

Newry, Mourne and Down District Council

Anti-Fraud Policy

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Version 1.0

Policy Control

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1. Statement

We are committed to protecting the public money we look after and to making sure that the opportunity for fraud or any other financial impropriety is reduced to the lowest possible risk.

We expect all employees, agency assignees, elected members, contractors, consultants, suppliers and service users to be fair and honest.

Should allegations be made, we will deal with them in a firm and controlled manner. As well as being potentially criminal acts, fraud and financial impropriety can impact on the council's finances, its reputation, its staff and its stakeholders.

There is a clear commitment from the Council and Senior Management that fraud will not be tolerated and the Council is committed to ensuring that opportunities for fraud are reduced to the lowest possible level of risk.

2. Aims

The aims of this policy and related processes are as follows:

- To reduce the risk of fraud, loss and impropriety within the council to an absolute minimum and maintain that level of risk;
- To protect the council's valuable resources by ensuring they are not lost through fraud or impropriety but are used for improving council services;
- To help create a counter-fraud culture which highlights the council's zero tolerance of fraud, which defines the role and responsibilities of stakeholders;
- To ensure that where allegations of fraud or other financial impropriety arise, there is a clear process to ensure that they can be reported, are properly investigated and appropriate action is taken.

3. Scope

This policy is concerned with:

- external fraud committed against the Council, for example by suppliers of goods and services, contractors in the course of their work or other persons;
- internal fraud committed against the Council, for example travel and subsistence fraud, theft of assets; and
- internal fraud committed against Council employees, for example theft of personal property.

4. Related Policies

This policy should be read in conjunction with the following NMDDC documents:

- Code of Conduct for Local Government employees;
- The Northern Ireland Local Government Code of Conduct for Councillors;
- Fraud Response Plan; and the
- Whistleblowing Policy.

The policy applies to employees, agency assignees, elected members, contractors, consultants, suppliers and service users.

5. What is Fraud?

The term fraud is commonly used to describe the use of deception, to deprive, disadvantage, or cause loss to another person or party. This can include theft, the misuse of funds or other resources or more complicated crimes such as false accounting and the supply of false information. The term fraud is used generically in this policy and covers criminal acts such as bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation and collusion.

The key legislation which may be used to prosecute fraud is the **Fraud Act 2006**. The Act refers to three main offences of fraud. An individual can be prosecuted under the Fraud Act 2006, if they are in breach of any of the following:

- **Fraud by false representation**, i.e. if he/she dishonestly makes a false representation and intends by making the representation to make a gain for themselves or another, or to cause loss to another or expose another to risk of loss. A representation is false if it is untrue or misleading, and the person making it knows that it is, or might be, untrue or misleading;
- **Fraud by failing to disclose information**, i.e. if he/she dishonestly fails to disclose to another person information which he/she is under a legal duty to disclose and intends, by failing to disclose the information, to make a gain for themselves or another, or to cause loss to another or expose another to risk of loss; and
- **Fraud by abuse of position**, i.e. if he/she occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, and he/she dishonestly abuses that position, and intends, by means of the abuse of that position, to make a gain for themselves or another, or to cause loss to another or to expose another to a risk of loss.

The Fraud Act supplements other legislation, such as the Theft Act (NI) 1969 and the Theft (NI) Order 1978. In addition, the UK Bribery Act 2010 clarifies the law in relation to bribery and corruption.

Bribery is giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith. Bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event. An example is bribery in order to secure or keep a contract. The Bribery Act 2010 covers two general offences: the first covers the offering, promising or giving of an advantage (broadly, offences of bribing another person). The second deals with the requesting, agreeing to receive or accepting of an advantage (broadly, offences of being bribed). The council has a duty to ensure it has adequate procedures in place to prevent bribery. These include policies and procedures for declaring and requiring approval for potential conflicts of interests and the provision and receipt of gifts and hospitality.

In essence, fraud is a deliberate act by an individual or group of individuals and is therefore always **intentional** and **dishonest**. Examples of frauds that may be perpetrated against the Council and its staff are:

- Receipt of income, i.e. retention and misappropriation of cash;
- Dishonest use of the Council credit card to pay for items;
- false claims for salaries wages and expenses;
- bribery and corruption – offering, giving, soliciting or accepting an inducement or reward that may influence the actions taken by Council or its staff;
- misuse of the purchase and payments system for personal gain;
- theft of equipment;
- false accounting, or any intentional misrepresentation of financial information;
- externally perpetrated fraud against the Council, for example in the procurement and delivery of goods;
- misuse of Council assets for personal / non-business use.

