

# Revenue Scotland Counter-Fraud Policy and Response Plan December 2023

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### 1. Introduction and Scope

1.1 Revenue Scotland has a **zero tolerance** approach to fraud. We will counter fraud by ensuring that a zero tolerance culture to fraud is maintained and that fraud is effectively managed at all levels in the organisation.

1.2 It is essential to have a proactive approach to countering fraud, bribery and corruption, to ensure that public funds are safeguarded and the services provided by Revenue Scotland are protected.

1.3 This document sets out our approach for preventing, detecting, reporting and handling fraud. The Policy covers both external and internal fraud. It applies to all staff, including delegates carrying out functions on behalf of Revenue Scotland, and temporary staff.

1.4 This Policy does not cover tax evasion by external parties. Collusion by Revenue Scotland staff in actions, or attempted actions, to evade tax would, however, be covered by this Policy.

### 2. Related Policies and Procedures

- a) [Counter Fraud: The Scottish Government Guide](#)
- b) [The Civil Service Code](#)
- c) [Civil Service Management Code](#)
- d) [Revenue Scotland - Whistleblowing Policy](#)
- e) [Scottish Public Finance Manual Rules and Guidance on Gifts](#)

### 3. Overview of Policy

#### Strategic overview

3.1 The Revenue Scotland Counter-Fraud Policy and Fraud Response Plan document is modelled on the Scottish Government (SG) Counter-Fraud Policy document which outlines the approach for the prevention, detection, reporting and handling of fraud within SG.

3.2 The policy has five strategic objectives, adapted from the SG strategy, to take account of Revenue Scotland's specific tax collection and management functions:

1. **Awareness:** We will deter fraud by raising awareness within Revenue Scotland, our partner organisations and our stakeholders. We will highlight appropriate danger signs to staff in any high-risk areas including finance and procurement, as well as tax collection and management functions.
2. **Prevention:** We will aim to prevent fraud through improving our systems and controls to support our business services and our services to taxpayers, their agents and the general public. We will identify fraud risks and preventive measures when undertaking new work or reviewing processes.
3. **Teamwork:** We will aim to prevent fraud by working together across Revenue Scotland's functions and with our partners to share information and to develop combined approaches to countering fraud. We will work with colleagues to create a counter-fraud culture where staff are supported to share knowledge, learn lessons and report problems.
4. **Investigation:** We will detect fraud by being proactive in analysing data to identify areas at risk of fraud, by being effective and professional in our investigations of specific cases and by maintaining a robust whistleblowing procedure. We will use specialist services if necessary to ensure that allegations are investigated thoroughly, fairly and professionally.
5. **Enforcement:** We will promote a **zero tolerance** approach to all external and internal fraud. There is no acceptable level of fraud. We will handle fraud by continuing to take a tough line on anyone committing fraud by ensuring that appropriate disciplinary action is taken. The Police will also be informed where considered appropriate. **See Section 5.**

### **Establishing and maintaining a Counter-Fraud Culture**

3.3 Revenue Scotland staff are required, at all times, to act honestly and with integrity and to safeguard the public resources for which they are responsible, in line with [The Civil Service Code](#). Revenue Scotland will not accept any level of fraud or corruption; consequently, any case, or attempted or suspected case, will be thoroughly investigated and dealt with appropriately. There is no acceptable level of fraud. All members of staff have a role in establishing an effective counter-fraud culture by:

- a) Being alert to the risk of external and internal fraud;
- b) Identifying suspicious activities and control weaknesses; and
- c) Reporting any suspicions quickly and appropriately.

3.4 Our approach to countering fraud is to ensure that this zero tolerance culture to fraud is maintained and that fraud is effectively managed at all levels, as follows:

- a) Committing to clear ethical standards through this formal Counter-Fraud Policy;
- b) Communicating our attitude to fraud by raising awareness of our counter-fraud policy to all staff;
- c) Supporting all staff in their responsibilities in preventing and detecting fraud through guidance and training;

- d) Providing managers with support in designing, operating and reviewing internal controls;
- e) Maintaining comprehensive procedures which include internal controls that aim to prevent and detect fraud and ensuring that these procedures are carefully followed and monitored;
- f) Protecting members of staff through a robust process for reporting suspicions of fraud;
- g) Responding to fraud effectively through a comprehensive Fraud Response Plan;
- h) Using data and technology efficiently within our systems to combat fraud; and
- i) Sharing knowledge of vulnerabilities and lessons learned through our communication channels.

