



Strategy for the Prevention and Detection of Fraud and Corruption

1. Statement of Intent

Nestrans aims to provide an excellent standard of service but as a public body it has an over-riding duty to ensure propriety and accountability in all matters. The Partnership is determined to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud and corruption which will provide a framework for:

- encouraging fraud deterrence and prevention
- raising awareness of fraud and corruption and promoting their detection
- performing investigations and facilitating recovery
- invoking disciplinary proceedings and referral to Police and/or Procurator Fiscal

2. Definitions

- a) Nestrans regards “fraud” as when “someone is induced by a false pretence to do (or not do) something that they would not (or would) otherwise have done”, and also as when “actual or attempted intentional distortions of financial or other records are carried out, whether to conceal the misappropriation of assets or otherwise for personal gain”.
- b) Nestrans regards “corruption” as “the offer or acceptance by a Board member or employee (for themselves or for any other person) of a payment, favour, gift or advantage as a reward or an incentive for action (or inaction) contrary to the proper conduct of their duties”.

3. Elements of the Strategy for the Prevention and Detection of Fraud and Corruption

Nestrans’ Strategy for the Prevention and Detection of Fraud and Corruption is based on a series of comprehensive and related elements designed to deter any fraudulent or corrupt act. These elements are:

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

Operating Culture

- a) Nestrans is determined that the culture and tone of the organisation meets the expectations of the Committee on Standards of Public Life. It is committed to the 7 Nolan Principles of objectivity, openness, leadership, accountability, honesty, selflessness and integrity.
- b) Nestrans expects the Board and employees to lead by example in demonstrating zero tolerance of fraud and corruption; ensuring adherence to the Standing Orders and Financial Regulations

of the Partnership; following National and Local Codes of Conduct; and ensuring that all procedures and practices are beyond reproach.

- c) Nestrans requires all individuals and organisations with whom it deals in any capacity to behave toward the Partnership with integrity and without fraudulent or corrupt intent or actions.
- d) Employees and members of the public are important elements in the stance against fraud and corruption and are positively encouraged to raise any concerns they may have on these issues which impact on Council activities. This may be achieved through the Partnership Policy relating to the Public Disclosure Act 1998.
- e) Training and guidance are vital in maintaining the effectiveness of the Strategy for the Prevention and Detection of Fraud and Corruption and its general credibility. Nestrans supports induction and work related training, particularly for employees involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced and that best practice is followed.
- f) As part of its responsibilities, Aberdeenshire Council's Internal Audit Section is required to investigate activities suspected of involving fraud and corruption. Its audit plans are required to provide adequate coverage of the risk of fraud and corruption.
- g) Where appropriate, Nestrans will co-operate with other local authorities and public sector bodies in the prevention, detection and investigation of fraud and corruption (subject to the statutory restrictions of the Data Protection Act).

Deterrent and Preventative Measures

- a) Nestrans Scheme of Delegation, Standing Orders and Financial Regulations set out a framework for dealing with the affairs of the Council and all employees have a duty to familiarise themselves with, and comply with these provisions.
- b) Thorough documentation, including working manuals and operating procedures, is expected of all financial and operational systems, and these must be developed and issued to relevant staff. Every effort must be made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls, including the effective segregation of duties, and to deter fraudulent activity and detect error. In relation to all ICT systems and procedures Aberdeen City Council's ICT Security Policy must be adhered to
- c) The adequacy and appropriateness of the Aberdeenshire Council's financial systems are independently monitored and assessed by External Audit and the control and operating systems by Internal Audit. Senior Management is committed to continuously improving the systems for which it is responsible, both through its own self-assessments and by positive response to audit recommendations.
- d) Board Members must have regard to the National Code of Local Government Conduct and acceptance of their appointment includes an undertaking to be guided by the National Code.
- e) Employee recruitment is required to be in accordance with procedures laid down in the adopted Policy and, in particular, written references must be obtained, and other appropriate checks made, to confirm the honesty and integrity of potential employees before appointments are made.
- f) Nestrans employees are expected to follow any Code of Conduct related to their personal professional qualifications.

