



CHILTON TOWN COUNCIL

ANTI FRAUD & CORRUPTION POLICY

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Table of Contents	Page (s)
1.0 Introduction and Executive Summary	2 – 3
2.0 Definition of Fraud and Corruption	3 – 4
3.0 Policy Statement	4
4.0 Links to Strategic Aims	4
5.0 Aims of the Policy	4 – 5
6.0 Anti-Fraud and Corruption Culture	5
7.0 Prevention of Fraud and Corruption	5 – 9
8.0 Deterrence of Fraud and Corruption	9
9.0 Detection of Fraud and Corruption	10
10.0 Reporting Fraud and Corruption	10
11.0 Investigation of Fraud and Corruption	11
12.0 Prosecution	12
13.0 Recovery of Losses	12
14.0 Awareness and Training	12 – 13
15.0 Review of the Policy	13
 Appendix 1:	
Fraud and Corruption Reporting and Investigation Procedure	14 – 17

1.0 Introduction and Executive Summary of the Policy

- 1.1 Chilton Town Council is governed and served by the dedicated and hardworking members and officers who consistently demonstrate high levels of integrity and honesty.
- 1.2 However, the Town Council is aware there remains a risk of fraud and corruption, and recognises its key responsibilities to properly look after and account for public money. As such it is important the Council has in place and effective Anti-Fraud and Corruption Policy.
- 1.3 The Council has a gross budget of over £250,000 a year and employs 4 staff. The Council also manages property investments and other assets.
- 1.4 Fraud and corruption cheats the local tax payer and undermines the Council's aim of providing value for money services to the local community in an open, honest and accountable way.
- 1.5 The Council is therefore determined to protect itself from the risk of fraud and corruption both from within and outside the organisation and as such this policy advocates a zero tolerance approach.
- 1.6 This policy has been designed in a way that encourages the prevention and deterrence of fraud in the first place, whilst also promoting detection where fraud does occur. Its aim is to make it absolutely clear that the Council will not tolerate fraud.
- 1.7 The Council encourages anyone with a possible concern regarding fraud to report the matter immediately so that the Council can investigate. Where any instances of fraud or corruption are discovered, the Council will take all action as is necessary to hold the perpetrators to account and reduce losses to an absolute minimum.
- 1.8 As such, the Council has a responsibility for promoting a culture of good governance and must put in place measures and earmark resources to help prevent fraud corruption and other irregularities and promptly identify potential instances for investigation.
- 1.9 The Anti-Fraud and Corruption Policy therefore sets out in more detail the Council's framework for the prevention and detection of fraud and corruption, and the procedures for the reporting and investigation of any occurrences of fraud and corruption.
- 1.10 All members and Officers, including temporary and agency staff, must comply with the requirements of the Anti-Fraud Corruption Policy.
- 1.11 In conjunction with this policy, the Council also requires all Members and Officers of the Council to conduct themselves in accordance with the Members and Officers Codes of Conduct.
- 1.12 The work of all Members and Officers of the Council is also governed by all relevant legal and statutory requirements, as well as the Council's approved

Financial Regulations and Standing Orders, and all other relevant policies of the Council.

- 1.13 Responsibility for the implementation and monitoring of this policy lies with Town Clerk / Responsible Financial Officer assisted by the Internal Auditor, who will ensure that the policy is properly followed, regularly reviewed and updated where relevant.
- 1.14 Individuals and organisations external to the Council such as service users, residents, consultants, suppliers, contractors and service providers, will also be expected to act with integrity in their dealings with the Council and with thought or actions involving fraud and corruption.
- 1.15 The Anti-Fraud and Corruption Policy is broken down into the following key sections:

- Definitions of Fraud and Corruption
- Anti-Fraud Culture
- Prevention of Fraud
- Deterrence of Fraud
- Detection of Fraud
- Reporting of Fraud
- Investigation of Fraud
- Prosecution
- Recovery of Losses
- Awareness and Training
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2.0 Definitions of Fraud and Corruption

- 2.1 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:-

- Fraud by false representation
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

There are further subheadings of fraud described including possession of articles for use in fraud, making or supplying articles for use in frauds, participating in fraudulent business, and obtaining services dishonestly.

