

**FALKIRK COUNCIL**

**Subject: ANTI FRAUD AND CORRUPTION STRATEGY**  
**Meeting: AUDIT COMMITTEE**  
**Date: 22 September 2014**  
**Author: INTERNAL AUDIT MANAGER**

**1. INTRODUCTION**

- 1.1 The purpose of this paper is to provide Members with a progress report on the review and update of the Council's Anti Fraud and Corruption Strategy.

**2. CONTEXT AND PROGRESS**

- 2.1 As Members are aware, the Council's current Anti Fraud and Corruption Strategy has been in place for some time. While it remains broadly fit for purpose, it has not been subject to formal review for a number of years and, as Audit Scotland pointed out in their 'Annual Report on the 2012/13 Audit', it makes no reference to the provisions of the Bribery Act 2010.
- 2.2 At the March 2014 meeting of this Committee, Members agreed that the Strategy should be reviewed, with an updated version presented in September. On that basis, then, I've attached an updated Anti Fraud and Corruption Strategy at **Appendix 1**.
- 2.3 In March I reported that there were a number of ongoing fraud and corruption related workstreams and that these would impact on Local Authorities' approach to dealing with fraud and corruption. In summary, these were:
- The timing, role, and remit of the DWP Single Fraud Investigation Service;
  - Police Scotland Public Sector Counter Corruption Unit work on the development of their 'Integrity Model'; and
  - The work of the Scottish Government's Cross-Sector Counter Fraud Group and COSLA's Corporate Fraud Working Group.
- 2.4 All of these workstreams remain live and will continue to shape the specifics of counter fraud and corruption work in the coming months.
- 2.5 In re-drafting the Strategy, I have sought to balance the need to update with the uncertainty associated with these ongoing workstreams. The updated Strategy, therefore, takes the form of a short 'statement of intent' rather than a detailed document setting out specific operational roles, responsibilities, and procedures. These will be developed subject to finalisation / approval of the Strategy.

- 2.6 In particular, a 'Fraud and Corruption Investigation Procedure' will need to be established. In my view this would best be done once the national counter fraud and corruption context becomes clearer and, in the meantime, the existing Fraud Investigation Guidance will continue to be applied.
- 2.7 Once the Strategy is finalised and approved, a process for rolling it out to Services (alongside updated and revised supporting guidance) will be developed and delivered.

### **3. RECOMMENDATION**

#### **3.1 Members are invited to:**

- 3.1.1 Consider and approve the attached Anti Fraud and Corruption Strategy.**

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**Internal Audit Manager**

**Date: 12 September 2014**

## FALKIRK COUNCIL – ANTI FRAUD AND CORRUPTION STRATEGY

### Introduction

1. Falkirk Council aims to provide excellent public service, and is committed to a culture of honesty, integrity, and propriety. The Council does not tolerate fraud, corruption, bribery, or other irregular practices.
2. This Strategy sets out the Council's commitment to the prevention and detection of fraud and corruption, and our rejection of practices aimed at bypassing our framework of internal control.
3. The Strategy is a high level statement of intent. A framework of procedures and guidance is in place to support the Strategy. The Strategy, and all supporting guidance, will be periodically reviewed, updated and, if necessary, further developed.

### What is meant by Fraud and Corruption?

4. Fraud is the use of wrongful or criminal deception to obtain financial or personal gain. Examples of fraud include forgery, false representation, or the concealment of material facts.
5. Corruption is offering, promising, or giving someone an inducement to act improperly. The Bribery Act 2010 makes it a criminal offence to give, promise, or offer a bribe, and to request, agree to receive, or accept a bribe. The Act also introduced a 'corporate offence' of failure to prevent bribery by people working on behalf of the Council.

### Operating Culture

6. The Council will not tolerate fraud and corruption, and will deal timeously and robustly with any instances of fraud or corrupt practice.
7. Elected Members and Officers must act honestly and with integrity at all times, and must lead by example. Compliance with the Councillors' Code of Conduct and with the Code of Conduct for Members and Officers is expected.
8. Financial Regulation 24.6 is clear that Chief Officers must identify and manage the risk of fraud and corruption, and ensure that appropriate risk management, internal control, and governance arrangements are in place. This includes the communication and implementation of this Strategy, and other relevant policies and procedures, in their area of responsibility.
9. Council employees must be alert to potential and / or actual malpractice, and must be encouraged to report these appropriately (through their line manager, Chief Finance Officer, Internal Audit Manager, or via the Council's Confidential Reporting line).
10. This Strategy is supported by a Fraud and Corruption Investigation Procedure [**to be developed post-Committee**]. This includes guidance on liaison with Police Scotland, and on developing the most appropriate investigative strategy. The investigative strategy to be followed (as well as lead responsibility for investigation) will depend on the seriousness, materiality, and nature of the alleged or actual malpractice, and may involve close working with other public or private organisations.
11. Where there is evidence of improper behaviour the Council's Disciplinary Policy will also be invoked.

12. That said, while the Council is committed to reacting to alleged or actual fraud or corruption, the raising of vexatious or malicious allegations is considered a serious matter that will be dealt with appropriately.
13. For reference, a list of all relevant policies, procedures, and guidance is set out at **Appendix 1 [to be developed post-Committee]**.

### **Prevention and Detection**

14. As above, all Officers and elected Members must comply with the Councillors' Code of Conduct and with the Code of Conduct for Members and Officers. Contract Standing Orders and Financial Regulations, as well as the wider scheme of delegation, provide a transparent framework of financial control. These, and supplementary guidance, are mandatory.
15. Related to that, the risk of fraud and corruption must be included, where appropriate, within corporate, Service, Division, or project risk registers. Such inclusion ensures that these risks are acknowledged, and that they are properly managed and monitored.
16. The Council is aware of the need to maintain a balance between internal control and process efficiency. Managers are responsible for reviewing and developing financial and other systems to minimise the risk of fraud while not unduly compromising service delivery. The adequacy of the Council's financial and other controls and systems is independently reviewed and monitored by both Internal and External Audit. Managers must ensure the timely implementation of all Internal and External Audit recommendations.
17. Hospitality must only be given or accepted on a scale appropriate to circumstances, and registers of gifts and interests are maintained.
18. The Chief Finance Officer acts as the Council's Money Laundering Reporting Officer. This allows the submission of Suspicious Activity Reports to the National Crime Agency if potentially suspicious transactions are identified.
19. In addition, the Council participates in the bi-ennial National Fraud Initiative data matching exercise, and shares information with partners, such as the National Anti Fraud Network, on fraud information and indicators.
20. The Council's framework of internal control has been designed to provide reasonable (not absolute) protection from the risk of fraud and corruption. Despite this, however, the alertness of Council employees and members of the public to fraud indicators is vital, as attempted fraud or malpractice will inevitably be designed to bypass established controls.

### **Conclusion**

21. Falkirk Council is determined to ensure that the risk and impact of fraud and corruption is minimised. This Strategy confirms and re-iterates that aim.
22. The policies, procedures, and guidance set out at **Appendix 1** provide a framework for managing the risk of fraud and corruption. Underpinning that, however, is the need to ensure that all managers and staff remain aware of emerging threats, with preventative and detective activities and techniques continuously adapted to meet the ever evolving fraud and corruption risk.