matters and other guidance are specifically brought to the attention of Councillors. Councillors are specifically required under the Model 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.
- 3.7 These codes and regulations are the subject of review, Councillors will be closely involved in the process, and will be fully advised as to their responsibilities.

Internal Control System

- 3.8 The internal control system comprises the whole network of financial, operational and managerial systems established with 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, the Town Clerk is required to ensure that arrangements, guidelines and procedures for the proper administration of financial affairs are operated in accordance with Financial Regulations.

- 3.9 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 Internal Auditor.

Working in Partnership

- 3.10 Houghton Regis Town Council encourages the exchange of information between the Town Council and other agencies on national and local fraud corruption activity.

- 3.11 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 has existing liaison arrangements with:

- Police
- Internal Auditor
- External Auditor
- Bank

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 is incorporated (section 7). This gives detailed guidance on the processes 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 public 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 developed a "whistle-blowing"

policy to formalise 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 Internal Auditor will normally work closely with the Town Clerk and other agencies, such as the Police, to ensure that all the allegations are properly investigated and reported 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 reported;
- 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 Fraud Policy 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.

5.0 TRAINING

5.1 The Town Council recognises that the continuing success of its Fraud and Ethics Policy and its general creditability, will depend largely upon the effectiveness of its training programmes and the responsiveness of employees throughout the organisation.

- 5.2 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 are regularly highlighted and reinforced.
- 5.3 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, Full Council meetings 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 the Town Clerk 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 Town Clerk should respond.

Actions Constituting Fraud

- 7.2 Fraud constitutes many types of unacceptable behaviour. There is no strict legal definition in the UK for fraud, however it is generally thought of as involving deception to obtain advantage. It may be perpetrated by those outside the organisation (“third parties”), by employees, or through collusion of employees and third parties. Examples include:
- Theft of Council property
 - Forgery or deliberate alteration of any document e.g. cheque, journal entry
 - Destruction or removal of records to cover tracks
 - Falsifying of expense claims
 - Disclosing confidential information to outside parties, without authority, for personal gain
 - Computer misuse
 - Misuse of intellectual property

Notifying Suspected Fraud

- 7.3 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 Town Council has several means available to employees:

Town Clerk (and Responsible Financial Officer)

- 7.4 If an employee discovers a suspected fraud, then it must be reported to the Town Clerk as a matter of urgency.
- 7.5 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.

Internal Auditor

- 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. Concerns raised by employees, members or the general public can be discussed with the Internal Auditor.

External Audit

- 7.7 The Council’s external auditors have responsibilities to review, in accordance with the Local Audit and Accountability Act 2014 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 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. This is formalised within the Town Councils Whistleblowing Policy.
- 7.10 For each notified suspicion the Town Clerk will appoint an “Investigating Officer”, to be in charge of the investigation on a day-to-day basis. This will usually be the Internal Auditor, but each case will be judged on merit.

Subsequent Steps

7.11 The Investigating Officer 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) to 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 viewed
 - 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 1984 (as amended) 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/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 with the Town Clerk. 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 cooperate fully with any subsequent requests or recommendations. All contact with the Police following their initial involvement will usually be via the Investigating Officer.
- 7.15 Where the Police decide to formally investigate this will not prejudice any internal disciplinary procedures; these should continue as normal. However, the internal investigation and the Police's should be coordinated 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 supersede all other reports and be the definitive document on which management (in a disciplinary situation) and possibly 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 is 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”.

8. POLICY REVIEW

This policy will be reviewed every 4 years or as required by the Corporate Services Committee.

9. RELATED POLICES AND DOCUMENTS

- Whistleblowing policy
- Data protection policy
- Disciplinary policy
- Equal opportunity policy
- Grievance policy
- Health and safety policy
- Bullying & harassment policy

The above list is not exhaustive.

10 FURTHER INFORMATION

Any queries or comments about this policy should be addressed to the Corporate Services Manager.