



FINANCE AND PROCUREMENT

ANTI-FRAUD AND CORRUPTION POLICY

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FINANCE AND CONTRACTUAL SERVICES

FINANCE AND PROCUREMENT

ANTI-FRAUD AND CORRUPTION POLICY

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1. POLICY STATEMENT

The aim of this policy is to outline Scottish Fire and Rescue Service (SFRS) approach to fraud. SFRS is fully committed to the public service values of accountability, probity and openness and recognises the need to ensure the highest standards of probity by actively reducing the risk of fraud and to developing an anti-fraud culture.

2. INTRODUCTION

SFRS is committed to the Scottish Government's zero tolerance approach to fraud. All SFRS staff are required at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible.

SFRS will not accept any level of fraud or corruption and any cases of actual or suspected fraud will be thoroughly investigated and dealt with appropriately.

3. SCOPE

This policy defines the principles of the SFRS Anti-Fraud & Corruption process and is aligned to the SFRS Whistleblowing Policy.

The Whistleblowing Policy outlines the Service's commitment to the highest possible standards of openness and accountability and employees with serious concerns about illegality, malpractice, wrongdoing or serious failures in standards of work are encouraged to come forward and voice their concerns without fear of reprisal.

Both policies allow for the reporting of Fraud and the Acting Director of Finance and Procurement and the Director of People and Organisational Development will determine the most applicable policy to be followed.

4. RESPONSIBILITIES

4.1 SFRS Board

The SFRS Board is responsible for ensuring effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board will approve any amendments to the Anti-Fraud and Corruption Policy.

4.2 Chief Officer

In accordance with the SFRS Financial Regulations, paragraph 4.10 – Prevention of Fraud, Corruption and Bribery, the Chief Officer is responsible for identifying and managing the risk of fraud and corruption, for ensuring that appropriate risk management, internal control and governance arrangements are in place and for ensuring that Best Value is achieved.

The Chief Officer will notify Internal Audit and the Chair of the Audit and Risk Assurance Committee of any relevant matters that arise and will make arrangements to keep records of, and prepare and forward to Scottish Government (SG), an annual report on Fraud and Theft suffered by the Service, notifying SG at the earliest opportunity of any unusual or major incidents.

The annual reporting of any significant issues will be incorporated within the Annual Governance Statement and will be reported through this framework.

4.3 Audit and Risk Assurance Committee (ARAC)

The overall purpose of the Committee is to provide independent assurance to the Board and Accountable Officer on the adequacy and effectiveness of the policies, procedures and systems relating to internal control, risk management and governance.

In relation to fraud, ARAC will scrutinise, challenge and ensure continuous improvement on the appropriateness of the internal control environment, Anti-Fraud and Corruption policies and corporate oversight for fraud and irregularities.

The Committee will be provided with the Annual Governance Statement which will provide information on any significant issues arising in the year and will receive quarterly fraud updates from the Acting Director of Finance and Procurement.

4.4 Acting Director of Finance and Procurement

Overall responsibility for managing the risk of fraud has been delegated to the Acting Director of Finance and Procurement whose specific responsibilities will include:

- Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each key organisational objective in order to keep the profile current;
- Establishing an effective anti-fraud policy and associated framework, commensurate to the level of risk identified in the fraud risk profile;
- Designing an effective control environment to prevent fraud, commensurate with the fraud risk profile;
- Establishing appropriate mechanisms for:
 - Reporting fraud risk to ARAC, the Good Governance Board or other appropriate bodies as required;
 - Reporting significant incidents of fraud to appropriate Executive and Non-Executive Bodies;
 - Co-ordinating assurances about the effectiveness of anti-fraud policies to support the Statement of Internal Control;
- Liaising with ARAC, providing a quarterly report of areas of fraud identified or more regularly, depending upon the nature of the fraud;
- Making sure that all staff are aware of the SFRS Anti-Fraud and Corruption Policy and know what their responsibilities are in relation to combating fraud;
- Developing skills and experience competency frameworks in relation to anti-fraud;

