

## **Policy for Fraud/Corruption Prevention, Detection and Investigation**

### **1. Introduction**

- 1.1 SCRA like other public bodies, has a duty to conduct its affairs in a responsible and transparent way and to take into account both the requirements of the Scottish Government, as funding body and the Principles of Public Life.
- 1.2 SCRA has a responsibility to its staff, partners, suppliers and the public in general to take all reasonable steps to prevent the occurrence of fraud and corruption. The policy on fraud/corruption is set out in the 'Fraud and Corruption Policy Statement' (Appendix A). This policy sets out in more detail procedures for:
- Fraud/corruption prevention and detection; and
  - the investigating and reporting of fraud or corruption;
- 1.3 The objectives of this policy are to:
- encourage staff to be aware of fraud and corruption;
  - bring suspected fraud and corruption to notice;
  - provide a framework response plan for investigating and reporting fraud and corruption
  - ensure both alleged and proven fraud or corruption are dealt with in a consistent and timely manner
- 1.4 SCRA has a unique role to play in the community and any instances of fraud or corruption can be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices have a direct effect on the level and quality of service provision. It is wrong to assume therefore that actual financial losses are the only negative outcome of frauds/corruption. The full cost is usually much greater than the amount stolen, as the costs associated with correction can often be dramatic. Staff morale and the level of confidence of children and families, partners, suppliers and the Scottish Government generally decline as a result of successful frauds/corruption.
- 1.5 There is no room for complacency and vigilance is essential since we are all responsible for ensuring that the best possible service is provided and that value for money from the expenditure of public funds is obtained.
- 1.6 Successful fraud and corruption prevention involves creating an environment which inhibits fraud/corruption. Taking immediate and vigorous action if fraud or corruption is detected is not only necessary to prevent future losses, but also helps deter other frauds/corruption. A manager who is alert to the possibility of fraud/corruption and who acts accordingly on a day to day basis is a powerful deterrent against fraud/corruption.

- 1.7 SCRA participates in the National Fraud Initiative in Scotland (NFI). The NFI is a biennial large scale data matching counter-fraud exercise coordinated by Audit Scotland. It compares a range of information, such as payroll, suppliers and benefits records, held on public bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate.
- 1.8 As part of the biennial exercise, SCRA submits data on staff and suppliers to a portal and then investigates matches identified by NFI.

## **2. Fraud and Corruption Prevention**

### **2.1 Definitions**

- 2.1.1 Fraud can be defined as 'any act of wilful dishonesty to gain individual or collective advantage'. It is taken to include theft, misuse of property, corruption, alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party. Fraud can be perpetrated against the SCRA by staff, suppliers, members of the public, other public sector bodies, Government Agencies or Departments.
- 2.1.2 Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person. A bribe is an offer or promise of a financial or other advantage, designed to induce another person to perform improperly in their position of trust and responsibility.
- 2.1.2 Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place an employee in a vulnerable position. Even when offered and accepted in innocence, such gifts may be misconstrued by others. Offers of gifts and hospitality of an unreasonable nature should be reported to line managers in line with guidance in the code of conduct for staff.

### **2.2 Management Responsibility and Risk Management**

#### **Roles and Responsibilities**

- 2.2.1 The Principal Reporter/Chief Executive as Accountable Officer has the responsibility for countering fraud or corruption in its broadest terms.
- 2.2.2 The Head of Finance & Resources has delegated responsibility from the Principal Reporter/Chief Executive for managing individual cases and liaising with counter fraud services. The Head of Finance and Resources is designated as Fraud Liaison Officer for the purposes of liaison with Counter Fraud Services (CFS).
- 2.2.3 The Head of Human Resources will provide advice where a member of staff is to be interviewed and disciplinary action may result.

