

Fraud and Financial Irregularity Policy

Descriptor	Changes made	Date	Version
Policy first implemented		Nov 2011	0.1
Review no.1	Updated to include Bribery Act Requirements	Nov 2013	0.2
Review no.2	Annual Review	Nov 2015	0.3
Review no.3	Chief Executive Foreword Added	Sept 2017	0.4
Review no. 4	Updated to include Financial Irregularity	June 2019	0.5
Review no. 5	Refreshed to include staff/colleague/employee descriptors recommended by HR	Nov 2021	0.6
Review no. 6	Refreshed to include updated delegated and FSA responsibilities	Nov 2023	0.7

Name of policy being superseded (if applicable)	Fraud and Financial Irregularity Policy 0.6
Related policies	Financial Stewardship Assessment Policy Whistle Blowing Policy
Related SOPs	Fraud and Financial Irregularity Response Plan
Related Guidance	Concerns Form Completion
Equality Impact Assessment completed	No
Island Community Impact Assessment completed	No
Intended Audience	All Colleagues
For publication	Internal and external publication
Team responsible for policy	Compliance
Policy owner contact details (email)	Irene.coll@sds.co.uk
Policy due for review (date)	November 2025

Policies should have a clear purpose and perform at least one of the following functions. Please identify all the functions this policy performs.	If statement applies, please mark with and X below
Outline how we allocate limited resources to deliver services or outcomes	
Outline how SDS adheres to legislation, statutory duty etc	X
Ensure fair and consistent allocation of benefits	
Protect organisational assets, including data	X
Define expectations around the employee/employer relationships	X
Other (please specify)	

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1. Policy Summary

Skills Development Scotland (SDS) requires all employees at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. SDS will not accept any level of fraud or corruption or financial irregularity; consequently, any case will be thoroughly investigated and dealt with appropriately. SDS is committed to ensuring that opportunities for fraud and financial irregularity – both internal and external – are reduced to the lowest possible level of risk.

2. Policy purpose and objectives: Chief Executive Statement

As a Non-Departmental Public Body of Scottish Government, Skills Development Scotland works to deliver an investment in public services which exceeds £200 million each year. This brings with it the possibility that these funds may be the subject of internal or external attempts to defraud.

As Chief Executive and Accountable Officer, I have a responsibility to ensure that our fraud policy and operational approaches are consistent with the best practice guidance available, and with the recommendations of the Scottish Public Finance Manual.

However, my ambition for our organisation is that we aim to go beyond the guidance and be at the leading edge of countering fraud, corruption and error. I am determined that Skills Development Scotland has a zero tolerance approach to fraud, and will maintain a zero-tolerance culture throughout our organisation.

We implemented mandatory training on the implications of the Bribery Act 2010, when the legislation was enacted, and anti-fraud training is a compulsory module in the SDS Academy from 2017. In addition, we have redesigned our National Training Programmes Compliance team to have an explicit remit for countering fraud and error, and we work in alignment with other bodies funded by the Scottish Government.

Colleagues have joined the organisation because they believe in the spirit and values that we promote. I am committed to ensuring these are protected by making clear that Skills Development Scotland will always act to deter and detect fraud, to investigate allegations, and to take appropriate action.

Damien Yeates
Chief Executive

3. Strategic context

The Scottish Public Finance Manual (SPFM) sets out guidance for the prevention, detection, reporting and handling of fraud and financial irregularity.

4. Definitions

The term “fraud” is commonly used to describe a wide variety of dishonest behaviour such as deception, forgery, false representation and concealment of material facts. It is usually used to describe the act of gaining or depriving a person of something by deceit, which may involve the misuse of funds or other resources, or the supply of false information. SDS also uses the term financial irregularity to cover those cases where there is ambiguity over intent.

Computer fraud covers the use of information technology equipment to manipulate 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 or financial irregularity. The fraudulent use of computer time and resources is included in this definition. Historically in the public sector most internal fraud that has come to light has been linked to claims for travel and subsistence and overtime, irregularities in procurement procedures and the abuse of flexible working hours. Examples of external fraud include providing false information in applications for grants and other forms of assistance, submitting bogus invoices or claiming for services not delivered in accordance with contract terms.

5. Scope

The Chief Executive of SDS, as Accountable Officer, is responsible for establishing and maintaining sound systems of internal control that support the achievement of SDS’s policies, aims and objectives. The systems of internal control are designed to respond to and manage the whole range of risks that SDS faces. The systems of internal control are based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud and financial irregularity risk will be seen in the context of the management of this wider range of risks.

The Chief Executive is responsible for ensuring that Directorates are aware of fraud and financial irregularity risks and have appropriate procedures in place to prevent and detect fraud and financial irregularity that are consistent with

and reflect the guidance in the SPFM. These include a requirement for reporting cases of fraud to the sponsor Directorate within the Scottish Government. In addition, business areas are currently responsible for ensuring they complete a Financial Stewardship Assessment (FSA) for each Skills and Training programme, initiative or grant which provide funds to third parties and ensure the counter fraud arrangements set out in the FSA are implemented as intended.

