

# Corporate Anti-Fraud and Anti-Corruption Policy

## STATEMENT AND STRATEGY



March 2022



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# 1. INTRODUCTION

1.1 Dumfries and Galloway Council is fully committed to an effective anti-fraud and anti corruption stance in all its business dealings.

1.2 This Corporate Anti-Fraud and Anti-Corruption Policy and Strategy details how the Council acknowledges, prevents and pursues fraud matters:

- Encourages Elected Members, employees and the public to act with honesty and with integrity, promoting an anti-fraud and anti-corruption culture;
- Create and promote a robust 'anti-fraud' culture across the organisation which highlights the Council's zero tolerance of fraud and corruption.
- Deters and prevents fraud and corruption;
- Detects and investigates fraud and corruption; and
- Recovers losses and instigates and assists criminal prosecutions and proceedings.



# 2. DEFINITIONS

## Fraud

2.1 Fraud involves falsehood. The Accounts Commission for Scotland describes fraud as:

'the use of deception with the intention of obtaining private gain, avoiding an obligation or causing loss to another party'. Fraud can be used to describe a wide variety of dishonest behaviour such as forgery, deception, bribery, extortion, corruption, theft, embezzlement, misappropriation, false representation and the concealment of material facts. The fraudulent use of ICT (information and communications technology) resources is included in this definition, where its use is a material factor in carrying out a fraud.

2.2 Examples of fraud can include, but are not limited to:

- distorting or concealing both financial and non-financial information;
- knowingly and intentionally obtaining or attempting to obtain benefits to which there is no entitlement;
- falsifying or altering accounting records or other documents;
- misappropriation of assets or theft;
- suppressing or omitting the effects of transactions from records or documents;
- recording incorrect information e.g. time records that do not reflect actual hours worked;
- submitting false invoices, claims for payment or vouchers; and
- wilful misrepresentation of transactions or of the Council's state of affairs which may involve the misuse of funds or other resources, or the supply of false information.

## Corruption and Bribery

2.3 Corruption involves misuse of entrusted power or responsibility. Corruption is the unlawful offering, giving, soliciting or acceptance of an inducement or reward which could influence the actions taken by the Council, its Elected Members or its employees. This also applies to business partners where a relationship is in place for them to undertake duties on behalf of the Council. It can also include bribery.

2.4 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

2.5 Examples of corruption can include, but are not exclusive to:

- disclosure of information to give advantage;
- using a position of authority inappropriately;
- altering contracts or official forms or falsifying records;
- not pursuing amounts due to the Council;
- awarding a contract or preferred supplier status on any basis other than the Council's best interests;
- colluding with a cartel;
- authorising additional work or a contract variation to favour a contractor; misuse of IT systems;
- concealing adverse information which could affect a contract outcome or its continuance;
- failing to address contract under-performance;
- failing to report non-compliance with contract or license terms;
- allowing a supplier to install something on a 'trial' basis which the Council later becomes liable to pay for;
- creating future contractual liabilities or obligations for the Council;
- making purchases of goods or services which are unnecessary or excessive.

## 3. POLICY STATEMENT

3.1 Dumfries & Galloway Council commits itself, through the Council values and core behaviours (**People Strategy 2021-2026**), to use its best efforts to prevent fraud and corruption from arising in its financial affairs, and will address robustly, with zero tolerance, any instances of fraud and corruption found in its business dealings.

3.2 It will achieve this by:

- Requiring Elected Members, employees and partner bodies to operate in accordance with **the Seven Principles of Public Life**: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership;
- Maintaining secure financial systems, operating a strong system of internal control and monitoring transactions and activity to assure propriety;
- Providing mechanisms for Elected Members, employees, partner organisations, contractors and members of the public to report suspicions of fraud, corruption or other criminal activity;
- Formally investigating suspicions of fraud and corruption;
- Providing sufficient resources and finances for employee anti-fraud training and specialist advice to assist investigations as required;
- Referring cases to the Police and providing support to any criminal investigations;
- Reporting suspicions of money laundering or other organised criminal activity;
- Using disciplinary procedures, contract termination clauses and publicity where appropriate;
- Seeking to recover any proceeds of fraud directly or through the courts;
- Co-operating with other public bodies and agencies including sharing of information (as permitted under law) and supporting anti-fraud and corruption work specifically and generally;
- Upskilling and training of staff to support policy;
- Updated e-learning materials following advice of integrity group.

