

**REPORT TO: FINANCE COMMITTEE - 9 SEPTEMBER 2002**  
**REPORT ON: ANTI-FRAUD AND CORRUPTION STRATEGY**  
**REPORT BY: DIRECTOR OF FINANCE**  
**REPORT NO: 631-2002**

**1 PURPOSE OF REPORT**

To set out Dundee City Council's commitment to the prevention and detection of fraud and submit for approval the Council's Anti-Fraud and Corruption Strategy for areas outwith Local Taxation and Benefits.

**2 RECOMMENDATIONS**

That the Committee adopts the Anti-Fraud and Corruption Strategy detailed in Appendix A, which will overarch and complement the various guidance for the employees and Councillors of Dundee City Council which is already in place.

**3 FINANCIAL IMPLICATIONS**

There are no financial implications arising directly out of this Report.

**4 LOCAL AGENDA 21 IMPLICATIONS**

There are no Local Agenda 21 implications arising directly out of this Report.

**5 EQUAL OPPORTUNITIES IMPLICATIONS**

There are no Equal Opportunities implications arising directly out of this Report.

**6 BACKGROUND**

6.1 Public money raised through taxation should only be used for approved purposes and the Council is committed to the proper accountability of public funds and condemns fraud and corruption in public life. Given this, there is a need for high standards of probity in the public sector and proper stewardship of public funds.

6.2 The Council's External Auditors are required, under the Accounts Commission Code of Audit Practice, to conduct a periodic overview to assess the Council's arrangements for preventing, detecting and investigating fraud and corruption. The Council's current External Auditors, Audit Scotland has undertaken such a review as part of their 2001/02 work. In broad terms it was concluded that whilst the Council has a satisfactory series of guidelines aimed at the prevention and detection of fraud and corruption and that the Council has adopted an Anti-Fraud and Corruption Policy and Strategy on Local Taxation and Benefits, a specific report covering the Council's policy for fraud and irregularities for other major financial systems had not been submitted for approval to Committee and recommended that this should be addressed.

- 6.3 The Council's strategy in relation to fraud and corruption for all areas (with the exception of Local Taxation and Benefits approved in Report No. 549/1999) is formally documented in Appendix A and includes the standards expected by the Council from its employees and Councillors.

**DIRECTOR OF FINANCE**

**DATE** \_\_\_\_\_

**BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

**DUNDEE CITY COUNCIL'S**  
**ANTI-FRAUD AND CORRUPTION STRATEGY**

**1 STATEMENT OF INTENT**

The Council aims to provide good and efficient services that are best value and needs to ensure propriety and accountability in all matters. The Council is determined to protect itself and the public from fraud and corruption and is committed to maintaining an effective anti-fraud and corruption strategy which will provide a framework to:

- Encourage fraud prevention
- Promote detection
- Perform investigations
- Invoke disciplinary and police proceedings

**2 DEFINITIONS**

- i The Council regards fraud as a deliberate intent by a person to obtain property or financial advantage by deception and covers a wide variety of offences which include intentional deceit, falsification of accounts, theft, embezzlement and bribery.
- ii The Council regards corruption as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.

**3 ELEMENTS OF THE ANTI-FRAUD AND CORRUPTION STRATEGY**

The Council's Anti-Fraud and Corruption Strategy is based on a number of related elements designed to counter any fraudulent or corrupt act. These elements are as follows:

- Operating Culture
- Preventative Measures
- Fraud Response Policy
- Detection and Investigation Procedures

**3.1 Operating Culture**

- i The Council is determined that the culture and tone of the organisation meets the expectations of the Committee on Standards of Public Life, and is committed to the seven Nolan Principles of objectivity, openness, leadership, accountability, honesty, selflessness and integrity.
- ii The Council expects employees and Councillors to lead by example and be proactive in combating fraud and corruption. This includes adherence to rules and regulations and procedures and practices.

- iii The Council requires all individuals and organisations with whom it deals, in any capacity, to behave towards the Council with integrity and without intent or actions involving fraud or corruption.
- iv Council employees and members of the public are important elements in the stance against fraud and corruption and are positively encouraged to use the Council's Helpline Service to raise any concerns or disclose any information that they may have, which impact on Council activities. Any abuse of this facility by raising unfounded malicious allegations is considered a serious matter and may result in disciplinary or police proceedings.
- v Training and guidance is vital in maintaining the effectiveness of the Anti-Fraud and Corruption Strategy and its general credibility. The Council supports induction and work related training, particularly for employees involved in internal control systems. This is to ensure that the responsibilities and duties of staff in this respect are clearly defined and reinforced and that best practice is followed across all Council Services.
- vi The Council's Internal Audit Service is pivotal in the investigation of fraud and corruption and the approach to such matters is outlined in the Council's Fraud Guidelines.

### **3.2 Preventative Measures**

- i The Council's Standing Orders and Schemes of Administration for Financial Regulations, Tender Procedures and Delegation of Duties set out the framework for dealing with the affairs of the Council and all employees have a duty to comply with their provisions.
- ii Comprehensive documentation should be maintained for all financial and operational systems. Every effort must be made to review and develop these systems in line with best practice to ensure efficient and effective internal controls which deter fraudulent activity and detect error.
- iii The adequacy and appropriateness of the Council's financial systems is independently monitored by both Internal and External Audit. Chief Officers and Senior Management have a responsibility to review and improve, as appropriate, the systems for which they are responsible, both through their own self-assessments and by positive response to audit recommendations.
- iv Councillors must have regard to the Council's Code of Conduct for Councillors which incorporates the Codes of Practice for dealing with Licensing and with Planning. Acceptance of their appointment includes an undertaking to be guided by these Codes.
- v Employee recruitment is required to be in accordance with procedures laid down by the Director of Personnel and Management Services and, in particular, written references must be obtained to confirm the honesty and integrity of potential employees before employment offers are made.

- vi Council employees are required to follow the National Code of Conduct for Local Government Employees in Scotland and are expected to follow any Code of Conduct related to their personal professional qualifications.
- vii Any officer or other employee of the Council who corruptly accepts any gratuity, bonus, discount, bribe or consideration of any sort in connection with the duties of his/her office or employment shall be liable to summary dismissal.
- viii An officer or other employee in receipt of a regular salary shall not be entitled to retain any fees or commissions collected or received in connection with the duties of his/her office unless with the sanction of the Personnel and Management Services Committee.
- ix If an employee has a personal financial interest in a contract, whether direct or indirect, which has been, or is proposed to be, entered into by the Council, the employee, must, as soon as possible, give notice in writing to their Head of Department of the interest.

### **3.3 Fraud Response Policy**

- i The Council will be robust in dealing with any financial malpractice, and can be expected to deal timeously and thoroughly with any person who attempts to defraud the Council or who engages in corrupt practices.
- ii All suspicions of impropriety must be reported to Internal Audit.
- iii The Council's Disciplinary Procedures will be used where the outcome of an investigation indicates improper behaviour on the part of employees.
- iv A decision will be taken at the appropriate juncture as to whether or not the case should be referred to the Police.
- v Where loss has been suffered through fraudulent activity, the Council will pursue the perpetrator for recovery.

### **3.4 Detection and Investigation Procedures**

- i In practice, despite the best efforts of managers and auditors, it is often the alertness of employees and the public that enables detection to occur.
- ii The Internal Audit Service should be informed of all instances of fraud and corruption in the Council and normally works closely with management and other agencies, such as the police, to ensure that all allegations and evidence are properly investigated and reported upon.
- iii The detailed arrangements for the investigation of any suspected fraud or irregularity are contained in Council's Fraud Guidelines issued by the Director of Finance.