

# THE HIGHLAND COUNCIL

## Audit and Scrutiny Committee

Date: 20<sup>th</sup> August 2009

Agenda Item	7
Report No	AS/17/09

### Revision of the Council's Anti-fraud and Anti-corruption Policy

#### Report by Head of Internal Audit and Risk Management

#### Summary

The purpose of this report is to provide Members with a copy of the revised Anti-fraud and Anti-corruption Policy. This document replaces the Council's previous Strategy for the Prevention and Detection of Fraud and Corruption.

#### 1. Introduction

- 1.1 The Council's Strategy for the Prevention and Detection of Fraud and Corruption was published in June 2001.
- 1.2 The CIPFA/ SOLACE guidance "*Delivering good Governance in Local Government – Guidance Note for Scottish Authorities*" sets out how Authorities may demonstrate compliance with the six principles of good governance.
- 1.3 Principle 3 relates to promoting the Council's values for the authority and demonstrating good governance through upholding high standards of conduct and behaviour. The guidance states that this should be addressed through the production and communication of, codes of conduct and protocols which define the standards of conduct and personal behaviour expected of staff, members, partners and the community. The guidance also recommends that these documents should be reviewed and updated on a regular basis.

#### 2. Review of policy

- 2.1 In order to comply with the guidance referred to at 1.2 above, the Strategy for the Prevention and Detection of Fraud and Corruption was reviewed. The revised policy has been entitled "Anti-fraud and Anti-corruption Policy" in order to clearly outline the commitment to an anti-fraud culture within the Council. The revised policy also clearly identifies all parties, both internal and external, to whom it applies.
- 2.2 The policy also outlines the principles, which will be followed with regard to the prevention, deterrence, detection and investigation of fraud, together with the need for fraud awareness.

**Recommendation**

Members are asked to agree the attached Anti-fraud and Anti-corruption Policy.

Signature:

Designation: Head of Internal Audit and Risk Management

Date: 11<sup>th</sup> August 2009

Ref:

Background Papers

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# Highland Council – Anti-fraud and Anti-corruption Policy

## 1. Introduction

- 1.1 The Anti-fraud and Anti-corruption policy forms part of the Highland Council's governance arrangements. Its purpose is to ensure that the Council's resources are used for their intended purpose and that any losses through fraud are minimised.
- 1.2 This policy outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in the administration of public funds. It is part of the framework, which will:
- Encourage fraud deterrence and prevention;
  - Raise awareness of fraud and corruption and promote their detection;
  - Govern the performance of investigations and facilitate recovery of any losses to the Council;
  - Invoke disciplinary proceedings and referral to the Police and/ or Procurator Fiscal as appropriate;
  - Regularly review the policy and update as required.
- 1.3 The policy outlines the approach within the Council, and defines the roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally. It applies to:
- Employees
  - Members
  - Agency staff
  - Contractors
  - Consultants
  - Suppliers
  - Service users
  - Staff and committee members of organisations funded by the Council
  - Staff and principals of partner organisations
- 1.4 The Council expects a high standard of conduct from its employees and Members. It also requires all individuals and organisations with whom it deals, in any capacity, to behave towards the Council with integrity, and without intent or actions involving fraud or corruption.

## 2. Definitions

- 2.1 For the purposes of this policy, the following definitions are used:

*Fraud – “the intentional distortion of financial statements and other records, and the misappropriation of assets.”* This may include:

- Falsification or alteration of accounting records or other documents
- Misappropriation of assets or theft

- Suppression or omission of the effects of transactions from records or documents
- Recording transactions which have no substance
- Wilful misrepresentation of transactions or the Council's state of affairs

Corruption – *“the offering, giving, soliciting or accepting of any inducement or reward which could influence the actions taken by the Council, its members or staff.”* Activities, which may be susceptible to corruption, include:

- Contracts
- Disposal of assets
- Planning consents and licences

Benefit fraud – *“knowingly obtaining housing and/ or council tax benefit to which there is no, or a lesser entitlement.”*

## 4. Prevention

The Council recognises that everyone has a role in preventing fraud, and the key groups of people involved in prevention are listed below.

### 4.1 Employees

- 4.1.1 Employees are often the first line of defence in preventing fraud and a key component is the effective recruitment of staff.
- 4.1.2 Staff recruitment will be undertaken in accordance with the Council's policy for the Recruitment and Selection of staff. Suitable references will be obtained, and Disclosure Scotland checks undertaken, where appropriate, before a formal offer of employment is made.
- 4.1.3 All employees are required to comply with the Council's Code of Conduct for Employees, which sets out the minimum conduct expected. A breach of this Code may result in action being taken in accordance with the Council's Disciplinary Procedure. Where an employee is a member of a professional institute, they must also comply with their institute's professional Code.
- 4.1.4 Employees should be alert to the possibility of fraud, and report any concerns to their Line Manager. Where the employee is of the opinion that this cannot be done, but has concerns of malpractice or wrongdoing, alternatively, they can report this through the Council's Whistleblowing Policy.

