

# Counter Fraud Policy

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## Document Control

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<b>Changes</b>	<ul style="list-style-type: none"> <li>• References to process and guidance have been removed and they will be included within the supporting documentation. The Counter Fraud Policy Guidance is attached for information at Appendix B that includes key guidance requirements and detail.</li> <li>• The policy reflects the alignment of the service to the Chief Officer – Finance from the Chief Officer – Governance under service redesign that took place in 2020 and the naming of the service as the Counter Fraud service.</li> <li>• The policy approach has more emphasis on risk management and prevention and is aligned to the “Fighting Fraud and Corruption Locally Initiative for 2020 Strategy” and “Scotland’s Serious Organised Crime Strategy”</li> <li>• Building on the preventative approach, the policy and procedure focus on the five key pillars of Govern, Acknowledge, Prevent, Punish and Protect</li> </ul>

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# 1. Purpose Statement

- 1.1 This policy defines the control environment and key principles adopted by the Council to counter all types of fraudulent activity. That includes fraud, bribery and corruption, money laundering and tax evasion. For the purposes of this policy where the term “Fraud” is used that is generically meant to include any of these activities.
- 1.2 Fraudulent activity presents a risk across many dimensions of Council activity and this policy seeks to put in place measures to mitigate those risks. Most notable is the financial risk of misappropriated resources or lost income. Fraudulent activity may result in failure of the Council to meet its compliance obligations or may indicate weaknesses in systems of compliance control. Fraudulent activities also have potential to considerably impact the achievement of strategic and operational ambitions and may result in reputational damage.
- 1.3 The policy puts in place principles to support the positive achievement of outcomes for the Council. Good Counter fraud measures support effective governance and decision making to improve the outcomes for the well-being of the people and place of Aberdeen, and for effective use of money, assets, data and technology.
- 1.4 This policy and associated guidance builds on a range of best practice and experience, it is intended that the Counter fraud response will evolve and develop with that best practice. The Council sets out as part of this policy the value in using research and experience to develop its approach. Examples incorporated include:
- Published best practice research and guidance – notably the “Fighting Fraud and Corruption Locally Strategy” (FFCLS) this is a wide ranging document adopted by many Councils and developed by CIFAS Fraud Prevention Service, CIPFA, Local Government Association and SOLACE.
  - Best practice as advised by Local Authority Counter Fraud advisory groups such as the Scottish Local Authority Investigators Group (SLAIG) and Scotland’s Serious Organised Crime Taskforce.(SOC)
  - Learned experience from the work of the ACC Counter-Fraud Team
  - Learned experience in partnership with other key stakeholders such as the External and Internal Audit functions, Governance Cluster and Chief Officers.
- 1.5 In providing that response this policy adopts the 5 key pillars of the “Fighting Fraud and Corruption Locally Strategy” (FFCLS) of *Govern, Acknowledge, Prevent, Pursue and Protect*. The performance in response to these pillars is measured against 6 themes of *culture, capability, competence, capacity, communication and collaboration*. The Policy Statement and Definitions sections of this policy provide more detail on how this will work in practice for the Council.
- 1.6 Adopting these measures is intended to result in the following specific outcomes to prevent risks identified and support positive outcomes:

- develop and maintain a culture in which fraud and corruption are unacceptable;
- understand the harm that fraud can do in the community;
- understand our fraud risk;
- prevent fraud more effectively;
- use technology to improve our response;
- share information and resources more effectively;
- better detect fraud loss;
- bring fraudsters to account more quickly and efficiently;
- improve the recovery of losses; and
- protect those at risk.

1.7 This policy is supplemented by Fraud Policy Guidance that provides additional detail in respect of Responsibilities (Section 3), Supporting Documentation (Section 4), Policy Statement (Section 5) and Definitions (Section 6).

