



# SHREWSBURY TOWN COUNCIL

## Counter Fraud and Corruption Strategy

### 1. INTRODUCTION

1.1 This Counter Fraud and Corruption Strategy is designed to protect the Town Council against fraud and corruption, both from within and from outside. The Town Council is committed to an effective Counter Fraud and Corruption Strategy designed to:

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

1.2 The Town Council also expects that individuals and organisations (eg suppliers, contractors and services providers) that it comes into contact with, will act with integrity and without thought or actions involving fraud and corruption.

1.3 This Counter Fraud and Corruption Strategy is based upon a series of procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:

- Culture
- Prevention/Deterrence
- Detection and Investigation
- Training
- Remedies

### 2. CULTURE

2.1 The Town Council is determined that the culture and tone of the organisation is one of honesty and integrity and zero tolerance to fraud and corruption.

2.2 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.

2.3 Town Council employees are positively encouraged to raise any concerns that they may have on these issues where associated with the Town Council's function.

2.4 They can do this in the knowledge that such concerns will be treated in confidence and will be properly investigated. If necessary, a route other than their normal line manager may be used to raise such issues. Examples of such routes are: -

- Town Clerk
- Head of Resources
- Internal Auditor
- External Auditor

Members of the public are also encouraged to report concerns as a formal complaint or any of the above routes (if appropriate).

2.5 Managers 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.)

- 2.6 Managers are expected to deal swiftly and firmly with those who defraud or are corrupt. The Town Council, including Officers and 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 already adopted a Whistleblowing Policy. A copy of this document is provided to all Councillors, officers and major contractors and partners.

### **3. PREVENTION**

- 3.1 Prevention will be achieved via: -

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

#### **Employees**

- 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 its 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.
- 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 employees are treated in the same manner as permanent employees.
- 3.4 Managers should ensure that recruitment procedures are followed, and written references should be obtained regarding the known honesty and integrity of potential employees before employment offers are made.
- 3.5 Employees of the Town Council are expected to follow the Town Council's Officers Code of Conduct, which includes regulations regarding the registration of interests, gifts and hospitality. Employees are reminded that they must also operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Town Council, or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration.

#### **Members**

- 3.6 Members are expected to operate honestly and without bias. Their conduct is governed by:
- The Code of Conduct

- Member & Officer Relations Policy
- Shrewsbury Town Council's Standing Orders
- Financial Regulations

3.7 These matters and other guidance are specifically brought to the attention of Members. Members are specifically required under the 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.

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

#### **Internal Control System**

3.9 The internal control system comprises the whole network of financial, operation and managerial systems established within the Town Council to ensure that its objectives are achieved in the most economic and efficient manner. The Financial Regulations of the Council provide the framework for financial control. Under Financial Regulations, Managers are required to ensure that:

- Arrangements, guidelines and procedures for the proper administration of their Services' financial affairs are operated in accordance with Financial Regulations.
- The Town Clerk and the Head of Resources are informed where there has been a failure to comply with Financial Regulations or where amendment or revision of a regulation is considered necessary.
- The Town Clerk and Head of Resources are informed as soon as possible of any matters involving, or suspected of involving, irregularity in the use of Town Council resources or assets.

3.10 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.

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:

- West Mercia Police
- The Council's Internal Auditor
- Audit commission in the capacity of the national regulatory body for the auditing of local council finance.
- The Council's External auditor
- NALC/SALC
- SLCC

#### **4. 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.

##### **Detection**

- 4.2 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.
- 4.3 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.
- 4.4 Despite the best efforts of managers and auditors, many frauds are discovered by chance or 'tip off' and the Town Council has in place such arrangements to enable such information to be properly dealt with.

##### **Investigation**

- 4.5 Depending on the nature and the anticipated extent of the allegations, the Internal Auditor will normally work closely with management and other agencies, such as the Police, to ensure that all the allegations are properly investigated and reported upon 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 recorded;
- 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 followed

- 4.6 The procedures and reporting lines are an integral part of the Town Council's Anti-Fraud Strategy which ensures:

- Consistent treatment of information about fraud and corruption;
- Proper investigation;
- Restitution or compensation
- The optimum protection of the Town Council's interests

- 4.7 Where financial impropriety is discovered, referral to the Police is a matter for the Town Clerk and/or the Head of Resources. 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;
- Strength of evidence

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

## **5. TRAINING**

5.0 The Town Council supports induction training and continuous professional development, particularly for employees involved in internal control systems, to ensure that their responsibilities and duties in respect are regularly highlighted and reinforced.

5.1 The Town Council has in place a Disciplinary Code and Procedure for all categories of its employees who are fully aware of the consequences of disregarding it.

## **6. 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 Town Council will maintain a continuous review of such arrangements through its Town Clerk, Head of Resources, Finance & General Purpose Committee and Internal and External Auditors and will update the arrangements as required.

## **7. FRAUD AND CORRUPTION RESPONSE PLAN**

### **Introduction**

7.1 The 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 all Managers 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 how Officers should respond.

### **Notifying Suspected Fraud**

7.2 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 Authority has several means available to employees:**

#### **Acting Heads of Operations**

7.3 If an employee discovers a suspected fraud then it should be reported to their Acting Heads of Service as a matter of urgency. Whilst the Manager should establish as many details as possible (by discussion with the notifying employee only) he/she should formally report the incident to the Town Clerk.

#### 7.4 **Deputy Town Clerk**

If an employee discovers a suspected fraud then it should be reported to their Head of Service as a matter of urgency. Whilst the Manager should establish as many details as possible (by discussion with the notifying employee only) he/she should formally report the incident to the Town Clerk.

#### **Town Clerk**

- 7.5 The Town Clerk is ultimately responsible for all operations and as such, can be contacted by an employee regarding suspicions they may have.

#### **Head of Resources (Responsible Financial Officer)**

- 7.6 The Head of Resources is the designated Responsible Financial Officer who acts as the Town Council's Authority's Section 151 Officer, with overall responsibility for the proper financial administration of the Council, must be contacted if employees have concerns.

#### **Internal Auditor**

- 7.7 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.

#### **External Audit**

- 7.8 The Council's external auditors have responsibilities to review, in accordance with the Code of Audit Practice and the statement of Responsibilities of Auditors and Audited Bodies. The arrangements made by management to prevent and detect fraud. External Audit also reviews the adequacy of measures taken by the Town Council to limit the possibility of corrupt practices. As such, External Audit will investigate any concerns that are brought to their attention.

#### **Initial Steps**

- 7.9 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 Town Council 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 Town Council's disciplinary procedure will be invoked where necessary.
- 7.10 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 in the Town Council's "Whistleblowing Policy".
- 7.11 For each notified suspicion the Town Clerk and Head of Service 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**

**The Investigating Officer 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) and ensure that strict confidentiality is continuously maintained.

7.12 The Investigating Officer will:

- Open a file to record chronologically:
  - Telephone conversations
  - Face to face discussions
  - Record/documents reviewed
  - 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 are complied with when interviewing suspects.

**Liaison with External Audit and the Police**

**External Audit**

7.13 The Town Council has a duty to report all suspected frauds to its external auditors. This will be done by the Town Clerk or Head of Resources at the earliest opportunity.

**Police**

7.14 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 between the Town Clerk, the Head of Service and the Head of Resources. It is the policy of the Police to welcome early notification of suspected fraud.

7.15 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.

- 7.16 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 co-ordinated to make maximum use of resources and information.

**Interim Report**

- 7.17 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, Head of Resources and Head of Service 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**

- 7.18 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.

- 7.19 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 Town Council
- 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.

**Defamation**

- 7.20 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.

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