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FRAUD, BRIBERY AND CORRUPTION POLICY

INTRODUCTION

This policy sets out Dunstable Town Council's commitment to preventing, detecting and responding to fraud, bribery, corruption and related financial irregularity. It supports sound governance, protects public funds and provides clear reporting and investigation arrangements. Dunstable 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, in all dealings with staff, customers and suppliers. The objective is to be open and honest in all dealings, internal and external.

This policy applies at every level regardless of seniority. Non-compliance is considered to be a disciplinary offence and would be dealt with accordingly.

The Council has adopted the Model Code of Conduct and is committed to sound corporate governance. It supports the Committee on Standards in Public Life "Seven Principles of Public Life" for the conduct of Council Members and employees, as enunciated by the Nolan Committee: namely:

- **SELFLESSNESS** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **INTEGRITY** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- **OBJECTIVITY** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **ACCOUNTABILITY** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **OPENNESS** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- **HONESTY** -Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **LEADERSHIP** - Holders of public office should promote and support these principles by leadership and example.

This Fraud, Bribery and Corruption Policy is designed to protect the Town Council against fraud, bribery, corruption and other financial irregularity, whether arising from within the Town Council or from external parties. The Town Council is committed to effective arrangements which:

- Encourage prevention
- Promote detection
- Identify a clear pathway for investigation

The Town Council expects Members and employees at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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.

This policy is based upon procedures and controls designed to prevent, deter, detect and respond to attempted or actual fraud, bribery or corruption. These cover:

- Culture
- Prevention
- Detection and investigation
- Training

LEGAL AND GOVERNANCE FRAMEWORK

The Council will have regard to relevant legislation and guidance, including the Fraud Act 2006, Bribery Act 2010, Theft Act 1968, Public Interest Disclosure Act 1998, Police and Criminal Evidence Act 1984, Localism Act 2011, data protection legislation, the Council's adopted Code of Conduct, Standing Orders, Financial Regulations, whistleblowing arrangements and any relevant external audit requirements.

The Council will also have regard to recognised public-sector counter-fraud principles, including proportionate risk assessment, clear reporting routes, record keeping, prevention, detection, training, monitoring and review.

CULTURE

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.

There is an expectation and requirement that all individuals and organisations associated in whatever way with the Town Council will act with integrity, and that Town Council employees at all times will lead by example in these matters.

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.

They can do this in the knowledge that such concerns will be treated in confidence and will be properly investigated. Reporting should be through one of the persons listed:

- Town Clerk & Chief Executive
- Head of Finance (Responsible Financial Officer)
- Head of Grounds and Environmental Services
- Head of Community Services
- Internal Auditor
- External Audit

Members of the public and third parties are also encouraged to report concerns.
The Town Clerk & Chief Executive will be responsible for following up any allegation of fraud or corruption received and will do so through clearly defined procedures set out in this document.
The Town Clerk & Chief Executive 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.

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.

The Town Council has a formal Whistleblowing Policy. Employees who raise genuine concerns in good faith will be supported and will not be subjected to detriment because they have reported a concern. Where a qualifying disclosure is made, the employee may be protected under the Public Interest Disclosure Act 1998. Concerns raised maliciously, knowingly falsely or for personal gain may be considered under the Council's disciplinary procedure.

PREVENTION

Prevention will be achieved through:

- Robust recruitment, induction and staffing policies.
- Clear responsibilities for councillors, employees, contractors and suppliers.
- Effective internal control systems, segregation of duties and authorisation procedures.
- Registers for interests, gifts and hospitality.
- Fraud, bribery and corruption risk assessment in higher-risk areas.
- Regular review of Financial Regulations, Standing Orders and audit recommendations.
- Partnership working with auditors, insurers, Police and relevant public bodies where appropriate.

Employees

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.

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 employees are treated in the same manner as permanent employees.

