

Fraud Response Plan

Version History			
Version	Date	Detail	Author
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1) Introduction

The Council's Anti-Fraud and Anti-Corruption Strategy makes it clear that the Authority will not tolerate fraud and corruption. Wherever there are genuine suspicions, Members and staff are encouraged to raise their concerns at the earliest opportunity.

This Fraud Response Plan provides guidance to Members and staff on the procedures that should be followed where a fraud is suspected or discovered. It should be read in conjunction with the Anti-Fraud and Anti-Corruption Strategy and the Council's Whistleblowing The Confidential Reporting Code. A summary of this Plan is attached as a flowchart at Appendix A.

All staff should be aware that malicious or vexatious allegations will not be tolerated and may be dealt with as a disciplinary matter.

2) Discovery

There are a number of ways in which fraud or corruption may come to light:

- Discoveries by Members, Managers or other employees, usually arising from internal controls not being applied or from suspicions;
- Specific fraud detection exercises such as data matching or analytical review;
- A "tip-off" from a Member, employee, supplier, contractor, partner or member of the public;
- Routine systems Audit reviews or specific checks on high risk areas.

The scope of suspected fraud may range from internal incidents e.g. involving petty cash, employee claims for travelling expenses or overtime, to those affecting external organisations e.g. suppliers submitting fictitious or duplicate invoices. A list of common examples of fraud is attached as Appendix B.

3) Action To Be Taken When Suspicion Arises

Employees

Managers should create an environment where employees feel able to approach them with any concerns or suspicions of fraud or corruption. If an employee feels unable to discuss their concerns with their line Manager they may approach the Strategic Director, Director or Senior Manager in their Department. Where these routes are inappropriate employees may contact the Director of Legal Services but must inform the Assistant Director of Finance (Audit) if fraud or financial irregularity is suspected in accordance with the requirements of Financial Regulations. These discussions must ensure confidentiality is maintained at all times as the initial suspicions may be unfounded or the perpetrator may be alerted to the suspicions.

Employees should not contact the Police directly regarding suspicions. The Assistant Director of Finance (Audit) will consider whether to contact the Police informally at an early stage in the investigation. Formal referral to the Police is a matter for the Chief Executive, after consultation with the relevant Strategic Director(s)/Director(s), Director of Legal Services, Director of Finance and the Assistant Director of Finance (Audit) under the Council's agreed procedure.

Employees may choose to report their concerns anonymously or they may request anonymity. While total anonymity cannot be absolutely guaranteed, every effort will be made not to reveal the names of those who pass on information.

Managers

Managers should listen to the concerns raised by employees regarding fraud or corruption and treat them seriously and sensitively.

Managers should gather as much information as possible from the employee and any notes or evidence that is readily available to support the allegation. This information should be held securely to ensure evidence is not destroyed or lost. Under no circumstances should Managers attempt to investigate the matter themselves or covertly obtain further evidence as this may adversely affect any internal investigation or Police enquiry.

Managers should then immediately contact the Assistant Director of Finance (Audit) in accordance with the requirements of Financial Regulations.

Members

Where there is suspicion that a Member may be involved in a fraudulent or corrupt activity, Managers should report the matter directly to the Director of Legal Services and the Assistant Director of Finance (Audit). The Monitoring Officer will consult with the Chief Executive to determine whether the matter should be reported to the relevant political group leader.

4) Investigation

The Council's Disciplinary Procedure recognises the need for the Audit investigation and consideration of potential disciplinary action to be separate in order to maintain the independence of both actions and to ensure compliance with the requirements of Financial Regulations. The Procedure provides for the following:-

- Audit investigation;
- Management investigation;
- Joint investigation.

On receipt of a report relating to theft, fraud, loss or irregularity the Assistant Director of Finance (Audit) will discuss with the relevant Strategic

Director/Director whether any joint investigation is required and, if so, how it should progress.

The objective of any investigation is to prove or disprove the initial suspicion or allegations by obtaining and thoroughly evaluating all material evidence in order to establish the facts and pertinent circumstances. Where those suspicions or allegations are well founded, the investigation must be able to:-

- identify all those involved;
- support its findings with the production of all relevant evidence;
- give the employee(s) the opportunity to respond to the allegation(s), and
- present evidence in an appropriate form for consideration by Senior Management.

It will be necessary to consider at an early stage, and to keep under review, whether it is necessary to suspend any employee(s) in order to preserve the integrity of any unsecured evidence and to prevent any influence which they may bring to bear on other employees or associates. It is important to note that suspension as a neutral act does not constitute disciplinary action and does not itself imply any presumption of guilt on the part of the employee.