3.3 The Council has adopted a local **Code of Corporate Governance** which can be viewed on the Council's website or on the intranet. The adoption of the Code demonstrates a commitment to the fundamental principles of good corporate governance, namely openness and inclusivity, integrity and accountability.

3.4 Dumfries and Galloway Council is determined that the prevailing culture in its business dealings is one of honesty and integrity and is opposed to all aspects of fraud and corruption. The Council is fully committed to the prevention, deterrence and detection of bribery and upholding all relevant laws, including the Bribery Act 2010.

3.5 The Council has also put in place a number of specific policies which support its stance on fraud and corruption, as follows:

- Scheme of Administration and Delegation to Committees
- Scheme of Delegation and Responsibilities to Officers;
- Financial Regulations and Codes, including statements on personal interests of staff and financial irregularities;
- Standing Orders for Contracts and Procurement;
- Contract and Supplier Management Strategy;
- Codes of Conduct for Councillors and Employees;
- Member and Officer Protocol;
- Recruitment and selection procedures;
- Disciplinary Policy and Procedures;
- Equal Opportunity policies;
- Policies for reporting concerns (whistleblowing and complaints);
- Policies for the acceptance of gifts and hospitality, and keeping registers;
- Policies on the declaration of interests, and keeping registers;
- Information security policies;
- IT Acceptable Use Policy;
- Records Management Policy;
- Benefit Fraud Sanctions Policy.

3.6 There is an expectation and obligation on all individuals and organisations associated with the Council to act with integrity and that, in this context, Elected Members and employees will lead by example.

3.7 Elected Members are subject to the Councillors' Code of Conduct as issued by the Scottish Ministers under the Ethical Standards in Public Life etc (Scotland) Act 2000. Elected Members are made fully aware of the terms of the Code and related Guidance (published by the Standards Commission for Scotland) as part of the initial induction process. Breaches of the Code by any Elected Member may give rise to a complaint to the Standards Commission for Scotland.

3.8 The Council has an Employee Code of Conduct which sets out the minimum standards of conduct and behaviours expected at work. The Disciplinary Procedure provides examples of behaviour considered gross misconduct, and this includes theft, fraud or any other act of dishonesty.

## 4. STRATEGY – DETERRENCE AND PREVENTION

4.1 To give status to the importance of anti-fraud and anti-corruption work, the Council Management Team has established an 'Integrity Group' of senior officials, together with the Internal Audit Manager.

The membership includes:-

- Head of Governance and Assurance (Chair)
- Head of Finance and Procurement (Vice Chair)
- Human Resources Manager
- Internal Audit Manager
- Procurement and Commissioning Manager
- Legal Services Manager
- Appropriate Officers to provide support as required and requested by the Integrity Group

This group will ensure that:

- Council policies, procedures and practices contributing to countering fraud and corruption are kept under review;
- Independent investigation of potential fraud and corruption is undertaken timeously and completely;
- Conclusions on fraud and corruption investigations are followed up appropriately;
- Any required control improvements, as a direct result of a fraud incident or arising from fraud information from elsewhere, are implemented;
- Support is offered to staff targeted by organised crime;
- Consideration is given to communications about fraud or corruption incidents.

The Integrity Group will also be the reference group for counter-fraud and countercorruption prevention work by other public sector bodies such as Police Scotland and the NHS.

4.2 The Local Government (Scotland) Act 1973 specifies that every local authority must make proper arrangements for the administration of its financial affairs. Accordingly, the Council has adopted Financial Regulations and Financial Codes which provide the framework for managing its financial affairs.

4.3 The Act provides that each Council must appoint a 'Proper Officer' with responsibility for the administration of its financial affairs (i.e. the s95 Officer). The Council has resolved that the 'Proper Officer' is the Head of Finance and Procurement and an Integrity Group of senior officials, chaired by the Head of Governance and Assurance, has been established to work with other senior managers and Internal Audit in developing the antifraud and corruption culture.

4.4 The Act also specifies that local authorities must make Standing Orders with respect to contracts for the supply of goods or materials and the execution of works. The Council has adopted Standing Orders for contracts which ensure that uniform contracting procedures of the highest standard are laid down for use throughout the Council.