- Ensuring that appropriate anti-fraud training and development opportunities are available to appropriate staff;
- Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
- Ensuring that appropriate action is taken against perpetrators of fraud, in conjunction with the Director of People and Organisational Development;
- Ensuring that appropriate action is taken against supervisors where failures have contributed to the commission of fraud, in conjunction with the Director of People and Organisational Development;
- Ensuring that appropriate action is taken in relation to staff who fail to report fraud, in conjunction with the Director of People and Organisational Development;
- Taking appropriate action to recover assets or losses;
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future;
- Consider, in consultation with the Director of People and Organisational Development, the sensitivity of the allegations in terms of public interest and whether the Communications team, Chief Officer, Chair of the Board and the Chair of ARAC should be briefed.

The Acting Director of Finance and Procurement, in conjunction with the Director of People and Organisational Development, will be responsible for determining the applicable policy for reporting purposes, with the Acting Director of Finance and Procurement responsible for authorising the reporting of criminal activities, in relation to Fraud and Corruption, to Police Scotland where they feel it appropriate to do so.

Once action is agreed, the Acting Director of Finance and Procurement will authorise the relevant Senior Officer to contact Police Scotland for further guidance. Once investigations are complete, the Senior Officer will provide a report to the Acting Director of Finance and Procurement detailing the outcome of Police investigations.

4.5 Director of People and Organisational Development

The Director of People and Organisational Development will ensure that they maintain a Capability Policy and Procedure and a Disciplinary Policy and Procedure within which managers can work with employees to maintain satisfactory standards with regards to the fulfilment of their employment contract and conduct.

The Director of People and Organisational Development should ensure that appropriate disciplinary action is taken against perpetrators of fraud, supervisors whose gross negligence has contributed to fraud, any employee unreasonably failing to report fraud through gross negligence or any employee making malicious false claims under this policy.

When notified of an actual or suspected fraud, the Director should:

- If appropriate, based on the prima facie evidence, arrange to suspend the employee or employees accused, pending the outcome of any investigations (and review the notice of suspension at regular intervals throughout the period of the investigation). Any suspension will be undertaken in line with the SFRS Disciplinary Policy and Procedure;
- Appoint an Investigating Officer, if appropriate. It should be noted that fraud investigations can be undertaken by Internal Audit or an Investigating Officer, depending on the circumstances, and agreement should be reached between the Director of People and Organisational Development and the Acting Director of Finance and Procurement as to the most appropriate course of action;
- Consider, in consultation with the Acting Director of Finance and Procurement, the sensitivity of the allegations in terms of public interest and whether the Communications team, Chief Officer, Chair of the Board and the Chair of ARAC should be briefed;
- When appropriate, implement disciplinary procedures, in line with the SFRS Disciplinary Policy and Procedure, against the perpetrators of fraud, supervisors whose gross negligence has contributed to the fraud, any

employee unreasonably failing to report fraud through gross negligence or any employee making malicious false claims of fraud;

- Consider any action to be taken if lesser instances of misconduct have been identified during the investigation.

The Director of People and Organisational Development, in conjunction with the Acting Director of Finance and Procurement, will be responsible for determining the applicable policy for reporting purposes and, where they believe it to be appropriate to do so, will also be responsible for authorising the reporting of criminal activities to Police Scotland.

4.6 Good Governance Board (GGB)

The purpose of the GGB is to provide assurance to SFRS that appropriate systems of controls are in place and operating effectively, improving accountability, transparency in decision making and ensuring that key Service priorities are met.

The GGB will keep under review the organisation's whistleblowing, anti-fraud and corruption policy, including supporting reporting processes and support the regular review of the Anti-Fraud and Corruption Policy.