Where an investigation proceeds it is important to ensure that prompt action is taken to ensure that:-

- facts, evidence and explanations are obtained whilst events are current;
- on-going losses due to fraud are minimised;
- the cost to the Council of suspended employees is minimised;
- the Council's robust stance against fraud and corruption is clearly demonstrated.

Audit Reports dealing with the findings from investigations into fraud, corruption and other irregularities will be dealt with in accordance with Financial Regulations and issued to the Chief Executive. At the same time, copies of the Report will be issued, in confidence, to the relevant Strategic Director(s), Director of Finance and Director of Legal Services each of whom will be instructed to take no action on the contents of the Report at that time.

Within two working days of the issue of the Audit Report, a meeting will be convened by the Chief Executive to formally consider the Report's contents and to determine the appropriate course of action to be taken (i.e. relative to the consideration of the need to suspend an officer(s) from duty, and/or whether to instigate disciplinary action and/or referral to the Chief Constable for further consideration where there is a potential criminal offence).

The Chief Executive's decision will be confirmed in writing by the Director of Legal Services to the relevant Strategic Director(s), Director of Finance and Assistant Director of Finance (Audit).

It is important that the Authority uses the results of Audit investigations into fraud, theft or misuse of money, materials or equipment or other irregularities to improve governance, control and risk management frameworks in order that opportunities for similar events to recur in the future are reduced.

Consequently in those instances where the Audit investigation has identified a significant breakdown within the management control framework, an Audit Controls Report will be produced for consideration by those officers present at the meeting to discuss the Audit Report. Such Controls Reports may be available when the Audit Report relating to the investigation is discussed or the Controls Report may be produced and discussed later in order that any action arising from the investigation is not delayed.

In certain instances it may be appropriate to widen the circulation list for the Audit Controls Report to ensure that actions can be discussed and assigned to the appropriate officer(s) within the Authority to ensure that Audit recommendations are implemented. Such officers may include the Director of Human Resources for employment related matters, the Director of Property Services in respect of the management of property and the Director of Transformation where IT related issues are raised.

5) Referral to Police

Where it is decided that the matter should be referred to the Chief Constable, to consider potential criminal investigation, this will be undertaken directly by the Assistant Director of Finance (Audit) who will specifically request the Chief Constable to confirm whether or not continuing with the Authority's disciplinary process would prejudice any potential Police investigation. Normally any criminal investigation will not preclude the Authority from taking disciplinary action.

The Council must be prepared to supply all original documents and information gathered as part of the investigation to the Police. Such evidential material should be held securely before formal handover.

6) Disciplinary Procedure

Where the results of the Audit investigation warrant referral for disciplinary action this will be initiated by the responsible Strategic Director(s). This decision will also be notified to the Director of Human Resources in order that appropriate support may be provided to the Strategic Director(s).

7) Redress and Follow Up

Wherever possible the Audit Report will quantify the extent of any losses incurred by the Council. At the meeting chaired by the Chief Executive and attended by the relevant Strategic Director(s), Director of Finance, Director of

Legal Services and Assistant Director of Finance (Audit) to discuss the Audit Report all options available to seek recovery of the losses will be considered.