- 2.2 Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly or the deliberate failure to disclose an interest in order to obtain a financial or other pecuniary gain for oneself or another.
- 2.3 The Bribery Act 2010 came into force on 1 July 2011. Bribery is defined in the Act “as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward a person for having already done so, in order to gain personal, commercial, regulatory or contractual advantage”. Bribery is the most common form of corruption.
- 2.4 The following list provides some common examples of what constitutes fraud and corruption although the list is not exhaustive:-
- Intentional distortion of financial or other records;
 - Theft of Council assets;
 - Unauthorised use of public funds;
 - Forgery or deliberate alterations of any document e.g. cheque;
 - Destruction or removal of records;
 - Falsifying of expense claims;
 - Blackmail, conspiracy, concealment of material facts, collusion or disclosing confidential information to outside parties without authority for personal gain;
 - Computer misuse;
 - Misuse of intellectual property;
 - Conduct which is offence or a breach of law;
 - Disclosures related to miscarriage of justice;
 - Health and safety risks, including risk to the public;
 - Damage to the environment;
 - Other unethical conduct.

3.0 Anti-Fraud and Corruption Policy Statement

- 3.1 Chilton Town Council has adopted the following Anti-Fraud and Corruption Policy Statement:-

“It is the policy of the Council to promote a culture of honest, openness and fairness, which is committed to the prevention and detection of fraud and corruption; to ensure that all instances of fraud and corruption are investigated properly and thoroughly; and to actively pursue the appropriate level of disciplinary action”.

- 3.2 This policy should be read in conjunction with the Council's approved Financial Regulations, which set out the overall framework for the proper management of the Council's financial affairs.

4.0 Links to Strategic Aims

- 4.1 This policy contributes to the Council's Strategic Aim: "To manage the Council's finance and assets in a responsible manner".

5.0 Aims of the Policy

- 5.1 The Anti- Fraud and Corruption Policy is designed to protect the Council against the risk of fraud and corruption either from within or outside the organisation.
- 5.2 The aims of the Anti-Fraud and Corruption Policy are as follows:-
- Promote a culture of honesty and integrity, and a zero tolerance approach to fraud and corruption;
 - Encourage prevention and deterrence of fraud and corruption by ensuring openness, transparency and honesty in the provision of all services and the undertaking of Council business both internally and externally;
 - Ensure effective systems of internal control including segregation of duties, financial procedures and sound management controls are in place to help to prevent fraud;
 - Promote detection of fraud by ensuring compliance with internal control systems and financial procedures supported by regular monitoring and review by internal audit;
 - Ensure formal reporting systems are in place and are being used to support and give confidence to members, employees, members of the public or third parties who may wish to raise concerns they have, associated with the Town Council's activity;
 - Investigate thoroughly and effectively any allegation of fraud and corruption received;
 - Identify a clear procedure for investigation that is understood and that will respond sensitively and efficiently to any concerns raised; and
 - Set out the policy and procedure for the recovery of any losses associated with fraud.

6.0 Anti-Fraud and Corruption Culture

- 6.1 The Council is committed to promoting a culture of honesty, openness and fairness, and a zero tolerance approach to fraud and corruption.
- 6.2 This Anti-Fraud and Corruption Policy, supported by Members and Officers Codes of Conduct, the Financial Regulations and other relevant financial policies aim to promote a strong anti-fraud culture.
- 6.3 Members and Officers of the Council are encouraged to take responsibility of the prevention and detection of fraud and corruption and the proper use of public money and positively encouraged to raise any concerns regarding fraud and corruption in the knowledge that such concerns will be treated seriously and in strict confidence.
- 6.4 Those who defraud the Council, who are proven to be corrupt, or who instigate financial malpractice can expect to be dealt with swiftly and firmly and with the appropriate level of disciplinary action.
- 6.5 Where fraud and corruption have occurred due to a breakdown in an element of this culture, internal audit arrangements are in place, to ensure that the appropriate improvements in policies, procedures or systems of internal control are implemented in order to prevent a reoccurrence, and ensure a lasting change in culture.