6. Anti-Fraud Culture

The Council requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud and Corruption is an ever-present threat to these resources and hence must be the concern of all members of staff.

Council Policy is that every case of attempted, suspected or proven fraud will be thoroughly investigated and where appropriate referred to the Police Service of Northern Ireland (PSNI) at the earliest Juncture. The Council will seek to recover funds and assets lost through fraud, where possible. The Council will take civil, criminal and/or disciplinary action in all cases where it appropriate to do so.

Therefore the Council is committed to preventing fraud from occurring and to developing an anti-fraud culture. To achieve this, the Council will:

- Develop and maintain effective controls to prevent fraud;
- Ensure that if fraud occurs a vigorous and prompt investigation takes place;
- Take appropriate disciplinary and legal action in all cases, where appropriate; and
- Review systems and procedures to prevent similar frauds from occurring.

It is Council Policy that there will be consistent handling of all attempted, suspected or proven fraud cases without regard to the position held or length of service of the individual(s) involved.

See **Appendix 4** for a summary of the roles and responsibilities for staff, members and other bodies in relation to fraud.

7. Avenues for Reporting Suspicions of Fraud

Staff will often be the first to notice the potential for fraud or financial impropriety.

Staff who have concerns should report them as soon as possible to their immediate line manager. If there is a concern that management may be involved, the matter should be reported to the next appropriate level. If staff feel unable to raise a particular matter with their line manager, for whatever reason, they should raise the matter with the Audit Services Manager or their relevant Director.

We will take all reasonable steps to make sure that cases are treated in the strictest confidence. We are fully committed to supporting and protecting staff who raise legitimate concerns. The Council will, where requested, seek to safeguard the confidentiality of individuals who report any suspicions unless this is incompatible with a fair investigation or legal imperative. Our Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns. The route map at **Appendix 5** shows the relationship between the Council's policies.

If these channels have been followed and the member of staff still has concerns, or the member of staff feels that the matter is so serious that they cannot discuss it with any of the above, they should discuss it with the Chief Executive.

Details of how to report a fraud are set out in the Council's Fraud Response plan. Staff should not attempt to investigate any suspicions of fraud themselves.

If an allegation of fraud or other financial impropriety is made in good faith, but is not confirmed by the investigation, no action will be taken against the originator. If, however, the allegation is demonstrably made for an ulterior and undesirable purpose it will be deemed not to have been made in good faith and a disciplinary investigation may be undertaken with the potential for disciplinary action being taken against the individual making the allegation.

Any action to prevent the reporting of suspected fraud or any other financial impropriety or any attempts at intimidation will be treated seriously; the person involved may be subject to disciplinary action.

The Audit Services Manager is responsible for the external reporting of all discovered fraud, proven or suspected, including attempted fraud within the Council to the Local Government Auditor. Therefore it is essential that the Audit Services Manager is notified immediately of any concerns raised.

8. Fraud Response Plan

NMDDC has established guidelines on how Council staff and others should report suspicions or allegations of fraud and how the Council will handle them. A copy of the Fraud Response Plan can be found on the Internal Drive. This plan forms part of NMDDC Anti-Fraud policy.

9. Policy Review Date

The policy will be reviewed in line with the Council's agreed policy review cycle i.e. every 4 years (as per Council's Equality Scheme commitment 4.31), or sooner to ensure it remains reflective of legislative developments."

Staff wishing to receive clarification on this policy and/or suggest improvements should contact the Audit Services Manager.

10. Equality Screening

Having screened the Anti-Fraud Policy the decision is that it should not be subject to an Equality Impact Assessment (EQIA) with no mitigating measures required. A copy of the equality screening is available from the Head of Corporate Policy.

