

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	15 September 2015
INTERIM DIRECTOR	Angela Scott
TITLE OF REPORT	Policy and Strategic Response to Fraud, Bribery & Corruption
REPORT NUMBER	CG/15/113
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To request the committee approve a new approach to managing Fraud, Bribery and Corruption within the Council.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- i) Approve the Policy and Strategic Response to Fraud, Bribery & Corruption as appended to this report.
- ii) Agree to work towards adopting the National Fraud Authorities checklist as per Appendix A.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

3.2 The adoption of this policy will enhance that currently in place and provide further protection against financial losses arising from fraud, bribery and corruption.

4. OTHER IMPLICATIONS

Services may need to revise the approach being taken to fraud, bribery and corruption and update their processes to ensure compliance with the revised policy.

5. BACKGROUND/MAIN ISSUES

- 5.1 Fraud has a serious impact on all parts of the economy and costs the UK around £52 billion per year. By its nature fraud is difficult to accurately quantify, therefore we have to rely on national indicators. The cost of fraud to the public sector equates to £20.6 billion of which £2.1 billion relates to local government. (*Source National Fraud Authority - Annual Fraud Indicator June 2013*).
- 5.2 The Council is self regulating in respect of its counter fraud activities. Where fraud has occurred against a service we need to stop the fraud as soon as possible and look at whether weak controls have been exploited. As a public body the Council can be seen as an easy target therefore we need to ensure we take robust action against offenders.
- 5.3 The Council's Strategy for the Prevention and Detection of Fraud and Corruption was introduced in 2005 and is no longer fit for purpose. Changes in legislation and new anti fraud strategies have made this policy outdated. In 2013 a review of the Council's fraud governance was undertaken which highlighted several areas which needed to be addressed. This policy addresses these issues.

5.4 Welfare Reform

- 5.4.1 In 2011 the Government proposed, as part of its welfare reform changes, the creation of a single integrated fraud investigation service (SFIS) under the Department of Work and Pensions with statutory powers to investigate all welfare benefits. The roll out of SFIS is ongoing across the UK and as of April 2015, Aberdeen City Council handed over all responsibility for the investigation of housing benefit fraud to SFIS.
- 5.4.2 Following discussions with Senior Finance Managers, Legal Services and HR, and taking into account the fraud governance audit, it was decided that the Council's dedicated benefit fraud investigation team would be retained beyond the roll out of SFIS and would take on a new remit as a corporate fraud investigation team. In doing so, an opportunity was presented for the Council to instigate a new programme of anti-fraud measures across all directorates.
- 5.5 The threat of fraud, corruption and bribery is real and we must be prepared to protect our services and assets. This policy will ensure that we have a consistent approach throughout the Council by setting out the following standards:

The Council:

Prohibits	the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement.
To or from	any person or company, wherever they are situated and whether they are a public official or body or private person or company.
By	any individual employee, agent or other associated person or body acting on the Council's behalf.
In order to	gain any commercial, contractual or regulatory advantage in a way which is unethical or secures any personal advantage, pecuniary or otherwise, for the individual or anyone connected with the individual.

5.6 The policy applies to all Elected Members, employees, including temporary staff, contractors, suppliers, or secondees from other organisations, arms length external organisations and any organisation which receives funding or grants from the Council.

5.7 In summary, the Policy and Strategic Response to Fraud, Bribery and Corruption:

- Ensures that the Council has a zero tolerance approach to fraud bribery and corruption in any form
- Provides a clear reporting structure to allow suspicions or concerns to be raised through the appropriate line management channels
- Provides a facility whereby members of public can report concerns of actual or attempted fraud, bribery and corruption
- Puts in place a system whereby allegations of fraud, bribery and corruption result in a prompt and thorough investigation either by internal investigation or referral to Police Scotland and/or the Public Standards Commissioner.
- Details the role that the Council's Corporate Fraud Investigation Team now plays in supporting all areas of the Council in the prevention, detection and investigation of fraud, bribery and corruption.
- Makes provision for staff training at all levels of service including all new staff members
- Outlines methods by which services can proactively assist in the detection of fraud, bribery and corruption within their own service
- Outlines the role that Heads of Service in ensuring that appropriate risk management arrangements are in place to prevent and detect fraud, bribery and corruption
- Underlines the importance of the Council's participation in the National Fraud Initiative led by Audit Scotland.

- Allows the Council to share data with other agencies, in accordance with the Corporate Data Protection Act Policy, in order to assist partner agencies and/or organisations in the prevention, detection and investigation of fraud, bribery and corruption
- Outlines the vital role that prevention plays in ensuring that opportunities for fraud, bribery and corruption are minimised

5.8 A Joined Up Approach

5.8.1 In June 2015 the Scottish Government produced a paper “Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error”. This paper endorses the need for a multi agency approach across public sector agencies and set out five key objectives; Awareness, Prevention, Teamwork, Investigation and Enforcement.

5.8.2 Educating employees about the seriousness of fraud issues is key in creating an anti-fraud culture and it is against this background that the committee is requested to support the following initiatives:

1. The creation of a fraud awareness OIL module and making it a mandatory course for new employees.
2. The creation of a dedicated area on the Zone highlighting the different types of fraud, latest scams, what measures the Council has in place to address fraud etc.
3. To endorse the need for anti-fraud proactive work.
4. For corporate fraud investigation staff to meet with Heads of Services/Senior Managers to identify high risk areas of fraud and to work with the service to reduce the risk.
5. To recognise the importance of working with other Local Authorities and public sector agencies to demonstrate the Council's commitment to working towards the five anti-fraud strategic objectives of the Scottish Government's.

