



## COUNTER FRAUD POLICY STATEMENT

### Introduction

The size and nature of the services provided by Midlothian Council (MLC), as with other large organisations, puts the Council at risk of loss due to fraud, theft or corruption. The aim of this policy is to communicate why effective and robust counter fraud arrangements should be in place to ensure the Council's ongoing resilience to the threats of fraud and corruption. This policy will be supported by the Counter Fraud Strategy, which describes the approach that will be adopted by MLC to tackle fraud, to ensure that MLC, nor its stakeholders, are exposed to an unknown, unmanaged or unacceptable degree of fraud risk by protecting themselves in an appropriate way.

Tackling fraud is an integral part of protecting public finances. The harm caused by fraud, however, is not just financial. Fraud damages local people and communities, damages the Council's reputation and undermines trust in public services. Every pound lost through fraud cannot be spent on providing and delivering quality services that people rely on and which they pay their taxes to get, therefore it is important to have a strong counter-fraud culture and effective counter-fraud measures embedded within its business processes and governance arrangements.

The changing and increasingly complex environment in which the Council operates, and the complexity of policies, procedures, processes, systems, customer interfaces, legislative requirements, partnerships and joint working arrangements and relationships with other organisations that enable the Council to deliver its services, is happening against a backdrop of depressed economic activity in which the fraud risk tends to increase.

Management are committed to minimising fraud risk and at the same time taking appropriate actions against those who attempt to defraud the Council, whether from within the authority or from outside. Refinements to the Council's approach to tackling fraud include a focus on enhanced fraud prevention and detection to improve its resilience to fraud.

### Roles and responsibilities

There is an expectation and obligation that all individuals and organisations associated with the Council will act with honesty and integrity, are aware of and adhere to the procedures and practices in place to prevent fraud, theft or corruption when performing their roles, and utilise the whistleblowing process online to report any concerns. The Council will continue to support its people to develop the appropriate skills and competencies so as to enable them to tackle fraud effectively, with a focus on enhanced fraud prevention and detection tools and management arrangements.

#### Corporate Management Team (CMT)

CMT will act as counter fraud champions, tackling fraud from the top down, allocating sufficient resources proportionate to the level of fraud risk to ensure that income is maximised and assets are safeguarded, and fostering a strong counter fraud culture.

#### Senior Management

Senior management will: identify fraud and corruption risks; ensure that they understand and apply the counter fraud policy requirements within their own service provision procedures and practices to embed counter fraud in the Council's culture and working practices; take action to prevent, detect and investigate fraud; periodically highlight to staff the importance of behaving with integrity; support internal and external audits; and carry out a periodic review of the efficacy of their counter fraud arrangements.

#### Chief Officer Corporate Solutions

The Chief Officer Corporate Solutions is designated by Council as the officer responsible for the administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.

### Integrity Group

The Integrity Group will support the Management across the Council with counter fraud management by: overseeing the review of the counter fraud policy framework in line with best practice; highlighting emerging fraud and corruption risks, threats, vulnerabilities; agreeing fraud and corruption mitigation actions; raising awareness of bribery, fraud and corruption in the Council as a method of prevention; meeting during the course of fraud investigations with the aim to take corrective action, minimise losses and help prevent further frauds; and coordinating with Serious Organised Crime (SOC) Group.

### Corporate Fraud Team

The Corporate Fraud Team will support the counter fraud management by: supporting the Integrity Group; leading on the implementation of identified improvement actions; carrying out fraud vulnerability assessments with Service Managers; monitoring that the fraud prevention, detection and investigation processes and procedures are followed; offering advice, guidance, training and support; and conducting fraud investigations.

### Internal Audit

Internal Audit will review the effectiveness of controls put in place by Management to manage the risk of fraud. Full details of its roles are set out in the Internal Audit Charter.

### Audit Committee

The Audit Committee will oversee the adequacy and effectiveness of the Council's internal controls, review the assessment of fraud risks and monitor the counter fraud strategy, actions and resources.

### Elected Members

Elected Members need to be aware of and adhere to the procedures and practices in place to prevent fraud, theft or corruption when performing their roles, and support the Public to utilise the whistleblowing process online to report any concerns.

## **Counter Fraud process**

Tackling fraud is not a one-off exercise; it is a continuous process across all parts of the Council because the service delivery processes it underpins are continuous. Tackling fraud is an integral part of good governance within the Council and demonstrates effective financial stewardship and strong public financial management.

## **Reporting**

Reporting will include an annual report by the Integrity Group to CMT and the Audit Committee on the corporate fraud activity and outcomes. The Annual Governance Statement to CMT and the Audit Committee will include a statement on the efficacy of counter fraud arrangements.

## **Budget**

One of the five key principles in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is to provide resources to implement the strategy. The two previous years indicates resources of at least 2.0 FTE Corporate Fraud Officers in conducting fraud investigations. The refocus from a reactive to a proactive strategy on prevention and detection will require the equivalent corporate fraud resources. Any additional costs within Services arising from enhanced counter fraud risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

## **Quality Assurance**

This policy will be subject to document control, version control, be reviewed at least annually, and be revised to reflect changes in legislation, counter fraud best practice, and significant changes in corporate governance.

## **Review**

Counter Fraud policies and procedures will be reviewed on a regular basis to ensure their continued relevance and effectiveness.