4.7 Internal Audit

Internal Audit will assist management by examining, evaluating and reporting on controls, in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, the Internal Auditor, should:

- Analyse the internal control system and establish a review programme;
- Identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- Report findings and conclusions and, where appropriate, make recommendations for improvement;

- Provide an opinion on the reliability of the controls in the system under review; and
- Provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to ARAC and to Senior Management, including fraud risks, governance issues and other matters needed or requested by the Board.

4.8 SFRS Managers

All SFRS Managers are directly responsible for the prevention and detection of fraud within their own areas. They must adhere to the Anti-Fraud and Corruption Policy and, through the Fraud Risk Assessment, assess the types of risks involved in the areas for which they are responsible, ensuring that an appropriate level of internal control exists to safeguard against the risk of fraud and corruption, review and test the control systems regularly to ensure that such controls are being complied with and work effectively.

SFRS managers are responsible for implementing new controls necessary to reduce the risk of similar frauds occurring where frauds have taken place.

In particular, SFRS managers should ensure that duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system. Control of any key function should not be vested in one individual.

Managers are also required to take seriously any allegations of fraud reported to them and be assured that there are reasonable grounds for concern. Where this is the case, they must notify the Acting Director of Finance and Procurement without delay.

4.9 All SFRS Employees and Board Members

All SFRS employees and Board members will act in line with the relevant SFRS Code of Conduct (Employee Code of Conduct or Members' Code of Conduct) and have a critical role to play in the prevention of fraud and corruption. Specifically, SFRS employees and Boards members should:

- Act in accordance with the [Bribery Act 2010](#);
- Conduct themselves in accordance with the principles of public life in Scotland, aligned to the Nolan Principles:
 - Selflessness;
 - Integrity;
 - Objectivity;
 - Accountability;
 - Openness;
 - Honesty;
 - Leadership;
 - Public Service / Duty;
 - Respect.
- Comply with the SFRS Anti-Fraud and Corruption Policy and other related policies aimed at minimising risk to the Service;
- Be alert to the possibility that unusual events or transactions could be indicators of fraud;
- Report details immediately through the appropriate channels if they suspect that a fraud has been committed or see any suspicious acts or events;
- Co-operate fully with anyone conducting internal checks or reviews or fraud investigations;
- Act with honesty, impartiality and transparency with regard to the acceptance of gifts and/or hospitality and adhere to the principles of the SFRS Gifts, Hospitality and Interests Policy.

4.10 Procurement Staff

The Procurement Team, and those undertaking procurement activity for the Service, should be aware of the fraud risks that exist in undertaking the procurement process. This could relate to the risk of collusion among contractors, between procurer and bidder and potential risks exposed to the Service during procurement processes. SFRS specifically requires that all involved in the procurement process declare any interests in line with the Gifts, Hospitality and Interests Policy.

The [Red Flags Procurement report undertaken by Audit Scotland](#), published in October 2019, provides assistance to auditors to recognise a red flag type event where audit programmes may need to be reviewed, ensuring current controls provide a suitable level of control. Further information on this can be found within the [Audit Scotland website](#) and provides red flag examples and implications to the Service.

5. DEFINITIONS

5.1 Definition of Fraud

Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

Fraud can be used to describe a wide variety of dishonest behaviour, such as forgery, deception, extortion, corruption, theft, false representation and the concealment or material facts.

The following are examples of the types of activity that can be regarded as fraud:

- Manipulation or misreporting of financial information;
- Misuse of ICT equipment;
- Fraudulent completion or falsifying documentation;

- Misrepresentation of qualifications to obtain employment;
- Non-disclosure of personal or business interests;
- Collusion;
- Asset misappropriation;
- Bribery.

5.2 Definition of Bribery

A bribe is an offer or promise of a financial or other advantage, designed to induce another person to perform improperly or to reward another person for performing improperly in their position of trust and responsibility (whether the activity concerned is performed directly by the same person receiving the bribe or by someone else).

The Bribery Act 2010 is UK-wide legislation that:

- Makes it a criminal offence to give, promise or offer a bribe and to request, agree to receive or accept a bribe either at home or abroad;
- Increases the maximum penalty for the more serious cases of bribery from seven to ten years imprisonment, with an unlimited fine;
- Introduces a corporate offence of failure to prevent bribery by persons working on behalf of a business.

