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**STRATTON ST MARGARET PARISH COUNCIL****ANTI-FRAUD AND CORRUPTION STRATEGY  
POLICY STATEMENT**

<b>Policy Number</b>		
<b>Issue No.</b>	<b>Date completed</b>	<b>Details of amendments</b>
1	02/09/2009	Original document last modified
2	27/04/2010	Amended following Internal Audit recommendations
3	November 2010	Amended following Audit Commission Recommendations

**THE REVIEW**

This review of Stratton St Margaret Parish Council's Anti Fraud and Corruption policy has been undertaken following the publication by the Audit Commission entitled "Protecting the Public Purse 2010, fighting fraud against local government and local taxpayers" which was published in October 2010.

Stratton St Margaret Parish Council has limited responsibility when dealing with public money. Areas that do not affect the Parish Council but are included in the report are:

- Housing tenancy fraud
- Council tax discounts
- Adult social care

However, procurement does affect Stratton St Margaret Parish Council and further action will be taken to prevent and detect potential fraud through procurement.

Stratton St Margaret Parish Council has adopted a zero tolerance policy towards fraud and when enough evidence is available will always prosecute offenders.

The National Fraud Initiative (NFI) does not include town and parish councils but bodies of a similar size would be audited on the following:

- Payroll
- Pensions payroll
- Trade creditors payment history and standing data

Therefore Stratton St Margaret Parish Council's focus will be on the following elements of its business:

- Recruitment processes for permanent and temporary staff are secure, follow good practice and work effectively
- Procurement practices
- Adopt the Audit Commission's checklist
- Insurance claims
- Expenses
- Establishment of a clear policy for budget holders to ensure that budgets are properly adhered to and not subject to misuse or abuse

Stratton St Margaret Parish Council's internal auditors will be specifically instructed to undertake an audit of the areas above.

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## **1 INTRODUCTION**

- 1.1 Stratton St Margaret aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities the Council wishes to promote a culture of openness and fairness and expects that elected members and employees at all levels will adopt the highest standards of propriety and accountability.
- 1.3 Following the publication of the Nolan Report in 1997, several well publicised cases concerning fraud and corruption within Local Government and Local Government Act 2000, the Council recognises the need for an Anti-Fraud and Corruption policy statement.
- 1.4 The Council must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with offenders from inside and outside the Council. In addition there will be no distinction made in investigation and action between allegations of financial misconduct and other allegations of impropriety. This policy statement, however, will not compromise the Council's Equal Opportunities Policy or any obligations as an employer.
- 1.5 The Council expects the same level of commitment from partners and contractors.
- 1.6 This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt acts and the steps to be taken if such action occurs. For ease of understanding it is separated into six areas as below:-

Culture	Section 2
Prevention	Section 3
Deterrence	Section 4
Detection and Investigation	Section 5
Awareness and Training	Section 6
Monitoring of Policy	Section 7

- 1.7 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, External Auditors appointed by the Audit Commission, Internal Audit, HM Revenues and Customs, Government Inspection bodies, the Local Government Ombudsman, HM Customs and Excise and the Inland Revenue. 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”*.

Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”*.

In addition, this policy statement also covers misconduct relating to declaration of interest, this is “the failure to disclose an interest in order to gain financial or other pecuniary gain”.

## **2 CULTURE**

- 2.1 The Council encourages a culture of openness. Its core values of Quality and Improvement, Working Together, Openness and Accountability support this. The Council’s culture therefore, supports the opposition to fraud and corruption.
- 2.2 The prevention and detection of fraud and corruption and the protection of the public purse are responsibilities of everyone.
- 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, 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 individuals health and safety
  - Damage to the environment
  - Deliberate concealment of any of the above
- 2.5 The Council will ensure that any allegations received in any way including by anonymous letter or telephone calls will be taken seriously and investigated in an appropriate manner.
- 2.6 The Council will deal firmly with those who defraud the Council or who are corrupt, or where there has been financial malpractice.