### Definition of Fraud

3.5 Fraud is the use of deception with the intention of obtaining personal gain, avoiding an obligation or causing loss to another party. Fraud is committed when someone achieves a practical result by means of a false pretence. The term “fraud” can be used to describe a wide variety of dishonest behaviour such as forgery, false representation and the concealment of material facts. It is usually used to describe the act of depriving a person of something by deceit, which may involve the misuse of funds or other resources, or the supply of false information.

3.6 The fraudulent use of IT resources is included in this definition, and it covers the use of IT equipment to manipulate systems, programmes or data dishonestly, e.g. by altering, substituting or destroying records, or creating spurious records, or where the use of an IT system was a material factor in the perpetration of a fraud.

### How fraud occurs

3.7 Four basic elements are necessary for a fraud to occur:

- a) **People** to carry out the fraud. They may be individuals inside the organisation (internal fraud), outside the organisation (external fraud), or two or more individuals working inside or outside the organisation (collusion);
- b) **Assets** to acquire fraudulently;
- c) **Intent** to commit the fraud; and
- d) **Opportunity**.

3.8 Managers must, therefore, ensure that opportunities for fraud are minimised. A high chance of being caught will also deter.

3.9 Opportunities to commit fraud will be reduced by ensuring that a sound system of internal control, proportionate to risk, has been established and that it is functioning as intended. Risk, in the context of managing fraud risk, is the vulnerability or exposure of Revenue Scotland towards fraud and irregularity. It combines the probability of fraud occurring and the corresponding impact in monetary (or other, for example, reputational) terms. Preventive controls and the creation of the right type of corporate culture will tend to

reduce the likelihood of fraud occurring, while detective controls and effective contingency planning can reduce the size of any losses.

3.10 Fraud may be committed, or attempted, as a result of bribery. A bribe is an offer or promise of a financial or other advantage, designed to induce another person to perform improperly in their position of trust and responsibility. UK provisions in the [Bribery Act 2010](#):

- a) Make 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;
- b) Increase the maximum penalty for bribery from seven to 10 years imprisonment, with an unlimited fine; and
- c) Introduce a corporate offence of failure to prevent bribery by persons working on behalf of a business.

### **Reducing the Opportunity for Fraud: Segregation of Duties**

3.11 The opportunity for fraud must be reduced wherever possible. Allocating responsibility for too many functions to one person can constitute a high risk of fraud and should be avoided. This risk can be reduced by ensuring proper segregation of duties so that, for example, more than one person has to be involved in ordering, receiving and authorising payments for goods or services, handling tax receipts, or making operational tax decisions, such as, involving waiving of interest or penalties.

3.12 Without adequate segregation of duties, the effectiveness of other control measures is undermined. Where resources are limited and segregation of duties is not possible, alternative management controls, such as supervisory checking, must be employed.

### **Robust Systems of Control**

3.13 Appropriate preventive and detective controls should be put in place to counter the risk of fraud (both internal and external, as well as collusion). Procedures set up to prevent and detect fraud must be proportional to the risk involved and be carefully followed and monitored. Additional information is provided in the SPFM sections on [Checking Financial Transactions](#) and on [Risk Management](#).

3.14 Preventive controls are designed to limit the possibility of a fraud occurring. Separation of duties, effective procedures and checks should prevent or deter fraud from occurring. Opportunities to commit fraud will be reduced by ensuring that a sound system of internal control proportional to risk has been established and that it is functioning as intended. Some frauds arise because of systemic weaknesses; others are the result of failure to follow proper control procedures. Frauds resulting from collusion may be more difficult to detect and prevent as these types of fraud tend to operate within the normal control environment. In respect of fraud risks, prevention is almost always preferable to detection. Strong preventive controls should therefore be applied wherever possible. Controls may range across:

3.15 Physical security which controls and monitors access to assets, documentation and IT systems to ensure that there is no unauthorised use, loss or damage;

3.16 Clear definition of responsibilities and levels of authority, clear reporting lines and effective spans of command, separation of duties to avoid conflicts of interest or opportunities for abuse;

