



Risk Management – Part 2 Fraud & Corruption Policy & Guidance

1. INTRODUCTION

The purpose of this document is to make clear to Councillors, employees and other external parties Lydney Town Council's ("the Council") firm stance against theft, fraud and corruption.

The culture of the Council encourages honesty and integrity in both the provision of its services and its opposition to fraud and corruption. It promotes fair treatment of service users, employees and volunteers through its equal opportunities policy.

2. DEFINITIONS

Fraud - *"the intentional distortions of financial statements and accounting records and/or misappropriation of assets"* ⁽¹⁾

Corruption - *"the offering, giving, soliciting or acceptance of an inducement or reward, which may influence a person to act against the interests of the organisation"* ⁽¹⁾

3. COUNCIL POLICY STATEMENT

Lydney Town Council will;

- a) Investigate all reported suspicions of fraud promptly, work with the police if needed and ensure that offenders are dealt with appropriately.
- b) Encourage people to report suspicions of fraud. Individuals may remain anonymous during investigations and will receive support if required

Attempts to victimise or stop anyone who reports suspicions of fraud will not be tolerated nor will attempts to abuse the system by making false accusations

- c) Prevent fraud and corruption by developing and maintaining rigorous controls within policies and procedures e.g. standing orders, financial regulations, codes of conduct
- d) Promote both internal and external audits and act promptly on advice received
- e) Take appropriate steps to recover all losses it incurs due to fraud and corruption
- f) Ensure that all Councillors and employees are made aware of this document and any future amendments to it

⁽¹⁾ Ref. Audit Commission

4. RESPONSIBILITIES

Any individual involved with the Council is expected to act with integrity. This particularly applies to those involved with the Council's financial aspects e.g. accounts, budgets.

4.1 Councillors

On becoming a member, Councillors receive information and training from the Council, in particular from the Town Clerk, to help them with their role. As well as the guidance they receive, they should also work within;

- Council Standing Orders / Financial Regulations
- The National Code of Local Government Conduct
- Sections 94 – 96 of the Local Government Act 1972
- Local Authorities Members' Interest Regulations 1992 (SI.618)
- The Council's 'tailored' Code of Conduct

- The GDPR
- Councillors are encouraged to report suspicions of fraud to the Town Mayor or the Town Clerk, who in turn should be receptive to any concerns raised, whether they are suspicious of the allegation of fraud or have ideas to prevent it

4.2 Employees (including volunteers)

All employees:

- Are encouraged to report suspicions of fraud to their manager or any other senior manager, Councillor or auditor. They may prefer to remain anonymous and if so their identity will be protected and not released at any time during the investigation.

Managers should always be open to any concerns raised by employees whether they are suspicious of fraud or have ideas to prevent it

- Are reminded that malicious allegations will be dealt with through the disciplinary procedure and as such should be aware of that procedure
- Should work to the Council's Employee Interests & Integrity Procedure which sets out guidelines to maintain and improve standards
- Must record all gifts and hospitality in accordance with the Employee Interests & Integrity Procedure except those gifts under the value of £25
- Should work to the code of conduct for any professional bodies they belong to

4.2.1 Managers

As well as following the guidelines for all employees, managers should:

- Set an example for staff to follow
- Promote the existence of this policy to their direct staff members
- Consider the controls listed in Appendix 1 of this document during the set up or change to a system
- Deal promptly with any allegations of fraud or corruption, referring to the guidance notes in Appendix 2

4.2.2 Human Resources (HR)

Under direction from the Personnel Committee / Town Clerk the Council should;

- Take up references on all prospective new employees. In particular, obtain information on their honesty and integrity. This should include casual, temporary or permanent employees and volunteers
- Assist in dealing swiftly and firmly with employees and others who defraud the Council or are corrupt, with reference to the guidance notes in Appendix 2
- Implement the Council's disciplinary procedure if the outcome of an investigation indicates improper behaviour by an employee

5. INTERNAL AUDITS

The size of the Council does not warrant a specialist Internal Audit department. However, the Council employs the services of audit specialists who undertake internal audits on a regular basis.