## 2. Application and Scope Statement

- 2.1 This policy applies to all engagement with the Council in respect of decision making, employment, supply of goods and services, receipt of goods and services, financial transactions and any activity whereby there may be a benefit to an individual or interested party.
- 2.2 This policy provides measures to Counter all types of fraudulent activity against the Council (subsidiary holdings, partners and contractors) and covers both internal and external fraud committed against the council.
- 2.3 Responsibility for advocating the principles in this policy applies to all Elected Members, employees, including temporary staff, contractors, suppliers, secondees from other organisations, arm's length external organisations e.g., Bon Accord Care, Sport Aberdeen etc. and any organisation which receives funding or grants from the Council.
- 2.4 Responsibility for compliance with this policy applies to all parties that engage with the Council.
- 2.5 The Council is committed to working constructively with Police Scotland and other relevant agencies in relation to preventing any fraudulent activity.
- 2.6 The policy will be applied on a risk managed basis and activities and people involved in high value financial and asset transactions have a higher responsibility for advocating Counter fraud principles. Advice and training activity will assist with identification of risk and prevention measures to be put in place.

## 3. Responsibilities

### General Responsibilities

- 3.1 It is the duty of all officers employed by the Council to fully comply with this Policy that forms an associated part of the Financial Regulations. Failure to comply with the requirements of this Policy and the associated guidance and procedures may result in an investigation under the Council's Conditions of Services Disciplinary and Appeals Procedure.
- 3.2 It is the duty of all Elected Members to fully comply with this Policy. Failure to comply with the requirements of this policy and the associated guidance and procedures may result in an investigation under the Councillors' Code of Conduct.

### Responsibility of the Chief Officer - Finance

- 3.3 It shall be the responsibility of the Chief Officer - Finance, or designated officer, to ensure that this policy is kept up to date and is monitored for its effectiveness. The policy shall be reviewed every 3 years.
- 3.4 The Chief Officer – Finance has authority to lead and act in respect of the Council's Counter fraud response. The Chief Officer Finance is responsible for co-ordinating engagement with national fraud prevention initiatives such as the National Fraud Initiative.

### Responsibility of the Chief Officer – Governance

- 3.5 The Chief Officer – Governance is responsible for the Whistleblowing Policy, the Annual Governance Statement and is the Chair of the Risk Board. There are associated responsibilities for ensuring that Counter Fraud activity is scrutinised and reported appropriately.

### Risk Board

- 3.6 The Risk Board provides scrutiny, guidance and direction to the Counter Fraud response supplementing the role of the Chief Officer-Finance and making decisions delegated to Officers.
- 3.7 For the purposes of Counter Fraud activity, the Risk Board represents the Senior Management Board at Officer level for decision making and approval of actions.

### Audit Risk and Scrutiny Committee

- 3.8 The Committee responsible for oversight of the Counter fraud function is the Audit, Risk and Scrutiny Committee. The Committee will review and approve the Counter Fraud Policy every 3 years and approve any significant changes to the policy during the interim period.
- 3.9 ARS will receive an annual report in relation to Counter Fraud activity of all types from the Chief Officer-Finance. The Committee should seek explanations and action where the Chief Officer – Finance has indicated that any aspect of Counter Fraud Activity requires special attention.

The Committee is entitled to seek explanations and actions for any matter which it deems require special attention subject to its Terms of Reference.

### Responsibility of Chief Officers

- 3.10 Chief Officers are accountable for ensuring the Counter Fraud policy and guidance is appropriately applied in their areas of responsibility.

### Responsibility of Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies.

- 3.11 The Head of Commercial and Procurement Services shall use reasonable endeavours to ensure that all Connected Bodies apply the policy in their organisations.

### Responsibilities in relation to Aberdeen City Health and Social Care Partnership (ACHSCP)

- 3.12 This policy as an associated document of Aberdeen City Council financial regulations is fully applicable to Council staff who are working to deliver integrated services under directions from the ACHSCP as defined in financial regulations.

### Internal and External Audit

- 3.13 The Council's Auditors shall have the right to access all records (electronic or manual), documents and correspondence relating to any financial or other transactions of the Council. They will be able to receive such explanations as they consider necessary concerning any matter under examination.
- 3.14 Officers of the Council will ensure that these rights are given to the Council's External and Internal Auditors. These rights apply to any and all examples of fraudulent activity.

### Employees and Elected Members and Associated persons

- 3.15 Council employees, elected members, workers, agents and associated persons performing services on behalf of the Council are required to assist and to be vigilant in preventing, detecting and reporting acts of fraud, bribery and corruption. All employees and elected members have a duty to report fraud, bribery, corruption, money laundering or tax evasion in any form.

