STRATEGY FOR THE PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

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1. **INTRODUCTION**

1.1 West Dunbartonshire Council (“the Council”) aims to provide excellent public service and needs to ensure propriety and accountability in all matters. The Council is determined to protect itself and the public from losses due to fraud and corruption and is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud and corruption which will provide a framework for:

- Encouraging fraud deterrence and prevention;
- Raising awareness of fraud and corruption and promoting their detection;
- Performing investigations and facilitating recovery;
- Invoking disciplinary proceedings and referral to the Police; and
- Monitoring, publicising and updating the policy and its related procedures and performance.

1.2 The Council must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from both inside (members and employees) and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.

1.3 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as Audit Scotland, Education Scotland, the Care Inspectorate, the Scottish Housing Regulator, the Local Government Ombudsman, HM Revenue & Customs. These bodies are important in highlighting any areas where improvements can be made.

2. **DEFINITIONS**

2.1 Fraud:

The Council regards Fraud as, “The intentional distortion of financial statements or records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain. Fraud is a deliberate act by an individual or group of individuals and is, therefore, always intentional and dishonest”.

2.2 Corruption:

The Council regards Corruption as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”. In addition, this strategy covers “the failure to disclose an interest in order to gain financial or other pecuniary gain”.


2.3 Error:

Error refers to unintentional mistakes such as:

- arithmetic or clerical mistakes in the underlying records;
- oversight or misrepresentation of facts; and
- unintentional misapplication of accounting policies.

3. **KEY ELEMENTS OF THE STRATEGY**

3.1 The Council aims to ensure that the culture of the organisation meets the expectations of the Committee on Standards in Public Life (the Nolan Committee), and is committed to the seven Nolan principals of objectivity, openness, leadership, accountability, honesty, selflessness and integrity. The Council’s culture therefore supports the opposition to fraud and corruption.

3.2 The Public Interest Disclosure Act 1998 makes provision for elected members or employees to disclose, without fear of retribution, bad work practices which may endanger employees, the public or the environment. The categories of concern in relation to bad work practices are:

- committing a criminal offence;
- a failure to comply with a legal obligation;
- a miscarriage of justice;
- danger to the health and safety of an individual;
- danger to the environment; and
- the deliberate concealment of information in relation to any of the above matters.

In order to meet the provisions of this Act, the Council has a Public Interest Disclosure Policy.

3.3 The prevention / detection of fraud / corruption and the protection of the public purse are everyone’s responsibility and the Council encourages employees to raise any concerns using the Council’s Public Interest Disclosure Policy. Within this policy there are various options available to staff to assist and reassure them including the availability of a Public Interest Disclosure Hotline, which can be contacted via:

- phone line;
- email;
- post; and
- intranet / internet (a form is available on the intranet or internet for completion and submission electronically).

The Public Interest Disclosure Hotline facility is widely publicised throughout the Council.
3.4 Members of the public are encouraged to raise any concerns they may have using the Corporate Complaints Procedure and, whilst not specifically aimed at the public, the Public Interest Disclosure hotline can also be used.

3.5 The Council’s elected members play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.

3.6 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls not specifically through the Public Interest Disclosure Hotline, will be taken seriously and investigated in an appropriate manner subject to the Council’s Public Interest Disclosure Policy and the Business Irregularity Procedures.

3.7 The Council will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.

3.8 When fraud or corruption have occurred because of a breakdown in the Council’s systems or procedures, directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

4. PREVENTION

ELECTED MEMBERS

4.1 The Role of Elected Members

4.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse. This is done through this strategy document and compliance with the national code of conduct for members, the Council's financial regulations and standing orders and the relevant legislation.

EMPLOYEES

4.2 The Role of Managers

4.2.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of Council Policies, financial regulations and standing orders, and that the
requirements of each are being met in their everyday business activities.

4.2.2 Managers are expected to strive to create an environment in which their staff are comfortable in approaching them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the information in the Public Interest Disclosure Policy.

4.2.3 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.

4.2.4 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, appropriate Disclosure checks and are undertaken on employees. It is important that checks are made to confirm the honesty and integrity of employees before appointments are made.

4.3 Responsibilities of Employees

4.3.1 Each employee is governed in their work by the Council’s standing orders and financial regulations and other codes of conduct and policies (health and safety, ICT Acceptable Use & Security Policy). They are also governed by the Council’s code of conduct for employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest.

4.3.2 Employees are expected to follow any code of conduct related to their personal professional qualifications.

4.3.3 In addition to paragraph 4.3.1, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.

4.3.4 Any concerns an employee may have about a suspected irregularity should be raised through the Council’s Public Interest Disclosure Policy.

4.3.5 Any offers of gifts or hospitality which are in any way related to the performance of Council duties should generally not be accepted by employees. Exceptions must be discussed by employees with their line manager and any acceptance must be declared in a public register. Offers of gifts and hospitality, other than those offered as an
indication of gratitude and of an inconsequential value must be recorded in the Register held by Managers or Heads of Service.

4.3.6 Any fee, commission or other payment collected or received by a Council employee, arising in any way from or through their Council employment, is not permitted to be retained except with the approval of the Chief Executive or an Executive Director. Such approval must be formally recorded. Any breach of these regulations will be considered as gross misconduct.