7.0 Prevention of Fraud and Corruption

- 7.1 Whilst absolute guarantees that fraud and corruption can or will be prevented, cannot be given, there are ranges of measures and internal controls in place already, which are designed to minimise this risk.
- 7.2 These can be broadly categorised into the following broad areas:-
 - Employees obligations
 - Member obligations
 - Financial policies, internal control systems and internal audit
 - Working with partners

Employee Obligations

- 7.3 The Council recognises that its employees are often the first line of defence in preventing fraud.
- 7.4 The Council is entitled to expect, and is obliged to maintain, high standards of conduct among its employees to ensure that public confidence in their integrity, honesty and impartially is not undermined.
- 7.5 The 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 previous record and integrity of all potential employees, including temporary and casual staff.
- 7.6 The Council will ensure that formal recruitment procedures are followed, and will obtain written reference in respect of all potential employees, ideally before employment offers are made.
 - 7.7 Some posts, due to the nature of the work and the potential of working with vulnerable people may also require a Disclosure and Barring Service (DBS) before employment offers are made.
 - 7.8 Job descriptions and person specifications will also be put in place for all employees that clearly define duties, responsibilities and lines of communication.
 - 7.9 The Council will ensure that formal contracts of employment have been issued to all staff, setting out start dates, remuneration, hours of work, probationary periods, holidays, sickness rules, notice periods, pension information and reference to key employment policies.
 - 7.10 All employees will also be required to work in accordance with the requirements of this policy, as well as the Councils Financial Regulations and Standing Orders, the Officers Code of Conduct and all other relevant policies of the Council.
 - 7.11 The Council will ensure that all employees are aware of their responsibilities in relation to the prevention and deterrence of fraud and corruption and copies of this policy will be made available to all existing employees, and will also be distributed to all new employees during the induction process.
 - 7.12 The staff induction process, staff meetings and the training and development programme will be used to remind employees of their obligations and keep them up to date with any changes.
 - 7.13 Employees must comply with Section 117 of the Local Government Act 1972, regarding the disclosure of the financial interests in contracts relating to the Council, or the acceptance of any fees, gifts, hospitality or any other events other than proper remuneration.
 - 7.14 The Bribery Act 2010 makes it an offence to request, agree to receive, or accept a bribe. It is also an offence to offer, promise or give a bribe.
 - 7.15 The Officers' Code of Conduct sets the acceptable conduct for employees, with regard to personal interests and the receiving and giving of gifts and hospitality. Non-compliance by an employee may result in disciplinary action being taken.
 - 7.16 The Council recognises that the responsiveness of employees is important to the prevention of fraud, and employees should therefore be alert to the possibility of fraud and report any concerns. The Council has a Confidential Reporting Policy (Whistleblowing Policy) in place to assist employees in

reporting their concerns about fraud or any other issues, without fear of harassment or victimisation.

- 7.17 The Council also has in place a Disciplinary Policy and Procedure for all employees. Those found to have breached the Officers' Code of Conduct will be dealt with in accordance with this policy. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution, in accordance with the Fraud and Corruption Reporting and Investigation Procedure.

Members Obligations

- 7.18 All members are expected to operate honestly and without bias and their conduct should be governed by:-
- The Members' Code of Conduct
 - Council Constitution, Standing Orders and Financial Regulations
- 7.19 These matters and any other appropriate requirements will be brought to the attention of members during the induction process, and supplemented by the Member Training Programme where necessary. This will include information and training on Council policies, expected levels of conduct, member and officer relations, declaration of interests, hospitality disclosures, and eligibility to allowances.
- 7.20 The Local Government Act 2000 requires all members to give written undertaking to comply with Members' Code of Conduct if they are to remain on the Council.
- 7.21 Copies of all relevant information such as policies are also provided to all new members as part of the members' information packs.
- 7.22 The Councils' committee structure includes a Policy and Resources Committee where issues such as policies and procedures, financial issues, performance management and service delivery issues will be regularly considered.
- 7.23 As part of the ongoing financial monitoring, the Council considers reports from the Council's Internal Auditor on the Council's system of internal control, and which would consider any reported issues of fraud.
- 7.24 Members will be specifically required to record their financial and other interests and record any receipt of offering of gifts of hospitality in accordance with the requirements set out in the Councils' Members Code of Conduct.
- 7.25 Members must also disclose any such interests in the matters under discussion at any meeting or Committee of the Council.

