

NOT PROTECTIVELY MARKED

Police Service of Northern Ireland

ABSTRACT – Policy providing guidance to all officers and staff regarding the identification, reporting and managing of all suspected and identified frauds against the Police Service of Northern Ireland (the Police)

HQ Ref: FRAS/RH/1/2011

SP 19/2011

SERVICE PROCEDURE

ANTI-FRAUD POLICY AND FRAUD RESPONSE PLAN

1. SERVICE PROCEDURE IDENTIFICATION

SERVICE PROCEDURE TITLE: Anti-Fraud Policy and Fraud Response Plan

PROCEDURAL OWNERSHIP:

DEPARTMENT Finance and Support Services
BRANCH Financial Reporting and Accounting Services

AUTHOR Michael Burton

PROCEDURE APPROVED BY: David W Best

CCF REF/OTHER CCF 41/06
DATE OF APPROVAL May 2006

IMPLEMENTATION DATE: 1 September 2011

DATE OF ISSUE: 1 September 2011

REVIEW DATE: 2 September 2012

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

INDEX

Section	Subject	Page
1	Service Procedure Identification Page	1
2	Aim of Service Procedure	3
3	Introduction	3
3(1)	Executive Summary	3
3(2)	Origin	3
3(3)	Implication of Service Procedure	3-4
4	Legal Basis	4
5	Human Rights/UNCRC/Equality/Code of Ethics/Freedom of Information	5
6	Procedure and/or Guidance	5
6(1)	Prevention and Detection of Fraud	5
6(2)	Internal Audit and Risk Management	5-6
6(3)	Standards of Conduct	6
6(4)	Suspected or Detected Fraud	6-8
6(5)	Initial Investigation	8
6(6)	The Course of a Fraud Investigation and Follow Up Action	8-9
6(7)	Fraud Reporting	9-10
6(8)	Pursuit and Prosecution of Offenders	10
6(9)	Disciplinary Process	10-11
6(10)	Recovery of Losses	11
7	Monitoring and Review	11
8	Cancellation	11
Appendices		
Appendix 'A'	Fraud Reporting Template	12-15
Appendix 'B'	The Seven Principles of Public Life	16
Appendix 'C'	Further Sources of Guidance	17
Appendix 'D'	Possible Indicators of Fraud	18-19
Appendix 'E'	Common Methods and Types of Fraud	20
Appendix 'F'	Examples of Good Management Practice Preventative Controls which may assist in Combating Fraud	21-22

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

2. AIM OF SERVICE PROCEDURE

- (1) Fraud is an ever-present threat to the effective utilisation of resources and should always be an important concern for all members of the organisation. The aim of the Police Service of Northern Ireland (the Police) is that fraud should be detected and potential fraud prevented to the maximum extent practicable.
- (2) Fraud of any kind will not be tolerated within the Police Service.
- (3) The aim of this policy is to:
 - (a) promote an anti-fraud culture;
 - (b) establish a clear Fraud Policy Statement and communicate the approach to fraud;
 - (c) ensure all cases of suspected or detected fraud are reported immediately and followed up.

3. INTRODUCTION

(1) Executive Summary

- (a) This policy provides guidelines on both the prevention of fraud and the procedures to be followed where a fraud is suspected or detected.
- (b) All cases of suspected or detected fraud must be reported immediately.
- (c) Such cases must be vigorously investigated and followed up.
- (d) Every effort must be made to recover losses from fraudulent activity.
- (e) Criminal and/or misconduct proceedings will be initiated, where appropriate.
- (f) All matters must be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure (Northern Ireland) Order 1998. This statute protects the legitimate personal interests of staff.
- (g) The policy applies to all police officers and police staff. In particular, it explains the responsibilities of line management within the Police Service.

(2) Origin

- (a) The Chief Constable has overall responsibility for establishing and maintaining a sound system of internal control designed to respond to and manage the risks which the organisation faces in achieving its policies, aims and objectives.
- (b) The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and manage them effectively. Managing the risk of fraud should be seen in the context of the management of this wider range of risks.

