

## WITHAM AND HUMBER DRAINAGE BOARDS

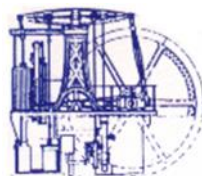
Four independent statutory Land Drainage and Flood Risk Management Authorities working in partnership.  
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Witham First District IDB  
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Upper Witham IDB  
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North East Lindsey IDB  
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## Anti-Fraud and Corruption Policy

### 1.0 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 wrong doing and the means of enforcing the rules against it. The aim of this document is to set out a policy and response plan for the 4 Drainage Boards to be alert to and to respond appropriately to suspected or detected financial irregularities.

### 2.0 POLICY

- 2.1 Each of the 4 Boards is committed to a culture of honesty, transparency and fairness. It is therefore also committed to the elimination of any fraud and corruption, to the rigorous investigation of any such cases and the punishment of those involved. The Nolan Committee set out the seven guiding principles of public life in 1995 and these and the principles and requirements set out in the Bribery Act 2010 will also be upheld.
- 2.2 Each Board actively encourages 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 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.
- 2.4 This policy applies to all individuals employed at all levels and grades for the Board as well as to Board members, advisors, contractors, consultants, volunteers, trainees/students, or any other person associated with the Board.

### 3.0 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. Fraud can be defined 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".

3.2 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. Corruption can be defined as - "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person".

3.3 This policy is also underpinned by other policies and documents including:

- Financial Regulations.
- Association of Drainage Authorities’ Lincolnshire Branch Wages & Salaries and Conditions of Service handbook (the White Book).
- Whistleblowing policy.
- Any other codes of conduct or protocols adopted by the Board.

#### **4.0 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:

- Employees becoming aware of or suspecting that management controls are not being complied with;
- Routine work, or Audit testing;
- Information (tip-off) from a third party, internal or external to the organisation.

4.2 Any allegation, but particularly an anonymous one, should be taken seriously but also treated with caution and discretion, because what appear 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.

#### **5.0 RESPONSIBILITY OF EMPLOYEES**

5.1 The Board recognises the importance at the recruitment of staff stage the need to establish, as far as possible, the previous record of potential staff in terms of their propriety and integrity. Therefore, written references will always be obtained prior to appointing staff. This is also a requirement of the Board’s Fidelity Guarantee insurance.

5.2 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.

5.3 Employees who may feel uncomfortable referring suspicions to line managers are encouraged to contact an alternative Senior Manager, Chairman or Vice Chairman or the Internal Auditor. If these reporting lines are unacceptable to an employee, an alternative is available in the Board's "Whistle Blowing Procedure".

- 5.4 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, Internal Auditor or a Senior Board Member like the Chairman or Vice Chairman.
- 5.5 Employees must not attempt to investigate suspected irregularities themselves or discuss their suspicions other than with more senior managers in accordance with the guidance above. It is not appropriate for employees to take on the role of ‘amateur detective’.
- 5.6 Examples of the types of financial irregularity that might be suspected include:
- Theft or abuse of the Board’s assets, property or funds
  - Deception or falsification of records (e.g. fraudulent time recording or expense claims).
- 5.7 Employees must comply with the Board’s Financial Regulations regarding gifts and hospitality and the ethics and standards associated with any professional body to which they may belong. In particular, Employees are reminded to ensure that if they are offered or accept gifts and hospitality, this is recorded in the Register of Gifts & Hospitality.

## **6.0 RESPONSIBILITY OF MEMBERS**

- 6.1 As elected and appointed representatives, all members of the Board have a duty to ensure that the Board uses its resources prudently, in accordance with the law and protects them from loss. They should therefore ensure they operate and adhere to:
- Members’ Code of Conduct
  - Standing Orders
  - Financial Regulations
  - Legislation
  - Any other codes of conduct or protocols adopted by the Board.
- 6.2 Members are required to declare specific information concerning their financial and other interests in the Register of Members’ Interests on election or appointment to office. Members are responsible for ensuring that information in this Register is kept up to date and any changes are notified to the Chief Executive as soon as they occur. The Register is routinely updated at the Board’s November Annual Public Meeting.
- 6.3 Members are required to declare their interests at all meetings, both internal and external, whether decision making or not.
- 6.4 Members are required to declare the offer and acceptance of all gifts and hospitality in a Register maintained by the Chief Executive.
- 6.5 All members are required to sign an undertaking to abide by the Board’s Code of Conduct on election or appointment to office. Members are required by the Code to report any conduct which he/she reasonably believes to be a failure to abide by the Code, in writing, to the Chief Executive.

## **7.0 RESPONSIBILITIES OF MANAGERS**

- 7.1 It is Management'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.
- 7.2 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 duly appointed Internal Auditor.
- 7.3 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.
- 7.4 In cases of suspected irregularities, it is often necessary to suspend an individual/(s) 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 from duty is not a punishment nor does it imply any fault or guilt on the part of the employee concerned. Suspension is a neutral act.