4.4 Conflicts of Interest

4.4.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

4.4.2 Employees must declare any possible conflicts of interest they may have, whether in contracts entered into by the Council or otherwise. Such interests must be noted in a register maintained for that purpose by Managers or Heads of Service.

4.5 The Role of Internal Audit

4.5 Internal Audit is an independent function within the Corporate Services department and it plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit investigates all cases of suspected irregularity in accordance with the Business Irregularities Procedure, except benefit fraud investigations (see below). They liaise with management to recommend changes in procedures to prevent further losses to the Council.

4.6 The Role of the Benefit Investigation Team

The Benefit Investigation Team is responsible for all benefit fraud investigations. In cases where employees are involved, they will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and that this strategy is adhered to.

4.7 The Role of External Audit

Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council’s financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external
auditor’s function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council’s arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

4.8 Co-operation with Others

4.8.1 Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- Police;
- Other Local Authorities;
- Audit Scotland;
- Department for Work and Pensions (DWP); and
- Government departments.

4.8.2 On a biennial basis, the Council participates in the National Fraud Initiative, a country wide exercise involving the matching of data within key datasets across local authorities and other public bodies. For Scottish local authorities, this exercise is coordinated by Audit Scotland on behalf of the Audit Commission in England.

4.9 Manage, control or prevent future occurrences of the risk of fraud

4.9.1 Management of the risk of fraud, through internal and system control, is the most common treatment. Internal control is a management responsibility.

4.9.2 Controls depend on the nature and the evaluation of the risk but there is a number of well recognised internal controls that line managers are expected to implement to prevent or control the level of fraud within their service. The most common are:

- Clear written rules and procedures which are regularly updated;
- Spot checks on procedures and systems;
- Robust pre-employment checks e.g. qualifications and references;
- Avoiding accumulation of backlogs;
- Regular rotation of staff, particularly in key posts;
- Building in safeguards against fraud when designing and developing new systems / processes;
- A committed response to any allegation of fraud reported;
• Reviewing and changing systems and procedures after any incident of fraud; and
• Ensuring that staff take all of their annual leave entitlement.

5. **DETERRENCE**

5.1 **Disciplinary Action**

5.1.1 Theft, fraud and corruption are serious offences against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation with the Chief Executive.

5.1.2 Elected Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. This may include a complaint to the Standards Commission for Scotland in the event that there has been a breach of the provisions of the Councillor’s Code of Conduct.

5.1.3 The Business Irregularities Procedures govern the manner in which all investigations are undertaken.

5.2 **Housing / Council Tax Benefit**

The Council has a Housing / Council Tax Benefit Fraud Strategy. The strategy encompasses the public, elected members and employees. It is designed to clarify the Council’s action in specific cases and to deter others from committing offences against the Council. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

6. **DETECTION AND INVESTIGATION**

6.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their Audit Plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits.

6.2 In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.

6.3 In some cases frauds are discovered by chance or ‘tip-off’ and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights legislation.

6.4 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator, as per Procedures - Section 3 ‘Reporting a
Concern' (the Council’s Public Interest Disclosure Policy). This is essential to the strategy, and:

- ensures the consistent treatment of information regarding fraud and corruption; and
- facilitates a proper and thorough investigation by an experienced audit team.

6.5 This process will apply to all of the following areas:
- Fraud / corruption by elected members;
- Fraud / corruption by employees;
- Fraud / corruption by contractors’ employees; and
- External fraud / corruption (the public).

6.6 Any decision to refer a matter to the Police will be taken by the Chief Executive. The Council will normally wish the Police to be made aware of, and investigate independently, offenders where financial impropriety is discovered. Full co-operation will be given to the Police whilst they conduct their enquiries.

6.7 No approach is to be made to the Police by any Council officer regarding business irregularities, except by the Chief Executive or other Council officer acting on the Chief Executive’s authority. Only where there has been a break-in and this may result in an insurance claim against the Council’s policy or where a crime has been committed against an individual, e.g. personal injury, should departmental personnel contact the Police directly.

6.8 Depending on the nature of an allegation the Audit & Risk Manager will normally work closely with the director concerned to ensure that all allegations are thoroughly investigated and reported upon.

6.9 The Council’s Business Irregularities Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.

7. **CONCLUSION**

7.1 This strategy fully supports the Council’s desire to provide high quality Best Value Services free from fraud and corruption.

7.2 The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.

7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.
7.4 This strategy will be regularly reviewed.

**Related Documents:**
Financial Regulations
Standing Orders
Scheme of Delegation
Code of Conduct for Elected Members
Code of Conduct for Employees
Disciplinary Policy & Procedures
Grievance Policy & Procedures
Public Interest Disclosure Policy
West Dunbartonshire Council's Complaints Procedure
Business Irregularity Procedures
Internal Audit Charter
Housing / Council Tax Benefit Fraud Strategy
National Fraud Initiative 2012/13 - Strategy for Investigation of Matched Datasets
National Fraud Initiative – Additional Exercise in 2011/12 – Strategy for Matching of Council Tax Data to Electoral Register