(3) Implication of Service Procedure

(a) Human Resources/Training

Fraud awareness is already included as part of initial training for all staff.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

(b) **Contribution**

The following have been consulted during the original preparation of this policy. The amendments made were not material to the spirit or determination of the policy. As such further consultation has not taken place:

- (i) Chief Officers;
- (ii) Audit and Risk Committee;
- (iii) Finance and Support Services Department;
- (iv) Crime Operations Department;
- (v) Head of Internal Audit;
- (vi) Northern Ireland Audit Office;
- (vii) Superintendents' Association Northern Ireland;
- (viii) The Police Federation for Northern Ireland;
- (ix) Northern Ireland Public Service Alliance.

Professional Standards Department have provided feedback on this version amendment.

4. LEGAL BASIS

- (1) Fraud may be defined as 'any course of action involving dishonesty, where any person by the use of deception makes a gain for themselves or another or causes loss to another'.
- (2) Sections 1-5 of the Fraud Act 2006 provide clear definition of fraud, including fraud by false representation, fraud by failing to disclose information and fraud by abuse of position. Many of the offences referred to as fraud are covered by the Theft Act (Northern Ireland) 1969, Theft (Northern Ireland) Order 1978, and the Forgery and Counterfeiting Act 1981. The term is used to describe such acts as theft, deception, bribery, forgery, extortion, corruption, embezzlement, misappropriation, false representation, false accounting, concealment of material facts, conspiracy and collusion. The Fraud Act 2006 identifies the crime of fraud and is relevant in this policy.
- (3) The new Bribery Act (to come into effect in April 2011) defines four new criminal offences including offering or paying a bribe, requesting or receiving a bribe, bribing a foreign public official and a corporate offence of failing to prevent bribery being undertaken.
- (4) Common examples of fraud in the public sector include theft or damage of property, deception and falsification of records (eg time keeping, unauthorised absence, false expenses etc).
- (5) The Chief Constable is required to formulate and communicate a Fraud Policy Statement to all staff, in accordance with the Management Statement/Financial Memorandum for the Police Service.
- (6) The development of a Fraud Policy is also a matter of good practice and a requirement under the rules of Government Accounting (www.hm-treasury.gov.uk).

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

5. HUMAN RIGHTS/UNCRC/EQUALITY/CODE OF ETHICS/FREEDOM OF INFORMATION

This Service Procedure is deemed to be Human Rights compliant and has no United Nations Convention on the Rights of the Child (UNCRC) issues. It has been screened for Section 75 considerations and complies with the PSNI Code of Ethics. It is suitable for release under Freedom of Information.

6. PROCEDURE AND/OR GUIDANCE

(1) Prevention and Detection of Fraud

- (a) The Director of Finance and Support Services has an important role in supporting the system of internal control and in managing the risk of fraud. These responsibilities include:
 - (i) promoting an anti-fraud culture;
 - (ii) establishing a Fraud Policy Statement and communicating the approach to fraud;
 - (iii) regularly reviewing assessments of fraud risk at organisational and operational levels;
 - (iv) designing an effective control environment to prevent fraud, proportional to the risk;
 - (v) reporting suspected or detected fraud and acting as the designated Fraud Liaison Officer [see paragraph 6(7)(a)];
 - (vi) disseminating lessons learnt from serious cases; and
 - (vii) liaising with the Audit and Risk Committee.
- (b) However, the primary responsibility for the prevention and detection of fraud in the Police Service rests with line management.
- (c) In order to exercise their responsibility in an effective manner, management have the responsibility to design and implement systems, within their area of responsibility, which have satisfactory internal controls that are operating effectively, thereby ensuring that:
 - (i) information used to monitor performance and take decisions is complete, accurate and reliable;
 - (ii) policies, plans, procedures and regulations are adhered to;
 - (iii) resources are used efficiently, effectively, and economically;
 - (iv) assets are safeguarded;
 - (v) the organisations objectives are achieved; and
 - (vi) there is adequate separation of duties to ensure that total control of a key function is not vested in one individual.