3.17 Supervision and monitoring, including random spot checks by managers; and

3.18 Budgetary and other financial controls, which both limit the scope for fraud and may assist detection.

3.19 Detective controls are designed to spot errors, omissions and fraud after the event (e.g. supervisory checks and reconciliations). Well-designed and cost-effective internal controls, including those listed above, are an important tool for identifying actual or attempted frauds. Information from third parties or reporting by staff of suspicions of fraud can be an important detector and deterrent of fraud. Revenue Scotland will deploy a range of audit techniques and analytical tools to identify indicators of possible fraud; always subject to the requirements of data protection legislation and legislative provisions concerning protected taxpayer information (PTI). Fraud indicators or “danger signs” may also point the way for further detailed investigation. Support for managers in establishing appropriate controls is provided by the Revenue Scotland finance and analytical functions and by Scottish Government Directorate of Internal Audit and Assurance (IAAD) as a result of their appointment as internal auditors to Revenue Scotland.

3.20 Managers have prime responsibility for ensuring that clear and robust internal procedures are in place for areas where fraud could be committed. It is very important that:

- a) There is adequate separation of duties and that proper authorisation processes for such decisions, contract awards and payments are in place;
- b) Staff dealing with these procedures are familiar with them and abide by them;
- c) Accounting and other records, such as cash balances, bank balances, revenue accounts and physical stock counts, are reconciled with the actual position; and
- d) Staff who are bankrupt or insolvent are required to notify Revenue Scotland of this under the SG Propriety Policy and should not be employed on duties which might permit the misappropriation of public funds.

### **The Importance of Monitoring**

3.21 Many frauds are due to failure to comply with existing controls and procedures. It is essential that good control systems are supported by supervisory checking and alertness to the risks of fraud. Internal and external auditors carry out independent reviews of systems and the adequacy of controls in place and will highlight areas where controls are not being followed or where they can be improved.

3.22 Additional information on conduct, discipline and management responsibilities is available in the [Civil Service Management Code](#) which sets out the regulations and instructions regarding the terms and conditions of service of civil servants.

## Identification of Fraud and Danger Signs

3.23 Managers and staff must always be alert to the risk of fraud, theft and corruption. Danger signs of potential external fraud (including collusion with Revenue Scotland staff) may include:

- a) Photocopies of documents when originals would be expected;
- b) Discrepancies in information e.g. signatures and dates;
- c) Key documents missing or lacking essential information;
- d) Unexpected queries from stakeholders or suppliers e.g. bank account detail changes;
- e) Requests for non-standard types of payment;
- f) Unexpected trends or results e.g. from reconciliations;
- g) Suppliers/ contractors who insist on dealing with one particular member of staff;
- h) Taxpayers/ agents who insist on dealing with one particular member of staff;
- i) Reluctance of staff to take leave;
- j) Staff working excessive hours; first to arrive in morning, last to leave at night; and
- k) Staff refusal of promotion.

3.24 Danger signs of potential internal fraud (including collusion with externals) include:

- a) Evidence of excessive spending by staff, sudden change of lifestyle;
- b) Inappropriate relationships with suppliers or contractors;
- c) Inappropriate relationships with taxpayers/agents;
- d) Reluctance of staff to take leave;
- e) Staff working excessive hours; first to arrive in morning, last to leave at night;
- f) Refusal of promotion;
- g) New staff resigning quickly;
- h) A supervisor insisting on opening all incoming mail;
- i) Undue possessiveness of, or anomalies between, work records or management of specific tax cases;
- j) Pressure from colleagues to avoid normal control procedures; and
- k) Abnormal Travel and Subsistence claims, overtime or Flexible Working Hours patterns.

3.25 To spot fraud indicators in specific areas or activities it is important that accepted practices have been established for the area or activity under review and that the reviewer, or Auditor, is familiar with them. Further examples of possible fraud indicators and risk factors are:

- a) Inadequate or no segregation of duties;
- b) Absence of controls and audit trails;
- c) Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation);
- d) Crisis management coupled with a pressured business environment;
- e) Lack of established code of ethical conduct;
- f) Lack of senior management oversight;
- g) Lack of rotation of duties;
- h) Policies not being followed;

- i) High staff turnover or chronic understaffing in key control functions;
- j) Low staff morale/ lack of career progression/ weak management;
- k) Poor or stagnant pay/ poor working conditions;
- l) Consistent failures to correct major weaknesses in internal controls; and
- m) Frequent overriding by management of internal controls.

