

## **FRAUD PREVENTION POLICY AND PROCEDURE**

### **1. Aim**

The Library is committed to conducting its activities fairly, honestly and openly, and to the highest standards of integrity. As an organisation deriving a significant proportion of income from public funds and benefactors, the Library is committed to protecting the services it offers to its users and visitors, and its reputation.

The Library has no tolerance of fraud and is committed to taking all practicable steps to prevent all types of fraud within the organisation (internal fraud) and to prevent the organisation being defrauded by external bodies (external fraud).

The Library also participates every two years in the National Fraud Initiative (NFI) in Scotland, a counter-fraud exercise led by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. The Library actively follows up to investigate where any cross matching instances are identified.

### **2. Purpose**

This document gives guidance on the prevention of fraud.

The Library is more likely to deter fraudsters if we are fully aware of the risks, keep control systems under regular review, and respond effectively whenever fraud is suspected or discovered.

If fraud is suspected, please refer to the Library's [Fraud Response Policy](#).

### **3. Principles**

- Library staff have a duty to prevent fraud and to co-operate in the detection of fraud, as well as to act with the highest standard of integrity in exercising their duties.
- The existence of proper controls lessens the opportunity for fraud.

- Managers have the responsibility for designing, operating and reviewing control systems to minimise the risk of fraud occurring.
- Procedures set up to prevent and detect fraud must be followed without exception. Many frauds are due to failures to comply with existing control procedures, policies and regulations.
- The Library will not victimise or otherwise disadvantage staff who raise concerns about fraudulent activity in good faith, even if the allegations turn out to be unfounded. (Please also refer to the [Whistleblowing Policy](#)).
- Internal and external auditors will from time to time carry out independent reviews of systems and the adequacy of controls in place.

#### **4. Definition of Fraud**

Fraud is defined as the obtaining of financial advantage or causing loss by implicit or explicit deception. This can include:

- Making false representation.
- Failing to disclose relevant information.
- Forgery.
- Abuse of position.

Attempted fraud is treated as seriously as accomplished fraud and is also considered a criminal activity.

Fraud can be carried out by single members of staff, contractors, users of our services or others, or by groups of people acting together. Fraud can be carried out online and it is also important to follow all IT policies including the Information Security Policy and Acceptable Use of ICT Equipment Policy. Fraud can include:

- Theft or misappropriation of money or other assets such as stationery supplies or equipment.
- Theft of collection items.
- Diversion of income.
- Breaches of procurement rules for personal or family gain.
- Misuse of goods and services for an unauthorised purpose.
- Misuse or falsification of expenses.
- Illegal invoices.

- Double-billing for the same delivery.
- Misrepresented quality or value of purchased materials.
- Money transfer fraud, e.g. via scam emails or phone calls.

Fraud techniques are varied but can include:

- Making false statements.
- Falsifying records.
- Setting up bank accounts and diverting funds to them.
- Rigging procurement processes.
- Falsifying copyright ownership.
- Tampering with computer systems.

The higher the stakes, the more elaborate the operation can be.

## **5. Danger Signs – Internal Fraud**

- Evidence of excessive spending by staff engaged in cash/contract work.
- Inappropriate relationships with suppliers.
- Reluctance of staff to take leave.
- Requests for unusual patterns of overtime.
- Undue possessiveness of records.

Reluctance to take leave and over-possessiveness of records could suggest there is something to hide, and abnormal patterns of overtime could be used to achieve unauthorised access to records and systems.

Junior staff should resist any pressure from line management to circumvent internal controls or to over-ride control mechanisms. Such action could be indicative of fraudulent activity and should be reported.

## **6. Responsibilities**

### **6.1 Responsibilities of all staff**

- Follow all procedures set up to prevent and detect fraud without exception.

