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Management System	Authority:	Chief Executive	Date:	08/05/2019

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Authorised by General Manager:		Date: 8/5/19
Approved by Chief Executive:		Date: 08/05/19

## 1. Introduction

Totally Local Company is committed to safeguarding public funds and maintaining the highest standards of probity. In order to fulfil this commitment, it is crucial that the Company's resources are properly safeguarded and the manner in which these resources are used is underpinned by a secure and controlled environment.

The Company takes a zero-tolerance approach to fraud and will take appropriate action to investigate all suspected incidents of fraud or corruption. The Company is also committed to taking disciplinary and / or legal action against any person found to have committed fraud against the Company and to recover any losses sustained.

This Anti-Fraud and Corruption Policy sets out the Company's commitment to creating an anti-fraud culture and maintaining high ethical standards in its use of public funds. The policy outlines the Company's approach for dealing with suspected irregularities and the roles and responsibilities of employees and Board Directors in maintaining the required standards of probity.

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## 2. Scope

The policy applies to:

- All Company employees (permanent, temporary and voluntary)
- Board Directors
- Agency workers
- Consultants

In addition, the Company expects that all stakeholders should maintain the highest standards of integrity in their dealings with the Company and the Council. This means being honest and open in their own dealings with the Company and being active in reporting genuine suspicions of fraud, irregularity or improper conduct by other Company stakeholders.

## 3. Method

The Fraud Act 2006 defines fraud as activity aimed at securing a gain, causing a loss or exposing somebody to a risk of a loss, through false representation, failing to disclose information or through abuse of position. Crucially under the new Fraud Act, no gain or loss actually has to happen for a fraud to occur, the act of fraud is entirely defined by the actions or intent of the individual.

Fraud is a general term covering theft, deliberate misuse or misappropriation of assets or anything that leads to a financial advantage to the perpetrator or others upon whose behalf he or she acts, even if these "others" are in ignorance of the fraud. Fraud is in fact intentional deceit and for this reason it cannot include negligence.

Fraud incorporates theft, larceny, embezzlement, fraudulent conversion, false pretences, forgery, corrupt practices and falsification of accounts.

### 3.1. Corruption

The term 'corrupt practices' is defined for the purpose of this policy as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions taken by the company, its employees or Directors

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### 3.2. Gifts and Hospitality

Any gifts, rewards and benefits that could be seen as an inducement to affect a business decision should be declared. The acceptance of gifts and hospitality is a sensitive area where actions can easily be misconstrued. Therefore, employees' actions should be such that they would not be embarrassed to explain them to anyone.

Irregularities fall within the following broad categories, the first three of which are criminal offences;

- Theft - the dishonest taking of property belonging to another person with the intention of depriving the owner permanently of its possession;
- Fraud - the intentional distortion of financial statements or other records by persons internal and external to the Company, which is carried out to conceal the misappropriation of assets or otherwise for gain;
- Bribery and corruption (Gifts & Hospitality – see 3.5.)- involves the offering or the acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement;
- Failure to observe, or breaches of, Scheme of Delegation and Financial Regulations; Company's Procedures which in some circumstances can constitute an irregularity, with potentially significant financial consequences.

### 3.3. Examples of what could constitute fraud and corruption are;

- theft of cash;
- non-receipt of income;
- substitution of personal cheques for cash;
- travelling and subsistence claims for non-existent journeys/events;
- travelling and subsistence claims inflated;
- manipulating documentation to increase salaries/wages received, e.g. false overtime claims;
- payment of invoices for goods received by an individual rather than the Company;
- failure to observe, or breaches of, regulations and/or other associated legislation laid down by the Company;

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- unauthorised borrowing of equipment;
- breaches of confidentiality regarding information;
- failure to declare a direct pecuniary or otherwise conflicting interest;
- concealing a generous gift or reward;
- unfairly influencing the award of a contract;
- creation of false documents;
- deception;
- using position for personal reward.

The above list is not exhaustive and fraud and corruption can take many different paths. If in any doubt about whether a matter is an irregularity or not, clarification must be sought from the Finance Director or the Chief Executive.

Similarly, if there is concern or doubt about any aspect of a matter which involves an irregularity, or an on-going investigation into a suspected irregularity, the best approach is to seek advice from the Finance Director or the Chief Executive.

### **3.4. Corporate Framework**

This policy operates within the overall corporate framework designed to ensure appropriate standards of conduct from Company employees and other stakeholders. This Anti-Fraud Policy should be read in the context of the overall corporate framework. Other relevant policies and procedures include:

- the Company's Constitution
- Code of Conduct for Employees
- Financial Procedure Rules
- Contract Procedure Rules
- Disciplinary Procedure
- Fraud, corruption and irregularity procedures
- System of Internal Control
- Local procedure rules

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- Confidential Reporting Policy (Whistle-blowing)
- Budget Procedure Rules
- Employment Procedure Rules

### **3.5. Gifts & Hospitality**

The following guidelines will help you to judge what sort of gift, and what level of hospitality is acceptable.