There is 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 and corruption has occurred due to a breakdown in the Councils systems or procedures, senior managers will ensure that appropriate

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improvements in systems of control are implemented in order to prevent a re-occurrence.

### **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 the residents of the Parish to protect the Council from all forms of abuse.
- 3.1.2 This is reflected through the adoption of this Anti-Fraud and Corruption Policy Statement and compliance with the National Code of Conduct for members, the Councils Financial Regulations and Standing Orders and relevant legislation.
- 3.1.3 Elected members sign to the effect that they have read and understood the National Code of Conduct when they take office. Their conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Clerk advises members of new legislative or procedural requirements.
- 3.1.4 The Council approve and monitor the anti-fraud strategy and whistle-blowing procedure for the Council and ensure that it operates effectively.
- 3.1.5 The Clerk will consult with the Chair of Council on all Investigations that are being carried out under the Anti-Fraud Strategy and Whistle blowing procedures. The Chair of Council will be kept informed on the progress of all investigations.

#### **EMPLOYEES**

##### **3.2 The Role of Managers**

- 3.2.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Councils Financial Regulations and Standing Orders and that the requirements of each are being met in their everyday business activities. Staff must be 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 ensure advice is sought from the 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

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- payments. Managers must ensure that relevant training is provided for employees and that formal documented procedures are in place. Checks must be carried out on a regular basis to ensure that proper procedures are being followed.
- 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 establishment, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Councils Equal Opportunities Policy will be adhered to during this process.
- 3.2.5 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As in other public bodies Police checks are undertaken for employees working with children. Where possible further checks will be introduced in areas where an increased risk of potential fraud and corruption has been identified.
- 3.3 Responsibilities of Employees**
- 3.3.1 Employees work is governed by the Councils Standing Orders and Financial Regulations and other Codes of Conduct policies (ie: Health and Safety, and IT Security) includes guidelines on Gifts and Hospitality professional and personal behaviour and conflicts of interest. These matters will be covered as part of the Councils standard induction process.
- 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 to always be aware of the possibility that fraud, corruption and 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 one of the those named below.
- Grounds Manager, the Deputy Clerk, Senior Operations Managers, Ops Managers who will report such concerns to the Clerk.
  - Directly to the Clerk
  - Internal/external Auditor, who depending upon the nature of the concern will liaise with the Client
- 3.3.4 Concerns must be raised, in the first instance, directly with the supervisor/line manager or if necessary, anonymously (letter, telephone) and via other routes, by the Councils whistle blowing policy.

3.3.5 Both the external and internal audit must be advised of any suspected irregularity immediately on its detection and must also be involved in any further action to be undertaken to resolve and rectify and identified weakness (see also para 5.4)

### 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 issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

### 3.5 **Official Guidance**

3.5.1 In addition to Financial Regulations and Standing Orders, Service Areas will have their own procedures to prevent and deter fraud. Managers and employees must be made aware of these various sources of guidance and conduct their working practices accordingly.

### 3.6 **Role of Internal Audit**

3.6.1 Internal Audit is responsible as designed under Section 151 of the 1972 Local Government Act. It plays a vital preventative role in ensuring that systems and procedures are in place to prevent and deter fraud and corruption. Internal Audit investigates all cases of suspected irregularities. Internal Audit also works with management to recommend changes in procedures to prevent losses to the Authority.