5.3 Fraud Risk Assessment (FRA)

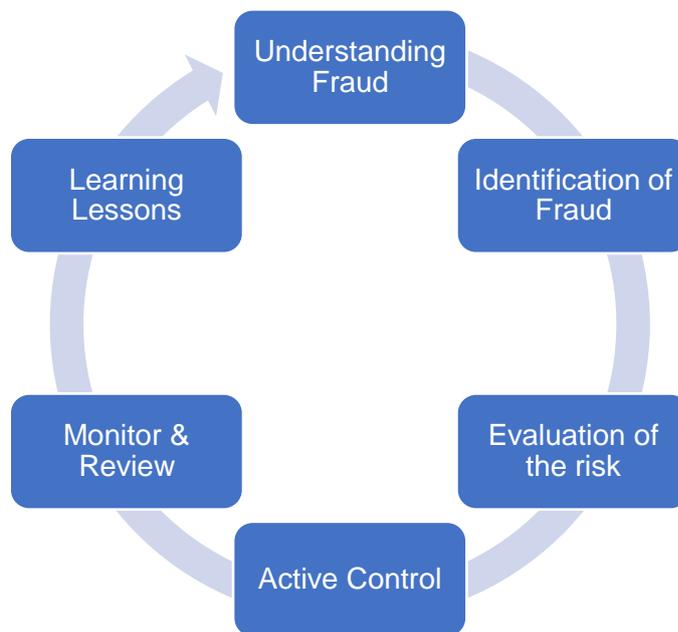
The purpose of the FRA is to focus resources based on the fraud risks identified. It details who might defraud the organisation, how they could do it, the controls currently in place and provides an overall assessment of the risk to the Service. Critically, the assessment also requires the responsible officer to identify ways in which the risk can be better managed.

All Senior Officers, Directors and Heads of Function, are asked to complete the assessment as part of the Annual Assurance Framework.

6. THE FRAUD FRAMEWORK

Accountable Officers are responsible for establishing and maintaining sound internal controls that support the achievement of the organisation's policies, aims and objectives. The system of control is designed to respond to and manage the range of risks presented to the organisation by fraud, both internal and external.

In broad terms, managing the risk of fraud involves:



Awareness and ownership of risk:

- Understanding the danger signs;
- The fraud triangle (Opportunity, Motivation and Rationalisation).

Assessing the Service's overall fraud risk:

- Fraud risk assessment.

Responding to fraud risk:

- Preventative and Detective.

Monitoring and review:

- Adhere to governance processes.

Learning Lessons:

- Minimise likelihood of reoccurrence.

6.1 Understanding Danger Signs and Reacting to Concerns

Managers and staff must always be alert to the risk of fraud, theft and corruption and understand the danger signs of both internal and external fraud.

Danger signs of internal fraud which include:

- Evidence of excessive spending by staff in cash/contract work;
- Inappropriate relationships with suppliers;
- Reluctance of staff to take leave;
- Undue possessiveness of or anomalies between work records;
- Pressure from colleagues to avoid normal control procedures;
- Abnormal Travel and Subsistence claims, overtime or flexible working patterns.

Concerns of internal fraud by staff should be reported when:

- Any dishonest or fraudulent act has occurred;
- Forgery or alteration of documents or accounts;
- Misappropriation of funds, supplies or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiting from an official position;
- Accepting or seeking value from third parties by virtue of official position or duties;
- Disclosure of official activities or information for advantage;
- Theft or misuse of property, facilities or services.

6.2 Danger Signs of External Fraud

- Photocopies of documents when originals would be expected;
- Discrepancies in information, e.g., signatures and dates;
- Unexpected queries from stakeholders or suppliers, e.g., bank account detail changes;
- Requests for non-standard types of payment;
- Unexpected trends or results, e.g. form reconciliations.