The following general rules apply and must guide decisions on receipt of gifts and hospitality as an employee of the Company:

- To accept gifts should be the exception. You may accept small 'thank you', gifts of token value, such as a diary, a coffee mug or bunch of flowers, not over £10 in value. You should however, enter all gifts or hospitality in the Register of Business Interests held by the PA to the Chief Executive, giving the reason why the gift was accepted.
- Always say "no" if you think the giver has an ulterior motive. Be sensitive to the possibility that the giver may think that even small gifts or simple hospitality will elicit a more prompt service or preferential treatment.
- Never accept a gift or hospitality from anyone who is, or may be in the foreseeable future, tendering for any contract with the Company, seeking employment with the Company or is in dispute with the Company, even if you are not directly involved in that service area.
- Where items purchased for the Company include a 'free gift', such a gift should either be used for Company business or handed to the Head of Organisational Development to be used for charity or company raffles.
- If you are in doubt about the acceptability of any gift or offer of hospitality it is your responsibility to consult the Finance Director or Chief Executive.

A gauge of what is acceptable in terms of hospitality is whether this Company would offer a similar level of hospitality in similar circumstances.

- Occasional working lunches with customers, providers or partners are generally acceptable as a way of doing business provided they are not to an unreasonable level or cost.

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- Invitations to corporate hospitality events must each be judged on their merit. Provided the general rules have been taken into account, it may be acceptable to join other company/organisation guests at:
  - a) sponsored cultural and sporting events, or other public performances, as a representative of the Company;
  - b) special events or celebrations.

But, consider the number of these events, and always take into consideration what public perception is likely to be if they knew you were attending.

- Acceptability depends on the appropriateness of the invitations, in terms of the level of hospitality, the frequency and the status of the invited employee. In all such cases Senior Management must be consulted.
- Paid holidays or concessionary travel rates are not acceptable. Neither are offers of hotel accommodation nor the use of company villas / apartments.
- If you are visiting a company to view equipment that the Company is considering buying, you should ensure that expenses of the trip are paid by the Company. Acceptance of refreshments and/or a working lunch may be acceptable, but care must be taken to ensure that the Company's purchasing and/or tender procedures are not compromised.
- Acceptance of sponsored hospitality that is built into the official programme of conferences and seminars related to your work are acceptable.
- Offers to speak at corporate dinners and social gatherings, or events organised by, for example, a professional body, where there is a genuine need to impart information or represent the Company must be agreed in advance with the Chief Executive. Where your spouse or partner is included in the invitation, and approval has been given for you to attend, it will be acceptable for your spouse or partner to attend as well, but if expenses are incurred, these will be met personally.
- Any invitation you accept should be made to you in your professional/working capacity as a representative of the Company.



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### **3.6. Mechanism for Reporting Suspicions of Fraud or Corruption**

Employees should report suspicions through their line manager or direct to the Finance Director or the Chief Executive.

The Company also has in place avenues for employees to report suspicions of fraud and corruption through the Confidential Reporting Policy. Matters will be dealt with where possible in confidence and in accordance with the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff

All referrals of suspected fraud, corruption or other irregularity will be made to the Finance Director or the Chief Executive for determination of the appropriate course of action.

### **3.7. Confidentiality and Safeguards**

The Company recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the alleged malpractice. The Company will not tolerate harassment or victimisation and will do what it lawfully can to protect an individual when a concern is raised in good faith.

This does not mean that if the person raising the concern is already the subject of a disciplinary, redundancy or other procedure, that those procedures will be halted as a result of the concern being reported.

There is a need to ensure that the process is not misused. For further guidance refer to the Company Disciplinary and Grievance policies.

### **3.8. Response to Allegations**

A member of the Senior Management Team (SMT) will have initial responsibility for co-ordinating the initial response. In doing this he/she will consult with the Human Resource advisors regarding potential employment issues. The General Manager will also seek legal advice from the Company's solicitors on both employment and litigation issues before taking any further action.

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The Finance Director and General Manager will ascertain whether or not the suspicions aroused have substance. In every case, and as soon as possible after the initial investigation, they will pass the matter on to the Chair of Audit Committee. Even if there is no evidence to support the allegation, the matter must be reported.

The Audit Committee will undertake the management of the investigation.

- They will, if appropriate, gather factual information and reach an initial view as to whether further action is required.
- They will determine whether the findings, conclusions and any recommendations arising from the investigations should be reported to the Board of Directors.
- If further investigations are required, they will determine which outside agencies should be involved (police, auditors).

The Finance Director is required to notify the Board of Directors of any serious irregularities. This action will be taken at the first opportunity following the completion of the initial investigations and will involve keeping the Chairman of the Audit Committee fully informed between of any developments relating to serious control weaknesses, fraud or major accounting breakdowns.

### **3.9. Whistleblowing**

The Company has a separate whistleblowing policy. The purpose of that policy is to commit to the highest possible standards of openness, probity and accountability. Our whistleblowing policy makes it clear that you can voice any and all concerns without fear of victimisation, subsequent discrimination or disadvantage.