- 2.2.4 The Head of Human Resources will advise those investigating any case of fraud/corruption or suspected fraud/corruption in matters of employment law and other procedural matters e.g. disciplinary procedures in consultation with the Fraud Liaison Officer and CFS.
- 2.2.5 The Internal Auditors are authorised to receive enquiries and suspicions from staff in confidence.
- 2.2.6 The Head of Internal Audit will maintain a register of fraud/corruption. He will be responsible for the security of the register and will promptly report additions to the Audit and Risk Committee and external audit.
- 2.2.7 The Head of Finance and Resources will establish and maintain contacts with the local police force to allow prompt liaison in the event of fraud/corruption occurring.
- 2.2.8 In the absence of the Head of Finance and Resources the Principal Reporter/Chief Executive will request assistance from another member of the Executive Management Team.
- 2.2.9 The SCRA Board has nominated the Chair of the Audit and Risk Committee as the Board member to receive suspicions from employees where those suspicions relate to a member of the Executive Management Team or where the employee is concerned that his/her suspicions will not be properly investigated. The Chair of the Audit and Risk Committee will obtain assistance from an appropriate source or liaise with CFS to allow the necessary investigations to be carried out. This assistance will normally be secured via the Head of Finance and Resources but where the suspicions relate to the Head of Finance and Resources, the Principal Reporter/Chief Executive will provide support to the Chair of Audit and Risk.
- 2.2.10 In the event of any allegation of fraud or corruption all staff and Board members shall act in accordance with the Fraud/Corruption Action Plan.
- 2.2.11 The prime responsibility for preventing fraud/corruption lies with management through:
- identification of risks to which systems and procedures are exposed;
  - the implementation, documentation and operation of internal controls;
  - establishing an environment that promotes compliance with internal controls;
  - promoting fraud/corruption awareness amongst staff; and
  - fostering an 'anti fraud/corruption' culture.

- 2.2.12 However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud/corruption and take the necessary steps to minimise the risk to SCRA.
- 2.2.13 Managing the risk of fraud/corruption is the same in principle as managing any other business risk. It is best approached systematically both at organisational and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.
- 2.2.14 Management also have a responsibility to familiarise themselves with common fraud/corruption techniques in areas for which they have control. This should include being alert to signs which indicate that fraud/corruption is taking place.

### **2.3 Internal Controls**

- 2.3.1 Internal controls are the key element in preventing fraud/corruption. They should be documented, communicated to all staff and the importance of compliance regularly reminded to staff. It is the responsibility of management to ensure controls in their areas of responsibility have been documented and communicated. The Administration's Financial Regulations are just that - they are not the definitive record of the systems of internal control.
- 2.3.2 In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on cultural controls, not on increasing the volume of detailed operational and supervisory checks and controls.
- 2.3.3 Management should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control, with management being responsible for ensuring implementation and monitoring of the framework.
- 2.3.4 Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to management so that the need for the controls can be re-evaluated.

### **2.4 Management Checks**

- 2.4.1 The prevention and detection of fraud/corruption and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by

management to ensure that procedures are being followed are therefore essential. There are two benefits from implementing a culture of strong management controls:

- a deterrent effect when it is known that management are actively involved in ensuring that procedures are followed, and
- the results of the checks will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

## **2.5 Corporate Governance**

2.5.1 The Good Governance Standards for Public Services in 2005 sets out the core principles of good governance for public bodies. The Standards Commission for Scotland oversees the ethical standards framework set out in the Ethical Standards in Public Life etc (Scotland) Act 2000. The Bribery Act 2010 has also been reviewed to ensure the organisation is meeting its requirements.

2.5.2 The Scottish Government monitor SCRA's adherence to corporate governance requirements. Development of best practice and recommendations arising from key corporate governance reviews of codes will continue to be important in the development of an environment in which awareness of responsibility for fraud/corruption prevention and detection can flourish.

## **2.6 Staff/Training**

2.6.1 Staff provide the best protection against fraud and corruption. It is important therefore that the policy on fraud/corruption prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

2.6.2 The recruitment of suitable staff is the first line of defence in preventing fraud/corruption. Best practice recruitment policies such as detailed application forms including a statement on criminal records, written and verbal communication with referees and past employers and verification of educational and professional qualifications will be strictly adhered to.

2.6.3 Staff awareness of policy and procedures is fundamental to the effective operation of systems. Best practice includes:

- instruction and discussion on control and probity issues as part of staff induction;
- formal staff training on operational procedures;
- desktop instructions for specific tasks;
- publication of the policy on fraud and corruption; and
- regular staff notices regarding changes to control systems, policies and procedures.

## **2.7 Reporting and Investigating Fraud/Corruption**

2.7.1 Having proper and consistently applied procedures for reporting and investigating fraud/corruption will have an important part to play in preventing further fraud/corruption. SCRA has designed a plan for investigating and reporting of all suspected frauds/corruption. Such investigations will by necessity remain confidential, but management will ensure that the lessons to be learnt from each incident are disseminated to the appropriate members of staff.