3.6.2 Following the occurrence of any irregularity the following procedure will be followed:

- On discovery of an irregularity by any member of employee of Stratton St Margaret Parish Council, it should be reported to the Clerk to the Council.
- If the irregularity refers to the Clerk to the Council then the Deputy Clerk should be informed and will implement the following procedure.
- The Chairman and Vice Chairman of Council and the Chairman and Vice Chairman of the Finance Committee should be informed as soon as possible of the irregularity
- The Clerk will inform the Internal Auditor of the reported irregularity by email as soon as possible ([STUPOLTEN@aol.com](mailto:STUPOLTEN@aol.com))
- The Clerk will also inform External Audit (Audit Commission) of the reported irregularity by email as soon as possible
- It is not the external auditors function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern

### 3.7 **The Role of the External Auditor**

3.7.1 Independent external audit has an essential role to play in relation to the stewardship of public money. The role is delivered through the carrying out of specified reviews that are designed to test (amongst other things) the adequacy of the Councils financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditors function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alerted to the responsibilities of reviewing the Councils arrangements for preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunities for corrupt practice.

### 3.8 **Co-operation with Others**

3.8.1 Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to Local Authority with external agencies such as :-

- Police
- County, Unitary and District Groups
- The Councils external auditor
- Audit commission
- Benefits Agency
- Government Departments

## **4 DETERRENCE**

### 4.1 **Prosecution**

4.1.1 The Authority will keep under review the need for a corporate policy on prosecution in all cases of fraud. It will be designed to clarify the Councils action in specific cases and to deter others from committing offences against the Authority. However it will also recognise that it may not always be in the public interest to refer cases for criminal proceedings.

### 4.2 **Disciplinary Action**

4.2.1 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 consultation with the Clerk of the Council.

### 4.3 **Publicity**

- 4.3.1 The Clerk will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. The Clerk will also try to ensure that the results of any action taken, including prosecution, are also reported in the press.
- 4.3.2 In all proven cases where financial loss has occurred the Council will seek to recover any loss and consider making the public aware of this through the media if it is in the public interest to do so.
- 4.3.3 All anti-fraud and corruption activities, including the adoption of this policy, will be publicised to make employees and the public aware of the Councils commitment to taking action on fraud and corruption, when it occurs.
- 4.3.4 Regular quarterly reports by the Clerk and Internal Auditor will be made to the Council with respect to countering fraud and corruption activities and their success.

## **5 DETECTION AND INVESTIGATION**

- 5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their five year plan are reviews of systems financial controls and specific fraud and corruption tests, spot checks and unannounced visits.
- 5.2 In addition to Internal Audit, there are numerous system 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 should be reported directly, or via an intermediary, to the Internal Auditor in line with the Whistle blowing policy (see 3.3.4). This is essential to the strategy 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 allegations relating to all the following areas:-
- a) fraud/corruption by elected members
  - b) internal fraud
  - c) other fraud by Council employees acting in a personal capacity
  - d) fraud by contractors employees
  - e) external fraud (the public)

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- 5.6 In practice cases under a), d) and e) may be referred directly to the External Auditor, or Police by complainants. The Council may also consider passing on such allegations to the External Auditor or the Police if this is considered appropriate.
- 5.7 Depending on the nature of an allegation under b) to e), the Internal Auditor will normally work closely with the appropriate senior manager concerned to ensure that all allegations are thoroughly investigated and reported upon. A Fraud Response Plan has been developed by Internal Audit to assist in this process.
- 5.8 The Council's Disciplinary Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.
- 5.9 Any decision to refer a matter to the Police will be taken by the Clerk and the Council. The Council may wish the Police to be made aware of, and investigate Council independently, offences where financial impropriety is discovered.

## **6 AWARENESS AND TRAINING**

- 6.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and awareness on the part of elected members and employees throughout the organisation.
- 6.2 To facilitate this, positive and appropriate provision will be made through induction training and for employees via their personal development plans. This includes specialist training for certain key elected members and employees.

## **7 MONITORING OF POLICY**

- 7.1 The Council will monitor the Anti-Fraud and Corruption Strategy and Whistle Blowing procedure for the Council and ensure that it operates effectively.
- 7.2 The Clerk, in consultation with the Chair of Council, will ensure that any corrective actions identified from investigations are brought to the attention of the Committee.

## **8 CONCLUSION**

- 8.1 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 both prevention and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

- 8.2 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.
- 8.3 This policy statement will be reviewed annually.