### Individuals and Third Parties

- 3.16 The Council requires all individuals and organisations with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud, bribery and corruption.

## 4. Supporting Procedures & Documentation

4.1 Supporting procedures and documentation to this policy are wide ranging, since prevention of fraud relies on a combination of effective legislation, guidance, procedures and internal controls. Categories of supporting documents are as follows:

- Legislation relating to Financial Controls, Fraud prevention and Fraud in the context of specific activities in the Council
- Best practice guidance
- Counter fraud internal strategic and planning documents, additional procedures and guidance
- Council policies and procedures that set standards and controls that will support fraud prevention
- Statute and Common law

4.2 Since relevant supporting procedures and documentation may often change, they will be updated in the Counter Fraud Policy Guidance and on the Counter Fraud section of the Council's Intranet site without recourse to update the Policy. The Counter Fraud Policy will include references relevant at the time of approval.

## 5. Policy Statement

5.1 The Council will take a robust approach to countering fraudulent activity in any form using the five pillars identified under the Fighting Fraud and Corruption Locally Guidance:

**Govern** We will have robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

**Acknowledge** We will acknowledge and understand fraud risks and commit support and resource to tackling fraud in order to maintain a robust anti-fraud response.

**Prevent** We will prevent and detect more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

**Pursue** We will recover losses through all available means, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

**Protect** We will protect against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. We will protect public funds, protecting our organisation from fraud and cybercrime and also protecting itself from future frauds.



The performance in response to these pillars is measured against 6 themes of *culture, capability, competence, capacity, communication and collaboration*. Measures to support these themes are set out throughout the policy and guidance in specific statements and directions and is further reflected in Section 8 – Policy Performance.

The Policy Guidance sets out detailed directions under these principles.

## 6. Definitions

- 6.1 The law associated with Fraud, Bribery & Corruption, Money Laundering and Tax Evasion is complex and thus this policy and associated guidance cannot provide a full and authoritative account of the relevant legislation. Any enforcement action being undertaken must take recognition of current legislation and associated case law.

### Fraud

- 6.2 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.

### Bribery

- 6.3 A bribe, as defined in the Bribery Act 2010, is a financial or other type of advantage that is offered or requested with the intention of inducing or rewarding improper performance of a function or activity. Acts of bribery are designed to influence an individual in the performance of their duty and incline them to act dishonestly.

### Corruption

- 6.4 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. Corruption can also include bribery which is not entirely removed from fraud either as offences may overlap between them.

### Money Laundering

- 6.5 Money laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange. The term is used for several offences involving the integration of “dirty money”, i.e. the proceeds of crime, into the mainstream economy. In addition to the offence of money laundering

## Tax Evasion

6.6 Tax evasion is the illegal non-payment or under-payment of taxes, usually resulting from the making of a false declaration or no declaration at all of taxes due to the relevant tax authorities, resulting in legal penalties (which may be civil or criminal) if the perpetrator of tax evasion is caught.

## 7. Risk

7.1 The policy and supporting documentation specified within Section 4 details how the council implements its counter fraud response and arrangements that will allow the Council to mitigate and manage the impact of risks arising from fraud risk:

Strategic Risk - That the Council is unable to provide services due the compromising impact of fraudulent activity. Were the Council to face an incidence of major fraud then that could cause financial losses which could be of impact to the Council's Strategic plans.

Compliance Risk - That the Council does not comply with relevant counter fraud legislation or financial compliance legislation and guidance

Operational Risk - That staffing, customer and other operational activities are negatively impacted by fraudulent activity. The impact of fraud by employees or citizens can disrupt culture, service delivery, and customer experience. That can either be directly or by diverting resources during investigations and because of follow up action.

Financial Risk - That fraudulent activity leads to misappropriated Council resources or lost income.

Reputational Risk - That fraudulent activity negatively impacts the reputation of the council.

Environment/Climate Risk – That the impact on Strategic Risk of fraudulent activity is enough to negatively impact the council's ability to response to climate change

7.2 There are no unintended effects, consequences or risks directly resulting from the update of this policy.

7.3 The risks identified by the Council through its counter fraud arrangements will be reviewed and monitored via the Council's Risk Management Policy arrangements – Assurance Maps and Risk Registers and also through Counter Fraud risk assessments set out in this policy.