(2) Internal Audit and Risk Management

- (a) Internal Audit has a number of key responsibilities. Firstly, to deliver an opinion to the Chief Constable on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This includes an assessment of the arrangements for managing the risk of fraud and ensuring that the organisation promotes an anti-fraud culture.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

- (b) Internal Audit also assists in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls commensurate with the extent of the potential exposure/risk in the various elements of the organisation's operations. Internal Audit will also be required to ensure that management has reviewed the risk exposures and identified the possibility of fraud as a 'business' risk.
 - (c) Management may also call upon Internal Audit to provide assistance in the discharge of their duties eg to help identify any potential/existing weakness in internal control or to provide assistance in managing or conducting fraud investigations. All such requests for the assistance of Internal Audit should be communicated via the Director of Finance and Support Services in the first instance.
 - (d) It is the responsibility of line management that the risk of fraud is evaluated as part of the risk management process currently in operation within the Police Service. Line management shall also liaise with Internal Audit regarding areas of potential risk of fraud at the draft terms of reference stage for internal audit work.
- (3) **Standards of Conduct**
- (a) All staff should be aware of the high standards of conduct expected of them and must not lay themselves open to any suspicion of impropriety or dishonesty. In particular, all police officers are expected to comply with the Code of Ethics for the PSNI. Police staff should aspire to the same high standards but are governed by the NICS Pay and Conditions of Service Code and the NICS Staff Handbook. Staff must not accept any offer of gifts, hospitality, or benefits of any kind from third parties, which might reasonably be seen to compromise their personal and professional judgement in any way. See Policy Directive PD 04/05 on 'Instructions Relating to The Recording, Acceptance or Declining of Offers of Gifts, Gratuities and Hospitality'.
 - (b) Every member of staff is responsible for:
 - (i) 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;
 - (ii) 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" (selflessness, integrity, objectivity, accountability, openness, honesty and leadership – see Appendix 7.1 of the Finance Manual on PoliceNet) and the PSNI Code of Ethics;
 - (iii) being alert to unusual transactions or events that may be indications of fraud;
 - (iv) reporting any suspicions of fraud or suspicious acts or events immediately; and
 - (v) providing full co-operation to any investigation.
- (4) **Suspected or Detected Fraud**
- (a) Frauds may be suspected or detected in a number of ways including the following:
 - (i) by line managers or their staff applying internal control procedures;
 - (ii) by Internal Audit;
 - (iii) by the Northern Ireland Audit Office (NIAO); and
 - (iv) by allegations from a third party.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

- (b) All suspected or detected internal fraud cases including unofficial or anonymous allegations from third parties must immediately be formally reported in writing by the Head of Department to the Director of Finance and Support Services.
- (c) The Director of Finance and Support Services must immediately notify the following parties:
 - (i) Chief Constable and the Deputy Chief Constable;
 - (ii) the Director of Human Resources - if a member of police or police staff is suspected of being involved;
 - (iii) the Head of Professional Standards Department (PSD) - if a police officer is suspected of being involved;
 - (iv) NI Policing Board (NIPB) and the Department of Justice NI (DOJNI);
 - (v) the Chair of the Police Service Audit and Risk Committee;
 - (vi) the Head of the Police Service Internal Audit.
- (d) Where it is considered that a suspected case of fraud may involve a senior officer suitable reporting procedures should be put in place to ensure that an appropriate senior officer investigates it. At present, PSD are responsible for investigating police officers up to the rank of Chief Superintendent. The Northern Ireland Policing Board (NIPB) is responsible for investigating ranks of Assistant Chief Constable (ACC) and above.
- (e) Any staff member receiving a report/allegation or on discovery of what they believe to be suspected fraud must not do any of the following:
 - (i) contact the suspected individual in an effort to determine facts or demand restitution;
 - (ii) discuss the case facts, suspicions, or allegations with anyone unless specifically directed to do so and in order to assist in any criminal or misconduct investigation by the appointed Investigating Officer, [see (v) below] Director of Finance and Support Services or the Head of Legal Services Branch.
 - (iii) discuss the case with anyone within the Police Service other than the people listed below.

They must report the information received to the Head of Human Resources should the matter involve police staff or to the Head of Professional Standards in the event that the report refers to a police officer.
 - (iv) if appropriate the above will consult with the Director of Finance and Support Services, and Legal Services as to the extent and appropriate level of investigation to be initiated
 - (v) on receipt of the report and following consultation as above (if appropriate) an Investigating Officer will be appointed to carry out the investigation into any criminal matters disclosed and/or misconduct issues arising.
- (f) Where it is considered that a suspected case of fraud may involve a senior officer suitable reporting procedures should be put in place to ensure that an appropriate senior officer investigates it. At present, PSD are responsible for investigating police officers up to the rank of Chief Inspector. For Superintendent ranks it will be an Assistant Chief Constable (ACC). The Northern Ireland Policing Board (NIPB) is responsible for investigating ranks of ACC and above.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

(g) The appointed Investigating Officer must, as soon as the initial investigation has substantiated (or otherwise) the report/allegation of suspected fraud inform the following (as appropriate):

- (i) Head of Human Resources;
- (ii) Head of Professional Standards.