- g) Reasonable hospitality extended to employees by current or prospective clients, customers or suppliers, is an accepted practice, but the acceptance of excessive hospitality or gifts, other than mere tokens, goes beyond what is proper for a public official, regardless of whether such gifts actually do, or are intended to, influence him or her in an official capacity. Any such hospitality or gifts must be recorded in a register kept for the purpose by the Partnership Director.
- h) Hospitality or gifts offered or received by a Board Member must be dealt with in accordance with the Code of Conduct for Elected Members and must be recorded in a register kept for the purpose by the Director, who should be consulted in the event of any doubt.
- i) Employees must declare any possible conflicts of interest which they may have, whether in contracts entered into by Nestrans or otherwise, and these must be recorded in a register maintained for this purpose.

Fraud Response Policy

- a) Nestrans will be robust in dealing with any financial malpractice, and can be expected to deal timeously and firmly with any person who attempts to defraud Nestrans or who engages in corrupt practices, whether they are Board Members, employees, consultants, contractors or other suppliers or unrelated third parties.
- b) All suspicions of impropriety must be reported to the Treasurer in accordance with the Financial Regulations. Internal Audit shall then investigate the matter, in consultation with other officers as considered appropriate. In accordance with s5(2) of the Local Government and Housing Act 1989 the Monitoring Officer is to be involved in reporting any impropriety on the part of officers or members.
- c) Nestrans' Disciplinary Procedures will be used where the Director is satisfied that the outcome of the investigation indicates improper behaviour on the part of employees.
- d) Where loss has been suffered through fraudulent activity, Nestrans will pursue the perpetrator for recovery, including reporting the matter to the Police. This action will only be taken following consultation with the Head of Personnel, Aberdeenshire Council.

Detection and Investigation Procedures

- a) In the majority of cases, it is the diligence of employees and the alertness and good citizenship of the public at large that enables detection to occur.
- b) All instances of fraud or irregularity in Nestrans are investigated by Internal Audit with other officers as deemed appropriate. Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management and other agencies, such as the Police and the Procurator Fiscal, to ensure that all allegations and evidence are properly investigated and reported upon.
- c) The detailed arrangements for the investigation of any suspected fraud or irregularity are contained in Internal Audit's procedures which are quality assured and as detailed in the Aberdeenshire Council's Policy in relation to the Public Interest Disclosure Act 1998.

4. Conclusion

- a) Nestrans has in place a clear framework of systems and procedures to deter, detect and investigate fraud and corruption. It will ensure that these arrangements are fair and confidential and are monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques regarding fraudulent or corrupt activity that may affect its operation.
- b) To this end, Nestrans maintains a continuous overview of these arrangements through, in particular, its Treasurer and the Internal Audit section of Aberdeenshire Council and its External Auditors.
- c) Nestrans will ensure that the existence of this policy, and its application, is well publicised.

Extract from National Code of Local Government Conduct

“Gifts and hospitality

You should treat with extreme caution any offer or gift, favour or hospitality that is made to you personally. The person or organisation making the offer may be doing, or seeking to do, business with the *Partnership*, or may be applying to the *Partnership* for some kind of decision.

There are no hard or fast rules about the acceptance or refusal of hospitality or tokens of goodwill. For example, working lunches may be a proper way of doing business, provided that they are approved by the Partnership and no extravagance is involved. Likewise, it may be reasonable for a member to represent Nestrans at a social function or event organised by outside persons or bodies.

You are personally responsible for all decisions connected with the acceptance or offer of gifts or hospitality and for avoiding the risk of damage to public confidence in *public bodies*. The offer or receipt of gifts or invitations should always be reported to the appropriate senior officer of Nestrans.”