The Town Clerk & Chief Executive should ensure that recruitment procedures are followed and, in particular, that appropriate references and pre-employment checks are obtained before employment commences. Where the post requires it, appropriate Disclosure and Barring Service (DBS) checks must be obtained in line with safer recruitment requirements.

Employees of the Town Council are expected to follow the Council's Officer Code of Conduct, Financial Regulations, Standing Orders, procurement rules, IT and data protection requirements, and all relevant policies relating to gifts, hospitality, interests, confidentiality and whistleblowing.

Councillors

Councillors are expected to operate honestly, lawfully, transparently and without bias. Their conduct is governed by:

- The Council's adopted Member Code of Conduct
- The Localism Act 2011 and associated arrangements for registering and declaring interests
- Dunstable Town Council's Standing Orders
- Dunstable Town Council's Financial Regulations
- Relevant policies on gifts, hospitality, interests, procurement, complaints and whistleblowing

Councillors must be alert to conflicts of interest, register and declare interests as required, withdraw from decision-making where appropriate, and avoid any action which could improperly influence Council business or procurement decisions.

These codes and regulations are subject to review, Councillors will be closely involved in the process, and will be fully advised as to their responsibilities.

Internal Control System

The internal control system comprises the financial, operational and managerial systems established within the Town Council to ensure that its objectives are achieved lawfully, economically, efficiently and effectively. The Council's Financial Regulations provide the framework for financial control and should be reviewed against current sector guidance, including relevant model financial regulations for parish and town councils. Under Financial Regulations, the Responsible Financial Officer is required to ensure that:

- Arrangements, guidelines and procedures for the proper administration of financial affairs are operated in accordance with Financial Regulations.
- There is an adequate and effective system of internal audit of the Council’s accounting, financial and other operations in accordance with proper practices.
- The Town Clerk & Chief Executive shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to financial regulations.
- 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 independent Internal Auditor.
- The Council will keep under review higher-risk areas such as procurement, contract management, payroll, expenses and mileage claims, grants, income collection, banking changes, online payments, payment cards, cyber-enabled fraud, phishing, impersonation scams, asset management and conflicts of interest.

Working in Partnership

Dunstable Town Council encourages the exchange of information between the Town Council and other agencies on national and local fraud corruption activity.

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:

- Internal Auditor
- External Auditor

Detection and Investigation

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.

Appendix A sets out the guidance on the processes for employees who wish to notify suspicions and how the Council’s officers should respond.

Detection

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.
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.
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 (included in the staff handbook).

Investigation

Depending on the nature and anticipated extent of the allegations, the Internal Auditor will normally work closely with the Town Clerk & Chief Executive, the Responsible Financial Officer and other agencies, such as the Police, to ensure that allegations are properly investigated and reported and, where appropriate, that maximum recoveries are made for the Town Council. The follow-up of any allegation of fraud, bribery or corruption 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

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

Where financial impropriety is discovered, referral to the Police is a matter for the Town Clerk & Chief Executive, in consultation with appropriate officers and advisers where necessary. 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

The Town Council's Disciplinary Procedure will be used as appropriate, irrespective of Police involvement or not.

Training

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

To facilitate this, the Town Council supports the concept of induction training and continuous personal development training (particularly for employees involved in internal control systems) to ensure that their responsibilities and duties are regularly highlighted and reinforced.

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.

Continuous Review of Policy

The Town Council has in place a clear network of systems and procedures to assist it in preventing, detecting and responding to fraud, bribery and corruption. These arrangements will be kept under review to ensure they remain proportionate, current and responsive to changes in legislation, proper practices, public-sector guidance, fraud risks and detection techniques.

The Council will maintain a continuous review of such arrangements through the Town Clerk & Chief Executive, Members, Internal and External Auditors, and will update the arrangements as required.

Dealing with Fraud, Bribery and Corruption

Introduction

Dunstable Town Council 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 & Chief Executive 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 & Chief Executive will respond.