The above will have responsibility for ensuring that the following (as appropriate) are informed as to the nature of the substantiated report/allegation and the action taken:

- (i) Chief Constable and the Deputy Chief Constable;
- (ii) Director of Finance and Support Services (who will have responsibility for informing (if appropriate) (A) – (C) below. Also see paragraph 6(1)(a) as to specific responsibility relating to the Director of Finance and Support Services:

(A) NI Policing Board (NIPB) and the Department of Justice NI (DOJNI);

(B) the Chair of the Police Service Audit and Risk Committee;

(C) the Head of the Police Service Internal Audit.

- (iii) Legal services;
- (iv) Corporate Communications.

(h) In the case of a suspected or detected fraud involving any external agent, customer, supplier, contractor or member of the public, the reporting line should be that identified at paragraph (4)(b) above.

(i) Confidentiality for all parties will be maintained over reports made in good faith, which cannot be substantiated following investigation. A reporting member of staff may choose to remain anonymous and such anonymity will be respected. However identification is preferred and will assist the investigation. The Code of Ethics (Article 7) places a specific obligation on police officers to report any violation of the Code.

(j) Where appropriate, individuals can make a confidential and or anonymous report to "Safecall Limited" (0870 2410762), which is external and independent to the Police Service.

(5) Initial Investigation

Together the Head of Department, the Director of Finance and Support Services, the Director of Human Resources and a senior representative from Professional Standards Department will determine the extent of the internal investigation to be carried out to substantiate whether there is any foundation to the claim/suspicion, drawing upon advice and assistance from any quarter within the Police Service, including Internal Audit. All correspondence and the subsequent actions by management could be subject to disclosure in any subsequent criminal case.

(6) The Course of a Fraud Investigation and Follow Up Action

(a) The objectives of a fraud investigation should be:

- (i) to establish whether a fraud has occurred;
- (ii) to collect sufficient evidence to identify the individual(s) concerned; and

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

- (iii) to provide sufficient evidence to place the matter before the PPS in order that an informed decision as to prosecution can be made/and/or initiate misconduct proceedings or other legal action.
 - (b) The circumstances of each case will determine the extent of the investigation. Where a criminal offence is suspected, it is essential that a police investigation be commenced at an early stage. It is essential that no action be taken which might alert the suspects, or compromise evidence, thereby prejudicing the investigation.
 - (c) Where through the application of internal control procedures, a member of staff suspects or detects fraud, they should immediately inform their line manager, who should notify the Head of the Branch or Operational Commander concerned. In particularly serious circumstances or if the Head of Branch/Operational Commander is suspected of involvement in the suspected or detected fraud, it may be appropriate to inform officers at a higher level. The Head of Branch/Operational Commander or higher officer should then take the action outlined at paragraphs (4)(b)-(d) as appropriate. It may be also necessary to take immediate action to safeguard evidence, which may be essential to support subsequent criminal or misconduct proceedings. Action to suspend staff from duty may also need to be initiated to prevent tampering with evidence or continued wrongdoing.
 - (d) When a fraud investigation is commenced, the appointed Investigating Officer will throughout the course of the investigation keep the relevant Operational Commander/Head of Branch apprised of the progress of the enquiry. Where the issue of suspension or misconduct proceedings arise, the relevant Head of Branch/Operational Commander will ensure that there is early consultation with the Director of Human Resources, the Director of Finance and Support Services, the Head of PSD, and with the Deputy Chief Constable (for police officers). The Director of Human Resources or the Head of PSD will decide whether or not disciplinary action is progressed.
 - (e) Where a criminal offence is suspected, interviews with any suspected person shall be conducted as prescribed by the Police and Criminal Evidence (Northern Ireland) Order 1989 and Codes of Practice.
 - (f) Where the NIAO uncover fraud, they will notify the Director of Finance and Support Services who will arrange for an investigation to be instigated, see paragraph 6(4)(c) above. The NIAO must be kept informed of the progress and final outcome of the investigation.
 - (g) Where an investigation into alleged criminal offences results in prosecution, the Investigating Officer will ensure that a financial investigation into any defendant's benefit/assets is conducted, and that the provisions of the Proceeds of Crime (Northern Ireland) Order 2002 with respect to restraint and confiscation are applied.
 - (h) In all stages of the investigation, consideration will be given to the need for advice to be sought from the Head of Legal Services Branch. Consideration should also be given to seeking pre-prosecutorial advice from the PPS at an early stage of the investigation.
 - (i) If it is considered that any case merits referral to the Serious Fraud Office, such referral shall be made through the ACC Crime Operations and copied to the Chief Constable and Deputy Chief Constable.
- (7) **Fraud Reporting**
- (a) As per paragraph 6(4)(c), the Director of Finance and Support Services (Fraud Liaison Officer) has responsibility for notifying a number of parties in relation to suspected and actual fraud.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