Concerns over an external organisation should be reported when:

- Being offered a bribe or inducement by a supplier;
- Receiving fraudulent invoices from a supplier;
- Reported allegations of corruption or deception by a supplier.

6.3 The Fraud Triangle

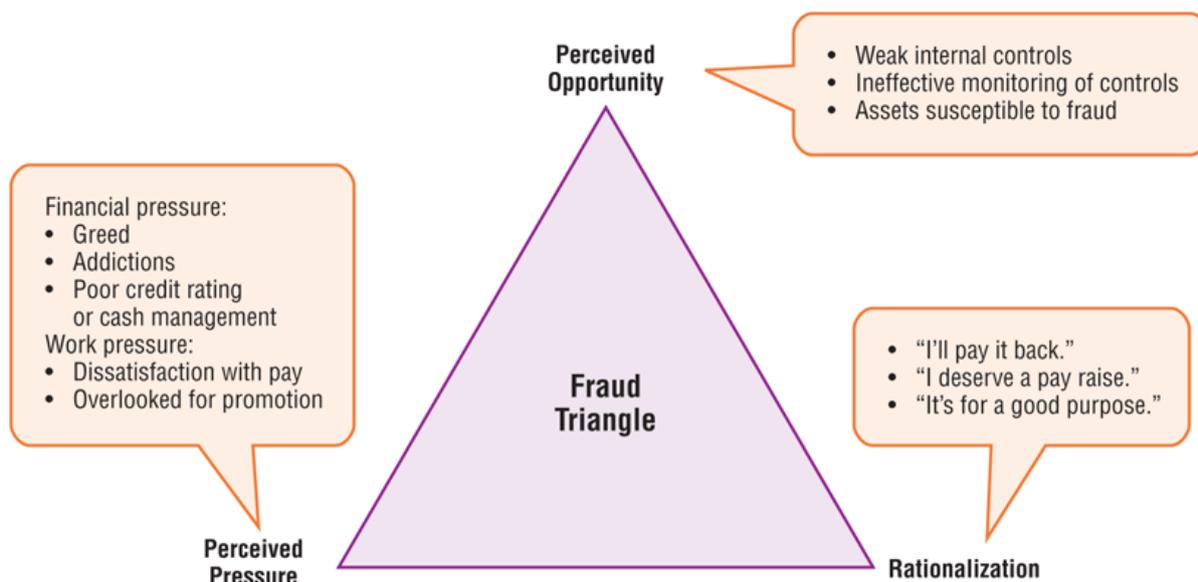
To manage the risk of fraud more effectively, the Service needs to understand some of the motivations for committing fraud and, in doing so, identify better ways in which occurrence of such instances can be reduced.

The fraud triangle is a model used to explain the main reasons behind an individual's decision to commit fraud and consists of three elements:

Opportunity to commit fraud is the means by which the individual will defraud SFRS/the organisation. This is where internal controls are weak and access to assets and information allows fraud to occur.

Motivation or a need/pressure for committing fraud. This can be for financial reasons, such as a drug or gambling addiction or other motivating factors.

Rationalisation that justifies fraudulent behaviour. This can be for a variety of reasons.



By putting in place controls to minimise or manage these risks, the Service will reduce the potential for fraud to impact upon the organisation.

6.4 Fraud Risk Assessment ([Appendix 1](#))

In order to evaluate the Service’s exposure to fraud, a fraud risk assessment process has been incorporated within the Annual Governance Framework.

The purpose of the FRA is to focus resources based on the fraud risks identified. It details who might defraud the organisation, how they could do it, the controls currently in place and provides an overall assessment of the risk to the Service. Critically, the assessment also requires the responsible officer to identify ways in which the risk can be better managed.

The key stages of the fraud risk assessment are:

- Identification of specific fraud risks that will lead to fraud;
- Identifying the current counter measures in place to mitigate the risk;
- Complete residual risk describing how it could still happen;
- Assess and score the likelihood (1-5) and the impact (1-5);
- Prioritise actions to the agreed risks that need to be reduced.