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Fraud Risk Indicators

Organisational Indicators:

- Lack of Board oversight
- Crisis management coupled with a pressured business climate
- Lack of clear financial delegations
- Climate of fear or an unhealthy corporate culture
- Management frequently overriding internal controls
- Lack of established code of ethical conduct
- Lack of thorough investigations of alleged wrongdoings
- No fraud risk assessment

Operational Indicators:

- Lack of segregation of duties
- Lack of rotation of duties
- Lack of supervision
- Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation)
- Missing expenditure vouchers and unavailable official records
- Excessive staff turnover in key control areas
- Bank reconciliations are not maintained or can't be balanced
- Unauthorised changes to systems or work practices
- Excessive control of all records by one officer
- Multiple cash collection points
- Remote locations
- Subordinates bypassing managers
- Absence of controls and audit trails
- Deficient screening of new employees, including casual staff, contractors, consultants
- Large backlogs in high risk areas

- Suppliers/contractors who insist on dealing with one particular member of staff
- Duplicate payments
- Ghost employees on the payroll
- Large payments to individuals
- Documentation that is photocopied or lacking essential information
- Missing assets – unexplained differences between inventory checks and stock records
- Consistent failures to correct major weaknesses in internal control

Personal Indicators:

- Employees apparently living beyond their means
- Employees with outside business interests or other jobs
- Signs of drinking or drug abuse problems
- Employees suffering financial hardships, e.g. borrowing from fellow employees
- First to arrive in the morning, last to leave at night
- Egotistical (e.g. scornful of system controls)
- Marked character changes
- Secretiveness
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Not taking leave or working excessive overtime
- Socialising with clients – meals, drinks, holidays
- Someone disgruntled at work, a complainer

Common Methods and Types of Fraud

- Payment for work not performed
- Forged endorsements
- Altering amounts and details on documents
- Collusive bidding
- Overcharging
- Writing off recoverable assets or debts
- Unauthorised transactions
- Selling information
- Altering stock records
- Altering sales records
- Cheques made out to false persons
- False persons on payroll
- Theft of official purchasing authorities such as order books
- Unrecorded transactions
- Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- Cash stolen
- Supplies not recorded at all
- False official identification used
- Damaging/destroying documentation
- Using copies of records and receipts
- Using imaging and desktop publishing technology to produce apparent original invoices
- Charging incorrect amounts with amounts stolen
- Transferring amounts between accounts frequently
- Delayed terminations from payroll
- Bribes
- Over claiming expenses
- Fraudulent use of office resources- claiming more time than incurred; use of office time for personal purposes (eg. Inappropriate Internet usage)
- Time recording- claiming more time than incurred
- Skimming odd pence and rounding
- Running a private business with official assets
- Using facsimile signatures
- False compensation and insurance claims
- Stealing of discounts
- Selling waste and scrap.

Examples of Good Management Practices Which May Assist in Combating Fraud

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques
- Regulations governing contracts and the supply of goods and services are properly enforced
- Accounting records provide a reliable basis for the preparation of financial statements
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- A strong internal audit presence
- Management encourages sound working practices
- All assets are properly recorded and provision is made known or expected losses
- Accounting instructions and financial regulations are available to all staff and are kept up to date
- Effective segregation of duties exists, particularly in financial, accounting and cash areas
- Close relatives do not work together, particularly in financial, accounting and cash areas
- Creation of a climate to promote ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted
- Query mutilation of cheque stubs or cancelled cheques
- Store cheque stubs in numerical order
- Undertake test checks and institute confirmation procedures
- Develop well defined procedures for reporting fraud, investigating fraud and dealing with perpetrators
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure staff takes regular leave
- Rotate staff
- Ensure all expenditure is authorised
- Conduct periodic analytical reviews to highlight variations to norms
- Take swift and decisive action on all fraud situations
- Ensure staff are fully aware of their rights and obligations in all matters concerned with fraud.