### **Reporting Fraud**

3.26 The danger signs highlighted in this Policy are not exhaustive and any indication of fraudulent activity should be reported. Managers and staff must always be alert to the risk of fraud, theft, bribery or corruption. Managers and staff may also receive notification of suspected fraud from external sources including partner organisations, taxpayers, agents, professional bodies and members of the public.

3.27 Fraud reporting procedures within Revenue Scotland are as follows:

- a) In the first instance staff should report any suspicions of occurrence of fraud, or attempted fraud, to their line manager.
- b) If they feel unable, or it would not be appropriate, to raise the matter with their line manager, they should contact another line manager or a senior member in the management chain.
- c) If this does not resolve the issue, or if there is a good reason for not raising a concern within the line management chain, the matter should be reported direct to the Chief Executive.
- d) If staff have a particularly serious and urgent concern, which for whatever reason cannot be raised via the management chain or the Chief Executive, they should report the matter to the Chair of the Board of Revenue Scotland.

3.28 Under the Revenue Scotland Whistleblowing Policy all matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff.

3.29 In most cases it will be appropriate for suspicions of fraud reported in this way to be passed on to the SG Governance team General for purposes of co-ordination under the SG Fraud Response Plan.

3.30 All discovered cases of actual or attempted fraud must be reported to the Revenue Scotland Audit and Risk Committee; to SG IAAD (as Revenue Scotland's internal Auditors) in order to inform risk assessment of (a) internal controls and (b) the Internal Audit Plan; and to the Revenue Scotland Board. Audit Scotland will also be notified of any cases arising.

### **Responding to Fraud**

3.31 Thorough investigations must be undertaken where there is suspected fraud and the appropriate legal and/or disciplinary action should be taken in all cases. Appropriate disciplinary action should also be taken where supervisory or management failures have occurred. See paragraph 5.1.



3.32 Investigating fraud is a very specialised area of expertise and those tasked with any investigation work must have received appropriate training, including on the gathering of evidence. Investigations must not be undertaken by untrained staff. Specialist advice, including advice from SG IAAD, Revenue Scotland People Directorate (who will consult SG HR Directorate as appropriate), the Revenue Scotland Head of Finance and the Revenue Scotland Head of Legal Services (who will consult SG Legal Directorate and other sources of legal advice as appropriate), must be taken as early as possible. Further details are set out in the Response Plan (See Section 7).

### **Acceptance of Gifts or Hospitality**

3.33 Bribery may take the form of offers of gifts or hospitality. Under [The Civil Service Code](#), which applies to members of staff of Revenue Scotland as civil servants in a non-Ministerial Office within the Scottish Administration, it is made clear that staff must not accept gifts or hospitality or receive other benefits from anyone which might reasonably be seen to compromise their personal judgement or integrity. These ethical standards are described in more detail in the Scottish Government HR policies, procedures and guidance, to which Revenue Scotland staff are - following a decision by the Board - also subject. In respect of staff involved in purchasing and contracting, these standards are also laid down in the Scottish Government Procurement Policy Manual.

3.34 Revenue Scotland is also subject to the rules and guidance on gifts in the [Scottish Public Finance Manual Rules and Guidance on Gifts](#) which sets out the procedures to follow where gifts of cash or other resources are either made or received. This guidance is directly applicable to Revenue Scotland as a non-Ministerial Department within the Scottish Administration.

### **Recording and Accounting**

3.35 Losses due to fraud are subject to the guidance on losses and special payments set out in the SPFM. Details must therefore be brought to the attention of the Revenue Scotland Head of Finance and the Scottish Parliament, through notes in the Revenue Scotland Annual Report and Accounts. Details must also be reported to the Revenue Scotland Audit and Risk Committee.

## **4. Responsibilities**

### **Scottish Ministers**

4.1 The Scottish Ministers are responsible for issuing relevant guidance in the SPFM, on which this Policy and accompanying Fraud Response Plan are based, on the prevention, detection, reporting and handling of fraud.

### **Revenue Scotland**

4.2 In Revenue Scotland, overall responsibility for establishing and maintaining a framework for risk, control and governance, including for managing the risk of fraud, rests with the Board.