## **8.0 INTERNAL AND EXTERNAL AUDIT**

### **Internal Audit**

- 8.1 The Accounts and Audit Regulations require the Board to maintain an adequate and effective system of internal audit. In order to perform this duty effectively, the Board has appointed an independent internal auditor.
- 8.2 The adequacy, appropriateness and effectiveness of internal controls is independently monitored by the Board's internal auditor as part of a programme of work. Any weaknesses identified in internal control are reported to managers whose duty is to ensure that corrective action is taken. Improvements suggested by the internal auditor may include those to prevent, detect or deter fraud and corruption.
- 8.3 The internal audit function is required to provide, in particular, assurance that:
- 8.3.1 the Board's internal controls are sound, adequate and appropriately applied;
  - 8.3.2 the Board's assets and interests are safeguarded against losses arising from inefficient management, poor value for money, waste, theft, fraud, or any other cause;
  - 8.3.3 financial and other management data is suitable and reliable;
  - 8.3.4 rules, regulations, legislation, policy and procedures are being followed; and
  - 8.3.5 risk management action is appropriately applied.

**External Audit**

- 8.4 Independent external audit is an essential safeguard to the stewardship of public money. All external auditors are required to carry out their audits in accordance with the Code of Audit Practice. This Code emphasises management's role in preventing and detecting fraud and corruption. It is the external auditor's role to review the Board's arrangements for meeting this responsibility.
- 8.5 The Board's external auditor is PKF Littlejohn, appointed for 5 years from 1<sup>st</sup> April 2018 (2017/18 accounts year). The Board's external auditors are notified of all frauds over £1,000 and of any corrupt acts.

**9.0 RESPONSE PLAN**

- 9.1 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 Chairman will be updated on the situation.
- 9.2 The Internal Auditor will confer with the Chief Executive to agree the action plan to be adopted in the light of the particular circumstances.
- 9.3 When a prima facie case of fraud or corruption has been established, the Internal Auditor and Chief Executive will inform the Chairman and consultation with the Police will take place as soon as possible. Internal investigation should not continue if this might compromise a potential police investigation.
- 9.4 In minor cases of suspected fraud and/or cash misappropriation by employees, as soon as reasonable evidence has been acquired and speedy action is considered imperative in order to prove fraud, the Internal Auditor may call the Police without reference to other Officers. They will advise the Chief Executive as soon as practicable.
- 9.5 With more major and complex potential frauds, the internal auditor will discuss the case with the Chief Executive and/or other senior staff with a view to involving the Police from an early stage.
- 9.6 Depending upon Police advice, the case will be reviewed by the above officers and the Board's Chairman who will decide if it should be referred officially to the Police for investigation. If it is decided to do so the Chief Executive will authorise the official report.
- 9.7 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. The Chief Executive and Chairman of the Board will be kept informed.

## **10.0 INVOLVING THE POLICE**

10.1 The circumstances of the particular case will dictate when the Police and, if necessary, external auditors are informed. The Police should be informed when:

- There is evidence of an irregularity which needs to be confirmed by witness interview if criminal prosecution is contemplated;
- Interview of the suspect/s is desirable to confirm the evidence of records;
- A prima facie case of fraud has been established but the perpetrator can not be identified.

10.2 Internal Auditors and Chief Executives may be reluctant to involve the Police in the belief that:

- They are only interested if the alleged criminal offence is greater than a specific monetary value
- They will not be interested because of the potential complexity of the issues involved which render little chance of a successful prosecution
- The organisation prefers to deal with such incidents internally, avoid publicity but implementing dismissal and recovery through civil action
- The Police will want hard evidence before they will pursue investigations, but when it is provided they advise that the rules of evidence have not been complied with.

10.3 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 management should follow the above procedure and liaise with the Police as soon as the issues are identified.

## **11.0 AWARENESS AND TRAINING**

11.1 To facilitate awareness, the Board supports the concept of full induction, training and refresher training. This applies particularly to officers involved in internal control systems and financial and finance related systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

11.2 It is a manager's responsibility to ensure that staff are adequately trained to carry out their duties. Staff who ignore such training and guidance may face the possibility of disciplinary action.

11.3 Officers involved in the review of internal control systems and investigatory work should be properly and regularly trained.

## **12.0 PROTECTION**

12.1 Those who refuse to accept the offer of a bribe, or those who raise concerns or report another's wrong doing, are sometimes worried about possible repercussions. The Board aims to encourage openness and transparency and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.

12.2 The Board is committed to ensuring that no individual suffers any detrimental treatment as a result of refusing to take part in any bribery or corruption, or because of reporting something in good faith. In the event that any individual considers that they have suffered such treatment, they must inform either the internal auditor or their line manager immediately. If the matter is not remedied, then the individual should raise it formally using the Board's Grievance Procedure.

## **13.0 REVIEW**

13.1 This policy will be periodically reviewed, but as a minimum within every 3 years.

### **Telephone Contacts:**

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**Internal Auditor – Chris Harris    0845 300 3333                    07766 115439**

### **Approved:**

**Upper Witham IDB                    17/09/18**

**North East Lindsey IDB    18/09/18**

**Witham First District IDB    25/09/18**

**Witham Third District IDB    25/09/18**