Summary of Roles and Responsibilities

Members	<p>Leadership and approval of policy.</p> <p>Receipt and consideration of details of suspected fraud in line with protocol for reporting fraud to Members.</p> <p>Receipt and consideration of progress updates at the Audit Committee on investigations (as appropriate).</p> <p>Members to inform the Audit Services Manager if they suspect fraud or financial impropriety.</p>
Chief Executive	<p>The Chief Executive has the overall responsibility for managing the risk of fraud. Responsibilities include:</p> <ul style="list-style-type: none"> • Developing a fraud risk profile and undertaking a regular review of the fraud risks; • Designing an effective control environment to prevent fraud commensurate with the fraud risk profile; • Establishing well publicised, appropriate mechanisms for staff and members of the public to report their suspicions of fraud; • Investigating all allegations of fraud; • Commence disciplinary and/or legal action where appropriate and seek to recover losses; and • Report to senior management on all aspects of fraud risk management.
Fraud Response Group	<p>To refer cases, where necessary, to the PSNI for further investigation.</p> <p>The group will also provide advice and guidance to Director of Corporate Services on the reporting of investigations to Council Committee(s).</p> <p>The group will also provide advice and guidance to the Audit Services Manager as required.</p>
Directors and Assistant Directors	<p>The primary responsibility for preventing and detecting fraud and financial impropriety lies with management through:</p> <ul style="list-style-type: none"> • identification of risks to which systems and procedures are exposed; • the implementation, documentation and operation of internal controls; • establishing an environment that promotes compliance with internal controls; • promoting fraud awareness among staff; and • fostering an 'anti fraud' culture. <p>Directors and Assistant Directors must make sure that suitable levels of internal checks are included in operational procedures, particularly financial procedures.</p> <p>Management will be expected to brief staff on the common types of fraud perpetrated in their areas of responsibility. Management should make sure that their staff are aware of relevant policies and procedures. Management should inform the Audit Services Manager if they suspect fraud or financial impropriety.</p>
Director of Corporate Services	<p>Chairs the Fraud Response Group and is responsible for communicating to Members on suspected fraud in accordance with an agreed protocol.</p> <p>Provides advice to Audit Services Manager when required.</p>

Staff	<p>Council staff must have and be seen to have, the highest ethical and personal standards and be honest and objective in their work. Every member of staff is responsible for;</p> <ul style="list-style-type: none"> • Acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers; • Conducting themselves in accordance with the seven principles of public life set out in the first report of the Nolan Committee 'Standards in Public Life'. They are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership; • Being alert to the possibility that unusual events or transactions could be indicators of fraud and alerting management where they believe the opportunity of fraud exists – Appendix 1 provides examples of fraud indicators. In addition, common methods and types of fraud are included in Appendix 2, with examples of good management practice which may assist in combatting fraud in Appendix 3; • Reporting known or suspected frauds and assisting in the investigations of a suspected fraud; and • Liaising with the PSNI or other external investigators, where required to do so.
Audit Services Manager	<p>The Audit Services Manager has a number of responsibilities:</p> <ul style="list-style-type: none"> • Will undertake or provide assistance to the council in undertaking investigations; • Will maintain this policy to ensure they remain effective and relevant to the needs of the Council and ensure it is communicated to the organisation; • Will run fraud awareness training for staff; • Will report, as appropriate, to the Fraud Response Group and the Audit Committee on investigations; • Will liaise with the PSNI during the course of investigations, where appropriate; • Will co-ordinate the council's input to the National Fraud Initiative; • Will report to the NIAO on all frauds, proven or suspected, including attempted fraud with NMDDC; • Will complete the annual fraud questionnaire for NIAO and submit this to the Chief Executive for approval.
Internal Audit	<p>The Councils Internal Auditor is responsible for:</p> <ul style="list-style-type: none"> • Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls; • Ensuring that management has reviewed its risk exposures and identified the possibility of fraud as a business risk; • Assisting management in undertaking investigations into allegations of fraud and corruption if required to do so; and • Offer advice and assistance on risk management/internal control issues, as well as advice and assistance in relation to cases of fraud or suspected fraud.
External Audit	<p>The Local Government Auditor is the independent external auditor of the financial statements of the Council. The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. The NIAO audit is designed to provide reasonable assurance that the financial statements (as a whole) are free from material misstatement, whether caused by fraud or error. NIAO are not responsible for preventing fraud or corruption, although the audit may serve to act as a deterrent.</p>
HR	<p>Advice on investigations / suspension / disciplinary action. Sitting on disciplinary panels and appeals where appropriate.</p>
Legal Services	<p>Advice on investigations / disciplinary action.</p>

Flowchart

The diagram below provides an overview of the relationship between the complaints, fraud and whistleblowing policies and the existing grievance procedure. Note that only employees and workers are protected by whistleblowing legislation. More detail is provided in each policy.