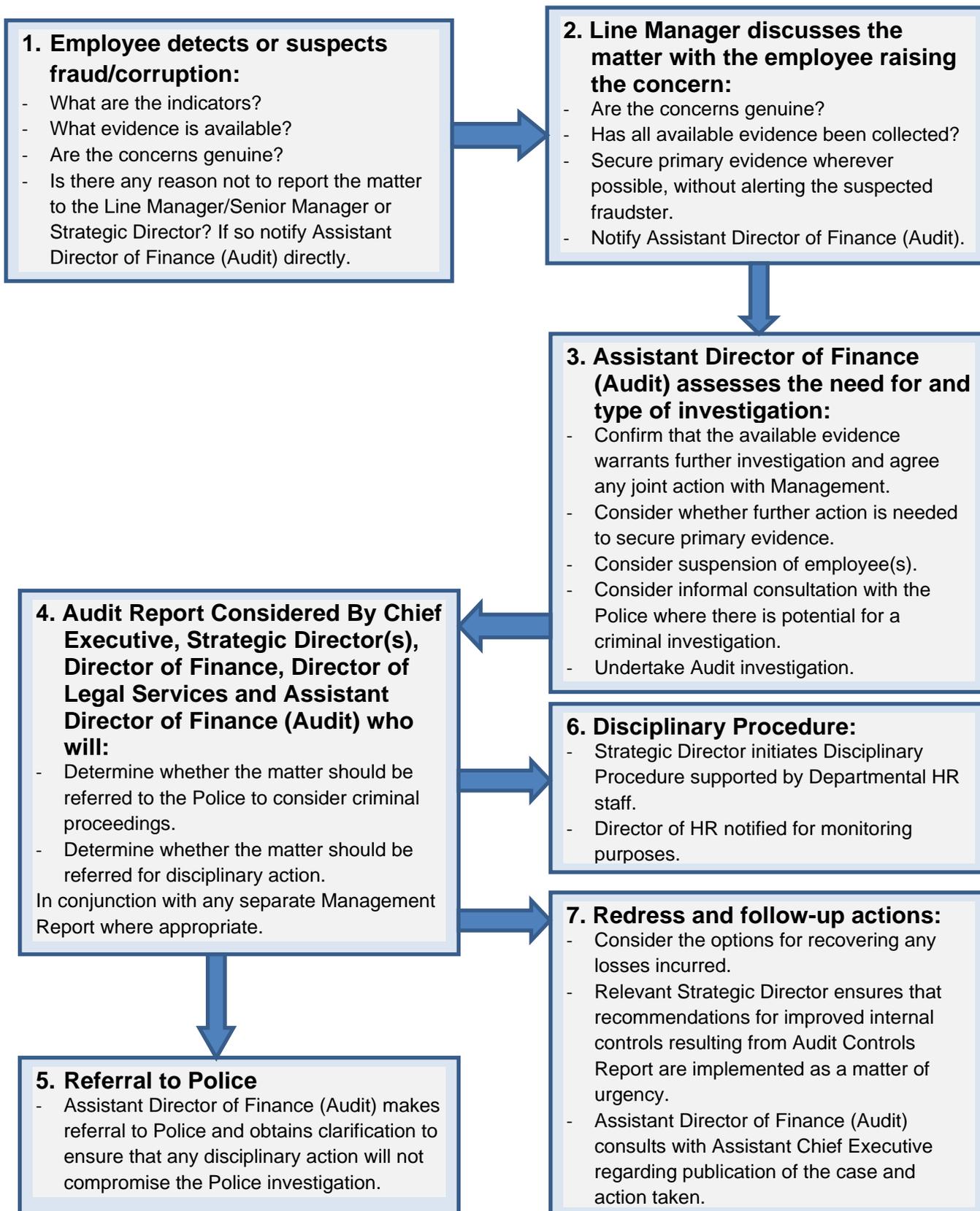
Where the Police do not accept the case, or the Crown Prosecution Service do not initiate a criminal prosecution, the Director of Legal Services should advise on the prospects for recovering losses through the civil court. The Council should seek to recover costs in addition to any losses.

The relevant Strategic Director(s) will be responsible for implementing the recommendations made for improved controls where an Audit Controls Report is issued. These recommendations will be set out in an Action Plan identifying officers responsible for implementing actions and associated completion dates. The Assistant Director of Finance (Audit) may initiate a follow-up Audit of the relevant areas to ensure the revised procedures are operating effectively.

The Assistant Director of Finance (Audit) will consult with the Assistant Chief Executive regarding the content and timing for communicating the outcome of the investigation to staff and to the wider public, as considered appropriate.

The Assistant Director of Finance (Audit) will advise and update the Audit Committee on suspected and actual fraud cases as part of routine reporting arrangements. This will include the extent of losses, key outcomes, recoveries achieved and procedural improvements implemented.

Appendix A



There are many ways in which fraud may be initiated against the Council and these could be carried out by employees or people from outside the Authority. The most common of these include:-

Fraud from internal sources

- Theft of cash, stocks, property or other assets and attempts to disguise this;
- Over claiming of allowances and expenses;
- Claiming for overtime not worked;
- Selling waste, scrap and obsolete products belonging to the Council;
- “Ghost” employees on the payroll;
- Forging signatures or altering amounts on documents;
- Writing off debts which are recoverable;
- Preferring a supplier or contractor in return for a reward;
- Operating a private business using Council assets.

Fraud from external sources

- Invoices submitted for goods or services not delivered or submitting multiple invoices for the same goods and services;
- Claiming for expenses not incurred, or claiming the same expenses multiple times;
- Changing bank details for existing suppliers or contractors;
- Collusive bidding;
- False compensation and insurance claims;
- Interception of and changes to Council cheques;
- Bribing Members or employees.