4.5 The Council has a Procurement Policy and Procedures Manual which standardises the methods of procurement within the Council. These are mandatory for all Council employees involved in procurement. A central record of activity across the Council (Contracts Register) is held by the Procurement and Commissioning Manager.

4.6 Where Standing Orders for Contracts or the contract and supplier management strategy have not been observed, consideration should be given as to the possibility of bribery or corruption being involved.

4.7 The Council has established an Audit, Risk and Scrutiny Committee which reviews and monitors the following areas of corporate governance:

- reviewing and promoting the Council's system of internal control, aimed at ensuring that the Council's activities are carried out in an efficient and controlled manner, and that its assets are safeguarded;
- evaluation of the Council's control environment, including measures to prevent and detect fraud;
- assurance on the Council's risk management framework.



4.8 It is important to emphasise that the responsibility for the prevention and detection of fraud and corruption rests with management, the Council has developed systems and procedures which incorporate efficient and effective internal controls. These systems contribute towards the prevention of fraud and corruption by ensuring that there are sound arrangements to control the following:

- the legitimacy of expenditure;
- the security of assets and income;
- the reliability of management information;
- the accuracy of financial and other records; and
- compliance with statutory requirements including the Bribery Act 2010.

4.9 The existence, appropriateness and effectiveness of internal controls are independently monitored by internal audit which undertakes a series of systems and risk-based audits in accordance with a predetermined annual audit plan which is approved by the Audit, Risk and Scrutiny Committee. The work plan may be changed 'in year' to focus on new or emerging fraud threats identified as part of information sharing and intelligence.

4.10 Internal audit also provide reports to the Audit, Risk and Scrutiny Committee on the actions taken by management in response to its audit work, to ensure that control weaknesses have been addressed and risks have been made explicit.

4.11 The Council works with other Local Authorities and Enforcement Agencies, including Police Scotland to deter and detect fraud and corruption, sharing data across departments and agencies where appropriate. It participates in the National Fraud Initiative data matching exercise which is undertaken every 2 years.

4.12 The Head of Governance and Assurance will act as the Single Point of Contact (SPOC) for Police Scotland for fraud and corruption.

4.13 The Council undertakes Disclosure Scotland and PVG checks as appropriate to vet employees prior to employment and reduce the risk of potentially dishonest employees being appointed.

## 5. REPORTING

5.1 Council employees are important in the stand against fraud and corruption and have a duty to raise any concerns they may have on these issues which impact on the Council's activities. This may be achieved by reporting to line management or through the Council's whistle blowing - Raising Concerns Policy (located on Connect) which makes specific provision for whistle blowing (i.e. the right to raise concerns by employees within the terms of the Public Disclosure Interest Act 1998 without fear of victimisation for doing so). As a first step, disclosures should normally be raised with an employee's Head of Service or Director, but they should also be reported to the Council's S95 Officer (the Head of Finance and Procurement), the Council's Monitoring Officer (the Head of Governance and Assurance) or the Head of People and Transformation. The Internal Audit Manager must be informed.

Employees can raise concerns through the Council's EthicsPoint system **EthicsPoint - Dumfries & Galloway Council**, anonymously and electronically at any time on any concerns they have about systems, processes, or people.

5.2 The types of issues which should be reported for investigation fall into the broad categories in the list below (this is for guidance and is not exhaustive and further advice on any matter can be sought from Internal Audit):

- Allegations or suspicions in relation to theft, misappropriation or misuse of assets, contracts, cash, stores, or other property of the Council or where there is a funding relationship with the Council;
- Allegations or suspicions in relation to a criminal offence (e.g. fraud, theft from the Council or an employee where suspicion falls on another employee, fraudulently claiming wages, theft from clients);



- Allegations or suspicions in relation to conduct by officers of the Council or Elected Members which may be unlawful or in breach of the Council's Standing Orders, Financial Regulations and Codes, Employee Code of Conduct or other policies;
- Allegations or suspicions in relation to corruption or bribery;
- Allegations or suspicions of favouritism or false dealings in relation to contracts or purchasing activity.



## 6. FRAUD RESPONSE PLAN

6.1 Where any matter arises which involves, or is thought to involve, a fraud, corruption, financial irregularity or breach of procurement standing orders, the relevant Head of Service / Director must notify the Head of Finance and Procurement and the Head of Governance and Assurance for consideration of appropriate action and maintaining a record of notifications. Managers must establish the basic facts of the suspicion but should not progress a detailed investigation without discussion and seeking appropriate advice.