Financial Policies, Internal Control Systems and Internal Audit

- 7.26 The Responsible Financial Officer has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the management of the Council's financial affairs. In addition, under the Accounts and Audit (England) Regulations 2011, the Council is required to maintain an adequate and effective system of internal control and internal audit.
- 7.27 The Council's Financial Regulations provide the framework for the management of the Council's financial affairs and officers and members should act in accordance with the Financial Regulations at all times in managing and governing the Council.
- 7.28 Significant emphasis is also placed on the development, implementation of various financial policies, systems and procedures in support of the overall Financial Regulations and these are regularly reviewed to ensure they are up to date.
- 7.29 Taken together these financial policies help to ensure a high level of financial integrity across all of the Council's services and activities.
- 7.30 The Responsible Financial Officer, supported by the Internal Auditor and service managers are charged with the responsibility of ensuring that proper internal controls are in place within each service area and for reviewing regularly the effectiveness and appropriateness of such controls especially in relation to the deterrence and detection of fraud and the monitoring and control of high risk areas.
- 7.31 The adequacy and appropriateness of the Council's financial systems and controls are independently monitored and reviewed by both internal and external audit.
- 7.32 In order to ensure the effective use of the Council's internal audit resources, the Full Council's approves an Annual Internal Audit Plan setting out the planned audit activity for the year.
- 7.33 Quarterly reports are submitted to the Audit Sub Committee on the progress of audit work and any weaknesses or issues requiring attention are highlighted Action plans are put in place to ensure that any required improvements to internal controls are implemented.
- 7.34 Specific attention is drawn to the following key areas of internal control which will be regularly reviewed by the Internal Auditor:
- Segregation and rotation of duties;
 - Effective management and supervision of staff;
 - Handling and security of cash;
 - Security of assets;

- Stock control and checking;
- Keeping of accounting and financial records;
- Regular reconciliation processes;
- Budget monitoring and control;
- Appropriate levels of delegated authority;
- Ordering of goods and tendering for contracts;
- Certification of purchase orders and expenditure; and
- Any other high risk areas identified by Internal Audit.

Working with Partners

- 7.35 The Council expects all individuals and organisations to act honestly in their dealings with it and may undertake relevant financial checks in support of the aim.
- 7.36 The Council works with a variety of organisations and these partnerships provide an essential element in preventing fraud and corruption through exchange of information, advice, training etc.
- 7.37 The Council will continue to liaise with numerous organisations including, but not restricted to:-
- Audit Commission and the external auditor's Mazars LLP;
 - National Association of Local Councils (NALC);
 - Society of Local Council Clerks (SLCC);
 - Durham County Council;
 - Other town and parish councils;
 - Government departments such as HM Revenues and Customs and the Department for Work and Pensions;
 - Professional associations such as the Chartered Institute for Public Finance and Accountancy (CIPFA);
 - The public, business community and media; and
 - Suppliers, contractors and service providers.

8.0 Deterrence of Fraud and Corruption

- 8.1 There are a number of ways in which the Council can deter the potential of fraudulent or corrupt acts being committed or attempted, whether they are inside or outside of the Town Council. These include:-
- Publicising this policy and promoting the message that the Town Council will not tolerate fraud, corruption or bribery;
 - Acting quickly, efficiently, and decisively when fraud, corruption or bribery is suspected and proven;

- Taking action to recoup the maximum recoveries (including losses and costs) for the Council;
- Having in place sound internal control systems that minimise the potential risk for fraud, corruption and bribery;
- Regular and effective internal and external audit; and
- The Council's Confidential Reporting Policy;

8.2 It is the responsibility of service managers to communicate the existence of the Anti-Fraud and Corruption Policy to all employees to promote greater awareness out of the risk of fraud within their service areas, and to encourage any member of staff with a concern, to report the matter immediately.

9.0 Detection of Fraud and Corruption

9.1 The Council's systems of governance and financial management, as set out in the Constitution, Standing Orders and Financial Regulations, as well as the various supporting policies and procedures and the system of internal control, all help to ensure that appropriate controls, reconciliations, and internal audit checks are in place to detect any indications of any actual fraudulent or corrupt activity.