4.3 The Board has delegated to its Audit and Risk Committee responsibility for scrutinising arrangements put in place by the Chief Executive, as Accountable Officer, and staff of Revenue Scotland for risk, control and governance, including the management of fraud risk and appropriate procedures to prevent, deter and detect fraud that are consistent with guidance in the SPFM.

#### **Chief Executive**

4.4 The responsibilities of the Chief Executive, as Accountable Officer, in relation to fraud include:

- a) Preparing, reviewing, updating and communicating relevant policies and guidance on counter-fraud;
- b) Ensuring that financial and tax management systems, policies and processes are designed and operated in such a way as to minimise the risk of fraud;
- c) Providing assurance about the effectiveness of counter-fraud policies to the Audit and Risk Committee, and as necessary to the Board, to support the Governance Statement provided as part of the Revenue Scotland Annual Accounts; and
- d) Reporting as appropriate relevant cases to the SG Governance Team.

#### **Internal Audit and Assurance Directorate (IAAD)**

4.5 The Scottish Government's Internal Audit and Assurance Directorate is responsible for:

- a) Delivering an opinion to the Revenue Scotland Audit and Risk Committee and the Accountable Officer on the adequacy of counter-fraud arrangements in Revenue Scotland;
- b) Helping Revenue Scotland senior managers to review the organisation's risk exposure and to identify the possibility of fraud as a business risk; and
- c) In conjunction with any others as appropriate and at the request of the Chief Executive, co-ordinating and conducting effective fraud investigations. (Further details in the Revenue Scotland Fraud Response Plan (**Section 7**)).

#### **Heads of Service**

4.6 Revenue Scotland Heads of Service, who have delegated authority as set out in delegation letters from the Accountable Officer, are responsible for:

- a) Ensuring that effective internal controls are operating both collectively and within their own areas of responsibility; and
- b) Assessing the types of risk involved in the operations for which they are responsible and responding to minimise the opportunity for fraud.

#### **Staff**

4.7 All Revenue Scotland members of staff are responsible for:

- a) Acting with propriety in the use of official resources and the handling and use of public funds;
- b) Conducting themselves in accordance with the principles of the Civil Service Code;
- c) Being alert to the possibility that unusual events, tax management activity or transactions could be indicators of fraud;
- d) Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or if they see any suspicious acts or events; and
- e) Co-operating fully with whomever may be conducting internal checks, or reviews, or fraud investigations as the case may be.

## **5. Enforcement**

5.1 All cases of actual or suspected fraud will be vigorously and promptly investigated and appropriate action will be taken. The Police will be informed where considered appropriate. In addition, disciplinary action will be considered not only against any members of staff found to have perpetrated frauds but also against managers whose negligence is held to have facilitated frauds. Both categories of offence can be held to constitute gross misconduct, the penalty for which may include summary dismissal.

## **6. Fraud Response Plan**

### **Investigations**

6.1 Following the reporting of suspicions or allegations of fraud, the Chief Executive or, if for whatever reason it is not considered appropriate for the Chief Executive to be involved in a particular investigation, the Chair of the Board will seek specialist advice and/or a recommendation as appropriate from:

- a) People Services, who will consult as required with Scottish Government HR;
- b) IAAD
- c) The Revenue Scotland Head of Finance; and/ or
- d) The Revenue Scotland Head of Legal Services, in consultation if appropriate with Scottish Government Legal Directorate (SGLD) on whether the suspicions or allegations warrant further action or investigation.

6.2 The Chief Executive (or the Chair) may also, at their discretion arrange for the information to be passed on to the SG Governance Team for co-ordination purposes and other purposes set out in paragraph 3.10.4.

6.3 If further action or investigation is agreed, the Chief Executive (or, exceptionally, the Chair) should initiate the following action, insofar as it is appropriate to the particular case:

- a) Decide the level at which line management should be involved and bring the allegations to the notice of line management if it is not already aware of them, at the same time confirming the investigative arrangements and reporting lines.
- b) Secure records and assets, including imposing restrictions on access to offices, computer terminals or devices.

- c) Based on advice from People Services, and involving the Head of Legal Services/ SGLD/SG HR as required, consider the *prima facie* case for suspension of any Revenue Scotland member or members of staff who are the subject of suspicion or allegations.
- d) Agree the scope and nature of any investigative work required to establish the facts of the particular case.
- e) Decide whether the appropriate Police/ Procurator Fiscal Service contacts should be informed.
- f) Agree a timetable for completion of any agreed actions.