## **3. Fraud/Corruption Detection and Reporting**

3.1 The primary responsibility for detecting fraud/corruption lies with management through the implementation, documentation and operation of effective systems of internal control. Our internal auditors, through their evaluation of the control framework also have a role to play in preventing and detecting fraud/corruption, however this is not the main function of internal audit.

3.2 All staff have a responsibility to be aware of the potential for fraud/corruption and take the necessary steps to minimise the risk to SCRA. Management should ensure staff in their areas of operation are familiar with the common types of fraud/corruption. SCRA is not advocating the creation of an overtly suspicious environment, but expects staff to be alert to the potential for fraud/corruption in areas where they operate.

3.3 Staff will often be the first to notice the potential for, or actual, fraud/corruption. Staff suspicious of fraud/corruption should in the first instance report their concerns to their Line Manager. This requirement to alert management is not confined to suspicions about other members of staff, but includes any misgivings staff may have about contractors, suppliers etc. If for any reason it is felt reporting in this manner is inappropriate staff may report to a confidential Fraud/Corruption Response Group Officer or contact our internal auditors directly.

### **3.4 Fraud/Corruption Response Group Officers**

- One Senior Operational Manager
- One Locality Reporter Manager
- One Human Resources representative
- One Support Services representative
- Internal Audit representative

3.5 Staff should not be dissuaded from reporting actual or suspected fraud/corruption as all cases will be treated in the strictest confidence. Under SCRA's Whistleblowing Policy SCRA is fully committed to supporting and protecting staff who raise legitimate concerns and the anonymity of individuals who report any suspicions will be preserved if requested unless this is incompatible with a fair investigation. Provided the allegations have been made lawfully, without malice and in the public

interest, the employment position of the person will not be disadvantaged for reasons of making this allegation.

- 3.6 Any action to prevent the reporting or any attempts at intimidation will be treated seriously and SCRA will immediately report such action to the police.
- 3.7 The Group will update SCRA's Fraud/Corruption Response Plan and this will be placed on the intranet along with the revised Fraud/Corruption Policy.
- 3.8 Fraudulent or corrupt activity is regarded as a breach of contract and where there are reasonable grounds for suspicion then suspension, pending the outcome of enquiries, is likely. Where there are genuine grounds to suspect that fraud/corruption has occurred or where there is direct evidence of fraud/corruption, SCRA's policy in all cases is to immediately advise the Police. The Police and Procurator Fiscal will be solely responsible for deciding whether a criminal investigation is required.
- 3.9 Where fraud/corruption is detected then disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned. In all cases SCRA will co-operate fully with the Police and pursue prosecutions where possible.
- 3.10 Line managers should note that suspects have certain rights under the law and no action (such as interviewing staff) should be taken without prior consultation. Failure to follow established procedures in relation to investigating fraud/corruption and interviewing the staff involved can invalidate disciplinary action and compromise the success of any future investigation and/or prosecution.

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## **FRAUD AND CORRUPTION POLICY STATEMENT**

The Scottish Children's Reporter Administration (SCRA) is committed to taking all practical steps to prevent all types of fraud and corruption within the organisation, and to prevent the organisation being defrauded by outsiders.

We are more likely to deter fraud/corruption if we are fully aware of the risks, keep control systems under regular review and respond effectively whenever fraud/corruption is suspected or discovered.

We will maintain robust control mechanisms to both prevent and detect fraud/corruption. All systems owners and line managers have a responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with procedures and controls. The effectiveness of controls will be subject to cyclical review by our internal auditors.

All members of staff have a responsibility to protect the assets and reputation of SCRA and are expected to be alert to the potential for fraud/corruption. Line managers will be expected to brief staff on the common types of fraud/corruption perpetrated in their areas of responsibility.

Confidential mechanisms have been established to allow staff to report suspected frauds/corruption to management or our internal auditors. All reported suspicions will, in the first place, be investigated by the Fraud/Corruption Response Group.

If this initial investigation suggests there is a case for further investigation, our auditors and the Police may be immediately informed. The Fraud/Corruption Response Group will then decide which body is best placed to undertake the further investigation.

If fraud/corruption is proven, and to involve staff, disciplinary action will be taken. Such action may be considered not only against those found to have perpetrated the fraud/corruption, but also against managers whose negligence may have facilitated it.

Further information for staff on reporting fraud/corruption and their role in the prevention and detection of fraud/corruption is given in the Policy for Fraud/Corruption Prevention, Detection and Investigation.

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