- Immediately report suspected fraud to their Director or Associate Director, or directly to the Associate Director of External Relations.
- If staff feel unable to raise the matter with any member of Library staff, our Internal Audit contractor BDO provides a point of contact independent of Library management. Any information it receives will be dealt with in confidence and acted on as necessary. BDO has access to the Audit Committee Chair if they consider the matter is not being adequately dealt with.

The contact point at BDO is:

Claire Robertson, Director / Risk & Advisory Services  
(Tel: 0141 248 3761); Claire.Robertson@bdo.co.uk

## **6.2 Responsibilities of managers**

- Be aware of the risks of fraud.
- Ensure all staff are aware of their responsibilities, and of the policies and procedures in place to mitigate the risk of fraudulent activity.
- Design, operate and review [control systems](#) to minimise the risk of fraud occurring.
- Balance administrative simplicity and efficient operation with the responsibilities and costs of safeguarding public assets. The degree of control within a system should be based on a clear and up-to-date assessment of the risks involved, the consequences of failure and the resource costs of eliminating or reducing these factors.
- Formally review key or high risk systems at least annually to assess whether they are adequate, and the controls are effective, or if the systems and degree of control are over-elaborate.
- Consult with the Finance Department where new control procedures are being set up or significant changes to existing procedures are being proposed.
- Put in place [preventive and detective controls](#).
- Managers with responsibility for procurement (including the award of minor contracts and small purchases), making payments, authorising grants and similar activities must ensure they and their staff follow the procurement policies.

- Business areas with significant grant-giving responsibilities must comply with the Award of Grant Policy.

Guidance for managers is available in the Fraud section of the [Scottish Public Finance Manual](#) (SPFM).

### **6.3 Responsibilities of the Finance and Procurement departments**

- Ensure core financial systems are designed and operated so as to minimise the risk of fraud.
- Ensure payment procedures include a check that invoices have been properly authorised.
- Ensure expense procedures include a check that the expenditure has been properly incurred for business purposes.
- Ensure accounting and other records, such as cash balances, bank balances, physical stock counts, are reconciled with the actual position.
- Ensure there are proper and adequate budgetary delegations and controls in place.
- Ensure robust procurement policies and procedures are in place to ensure the risk of fraud is minimised.
- Maintain up-to-date guidance and provide advice to managers on control procedures.
- Ensure staff comply with guidance/instructions issued about these systems.

### **6.4 Responsibilities of Director or Associate Directors**

- Promote a culture that allows staff to report any suspected fraud in good faith.
- Set up proper systems of control for their areas of responsibility and ensure strict compliance and regular review.
- In these areas assessed as having the greatest risk of fraud, give particular attention to control systems.
- Ensure there is adequate [separation of duties](#). Without adequate separation of duties the effectiveness of other control measures is undermined. Where resources are limited and separation of duties is not possible, appropriate compensating management controls must be employed.

- Keep a record of formal reviews of key or high risk systems carried out by managers, for reporting in the annual Letter of Assurance declaration.

## **6.5 Responsibilities of the Associate Director of External Relations**

In addition to those responsibilities detailed in 6.4 to:

- Ensure fraud procedures are accessible and regularly updated.
- Ensure staff dealing with fraud procedures receive appropriate training, support and supervision.
- Ensure a risk-based internal audit service is in place covering with greater frequency those areas where the risk of fraud is greatest.

## **6.6 Responsibilities of the Director of Business Support**

In addition to those responsibilities detailed in 6.3 and 6.4 to:

- Follow up any data matching instances identified by Audit Scotland as part of the National Fraud Initiative.

## **6.7 Responsibilities of the National Librarian**

- Overall responsibility for ensuring control systems and procedures are in place rests with the National Librarian, as Accountable Officer.

## **7. Related Policies**

See also the Library's Discipline Policy and Procedure, [Gifts, Fees, Hospitality, Bribery and Corruption Policy, Whistleblowing Policy, and Fraud Response Policy and Procedure.](#), Information Security Policy, Acceptable Use of ICT Equipment Policy