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#### **4. Requirements and Responsibilities**

This section sets out the roles and responsibilities of individuals within the Company to contribute to the effective management of fraud risk

##### **4.1. Board Directors**

The standards and expectations of the conduct of Directors are set out in:

- The Companies Act 2006
- The Company's Constitution (The Contributors Agreement)
- The Fraud Act 2006
- UK Corporate Governance Code.

Directors are required to comply with this policy and where suspicions of fraud are raised, these should be reported appropriately.

##### **4.2. Audit Committee**

The Audit Committee has responsibility for considering the effectiveness of the company's risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements. It is the role of the Audit Committee to ensure that actions are taken as appropriate to address risk-related issues identified by Internal and External Audit

##### **4.3. Finance Director**

The Finance Director has overall responsibility for establishing and maintaining a sound system of internal controls within the Company. This system of internal control is designed to respond to and manage the whole range of risks that the Company faces.

Managing fraud risk will be seen in the context of the management of this overall range of risks.

##### **4.4. Senior Management**

The Company's senior management are responsible for:

- Ensuring an adequate system of internal control operates within their area of responsibility.

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- Creating and maintaining an effective anti-fraud culture within their area of responsibility.
- Ensuring employees feel able to raise suspicions of fraud or irregularity in an environment of trust.
- Ensuring awareness of the Company's counter-fraud policy and the corporate framework within which it operates.
- Ensuring their employees are adequately trained to operate within the Company's policy framework.
- Ensuring their employees are appropriately trained to fulfil their responsibilities for reporting suspicious activities.

Where an investigation concludes that fraud or other irregularities have taken place, it is the responsibility of senior management to implement this action and lead any disciplinary or legal action.

#### **4.5. Operational Management**

Operational managers are responsible for implementing and maintaining an adequate system of internal control within their areas. This includes responsibility for the prevention and detection of fraud. Management's responsibility for maintaining adequate controls also includes the monitoring and reviewing of systems to ensure that controls are operating effectively. In addition, where frauds have occurred, management are responsible for implementing any additional controls, as agreed with the Finance Director, to minimise the risk of future incidents.

Management are also responsible for training and development of employees to ensure they are aware of the Company's policies and procedures and that they agree to operate within these parameters.

In addition, management are responsible for reporting concerns raised by their employees to the Finance Director

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#### **4.6. Audit Department**

The Company contracts with Internal and External Auditors to provide assurances in specified areas that the Company has adequate and effective anti-fraud arrangements in place. Consequently, fraud, the risk of fraud or other irregularities may be identified during the course of routine audit work. Where this occurs, the auditor will discuss their concerns with the Chief Internal Auditor and the Company's Finance Director. This will be reported to the Chair of the Audit Committee at the earliest opportunity.

Where suspected fraud is referred to the Chief Internal Auditor, an initial assessment of the information available will be carried out and where appropriate an investigation will be carried out in accordance with 3.8 – Response to Allegations.

#### **4.7. Finance Director**

The Finance Director has overall responsibility for establishing and maintaining a sound system of internal controls within the Company. This system of internal control is designed to respond to and manage the whole range of risks that the Company faces. Anti-Fraud and Corruption 8 Managing fraud risk will be seen in the context of the management of this overall range of risks.

#### **4.8. Company Employees**

All employees are responsible for:

- Acting with propriety in the use of Company resources.
- Conducting themselves in accordance with the Company's values.
- Being alert to the possibility that unusual events or transactions could be indicators of fraud.
- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events.
- Co-operating fully with the investigating Manager where a fraud investigation is taking place.

Employees are often a key element in the prevention and detection of fraud and the standards expected of employees are set out in the Code of Conduct for Employees. In

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addition, employees in certain professions will also be expected to abide by codes of conduct and / or ethics set out by their professional institutes (for example, Accountants, Architects, Engineers).

Fraud prevention, detection and reporting is the responsibility of all employees of the Company and this policy requires that all suspicions of fraud are reported to the Finance Director or the Chief Executive. Reports may also be made under the Company's Confidential Reporting (Whistle-blowing) Policy to one of the named officers within the policy, however where a suspicion of fraud is reported, this should be referred to the Finance Director or the Chief Executive for determination of the appropriate responsibilities for investigation.

Where an investigation concludes that there has been a breach of the Code of Conduct for Employees, disciplinary action may be taken under the Company's Disciplinary Procedure.

Where criminal activity is found to have taken place, the matter will be referred to the police. The Company will also carry out its own investigation in order to determine whether disciplinary action is appropriate. Disciplinary action may be taken independently of any police decision to prosecute. The Company's policy is to take recovery action to recoup any losses sustained through fraudulent acts by employees or other stakeholders.

### **Summary**

This policy has set out the Company's position on fraud and establishes the roles and responsibilities of all employees in contributing to creating a robust anti-fraud culture within the Company.

### **Regular Review**

All our policies should be regularly reviewed to ensure that they do not go out of date. This is monitored and actioned by the SHEQ Manager.

The regularity of reviews will vary by Policy. A schedule of all Policies and Procedures with review frequency shall be held and updated by the SHEQ Manager

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## 5. Revision History

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## 6. Appendices