- (b) In addition, the Police Service will comply with the requirements to report fraud annually to DOJNI through the NIPB.

FD (DFP) 10/10 sets out the requirements for the submission of an annual fraud return. Managing Public Money Northern Ireland, Section A.4.7.9 requires the Police to submit an annual return to DFP (through NIPB/DOJNI), giving details of all discovered cases of suspected and proven fraud (including attempted fraud). A separate data collection form (see Appendix 'A') should be completed for each case of actual, suspected and attempted fraud being reported. DOJNI will send out an annual commissioning letter, which will set out guidance on the reporting categories, definitions and administrative arrangements for the annual return.

- (c) To assist with reporting requirements, the Head of PSD will provide the Director of Finance and Support Services (the Fraud Liaison Officer) with a quarterly return summarising all cases of suspected or proven fraud reported to PSD. In particular, this return should separately identify any cases with a value of £20,000 or more that contain valuable lessons for others. The return should also include an update report on suspected or proven fraud cases previously reported. Where PSD are not involved (eg some cases involving police staff), the Head of Financial Reporting and Accounting Services will be responsible for providing quarterly returns to the Director of Finance and Support Services.
- (d) A six monthly report (October and June meetings) will be made to the Audit and Risk Committee on all reported fraud (proven or suspected).
- (e) In all cases of fraud proven and suspected, there is a requirement that the systems should be reviewed to ascertain if a breakdown in internal controls, or other operational weaknesses exist. The Head of Department will agree with the Director of Finance and Support Services in all cases, as to whether the review should be undertaken by the Financial Reporting and Accounting Services Branch or referred to the Head of Internal Audit, or other, as deemed appropriate. A report on the outcome of this review will be submitted to the Director of Finance and Support Services in all cases. This report should also identify any lessons learned that should be communicated by the Director of Finance and Support Services to the organisation as a whole.

(8) Pursuit and Prosecution of Offenders

- (a) All instances of fraud, corruption, misappropriation and unprofessional conduct by staff and outside bodies will be vigorously followed up and investigated. Those responsible for the investigation will have regard to the rights as stated in Schedule 1 of the Human Rights Act 1998 and to the principle of proportionality.
- (b) In the case of a serious fraud where the offender is not prosecuted for any reason, any decision not to initiate misconduct proceedings should be taken by the Director of Human Resources or the Deputy Chief Constable, in consultation with the Head of Department, Head of PSD and Legal Services. The Director of Human Resources or Deputy Chief Constable will inform the Chief Constable in such circumstances.
- (c) Serious failures in supervision and control of staff, which lead to fraud, misappropriation, corruption or unprofessional conduct by staff, may attract appropriate misconduct action against those managers concerned. In all instances, police officers are referred to guidance contained within PSNI Code of Ethics for police officers, and police staff are referred to the NICS Code of Ethics issued by the Northern Ireland Civil Service.

(9) Disciplinary Process

- (a) Disciplinary action will be taken, where appropriate.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

- (b) Any Command or disciplinary action will be undertaken in accordance with existing Police codes.
- (c) A person who is suspected of fraud may be subjected to disciplinary proceedings and/or criminal proceedings, which can lead to extremely serious consequences, including dismissal from the Police and/or imprisonment following conviction. As a result, any person who is the subject of such proceedings is entitled to certain procedural and substantive safeguards. Any person against whom proceedings are initiated should be informed of their right to legal advice.

(10) Recovery of Losses

- (a) Every effort will be made to recover losses from fraudulent activity;
- (b) Responsibility for recovery will be determined on a case-by-case basis.