The SDS Board should support the Chief Executive identify those operational areas where the risk of fraud, financial irregularity or other loss is greatest. This will help inform internal audit activities and should also provide pointers to where SDS should target their counter fraud and financial irregularity measures.

The SDS Audit and Risk Committee should support the Chief Executive on issues of risk, control and governance and associated assurance. The Audit and Risk Committee therefore has a general responsibility for monitoring the operation and effectiveness of counter-fraud and financial irregularity arrangements and should receive appropriate reports on fraud and financial irregularity activity.

Overall responsibility for ensuring that necessary controls are in place for managing the risk of fraud and financial irregularity in SDS is delegated by the Chief Executive to the Director of Finance, Information Governance, Resilience and Risk (FIGRR). The responsibilities of the Director of FIGRR include:

- Establishing an effective Fraud and Financial Irregularity Policy and Fraud and Financial Irregularity Response Plan.
- Ensuring that core financial systems are designed and operated to minimise the risk of fraud.
- Coordinating assurance about the effectiveness of counter-fraud and financial irregularity policies to support the Governance Statement provided alongside SDS's accounts.
- Ensuring that all employees are aware of the SDS's Fraud and Financial Irregularity Policy and know what their responsibilities are in relation to combating fraud.
- Ensuring that appropriate counter-fraud training and development opportunities are available to appropriate staff.
- Ensuring that vigorous and prompt investigations are carried out if fraud or financial irregularity occurs or is suspected.
- Ensuring that appropriate action is taken to minimise the risk of similar frauds and financial irregularity occurring in future.

Internal Audit is required to:

- Deliver an opinion to the Audit and Risk Committee/Chief Executive on the adequacy of arrangements for risk, control and governance (including those for managing the risk of fraud and financial irregularity) and ensuring that SDS promotes a counter fraud and financial irregularity culture.
- Assist in the deterrence and prevention of fraud and financial irregularity by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various segments of SDS's operations.
- Ensure that management has reviewed its risk exposures and identified the possibility of fraud and financial irregularity as a business risk.
- Assist management, if requested, in conducting fraud and financial irregularity investigations.

SDS managers are responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility consistent with relevant guidance in the section of Fraud in the SPFM and that controls operate effectively and as intended.
- Assessing the types of risk involved in the work for which they are responsible.
- For each Skills and Training programme, initiative or project, producing a Financial Stewardship Assessment which records counter fraud risks, mitigation arrangements and risk appetite.
- Regularly reviewing and testing the counter fraud control systems for which they are responsible.
- Ensuring that counter fraud controls are being complied with and their systems continue to operate effectively.
- Implementing new controls to reduce the risk of similar fraud or financial irregularity occurring where these have taken place.
- Where directed, undertaking preliminary enquiries to establish relevant facts about suspicions of fraud and financial irregularity brought to their attention and reporting relevant cases to the SDS Fraud and Irregularity Response Group – subject to the reporting procedures set out in the SDS Fraud and Financial Irregularity Response Plan.

Each SDS employee is responsible for:

- Acting with propriety in the use of official resources and the handling and use of public funds whether they are involved with cash or payments systems, receipts or dealing with suppliers.

- Being alert to the possibility that unusual events or transactions could be indicators of fraud or financial irregularity.
- Reporting details immediately through the appropriate channel if they suspect that a fraud or financial irregularity has been committed or see any suspicious acts or events.
- Cooperating fully with whoever is conducting internal checks or reviews or fraud or financial irregularity investigations.

6. Policy detail

Managers and employees must always be alert to the risk of fraud, financial irregularity theft and corruption. Danger signs of internal fraud/financial irregularity include evidence of excessive spending by employees engaged in cash/contract work, inappropriate relationships with suppliers, reluctance of employees to take leave, requests for unusual patterns of overtime and where there seems undue possessiveness of records. Junior employees should resist any pressure from line managers to circumvent internal controls or to over-ride control mechanisms. Such action could be indicative of fraudulent activity and should be reported – see below.

It is an offence under the Bribery Act 2010 for public servants in their official capacity to accept any gift or consideration as an inducement or reward for doing, or refraining from doing, anything; or showing favour or disfavour to any person. Furthermore, any money, gift or consideration received by a public servant from a person or organisation holding or seeking to obtain a government contract will be deemed by the courts to have been received corruptly unless proved to the contrary.

7 Further guidance

The Fraud and Financial Irregularity Response Plan sets out processes for reporting suspicions of fraud or financial irregularity. Employees should in the first instance report, in writing or telephone, such suspicions to their line managers. Line managers should then follow the processes set out in the Fraud and Financial Irregularity Response Plan. 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 concerns of employees. See also the SDS Whistle Blowing Policy and Procedure.

SDS procedures for acceptance of gifts or hospitality are laid down in the Procurement Policy Manual (for staff involved in purchasing and contracting) and, in more detail, in the SDS Code of Conduct, available to all SDS employees on the SDS Intranet – Connect.