



Water Management Consortium

Lindsey Marsh Drainage Board

Isle of Axholme and North Nottinghamshire Water Level Management Board

Trent Valley Internal Drainage Board

ANTI-FRAUD AND CORRUPTION POLICY

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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 Boards' policy and response plan for suspected or detected irregularities.

2. Policy

2:1 The Boards are 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 Boards actively encourage anyone having reasonable suspicion of irregularities to report them. It is also the policy of the Boards that no employee should suffer as a result of reporting reasonably held suspicions.

2:3 The Boards 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: -

- (a) Manual and Craft employees or Office Staff becoming aware of or suspecting that management controls are not being complied with.
- (b) Routine work, or Audit testing.
- (c) 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 Chief Executive or Internal Auditor.

5. Responsibility of Employees

- 5:1 Employees who are aware of, or suspect that a financial irregularity is taking place, or has taken place, have a duty to report their suspicions, since by doing nothing they may be implicating themselves. Employees who may feel uncomfortable referring suspicions to line managers are encouraged to contact a member of the Senior Management Team, the Chairman or the Internal Auditor.
- 5:2 If an employee suspects that a financial irregularity of any type has occurred or is in progress, they should immediately inform their line manager. The only exception to this rule is where the employee suspects that the *line manager* might be involved in the irregularity. In that event, the employee should advise the Chief Executive, the Chairman, or the Internal Auditor.
- 5:3 Employees must not attempt to investigate suspected irregularities themselves or discuss their suspicions other than with a member of the Senior Management Team in accordance with the guidance above.
- 5:4 Examples of the types of financial irregularity that might be suspected are:
- (a) Theft or abuse of Boards' property or funds.
 - (b) Deception or falsification of records (e.g. fraudulent time or expense claims).

6. Responsibility of Managers

- 6:1 It is the responsibility of Managers to maintain system controls to ensure that the Boards' 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 a manager receives a report from an employee or other party of a suspected financial irregularity, they should immediately inform the Chief Executive, who in turn will notify the Chairman and the Internal Auditor.
- 6:3 Managers should not themselves attempt to undertake any detailed investigation of the possible irregularity and should not discuss their suspicions or those reported to them, other than with the Chief Executive and the Internal Auditor.
- 6:4 In cases of suspected irregularities, it is often necessary to suspend a suspect from duty. Before an employee is suspended, advice should be sought from the Chief Executive. The purpose of suspension is to prevent any suggestion of a suspect having the opportunity to continue with the act complained of, falsify or destroy records, influence witnesses, etc. Suspension is not a punishment nor does it imply any fault or guilt on the part of the employee concerned.

7. Response Plan

- 7:1 Upon receiving a report of suspected financial irregularity, the Chief Executive or Chairman will launch an investigation to be undertaken by the Internal Auditor and a record will be made in the Boards' Fraud Log; it will contain details of actions taken and conclusions reached. Significant matters will be reported to the Board and the Chairman will be updated on the situation.
- 7:2 The Internal Auditor will confer with the Chief Executive 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 over £10,000 or those considered by the Board to be significant (the External Auditor is the Auditor that is appointed by the Audit Commission).
- 7:4 When a prima facie case of fraud or corruption has been established, the following procedure will apply regarding referral to the Police:
- (a) The Internal Auditor will discuss the case with the Chief Executive, and consultation with the Police will normally be approved. Depending upon Police advice, the case will be reviewed by the Chief Executive, Chairman and Internal Auditor who will decide if it should be referred officially to the Police for investigation.
 - (b) 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:
 - (i) There is evidence of an irregularity which needs to be confirmed by witness interview if criminal prosecution is contemplated.
 - (ii) Interview of the suspect is desirable to confirm the evidence of records.
 - (iii) A prima facie case of fraud has been established but the perpetrator could not be identified.

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