7. MONITORING AND REVIEW

This Policy will be reviewed on an annual basis and updated as necessary to comply with the requirements of Managing Public Money NI as issued by DFP.

8. CANCELLATION

Policy Directive 11/06 – Anti-Fraud Policy, is hereby cancelled.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

APPENDIX 'A'

Name of Organisation

Department / Agency / NDPB / Other (if other please state type of body)

1. CASE DESCRIPTION

Please provide a description of how the fraud was attempted or perpetrated. Each case description should include:

- an outline of the case;
- the amount lost;
- the control weaknesses that were exploited;
- details about how the fraud was discovered;
- any action taken against the fraudsters and action to recover losses; and
- the actions taken to reduce the risk of similar frauds being perpetrated in the future (eg new measures to deter or detect fraud).

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

To assist in the full analysis of the cases of fraud reported please also complete the following sections.

2. CATEGORY OF FRAUD

Please tick appropriate box ✓

Is the case being reported an actual fraud, a suspected fraud, or an attempted fraud?	Actual	
	Suspected	
	Attempted (but prevented)	

Has the case reported been concluded?	Yes	
	No	

Please indicate the category of fraud which best classifies this case. Annex C contains some information which will assist in the consistent classification of reported cases.	Grant related	
	Theft of assets	
	Payment process related	
	Income related	
	Pay or pay related allowances	
	Travel and Subsistence	
	Pension Fraud	
	Contractor fraud	
	Procurement Fraud	
	Abuse of position / assets / exploitation of information	
	Other (please specify)	

3. PERPETRATORS

Please indicate who perpetrated, or attempted to perpetrate the fraud?	Internal member of staff	
	Contractor	
	Funded body / Grant applicant	
	Other third party – please state	
	Collusion between internal and external parties	
	Unknown	

4. VALUE OF CASE

If known please state the actual value of the fraud case being reported?	£
--	---

If the actual value is not known please state any estimated value?	£
--	---

Otherwise please confirm that the value of the fraud cannot be identified or cannot be estimated at this current time.	
--	--

NOT PROTECTIVELY MARKED

5. CAUSATION

Please indicate the category which best describes how the fraud was able to be perpetrated?

Inadequate controls in place	
Failure to apply existing controls	
Opportunistic (ie controls were appropriate for the risk faced)	
Not applicable – the case reported was an attempted fraud only and was detected by existing controls	
Currently unknown how fraud was perpetrated	

6. DISCOVERY

Please indicate how the actual, suspected or attempted fraud was discovered?

Through the operation of normal control procedures (includes management and supervisory checks)	
Reported by internal member of staff	
Reported by an external third party	
By chance	
Through the completion of a special exercise	
By Internal Audit	
By External Audit	
*Through computer analysis techniques	
Other means (please state)	

Where frauds were reported by internal members of staff or by external third parties please advise if this was done through an established Whistleblowing policy / procedures?

Reported through formal whistleblowing routes (delete whichever one is inappropriate)	
Yes	No

*This should not include cases identified through the 2009 National Fraud Initiative. A separate exercise will be completed for NFI related cases in due course.

NOT PROTECTIVELY MARKED

7. INVESTIGATION AND FOLLOW UP ACTION

Please indicate in each case which of the following occurred, providing any additional details in the box below. Also advise if any category is considered “not applicable” or “too early in the case to determine / have occurred”.

Incident reported to the police	
Reported to DFP and NIAO	
Reported to the Board and Audit Committee	
Investigation carried out by the police	
Investigation carried out internally by the organisation	
Disciplinary action being considered	
Criminal prosecution being considered	
Disciplinary action being taken	
Criminal prosecution being taken	
Recovery of losses being sought	
Full recovery made or no loss incurred	

Additional details.

Where recovery of losses are being sought please provide details of the action taken and the amount recovered to date.

Where criminal or disciplinary proceedings have been completed please provide details of the outcome.

8. ACTIONS TAKEN TO IMPROVE CONTROLS

Please indicate what action has been taken as a result of the fraud being perpetrated or attempted.

Controls improved	
No action considered necessary	
Control improvements still under consideration	

Where controls have been improved please provide details of the actions taken.

Please provide details of the main point of contact for this fraud case return.