6.4 Fraud investigations may, at the request of the Chief Executive (or the Chair), be undertaken by IAAD, Scottish Government HR or an Independent Investigating Officer, depending on the circumstances.

6.5 Investigations will take account of any relevant work or recommendations by specialist areas, including Internal Audit, Financial and HR reports. The SG Governance Team should also be kept informed about preliminary investigation findings.

6.6 The Chief Executive (or the Chair), assisted as necessary by Heads of Service and/or the Head of Finance, will carefully consider the terms of reference for any investigative work. Investigations should not be restricted solely to suspicions or allegations against an individual that may lead to a charge of gross misconduct. If there is a possibility that instances of serious misconduct (e.g. misconduct other than fraud) may also have occurred, these should be investigated at the same time as the fraud allegations by HR under SG's Disciplinary Policy and Procedures to which staff of Revenue Scotland are subject.

### **Selection of Investigating Officer**

6.7 People Services will, where necessary, following prior consultation with and on behalf of the Chief Executive (or the Chair), appoint the independent Investigating Officer. The Investigating Officer must be at least B3 level and have the appropriate skills to undertake an investigation and, if necessary, knowledge of the area of work under investigation. They should be a person who does not have, and has not had, close personal or work-related ties with the person under investigation.

### **Action on Investigation Findings**

6.8 As soon as possible after investigations have been completed and the Chief Executive (or the Chair), in consultation as appropriate with People Services, IAAD and legal advisers, is satisfied that no further investigations are required, the Chief Executive (or Chair) must ensure that:

- a) Disciplinary action, if any, is being taken (in line with disciplinary policy and procedures);
- b) Disciplinary action, if any, is being taken if initial allegations appear to be malicious;
- c) The form and content of any report to the Audit and Risk Committee and the Board is appropriate; and
- d) The Police/ Procurator Fiscal is/ are notified if required.

## **Case Closure, Follow-Up and Review**

6.9 Where evidence of fraud or serious misconduct has been identified, the Chief Executive (or the Chair) should consider whether any action needs to be taken to prevent a recurrence. In such cases an action plan should be drawn up setting out clear recommendations and be shared with the RS Head of Finance. It may be helpful to consult SG Internal Audit or SG HR who have already drawn up their own cross-SG action plans.

6.10 Action plans will include the required steps to be taken in response to an investigation's findings. Any occurrence of fraud in Revenue Scotland may hold lessons to be learned elsewhere in the Scottish Administration or in the core Scottish Government. Action plans should, therefore, be shared with the SG Fraud Response Team who have a lead role in ensuring that appropriate action is taken forward effectively across SG.

6.11 The Chief Executive (or the Chair) will be informed by People Services of the outcome of cases where a charge of gross misconduct has been made. In any case where such a charge has been brought but a disciplinary hearing does not uphold the charge or an appeal panel overturns the initial panel's decision, the Chief Executive (or the Chair) will be informed of the reasons for the panel's decisions. It will then be for the Board, advised by the Chief Executive, in consultation with the Head of Finance, People Services and others as necessary, to consider whether in light of this information there are lessons to be learned for the handling of fraud cases and whether this Fraud Response Plan and related guidance, for example on disciplinary procedures, is operating effectively.

6.12 If appropriate, where an individual has, or individuals have, been dismissed or subject to other disciplinary action for matters other than fraud (e.g. abuse of IT systems), People Services will inform the Chief Executive (or the Chair) and IAAD of the circumstances of the case and consideration may be given to whether a further review (by IAAD) should be undertaken to establish whether or not there has been misuse of other systems by the same individual(s).

## **Confidentiality**

6.13 The Chief Executive (or the Chair), Heads of Service and the Head of Finance, as necessary, will receive the appropriate information relating to individual cases. They must treat all information relating to individual members of staff on an "Official - Sensitive" basis and should ensure that it is only passed on to colleagues on a strictly need to know basis. People Services will place a record on the career folder of a member of staff only where disciplinary action has been taken. Under the Revenue Scotland Whistleblowing Policy all matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998, which protect the legitimate personal interests of staff. Further information is provided in the Whistleblowing Policy. Revenue Scotland staff have responsibility to conduct themselves in accordance with the Civil Service Code, acting with honesty and integrity. Any breaches will be considered under the Discipline policy.