6.5 Systems of Control

Appropriate **preventive** and **detective** controls should be put in place to counter the risk of fraud:

- **Preventive** controls are designed to limit the possibility of a fraud occurring, e.g. separation of duties;
- **Detective** controls are designed to spot errors, omissions and fraud after the event, e.g. supervisory checks and reconciliations.

Managers with responsibility for awarding contracts, making payments, authorising grants and other financial transactions must ensure they have clear control procedures.

It is important that:

- There is adequate separation of duties and proper authorisation processes for payments;
- Staff dealing with these procedures are familiar with them;
- Accounting and other records, such as cash balances, bank balances, physical stock counts, are reconciled with the actual position;
- Where staff make SFRS aware of any private matters or criminal convictions which may impact their public duties, steps will be put in place to resolve any conflicts that may arise to protect that public interest. This will be in line with the SFRS Code of Conduct or any other relevant policy.

6.6 Monitoring and Review

Monitoring of fraud risk will be undertaken through the Executive Boards and Committees of the Service to ensure its effectiveness.

The governance framework ensures that the right level of assurance is used to inform decision making within an overall framework, clearly indicating the separation of scrutiny roles across the organisation.

Lessons learned through the risk assessment process, monitoring and reporting and effective scrutiny will be used to inform and develop the framework through policy review.

7. REPORTING FRAUD

The danger signs highlighted in this policy are not exhaustive and any indication of fraudulent activity must be reported. Managers and staff must always be alert to the risk of fraud, theft, bribery and corruption and follow established procedure to ensure any suspicions are reported.

The reporting of fraud may be made directly to the Acting Director of Finance and Procurement, in line with the Anti-Fraud and Corruption Policy or through the Whistleblowing Policy, where an employee has a reasonable belief that a criminal offence is being, has been or is likely to be committed.

In the event of a fraud, attempted fraud or other illegal or criminal act being suspected, employees should immediately report the matter to their line manager. If there is a concern that line management may be involved, the matter should be reported to the next appropriate level.

Managers are required to take seriously any allegations of fraud reported to them and be assured that there are reasonable grounds for concern. Where this is the case, they should notify the Acting Director of Finance and Procurement without delay.

The responsibility for managing the risk of fraud has been delegated to the Acting Director of Finance and Procurement Services who, in conjunction with the Director

of People and Organisational Development, will also be responsible for authorising the reporting of an incident to Police Scotland where they feel it appropriate to do so.

8. ENFORCEMENT

All cases of actual or suspected fraud will be vigorously and promptly investigated and appropriate action will be taken.

Where SFRS receives an allegation of fraud that it considers merits an investigation, consideration must be given to report any criminal allegations to Police Scotland. In circumstances where contact with Police Scotland is required, this will be undertaken by the Acting Director of Finance and Procurement. Where the requirement to report to Police Scotland is unclear, assistance can be sought from Legal Services.

In addition to any disciplinary action against members of staff found to have perpetrated frauds or the manager whose negligence is held to have facilitated fraud, action may also be undertaken in line with the SFRS Capability Policy and Procedure. In circumstances where the manager's conduct is identified as grossly negligent, it may also require the involvement of the SFRS Disciplinary Policy and Procedure.

Committing fraud and facilitating fraud through gross negligence can be held to constitute gross misconduct, the penalty for which may include summary dismissal.

9. ASSOCIATED DOCUMENTS / REFERENCES

Annual Governance Statement Assurance Framework
Capability Policy and Procedure
Disciplinary Policy and Procedure
Employee Code of Conduct
Financial Regulations
Fraud Risk Assessment

Fraud Risk Assessment Checklist
Gifts, Hospitality and Interests Policy
Members' Code of Conduct
Scheme of Delegations
Whistleblowing Policy

[Audit Scotland website](#)

[Bribery Act 2010](#)

[Red Flags Procurement report, Audit Scotland](#)