5.9 Governance Checklist

One of the tools to measure local authorities present counter-fraud arrangements is the completion of a self-assessment checklist. This checklist highlights the standards expected of organisations to ensure they have robust controls in place to deal with the threat of fraud. It is proposed that we continue work towards full implementation of the working practices. The checklist and current self assessment can be seen in Appendix A.

6. IMPACT

Having this policy in place demonstrates the Council's commitment to ensuring proper stewardship of the public funds with which it is entrusted and is likely to be of interest to the public.

7. MANAGEMENT OF RISK

The implementation of this policy and adoption of the self assessment checklist will further enhance the council's ability to mitigate against the risk of financial or other losses arising from fraud, bribery or corruption.

8. BACKGROUND PAPERS

Fraud Governance Audit Report (September 2013)

9. REPORT AUTHOR DETAILS

Brian Muldoon,
Corporate Fraud Investigation Manager,
bmuldoon@aberdeencity.gov.uk
01224 522585

Appendix A

National Fraud Authority Self-Assessment Checklist

	Description	Yes	No	N/A	Comments
1	The Council has made a proper assessment of its fraud and corruption risks and has an action plan to deal with them and regularly reports this to its senior board and its members.	X			The Council has a proposed policy to manage this
2	The Council has undertaken an assessment against the risks in <i>Protecting the Public Purse</i> and has also undertaken horizon scanning of future potential fraud risks		X		Risk Assessment Team produce an annual report. This does not, at present, assess fraud risk.
3	There is an annual report to the Audit Committee or equivalent providing a detailed assessment against the Local Government Strategy <i>Fighting Fraud Locally</i> .		X		This will change if agreement is reached on proposed policy.
4	There is a counter fraud and corruption strategy applying to all aspects of the council's business which has been communicated throughout the council and this has been acknowledged by those charged with governance	X			The proposed Policy and Strategic Response to Fraud, Bribery & Corruption Policy addresses this need.
5	The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	X			Proposed Policy and Strategic Response to Fraud, Bribery & Corruption Policy; Financial regulations; Internal & External Audit

6	The risk of fraud and corruption is specifically considered in the council's overall risk management process		X		Will be included in the strategic risk register currently in development
7	Counter Fraud staff are consulted to "fraud proof" new policies, strategies and initiatives across Departments and this is reported upon to Committee		X		
8	The Council has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring this is effective and this is reported to Committee	X			A risk register is kept by Head of Legal
9	The council has put in place arrangements for monitoring compliance with standards of conduct across the council covering: <ul style="list-style-type: none"> •codes of conduct including behaviour for counter fraud, anti-bribery and corruption • register of interests •register of gifts and hospitality 	X			Proposed Policy and Strategic Response to Fraud, Bribery & Corruption Policy Register of gifts and hospitality is held by services
10	The Council undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking checks to prevent potentially dishonest employees from being appointed.		X		
11	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to Committee.	X			Council has various polices on this

12	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts		X		
13	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	X			This will be done on a case by case basis
14	There is an independent Whistleblowing Policy which is monitored for take up and it can be show that suspicions have been acted upon without internal pressure.	X			
15	Contractors and third parties sign up to the Whistleblowing Policy and there is evidence of this. There is no evidence of discrimination for those who whistle blow.				Not known at this time
16	Fraud resources are assessed and adequately resourced	X			
17	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the Council's business and includes activities undertaken by Contractors and third parties or voluntary sector activities.		X		Proposed Policy and Strategic Response to Fraud, Bribery & Corruption Policy
18	Statistics are kept and reported by the Fraud team which cover all areas of activity and outcomes.		X		The fraud team keep statistics relating to all incoming referrals, case work and case outcomes
19	Fraud Officers have unfettered access to premises and documents for the purposes of counter fraud investigation		X		Work is in progress to address this

20	There is a programme to publicise fraud cases internally and externally which is positive and endorsed by the Council's Communication Team.	X			This will be done on a case by case basis
21	All allegations of fraud and corruption are risk assessed	X			
22	The fraud response plan covers all areas of counter fraud work: prevention, detection, investigation, sanctions and redress.	X			Proposed Policy and Strategic Response to Fraud, Bribery & Corruption Policy
23	The fraud response plan is linked to the Audit Plan and is communicated to senior management and members.		X		
24	Asset recovery and civil recovery is considered in all cases	X			This will be done on a case by case basis
25	There is a zero tolerance approach to fraud and corruption that this is reported to Committee.	X			
26	There is a programme of proactive counter fraud work which covers risks identified in assessment	X			
27	The Fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity	X			
28	The Council shares data across its own departments and between other enforcement agencies	X			
29	Prevention measures and projects are undertaken using data analytics where possible		X		Additional IT equipment is required
30	The Council takes actively takes part in the NFI and promptly takes action.	X	X		We do take part in the NFI, however, matches are not always actioned timeously.

31	There are professionally trained staff for counter fraud work by professionally accredited trainers. If Auditors undertake counter fraud work they must be trained in this area.	X			Counter fraud staff are all PinS qualified
32	The counter fraud team has adequate knowledge in all areas of the Council or is trained in these areas	X			
33	The Counter Fraud Team has <i>access(via partnership /other Las/or funds to buy in)</i> to specialist staff for: <ul style="list-style-type: none"> ▪ Surveillance ▪ Computer forensics ▪ Asset recovery ▪ Financial Investigations 	X X	X X		
34	Weaknesses revealed by instances of proven fraud and corruption are looked at and fed back to Departments to “fraud proof” systems.	X			