## Reporting Cases of Fraud

6.14 Details of any cases of actual or suspected fraud dealt with under these arrangements must be reported at least quarterly to the Revenue Scotland Audit and Risk Committee (ARC). Details of fraud where actual losses have been incurred must also be reported to Audit Scotland and to the Scottish Parliament, through notes in the Revenue Scotland Annual Report and Accounts.

## External Fraud

6.15 External frauds, other than tax fraud or evasion (see paragraph 1.4 above), are frauds perpetrated by third parties against Revenue Scotland (e.g. contract, procurement and purchasing fraud). Cases of external fraud will be dealt with under this Counter-Fraud Policy and Response Plan. As previously noted, the SG Governance Team is also available to advise on arrangements for dealing with external fraud.

6.16 The Chief Executive may seek additional advice in cases of external fraud from SG DG Exchequer, SG HR and/or SGLD. Procedures for responding to suspected external fraud, insofar as they are appropriate to any particular case, may include the following:

- a) A report by operational management on the circumstances;
- b) A formal assessment of whether the evidence tends to substantiate fraud; (any invalid claims or invoices that could reasonably be argued were submitted in good faith should not normally be regarded as fraud);
- c) In consultation as appropriate with SG DG Exchequer and with the Head of Legal Services or as appropriate SGLD, consideration of any specific aspects requiring special handling;
- d) Consideration of what actions, if any, need to be taken to raise awareness about wider effects of the alleged/ attempted fraud;
- e) Notification of the alleged fraud to the Police/ Procurator Fiscal where appropriate; consideration of what actions need to be taken for them to establish the facts; engagement of specialist advice as required;
- f) Consideration of suspension of the project/ supplier payment, etc., and of whether recovery action is required;
- g) Consideration of what support is required for any on-going investigations, e.g. availability of staff for statements;
- h) Ensuring that the Audit and Risk Committee is kept fully apprised of the potential fraud, the potential risk and the actions to be taken;
- i) In consultation with SG DG Exchequer, consideration of losses and special payments implications, as set out in the Scottish Public Finance Manual;
- j) Consideration of control procedures and lessons learned; and
- k) Consideration of reporting requirements.

6.17 It will normally be sufficient to alert Revenue Scotland's IT team, copying in SG's IT Security group, about any cases of internet scams. If fraud by a supplier is suspected, the Scottish Procurement and Commercial Directorate should be kept informed. Cases of straightforward theft (which does not qualify as fraud) should be notified to the Head of Corporate Functions and, as appropriate, the SG Security team for action.

## Responsibilities

6.18 Fraud reporting procedures within Revenue Scotland are as follows:

- a) In the first instance staff should report any suspicions of occurrence of fraud, or attempted fraud, to their line manager.
- b) If they feel unable, or it would not be appropriate, to raise the matter with their line manager, they should contact another line manager or a senior member in the management chain.
- c) If this does not resolve the issue, or if there is a good reason for not raising a concern within the line management chain, the matter should be reported direct to the Chief Executive.
- d) If staff have a particularly serious and urgent concern, which for whatever reason cannot be raised via the management chain or the Chief Executive, they should report the matter to the Chair of the Board of Revenue Scotland.

6.19 The Board of Revenue Scotland has overall responsibility for establishing and maintaining a framework for risk, control and governance, including for managing the risk of fraud. In discharging its overarching responsibility, the Board has delegated to the Audit and Risk Committee responsibility for scrutinising arrangements put in place by the Chief Executive, as Accountable Officer, and staff of Revenue Scotland for risk, control and governance. This includes the management of fraud risk and appropriate procedures to prevent, deter and detect fraud that are consistent with relevant guidance in the Scottish Public Finance Manual (SPFM), on which this Fraud Response Plan and accompanying Counter-Fraud Policy are based, on the prevention, detection, reporting and handling of fraud.

6.20 In putting in place these arrangements and carrying out these functions, the Chief Executive is supported in particular by her Heads of Service and by the Head of Finance and is able to call on assistance as appropriate from SG Internal Audit Directorate, SG HR, the SG Fraud Response Team within the SG DG Exchequer and other specialist corporate support.