Actions Constituting Fraud

Fraud, bribery and corruption constitute many types of unacceptable behaviour. Under the Fraud Act 2006, fraud may include fraud by false representation, fraud by failing to disclose information and fraud by abuse of position. Bribery includes offering, promising, giving, requesting, agreeing to receive or accepting a financial or other advantage intended to induce or reward improper performance. Such behaviour may be perpetrated by external parties, employees, councillors or through collusion between internal and external parties. Examples include:

- Theft of Council property
- Forgery or deliberate alteration of any document eg. 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
- Mandate fraud, bank account change fraud, phishing, impersonation scams or cyber-enabled fraud
- Offering, receiving or soliciting bribes, improper gifts, hospitality or other inducements
- Undeclared conflicts of interest in procurement, grants, appointments or decision-making

Notifying Suspected Fraud

Suspected fraud can be discovered in a number of ways but in all cases it is important that employees and elected members feel able to report their concerns and are also aware of the means by which they are able to do so.

The following reporting routes are available to employees, elected members, members of the public, suppliers and contractors who wish to report concerns.

If suspected fraud, bribery or corruption is discovered, it must be reported as a matter of urgency to the Town Clerk & Chief Executive, unless the concern relates to that postholder. The Town Clerk & Chief Executive will notify the relevant Committee Chairman where appropriate, bearing in mind that those notified may not be able to take part in any subsequent personnel matters. The issue will be reported in a way that protects confidentiality and avoids prejudging the allegation.

The Town Clerk & Chief Executive is ultimately responsible for all operations and as such, should be able to be contacted by an employee or elected member regarding suspicions they may have. If the suspicion is raised against the Town Clerk & Chief Executive, the matter should be reported to the Internal Auditor, who will report it to the Chairman of the Finance and General Purposes Committee or another appropriate councillor in accordance with the Council's governance arrangements.

If the concern relates to the Responsible Financial Officer, a senior manager, a councillor or another person involved in the normal reporting route, the concern should be reported to an alternative senior officer, the Internal Auditor, External Auditor or the appropriate committee chairman. Anonymous reports will be considered, although the Council's ability to investigate may be affected if further information cannot be obtained.

Independent Internal Auditor

The primary role of the Independent Internal Auditor is to report on the adequacy of systems and procedures. However, they are also charged with responsibility for being the usual means of investigating suspected fraud. The Internal Auditor has experience in fraud investigation and will always be receptive to discussing concerns raised by employees, elected members or the general public.

External Audit

The Council's external auditors have responsibilities within the current external audit framework applicable to local councils. They may review arrangements for governance, internal control, financial reporting and the prevention and detection of fraud, bribery and corruption. Relevant concerns should be reported to External Audit where appropriate and in accordance with audit requirements.

Initial Steps

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.
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 will not release the source of notification at any time during the investigation. This has been formalised with the introduction of a "Whistleblowing Policy".
For each notified suspicion the Town Clerk & Chief Executive 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.
Suspension, where considered necessary, is a neutral act and is not a disciplinary sanction. Any decision to suspend must be proportionate, kept under review and managed in accordance with the Council's employment procedures.

Subsequent Steps

The Investigating Officer and Town Clerk & Chief Executive 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.

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.

Digital evidence, emails, access logs, audit trails, financial records and system records should be preserved promptly and securely. Access to evidence should be restricted to those with a legitimate role in the investigation.

- 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

Each Local Authority has a duty to report all suspected frauds to its external auditors. This will be done by the Town Clerk & Chief Executive at the earliest opportunity.

Police

The Police will advise on the likely outcome of any intended prosecution. Initial contact with the Police should only be undertaken following discussion with the Town Clerk & Chief Executive. If the Police decide a formal investigation is necessary, all employees should co-operate fully with any subsequent requests or recommendations. All contact with the Police following their initial involvement will usually be via the Investigating Officer.

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 investigation should be coordinated to make maximum use of resources and information.

Interim Report

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 & Chief Executive 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

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.

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.
- Any lessons learned, control improvements, recovery action and training or awareness needs arising from the investigation.

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.’