9.2 It is the responsibility of the Town Clerk / Responsible Financial Officer to maintain good control systems and procedures, and to ensure that all employees comply with the instructions contained within them.

9.3 This should be supported by a system of supervision and management that ensures monitoring and control of staff and helps to identify any unplanned, unexpected or potentially fraudulent or corrupt activity.

9.4 The system of internal control and the work of the Internal Auditor are a crucial part of the Council's fraud detection system.

9.5 Within the scope of their work, the Internal Auditor will endeavour to reveal serious defects in the internal controls which may lead to the perpetration of fraud, be alert to the possibility of malpractice, take nothing for granted, and be aware of the possible conclusion.

9.6 Therefore, when actual fraudulent or corrupt activity does occur, the systems of internal control and the work of the Internal Auditor should in the vast majority of cases, assist in revealing occurrences.

9.7 Having said that, the alertness of Councillors, employees and member of the public are also essential in the detection of any possible fraudulent activities, and it is often this alertness that enables detection to occur or provides evidence that fraud or corruption may be in progress.

- 9.8 As such, sometimes, despite the best efforts of managers and auditors, frauds are sometimes discovered by a chance remark or “tip off”.
- 9.9 The Council has put in place a formal Fraud and Corruption Reporting and Investigation Procedure as part of this policy to enable such information to be reported and properly dealt with appendix 1 provides further details of this procedure.
- 9.10 In addition, the Council’s Whistleblowing Policy and Complaints Policy and Procedure also encourages members, officers, and members of the public to raise any suspicions and concerns as and when they occur, and ensures that any concerns are dealt with confidentially, properly and promptly.

10.0 Reporting of Fraud and Corruption

- 10.1 As highlighted earlier, Council members and officers are an essential element in the Council’s approach to preventing and detecting fraud and corruption, and are positively encouraged to raise any suspicions and concerns as and when they occur.
- 10.2 This policy requires the Council to ensure that any concerns that are reported are treated in strict confidence and properly investigated.
- 10.3 Service managers will usually be the first contact for an employee to raise a concern, but if further investigation is deemed necessary, other staff may need to become involved, including the:
- Town Clerk;
 - Internal Auditor; and
 - External Auditor
- 10.4 Service managers will be responsible for following up an allegation of fraud or corruption received and will do so through a clearly defined fraud investigation procedure.
- 10.5 However, there is a need to ensure that any investigation process is fair and is not misused and, therefore, any abuse of this procedure, such as raising unfounded malicious or vexatious allegations, may be dealt with as a disciplinary matter.
- 10.6 The Anti-Fraud and Corruption Policy should be read alongside the Council’s Public Interest Disclosure Policy which formally sets out the procedures relating to the reporting of such concerns, reassures individuals that they will not suffer repercussions, and encourages those with legitimate concerns to voice them.

- 10.7 Members of the public are also welcome to report concerns, either as a formal complaint or by seeking or writing to any Officer or Councillor. The Council's Complaints Policy and Procedure applies in such cases.
- 10.8 Where a tip-off or concern is implied tip-off or concern is received from a member of the public by a member or officer, it must be reported without delay to the Town Clerk or Internal Auditor.
- 10.9 A formal Fraud and Corruption Reporting and Investigation Procedure has been developed that provides guidance on the process to be followed when employees or members of the public report their concerns or suspicions. This procedure is attached in appendix 1.

11.0 Investigation of Fraud and Corruption

- 11.1 Depending on the nature and the anticipated extent of the allegations, the Town Clerk and Internal Auditor will normally work closely with management and other agencies, such as the police to ensure that all the allegations are properly investigated, reported and where appropriate, prosecution is secured and maximum recoveries are achieved.
- 11.2 The investigation of any allegation of fraud and corruption received either from a member, officer or member of the public will be undertaken through the agreed procedures of the Fraud and Corruption Reporting and Investigation Procedure, which will ensure that;-
 - Concerns are dealt with promptly and consistently;
 - All evidence is recorded and the rules of evidence followed;
 - Evidence is sound and adequately supported;
 - All evidence is securely held;