REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 4 DECEMBER 2018

SUBJECT: CORPORATE INTEGRITY GROUP UPDATE

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1.   REASON FOR REPORT

1.1   To update the Committee on the work of the Corporate Integrity Group.

1.2   This report is submitted to Committee in terms of Section III (I) (5) of the Council's Scheme of Administration: Enhancing corporate governance arrangements by promoting internal control and risk management by supporting an anti-fraud culture.

2.   RECOMMENDATION

2.1   It is recommended that the Committee consider and note the work of the Corporate Integrity Group for the period November 2017 to November 2018.

3.   BACKGROUND

3.1   The Corporate Integrity Group was formed in March 2014 in response to a drive from Police Scotland for Councils to look at fraud, crime and corruption in a more joined up way.

3.2   The group is chaired by the Head of Legal and Democratic Services and includes officers from Finance, Internal Audit, Trading Standards, HR, Procurement, Property Services, IT and Press/PR. The group meets on a 6 monthly basis and a member of the counter corruption team within Police Scotland is invited to attend meetings.

3.3   The group was set up to:

- Identify potential vulnerabilities in systems and procedures.
- Have an action plan to address them.
- Improve lines of communication both within the Council and with the Police and other Councils.
- Monitor policies and practice in this area

3.4   The work of the group is closely linked to other risk management policies and practises of the Council including:

- Staff induction and recruitment procedures
- Staff and elected members codes of conduct.
- Information security policy
- Confidential reporting policy
- Records management policy
- Procurement procedures.
- Risk registers
- Business continuity plans

Whilst crime, fraud and corruption risks may be tackled indirectly in the above policies and practices, the benefit of the Integrity Group is that these risks can be viewed in a holistic way, with the benefit of Police Scotland expertise in this area.

3.5 To help focus activity of the group, the group keep an Action Plan which details known crime, fraud and corruption risks with the mitigation measures in place for each. The plan is regularly reviewed in light of alerts from the National Fraud Initiative, Police Scotland and from relevant press articles. A copy of the Action Plan is available for inspection on CMIS.

3.6 Recent activity promoted by the group:

- A register of interests has been put in place for senior members of staff, available for public inspection on the Councils web pages. This was in response to an inquiry from Audit Scotland, following a high profile case from the central belt where a council director committed their council to a high value contract with a close relative.
- Guidance has been issued to all staff covering the highest risk areas including bank mandate fraud and IT system attacks through email attachments. This guidance is attached as **Appendix 1**.
- Several members of the group have attended training from Police Scotland on serious organised crime. This is a particular priority for Police Scotland who wish to disrupt the activity of criminal gangs involved in, for example, drug trafficking, money laundering and modern slavery. Gangs have been known to abuse Council procurement and licensing processes and try to bribe/corrupt Council officials. There are measures in the Council's Action Plan, detailed at paragraph 3.5 above to mitigate against these risks.

3.7 Incidents involving fraud/theft within the Council are rare. Any such incidents, as well as being investigated by the Councils internal audit section, will be referred to the group to consider whether the risk ranking and mitigation measures in the action plan need to be amended.

4. PROPOSALS

4.1 It is proposed that the Corporate Integrity Group continue to meet on a regular basis and that the work of the group is reported annually to the Audit and Scrutiny Committee.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
Whilst not contributing directly to the priorities in the Council's Corporate Plan, the work of the Corporate Integrity Group will help improve the governance of the Council and make it better equipped to deal with front line priorities.

(b) Policy and Legal
Whilst there is no legislative requirement to have an Integrity Group, it does play an effective role in the overall risk management strategy of the Council.

(c) Financial implications
There is potential for financial savings from control of fraud and corruption.

(d) Risk Implications
The work of the Corporate Integrity group is aimed to decrease the risk to the Council of crime, fraud and corruption.

(e) Staffing Implications
The Corporate Integrity Group meets relatively infrequently and staff time can be met within existing resources.

(f) Property
No direct implications.

(g) Equalities/Socio Economic Impact
No direct implications.

(h) Consultations
Lorraine Paisey, Head of Financial Services, Atholl Scott, Audit Manager and Muriel Allan, Principal Trading Standards Officer have been consulted and comments received have been considered in writing the report.

6. CONCLUSION

6.1 The Corporate Integrity Group does not take up a significant amount of officer time. It is considered to be a worthwhile and proportionate use of resources to help manage the risk of fraud, crime and corruption which the Council faces.

Author of Report: Alasdair Mceachan, Head of Legal and Democratic Services
Background Papers: Corporate Integrity Group Action Plan available on CMIS site