The nominated auditors check the Council's accounting records and control systems before reporting their findings to the Council's Responsible Finance Officer/Town Clerk who in turn reports to Full Council.

6. EXTERNAL CONTACTS

The Council welcomes scrutiny of its affairs by people and organisations including:

- The Local Government Ombudsman
- External Audit
- H M Customs and Excise
- The Department of Social Security – Contributions Agency
- The Public

Individuals are encouraged to raise concerns through the Council's complaints procedure.

APPENDICES

**Appendix 1
Appendix 2**

**System Controls
Guidance Notes**

Town Clerk & Proper Officer

Signed

Dated

This policy will be kept up to date as the size and nature of the Council changes or new legislation is introduced. Otherwise date of next review - May 2028.

APPENDIX I

Example system controls which assist in the prevention and detection of fraud and corruption

Policies and Procedures

- ✓ Systems to define and communicate policies and procedures
- ✓ Targets and standards

Standards/Guidance/Documentation

- ✓ Financial regulations, standing orders, procedure guides
- ✓ Codes of practice, conduct and integrity, professional standards

Organisational Structures

- ✓ Organisation of work to ensure communication and efficiency
- ✓ Staff development framework encouraging commitment to the Council

Accounting

- ✓ Procedures, standards, balancing and reconciliation.

Budgetary Systems

- ✓ Each committee remit provides the cost centre budget control on spending.

Authorisation and Approval

- ✓ Certification, checks, documentation and clear management (audit) trails

Physical Safeguards

- ✓ Limited access to assets, systems and records, e.g. password protection, minimum key holders
- ✓ Backup systems, e.g. counter signatures/counter authorisation

Personnel Arrangements

- ✓ Procedures and policies to employ appropriate staff and treat them fairly
- ✓ Discipline and appraisal procedures

Supervision

- ✓ Procedures to ensure that errors are prevented and detected through checks

Management Review and Monitoring

- ✓ To check that people understand procedures, reconciliations and systems
- ✓ To prevent, detect and investigate fraud, errors and abuse

Information Systems

- ✓ Secure operating systems and procedures

APPENDIX 2

Fraud and Corruption Guidance

When a Manager / Councillor is informed of, or suspects, fraud

Check the details without alerting the possible suspects. If the suspicions appear to have a sound basis they should inform the Town Clerk, or if the suspect is the Town Clerk, the Town Mayor.

Contact with the Police

If a criminal event is believed to have happened then the police should, if not already, be advised; this ensures that the internal investigation follows the correct procedure and does not compromise any police action.

If the police decide to formally investigate, their enquiries should be co-ordinated with the internal investigation and all employee should co-operate fully with both enquiries and recommendations.

The final decision on when to involve the Police will be made by the Town Clerk or the Town Mayor.

External Auditors

The Council is required to inform its external auditors of all suspected frauds; the Clerk/Finance and Scrutiny Chairman must ensure that this happens promptly.

Publicity

Under no circumstance should an employee or volunteer, other than the Town Clerk or the Town Mayor, speak to the newspapers, radio, television or other third party.

Investigations

The final decision on who undertakes the investigation will be made by the Town Clerk or the Town Mayor.

The interests of the Council must be protected, as should those of the suspect(s), as a suspicion should not be viewed with guilty until proven. Work should be indexed and filed in date order with all details recorded even if they appear to be trivial.

Evidence should be collected and kept in a suitable place. Information should include

- Details of telephone conversations and face to face discussions
- Written statements
- Circumstantial evidence and gossip
- Prime documents and certified copies
- Physical items
- Tests carried out and results

Interviews must be carried out correctly, paying particular attention to the requirements of the police and Criminal Evidence Act.

Access to Information

To assist in the investigations of fraud the police and/or the investigatory panel may require any member or employee to:

- Produce financial records or other documents that they believe are necessary for an audit
- Give explanations and provide information that they believe is necessary for an audit.