7.4 The Counter Fraud policy and supporting documentation will support the Councils "PREVENT" obligations as part of the CONTEST framework. The policy and procedures in the "Protect" pillar of counter fraud response support protection of victims of crime and joint working with partners and identification of Serious Organised Crime threats that may be associated with terrorism. The identification of fraud risk under the "Prevent" pillar of counter fraud response support identification of Serious Organised Crime threats.

## 8. Policy Performance

8.1 The effectiveness of the policy and supporting documentation will be determined by the level of risk posed by fraudulent activity.

8.2 The risk posed can be reduced by meeting the outcomes of the five pillars of the FFCLS as follows:

### Govern

- developing and maintain a culture in which fraud and corruption are unacceptable;

### Acknowledge

- understanding the harm that fraud can do in the community;
- understanding our fraud risk;

### Prevent

- preventing fraud more effectively;
- using technology to improve our response;
- sharing information and resources more effectively;
- better detecting fraud loss;

### Pursue

- bringing fraudsters to account more quickly and efficiently;
- improving the recovery of losses; and

### Protect

- protecting those at risk.

8.3 The achievement of reducing fraud risk may be influenced by having good practice in relation to the 6 themes of the FFCLS in place:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

8.3 In order to determine the reduction in the level of fraud risk and meet the outcomes of good practice, performance will be monitored in several ways including:

- ✓ Governance arrangements clear and in place – maintain arrangements
- ✓ Compliance with best practice checklists – maintain and improve score
- ✓ Policy communicated to ECMT and Leadership Forum
- ✓ Increase in availability of training modules preventative advice provided
- ✓ Increase in preventative reviews undertaken
- ✓ Increase in risk assessments undertaken
- ✓ Positive trends in allegations made, evaluated and investigated
- ✓ Increase in horizon scanning and collaborative activities undertaken

8.4 Performance will be reported as part of the Annual Report to the Risk Board and Audit, Risk and Scrutiny Committee. Performance would be reported to the Performance Board on an

annual basis. Issues of non-compliance would be escalated to the Risk Board Performance will be reported to the Chief Officer Finance monthly and matters for urgent escalation will be reported to the Chief Officer Finance immediately.

## 9. Design and Delivery

- 9.1 The policy and supporting documentation fully supports the delivery of strategic outcomes contained in the LOIP as the Council's Counter Fraud response protects the Council from risks and losses that may compromise the delivery of those outcomes.
- 9.2 The Counter Fraud service is part of the Finance cluster and the service design and service standards are subject to annual reviews by the Strategy Board.

## 10. Housekeeping and Maintenance

- 10.1 This policy updates and replaces the Fraud Bribery and Corruption Policy (2018) and the Anti-Money Laundering Policy (2019) it also addresses the response to Tax Evasion.
- 10.2 Unless otherwise required, this policy will be reviewed every 3 years.
- 10.3 The supporting documentation specified within this policy will be reviewed and updated as and when required.
- 10.4 The policy is an associated document of the Finance Regulations under the Scheme of Governance and will be subject to reviews if those documents change.
- 10.5 IT systems are not affected by the updated policy.

## 11. Communication and Distribution

- 11.1 This policy and contact information will be publicised on the council's website.
- 11.2 The policy and supporting documentation will be available for review on the organisation's shared areas on the Network.
- 11.3 This policy will be shared directly with Extended Corporate Management Team and the Leadership Forum to enable communication and distribution. Support and advice will be offered to assist with the implementation of the policy.
- 11.4 This policy will be shared directly with and monitored through the Risk Board and any relevant activities will be communicated and updated through its members as advocates. This is in accordance with the Terms of Reference for the Risk Board.
- 11.5 Regular information relating to anti-fraud initiatives will be published on social media.

## 12. Information Management

- 12.1 Information generated by the application of the policy will be managed in accordance with the Council's Corporate Information Policy and supporting Procedures.
- 12.2 Data flows covered by this policy will be mapped and assessed in a Data Protection impact assessment. Data flows relate to two categories of data:
- case management data held for the specific purposes of preventing and pursuing fraudulent activity
  - financial transactional data used for the purposes of identifying fraudulent activity – for example for the purposes of National Fraud Initiative data matching