6.2 Seeking of early stage advice from S95 Officer, Monitoring Officer, Internal Audit and Legal Services as appropriate is a key step to achieving a successful outcome when fraud or corruption is suspected.

6.3 Where the Head of Finance and Procurement and the Head of Governance and Assurance are satisfied that a matter should be investigated, the responsibility for this can be discharged to the Service; Internal Audit should however be informed. Where the nature of the investigation requires specialist skills, the Head of Finance and Procurement and the Head of Governance and Assurance may ask Internal Audit and/or Legal Services to act as advisors to the investigation and external specialist support should be sought where appropriate.

6.4 The investigation will:

- be independent of immediate line management for the area concerned;
- establish the facts as far as possible, including any criminal or conduct matters;
- identify any control weaknesses and recommend control improvements, where required; and
- provide the Director of the Service and the Head of Finance and Procurement and the Head of Governance and Assurance with a written, factual report into the incident. The report must include lessons learned, action plan or improvement plan resulting from the from findings.

6.5 Investigations into suspected wrongdoing of employees will be progressed within the standards and provisions set out in the relevant Disciplinary Policy and Procedure. Advice can be sought from People and Transformation Services.

6.6 The Head of Governance and Assurance, with the assistance of the Performance and Improvement Manager and Internal Audit Manager, is responsible for planning and coordinating the Council's participation in the National Fraud Initiative which is a comprehensive data matching exercise between public sector bodies to highlight potential frauds in a number of areas for example Housing Benefits, Payroll, Social Care, Blue Badges, Housing Tenancies, Insurance etc.

6.7 Where appropriate, the Council co-operates with other local authorities and public sector bodies in the prevention, detection and investigation of fraud and corruption.

6.8 The Council has protocols in place to facilitate joint working and data and intelligence sharing to support counter-fraud and counter-corruption activity.

## 7. RECOVERY OF LOSSES AND CRIMINAL PROCEEDINGS

7.1 Where the investigation reveals that criminal activity appears to have taken place the relevant Director, will inform the Head of Finance and Procurement and the Head of Governance and Assurance without delay. The Head of Governance and Assurance will instruct an appropriate officer to refer the matter to Police Scotland. The Council will always seek to assist in the prosecution of cases where criminality has been identified.

7.2 Where an incident involves a break-in or theft, staff should automatically and directly report the incident to Police Scotland for investigation and without delay. Following this, the incident must be reported to the relevant Head of Service, the Head of Finance and Procurement, the Head of Governance and Assurance and Internal Audit.

7.3 Where a fraud, corrupt act or irregularity is significant, consideration is also given to recovering losses in a civil court. The relevant Director, in consultation with the Head of Finance and Procurement and the Head of Governance and Assurance, will determine whether action should be taken to recover any monies lost. In determining whether such action shall be taken, due account will be taken of all the salient factors, such as:

- the amount of the loss;
- the costs of any recovery action; and
- the prospects of successful recovery of the sums lost.

7.4 As well as the possibility of civil and criminal prosecution, any employee that breaches this policy will be subject to consideration under the Council's Disciplinary Policy and Procedure, which may result in dismissal for gross misconduct.

7.5 The Council will consider publicising all successful fraud and corruption prosecutions as a deterrent to potential fraudsters and to demonstrate its commitment to protect public monies. This decision is made by the Integrity Group in liaison with the relevant Director.

## 8. BEST PRACTICE AND REVIEW

8.1 The Council has in place a clear set of systems and procedures to assist it in combating the constant threat of fraud and corruption. Through this policy the Council has ensured these arrangements are communicated to Elected Members and staff to support success in preventing and deterring fraud and corruption in its business dealings.

This Policy and Strategy has been informed by the Finance, Procurement and Transformation Committee's Review of Internal Financial Procedures and Procurement Standing Orders which included benchmarking with other Councils and engagement with Elected Members and senior managers in Workshops facilitated by external professional advice and support.

8.2 The Council maintains a continuous review of existing systems of internal control, as well as reviewing on a regular basis all relevant policies, procedures and regulations. This Policy and Strategy which will be regularly reviewed by the Integrity Group. Identifying, assessing and monitoring fraud and corruption risks, is the responsibility of the Integrity Group and they would be reported through the Risk Management Framework as appropriate.