### 4.2 Members

- 4.2.1 All Members are required to comply with the Code of Conduct for Councillors published by the Standards Commission for Scotland. Any breaches of this Code will be dealt with by the Standards Commission, who may apply sanctions.

### 4.3 Investigation Team

- 4.3.1 The Council has a Benefits Counter Fraud Policy, which aims to prevent fraud, but if detected, will be thoroughly investigated by the dedicated Investigation Team.
- 4.3.2 Where benefit fraud is suspected, this can be notified in confidence by calling the free Benefits Fraud Hotline on 0800 854 183 or in writing to the Highland Investigation Team, PO Box 5650, Inverness, IV3 5YX.

- 4.3.3 All cases of suspected housing benefit and/ or council tax benefit will be investigated by the Council's Investigations Team. The team has a close working relationship with the Department of Work and Pensions Fraud Investigation Service, and may conduct joint exercises where required.
- 4.3.4 Where investigations involve a Council employee, the Head of Internal Audit and Risk Management should be notified. If there are any other concerns regarding the conduct of the employee, a joint investigation may be undertaken by the Investigation Team and Internal Audit.
- 4.4 Internal Audit
- 4.4.1 All cases of suspected fraud and corruption must be reported immediately to the Head of Internal Audit and Risk Management who will decide on the appropriate action to be taken.
- 4.5 External Audit
- 4.5.1 Copies of reports from internal audit investigations will be provided to the Council's External Auditors.
- 4.5.2 Any benefit investigations where the sums are £5,000 or above, must be reported to Audit Scotland.
- 4.5.3 The External Auditors will collate details of all such investigations and the sums involved. Any individual sums of £5,000 or above, arising from either internal audit or benefit investigations will be reported to Audit Scotland Headquarters, as soon as the details are available.

## 5. Deterrence

- 5.1 In order to deter possible fraud and corruption, the Council will have appropriate systems of internal control.
- 5.2 Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities to have adequate systems and controls to ensure the proper administration of their financial affairs. The Councils' Financial Regulations, supported by the relevant guidance notes, Contract Standing Orders, and Scheme of Delegation provide the framework to address this.
- 5.3 Management must ensure that sound financial systems and procedures, incorporating efficient and effective internal controls, are in place. This may include documented working manuals and operating procedures, which should be issued to relevant staff. Separation of duties is a fundamental internal control, and should be in place act as a deterrent against fraud.
- 5.4 The Council may share information with other authorities and agencies for the purposes of preventing and detecting fraud. This may include participation in the National Fraud Initiative.
- 5.5 All employees involved in the administration of benefit claims will be given fraud awareness training, and this will be regularly updated. Any concerns or potential cases of fraud will be referred promptly to the benefits Investigation Team.

## 6. Detection and Investigation

- 6.1 Where fraud or corruption is suspected this should be reported to the Head of Internal Audit and Risk Management, in accordance with the Council's Financial Regulations, which state *"Whenever any matter arises which involves, or is thought to involve, irregularities*

*concerning finance, assets or property of the Council or any suspected irregularities of the exercise of the functions of the Council, the Head of Service concerned will immediately notify the Head of Internal Audit and Risk Management."*

*"The Head of Internal Audit and Risk Management will take such steps as are considered necessary to investigate such matters."*

- 6.2 This is essential to ensure that a consistent approach is followed with regard to suspected fraud and corruption, and a proper investigation is undertaken by an independent and experienced Internal Audit team.
- 6.3 The Internal Audit investigation will be undertaken in accordance with the procedures prescribed in the Section's Internal Audit Manual.
- 6.4 Where the investigation identifies any wrongdoing on the part of a Council employee, this will be dealt with in accordance with the Council's Disciplinary Procedure.
- 6.5 Where the investigation identifies any control weaknesses in the Council's procedures or non-adherence to the Council's policies and procedures, this will be addressed through the production of a "control weaknesses" audit report, which will make the necessary recommendations to address the identified weaknesses.

## **7. Awareness and Training**

- 7.1 This policy will be communicated to all employees, Members and external stakeholders, and published on the Council's website to ensure awareness.
- 7.2 Service Directors are responsible for ensuring that their employees are aware of this Policy and the need for adherence.
- 7.3 Managers should ensure that all members of staff are adequately trained in order to perform their duties. This includes the need for induction and work related training, particularly for those employees involved in internal control systems. These should be regularly highlighted and enforced.

**This policy will be regularly reviewed by the Head of Internal Audit and Risk Management in order to reflect changes, which occur within the Council. Any such revisions will be approved by the Highland Council.**

**Last updated: 11<sup>th</sup> August 2009**