6.21 Specific roles and responsibilities, while listed separately, are clearly inter-linked: close liaison and co-operation on developments in specific areas is essential, as is the involvement of line management at an appropriate level. It will often be necessary to act with extreme urgency in handling actual or suspected frauds. It may also be necessary to involve additional individuals with particular knowledge or expertise in consideration of a specific case, or to require individual members of staff to attend meetings, provide statements or otherwise assist.

6.22 The Chief Executive leads on the implementation of effective counter-fraud policy in Revenue Scotland and is responsible for ensuring that necessary action is taken to handle all actual or suspected cases of fraud, or attempted fraud, which may occur. They lead in:

- a) Promoting a strong anti-fraud culture throughout Revenue Scotland, deploying internal and external communications;
- b) Counter-fraud policy development in Revenue Scotland;
- c) Assessing, monitoring and mitigating risk of fraud in Revenue Scotland policies and procedures;

- d) Ensuring that fraud investigations are carried out effectively;
- e) Considering, in consultation with People Services and with line management, the sensitivity of the allegations in terms of public interest and briefing the Board appropriately; and
- f) Reporting fraud, and lessons learned; alerting SG, delivery partners and stakeholders as appropriate to fraud risks; and undertaking any appropriate communications.

6.23 In all these responsibilities, the Chief Executive is supported as necessary by Revenue Scotland's Heads of Service and the Head of Finance.

6.24 The Head of Finance is specifically responsible for:

- a) Safeguarding funds potentially at risk, rectifying any obvious gaps in financial controls;
- b) Advising the Chief Executive on the case for recovery action and initiating action to recover funds as required;
- c) Determining the financial impacts of frauds;
- d) Supporting the Chief Executive in reporting details of any frauds to the Audit and Risk Committee and the Board;
- e) Monitoring the implementation of agreed action plans developed in response to a case of fraud and ensuring that any lessons from the case are appropriately captured and shared;
- f) Arranging, where necessary, for notation of Revenue Scotland Accounts; and
- g) Reporting any frauds to Revenue Scotland's external auditors.

6.25 Revenue Scotland's People Services Team is responsible for provision of HR advice and assistance to the Chief Executive, including:

- a) Advising on and, as appropriate, arranging the suspension of Revenue Scotland members of staff pending the outcome of any investigations (and reviewing the notice of suspension at regular intervals throughout the period of investigation);
- b) Appointing an Investigating Officer (see below);
- c) Liaising with SG People Directorate and SG Legal Directorate (SGLD) on legal implications under employment legislation and SG Main terms and conditions;
- d) Implementing disciplinary procedures against perpetrators of frauds and other members of staff whose actions may have facilitated frauds; and
- e) Considering the action to be taken if lesser instances of misconduct have been identified during the investigation.

6.26 The Head of Corporate Functions, consulting the SG Security team and Revenue Scotland IT services as necessary, is responsible for:

- a) Protecting accounting and other records;
- b) Safeguarding relevant records and assets potentially at risk;
- c) Restricting access to offices, workstations, devices and records of individuals involved by altering or withdrawing cards/ passwords;
- d) Pursuing cases of straightforward theft; and
- e) Leading on information assurance work.



6.27 The Head Corporate Functions, as the SLT member responsible for IT services and SIRO, is responsible for IT-related counter-fraud activity.

6.28 The Revenue Scotland Head of Legal Services, in consultation with SGLD if appropriate, is responsible for the provision of legal advice.

6.29 SG Internal Audit Directorate, who provide Internal Audit services to Revenue Scotland, are responsible as and when requested by the Chief Executive for:

- a) Carrying out fraud investigations and liaising with the appropriate Police/ Procurator Fiscal Service contacts as required;
- b) Making recommendations for improvement where appropriate; and
- c) Advising on potential lessons to be learned.

6.30 At Revenue Scotland's discretion, the Chief Executive may arrange for suspicions of fraud to be reported to the SG Fraud Response Team for the purposes of co-ordination under the SG Fraud Response Plan. The Team, which receives and records information provided anonymously or otherwise about suspected frauds from individual members of the public, is well placed, as required, to:

- a) Issue fraud alerts;
- b) Provide advice and co-ordination services on counter-fraud matters; and
- c) Advise on what action, assistance and communication may be required from within SG and external sources (including the Police).

## **7. Review**

7.1 This document is subject to review at least every three years.