Name

Address

Telephone Number

Email address

NOT PROTECTIVELY MARKED

APPENDIX 'B'

THE SEVEN PRINCIPLES OF PUBLIC LIFE

The seven principles below were identified in the first report of the Nolan Committee and should be the hallmark of all public servants' behaviour. They apply equally to temporary staff, secondees and contractors working within the Department.

SELFLESSNESS

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

APPENDIX C

FURTHER INFORMATION

Further information and guidance to supplement this document is available from the following sources:

1. MANAGING PUBLIC MONEY NORTHERN IRELAND (MPMNI)

This document sets out the main principles for dealing with resources used by public sector organisations in Northern Ireland. It can be accessed via the following link:

<http://www.afmdni.gov.uk/frab/browse.asp?branch=1&category=43&maxres=20&start=0&orderby=3>

2. STANDARDS IN PUBLIC LIFE - THE SEVEN PRINCIPLES

The Nolan Committee was established by central government to review standards of behaviour in all areas of the public sector. Its report defined the seven guiding principles that apply to public servants. Our policies and procedures reflect these seven principles as detailed in Annex A.

3. MANAGING THE RISK OF FRAUD – A GUIDE FOR MANAGERS

This document is available via the link below:

<http://www.afmdni.gov.uk/fiap/browse.asp?branch=3&category=15&maxres=20&start=0&orderby=2>

4. GUIDANCE ON THE PROVISION OF GIFTS AND HOSPITALITY

(a) There are strict rules governing expenditure by NI civil servants on hospitality and official gifts and on the acceptance of gifts, hospitality or awards. It is essential that staff adhere to the principles, guidelines and procedures set out in 'Northern Ireland Civil Service – Guidance on Offers and the Acceptance of Gifts and Hospitality', which can be accessed via the following link:

http://www.afmdni.gov.uk/pubs/DAOs/daodfp1006_revised_sept_09.DOC.

(b) Additionally guidance and approval thresholds for the Police are contained within the Police Service Finance Manual available on the Financial Reporting and Accounting Services intranet site.

(c) Anyone involved in anti-fraud procedures is encouraged to read the above documents.

5. ACCESS TO PROCEDURES

Managers must make sure that all members of staff have access to the relevant aspects of procedures referred to above. Managers must also ensure that employees have access to any up-to-date divisional/branch procedures relating to the services that they provide.

6. UNDERSTANDING AND COMPLYING WITH PROCEDURES

Staff are responsible for making sure that they read and understand the rules and regulations that apply to them, and act in line with them. Additionally, any officer who is issued with instructions specific to their post must ensure that these instructions are complied with.

7. NON-COMPLIANCE WITH PROCEDURES AND GUIDANCE

If anyone breaks these rules and regulations, formal misconduct action may be taken against them.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

APPENDIX 'D'

POSSIBLE INDICATORS OF FRAUD

1. Missing expenditure vouchers and unavailable official records
2. Crisis management coupled with a pressured business climate
3. Profitability declining
4. Excessive variations to budgets or contracts
5. Refusals to produce files, minutes or other records
6. Related party transactions
7. Increased employee absences
8. Borrowing from fellow employees
9. An easily led personality
10. Covering up inefficiencies
11. Lack of Board oversight
12. No supervision
13. Staff turnover is excessive
14. Figures, trends or results which do not accord with expectations
15. Bank reconciliations are not maintained or can't be balanced
16. Excessive movement of cash funds
17. Multiple cash collection points
18. Remote locations
19. Unauthorised changes to systems or work practices
20. Employees with outside business interests or other jobs
21. Large outstanding bad or doubtful debts
22. Poor morale
23. Excessive control of all records by one officer
24. Poor security checking processes over staff being hired
25. Unusual working hours on a regular basis
26. Refusal to comply with normal rules and practices
27. Non taking of leave
28. Excessive overtime
29. Large backlogs in high risk areas
30. Lost assets
31. Lack of thorough investigations of alleged wrongdoing
32. Offices with excessively flamboyant characteristics
33. Employees suffering financial hardships
34. Placing undated/post-dated personal cheques in petty cash

