

RIVER LUGG INTERNAL DRAINAGE BOARD

ANTI-FRAUD AND CORRUPTION POLICY

1. INTRODUCTION

1.1 One of the basic principles of public sector organisations is the proper use of public funds. It is therefore important that all those working in the public sector are aware of the risk of wrongdoing and the means of enforcing the rules against it. The aim of this document is to set out the Board's policy and response plan for suspected or detected irregularities.

2. POLICY

2.1 The Board is committed to a culture of honesty, openness and fairness. It is therefore also committed to the elimination of any fraud and corruption and to the rigorous investigation of any such cases and the punishment of those involved.

2.2 The Board actively encourages anyone having reasonable suspicion of irregularities to report them. It is also the policy of the Board that no employee should suffer as a result of reporting reasonably held suspicions.

2.3 The Board will always seek to recover fully all losses from those responsible in proven cases of fraud or corruption including all costs incurred in the pursuit of action against them.

3. DEFINITIONS

3.1 There is no offence in law of Fraud but the term encompasses criminal offences involving the use of deception to obtain some benefit or to be to the detriment of some person or organisation.

3.2 Corruption, in its broadest sense, involves the taking of decisions for inappropriate reasons - e.g. awarding a contract to a friend, appointing employees for personal reasons, or the giving or accepting of gifts as an inducement to take some course of action on behalf of the organisation.

3.3 The Audit Commission defines **Fraud** as – “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”.

- 3.4 **Corruption** is defined by the Commission as – “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

4. DISCOVERY OF FINANCIAL IRREGULARITIES

- 4.1 Financial irregularities can come to light in a number of ways. They are usually discovered as a result of: -
- 4.1.1 employees becoming aware of or suspecting that management controls are not being complied with;
 - 4.1.2 Routine work, or Audit testing;
 - 4.1.3 Information (tip-off) from a third party, internal or external to the organisation.
- 4.2 Any allegation, but particularly an anonymous one, should be treated with caution and discretion, because what appears to be suspicious circumstances may have a reasonable explanation. There is also a risk that some reports may be malicious.
- 4.3 Under no circumstances should information about any suspected irregularity, be passed to a third party or to the media without the **express authority** of the Chair of the Board.

5. RESPONSIBILITY OF BOARD MEMBERS

- 5.1 Any Board member who is aware of or suspects that a financial irregularity is taking place, or has taken place, has a duty to report their suspicions, since by doing nothing they may be implicating themselves. Board members who may feel uncomfortable referring suspicions to the Clerk / Responsible Finance Officer, Chair or Vice Chair of the Board are encouraged to contact the Internal Auditor. If these reporting lines are unacceptable to an employee / Board member, an alternative is available in the Board’s “Whistle Blowing Procedure”.
- 5.2 If a Board member suspects that a financial irregularity of any type has occurred or is in progress, they should immediately advise the Clerk / Responsible Finance Officer or Chair of the Board.
- 5.3 Board members must not attempt to investigate suspected irregularities themselves, or discuss their suspicions other than with the Chair or Vice Chair of the Board in accordance with the guidance above.
- 5.4 Examples of the types of financial irregularity that might be suspected are: -
- 5.4.1 Theft or abuse of Board property or funds;
 - 5.4.2 Deception or falsification of records (e.g. fraudulent time or expense claims).

6. RESPONSIBILITIES OF THE CLERK

- 6.1 It is the Clerk's responsibility to maintain system controls to ensure that the Board's resources are properly applied in the manner, on the activities, and within the limits approved. This includes responsibility for the prevention and detection of fraud and other irregularities.
- 6.2 Where the Clerk receives a report of a suspected financial irregularity, he will immediately inform the duly appointed Internal Auditor.

7. RESPONSE PLAN

- 7.1 Upon receiving a report of suspected financial irregularity, the Internal Auditor will launch an investigation and a record will be made in the Board's Fraud Log. The Log will record all reported suspicions including those dismissed as unsubstantiated, minor or otherwise not investigated. It will also contain details of actions taken and conclusions reached. Significant matters will be reported to the Board and the Chair will be updated on the situation.
- 7.2 The Internal Auditor will confer with the Clerk to agree the action plan to be adopted in the light of the particular circumstances.
- 7.3 The Internal Auditor will notify the External Auditor of all frauds considered by the Board to be significant. 7.4 When a *prima facie* case of fraud or corruption has been established, the following procedure will apply regarding referral to the Police: -

7.4.1 Minor cases of Misappropriation of Cash, etc.

- 7.4.1.1 In minor cases of suspected fraud and/or cash misappropriation, as soon as reasonable evidence has been acquired and speedy action is considered imperative in order to prove fraud, the Internal Auditor may call in the Police and will advise the Clerk as soon as is practicable afterwards. The Clerk will inform the Chair of the Board as soon as practically possible.

7.4.2 Major and More Complex Frauds:

- 7.4.2.1 The Internal Auditor will discuss the case with the Clerk, and consultation with the Police will normally be approved.
- 7.4.2.2 Depending upon Police advice, the case will be reviewed by the above officers who will decide if it should be referred officially to the Police for investigation. If it is decided to do so the Clerk will authorise the official complaint and notify the Chair of the Board as soon as practically possible.

7.4.2.3 Following the official report to the Police, any further investigations by the Internal Auditor that are considered necessary, will be planned and executed in close co-operation with the Police, with the Clerk and Chair of the Board being kept informed.

7.4.2.4 The circumstances of the particular case will dictate when the Police and External Auditors are informed, but it is recommended that the Police should be informed when: -

7.4.2.4.1 There is evidence of an irregularity which needs to be confirmed by witness interview if criminal prosecution is contemplated;

7.4.2.4.2 Interview of the suspect is desirable to confirm the evidence of records;

7.4.2.4.3 A *prima facie* case of fraud has been established, but the perpetrator could not be identified.

8. INVOLVING THE POLICE

8.1 The Internal Auditors and the Clerk may be reluctant to involve the Police: -

8.1.1 Unless the alleged criminal offence is greater than a specific monetary value;

8.1.2 Because of the potential complexity of the issues involved which render little chance of a successful prosecution;

8.1.3 If the organisation prefers to deal with such incidents internally, avoiding publicity but implementing recovery through civil action;

8.2 Early liaison with the Police is important in order to ensure that during any internal investigation the rules of evidence are complied with, otherwise the Police may decline to pursue the matter further

8.3 Protracted internal investigations often unnecessarily delay involving the Police, thereby diminishing the value of co-operation with them. However, properly organised investigations, conducted by individuals with an inside working knowledge of the organisation, will be of great assistance to any subsequent Police enquiry, and the Board should therefore not be discouraged from liaising with the Police as soon as the issues are identified.

9. MONITORING

The Policy will be reviewed by the Board within one year of board elections or sooner if required e.g. legislation changes.

Document Control

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