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

35. Employees apparently living beyond their means
36. Heavy gambling debts
37. Signs of drinking or drug abuse problems
38. Conflicts of interest
39. Lowest tenders or quotes passed over with scant explanations recorded
40. Managers bypassing subordinates
41. Subordinates bypassing managers
42. Excessive generosity
43. Large sums of unclaimed money
44. Large sums held in petty cash
45. Lack of clear financial delegations
46. Secretiveness
47. Apparent personal problems
48. Marked character changes
49. Excessive ambition
50. Apparent lack of ambition
51. Unwarranted organisation structure
52. Absence of controls and audit trails
53. Socialising with clients – meals, drinks, holidays
54. Seeking work for clients
55. Favourable treatment of clients – eg allocation of work
56. Personal creditors appearing at the workplace
57. Altering contract specifications
58. Contract not completed to specification
59. Contractor paid for work not done
60. Grants not used for specified purpose, eg leasing capital equipment instead of purchasing them

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

APPENDIX 'E'

COMMON METHODS AND TYPES OF FRAUD

1. Payment for work not performed
2. Forged endorsements
3. Altering amounts and details on documents
4. Collusive bidding
5. Overcharging
6. Writing off recoverable assets or debts
7. Unauthorised transactions
8. Selling information
9. Altering stock records
10. Altering sales records
11. Cheques made out to false persons
12. False persons on payroll
13. Theft of official purchasing authorities such as order books
14. Unrecorded transactions
15. Transactions (expenditure/receipts/deposits) recorded for incorrect sums
16. Cash stolen
17. Supplies not recorded at all
18. False official identification used
19. Damaging/destroying documentation
20. Using copies of records and receipts
21. Using imaging and desktop publishing technology to produce apparent original invoices
22. Transferring amounts between accounts frequently
23. Delayed terminations from payroll
24. Bribes
25. Over-claiming expenses
26. Skimming odd pence and rounding
27. Running a private business with official assets
28. Using facsimile signatures
29. False compensation and insurance claims
30. Stealing of discounts
31. Selling waste and scrap.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

APPENDIX 'F'

EXAMPLES OF GOOD MANAGEMENT PRACTICE PREVENTATIVE CONTROLS WHICH MAY ASSIST IN COMBATING FRAUD

1. All income is promptly entered in the accounting records with the immediate endorsement of all cheques.
2. Regulations governing contracts and the supply of goods and services are properly enforced.
3. Accounting records provide a reliable basis for the preparation of financial statements.
4. Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information.
5. A strong Internal Audit presence.
6. Management encourages sound working practices.
7. All assets are properly recorded and provision is made known for expected losses.
8. Accounting instructions and financial regulations are available to all staff and are kept up to date.
9. Effective segregation of duties exists, particularly in financial accounting and cash/securities handling areas.
10. Close relatives do not work together, particularly in financial, accounting and cash/securities handling areas.
11. Creation of a climate which promotes ethical behaviour.
12. Act immediately on internal/external auditor's report to rectify control weaknesses.
13. Review, where possible, the financial risks of employees.
14. Issue accounts payable promptly and chase up any non-payments.
15. Set standards of conduct for suppliers and contractors.
16. Maintain effective security of physical assets, account documents (such as cheque books, order books), information, payment and purchasing systems.
17. Review large and unusual payments.
18. Perpetrators should be suspended from duties pending investigation.
19. Proven perpetrators should be dismissed without a reference and prosecuted.
20. Query mutilation of cheque stubs or cancelled cheques.
21. Store cheque stubs in numerical order.
22. Undertake test checks and institute confirmation procedures.
23. Develop well-defined procedures for reporting fraud, investigating fraud and dealing with perpetrators.
24. Maintain good physical security of all premises.
25. Randomly change security locks and rotate shifts at times (if feasible and economical).
26. Conduct regular staff appraisals.
27. Review work practices open to collusion or manipulation.
28. Develop and routinely review and reset data processing controls.

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

29. Regularly review accounting and administrative controls.
30. Set achievable targets and budgets, and stringently review results.
31. Ensure that staff members take regular leave.
32. Rotate staff.
33. Ensure all expenditure is authorised.
34. Conduct periodic analytical reviews to highlight variations to norms.
35. Take swift and decisive action on all fraud situations.
36. Ensure that employees are fully aware of their rights and obligations in all matters concerned with fraud.

Examples of Good Management Practice which may assist in **detecting** fraud and examples of fraud indicators can be found in Appendices 5 and 6 of the document '**Managing the Risk of Fraud – A Guide for Managers**'.

This document is available on the following link:

<http://www.afmdni.gov.uk/fiap/browse.asp?branch=3&category=15&maxres=20&start=0&orderby=2>

NOT PROTECTIVELY MARKED