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Police Service of Northern Ireland

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POLICY DIRECTIVE

ANTI-FRAUD POLICY

1. POLICY IDENTIFICATION

POLICY TITLE: Anti-Fraud Policy

POLICY OWNERSHIP:

DEPARTMENT	Finance and Support Services
BRANCH	Financial Reporting and Accounting Services
AUTHOR	Michael Burton

POLICY APPROVED BY:

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INDEX

SECTIONS 1- 6 FOR PUBLIC DISCLOSURE

Section	Subject	Page
1	Policy Identification Page	1
2	Policy Statements	3
3	Introduction	3
3(1)	Executive Summary	3
3(2)	Background	3
3(3)	Aims	3
3(4)	Application	4
3(5)	Legal Basis	4
4	Implications of the Policy	4
4(1)	Fraud Awareness	4
4(2)	Human Resources/Training	4
4(3)	Risks	4
4(4)	Consultation	4-5
5	Human Rights/UNCRC/Code of Ethics/Freedom of Information	5
6	Review	5

SECTION 7

Paragraph

Procedures and Guidance

1.	Prevention and Detection of Fraud	6
2.	Internal Audit and Risk Management	6-7
3.	Standards of Conduct	7
4.	Suspected or Detected Fraud	7-8
5.	Initial Investigation	8
6.	The course of a Fraud Investigation and Follow up Action	8-9
7.	Fraud Reporting	9-10
8.	Pursuit and Prosecution of Offenders	10-11
9.	Disciplinary Process	11
10.	Recovery of Losses	11

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2. POLICY STATEMENTS

- (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 (PSNI) 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. 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) Disciplinary action must be taken, 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) **Background**

- (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.
- (c) 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.

(3) **Aims**

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.

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(4) **Application**

This Policy applies to all staff within PSNI. 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 (www.dfpni.gov.uk).

(5) **Legal Basis**

- (a) Fraud may be defined as 'any course of action involving dishonesty, where any person by the use of deception makes a gain for himself/herself or another or causes loss to another'.
- (b) No precise legal definition of fraud exists; 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.
- (c) 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).
- (d) The Chief Constable is required to formulate and communicate a Fraud Policy Statement to all staff, in accordance with the Framework Document issued by the Northern Ireland Office (NIO). A copy of the Framework Document is included as an Appendix to Policy Directive 02/07 - Financial Regulations. This Framework Document is issued in pursuance of Section 9 of the Police (Northern Ireland) Act 2000.
- (e) 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).

4. IMPLICATIONS OF THE POLICY

(1) **Fraud Awareness**

The Policy should help to raise awareness to the risks of fraud and the implications of fraud for the organisation, management and individuals. The Policy should also help to promote an anti-fraud culture.

(2) **Human Resources/Training**

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

(3) **Risks**

Lack of a current and effective fraud policy could expose the organisation to unnecessary risk and external criticism.

(4) **Consultation**

The following have been consulted during the preparation of this Policy:

- (a) PSNI Chief Officers;
- (b) Audit and Risk Committee;
- (c) Finance and Support Services Department;
- (d) Crime Operations Department;

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- (e) Professional Standards Department;
- (f) Head of Internal Audit;
- (g) Northern Ireland Audit Office;
- (h) Superintendents' Association Northern Ireland;
- (i) The Police Federation for Northern Ireland;
- (j) Northern Ireland Public Service Alliance.

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

- (1) This Policy is deemed to be Human Rights compliant, it has been screened for Section 75 considerations and complies with the PSNI Code of Ethics.
- (2) The Policy is suitable for disclosure in accordance with the Freedom of Information Act 2000. The accompanying procedures are suitable for internal dissemination only.
- (3) This Policy will be published externally via the Freedom of Information Publication Scheme.

6. REVIEW

- (1) This Policy will be reviewed in 12 months time.
- (2) Interim reviews may also be prompted by feedback, challenge or change in legislation.
- (3) Feedback relating to this Policy should be addressed to Financial Reporting and Accounting Services Branch.

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SECTION 7

PROCEDURES AND GUIDANCE

1. PREVENTION AND DETECTION OF FRAUD

- (1) 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:
 - (a) promoting an anti-fraud culture;
 - (b) establishing a Fraud Policy Statement and communicating the approach to fraud;
 - (c) regularly reviewing assessments of fraud risk at organisational and operational levels;
 - (d) designing an effective control environment to prevent fraud, proportional to the risk;
 - (e) reporting suspected or detected fraud and acting as the designated Fraud Liaison Officer [see paragraph 7(1)];
 - (f) disseminating lessons learnt from serious cases; and
 - (g) liaising with the Audit and Risk Committee.
- (2) However, the primary responsibility for the prevention and detection of fraud in the PSNI rests with line management.
- (3) 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:
 - (a) information used to monitor performance and take decisions is complete, accurate and reliable;
 - (b) policies, plans, procedures and regulations are adhered to;
 - (c) resources are used efficiently, effectively, and economically;
 - (d) assets are safeguarded;
 - (e) the organisations objectives are achieved; and
 - (f) 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

- (1) 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.
- (2) 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.

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- (3) 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.
- (4) 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 PSNI. 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

- (1) 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 (www.dfpni.gov.uk). 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 PD04/05 on 'The Acceptance of Gifts, Gratuities and Hospitality'.
- (2) Every member of staff is responsible for:
 - (a) 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;
 - (b) 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;
 - (c) being alert to unusual transactions or events that may be indications of fraud;
 - (d) reporting any suspicions of fraud or suspicious acts or events immediately; and
 - (e) providing full co-operation to any investigation.

4. SUSPECTED OR DETECTED FRAUD

- (1) Frauds may be suspected or detected in a number of ways including the following:
 - (a) by line managers or their staff applying internal control procedures;
 - (b) by Internal Audit;
 - (c) by the Northern Ireland Audit Office (NIAO); and
 - (d) by allegations from a third party.
- (2) 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 Chief Constable and the Deputy Chief Constable, and copied to the following:
 - (a) the Director of Human Resources - if a member of police or police staff is suspected of being involved;
 - (b) the Head of Professional Standards Department (PSD) - if a police officer is suspected of being involved; and

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- (c) the Director of Finance and Support Services in **all** cases.
- (3) 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.
- (4) The person reporting must **not** do any of the following:
 - (a) contact the suspected individual in an effort to determine facts or demand restitution;
 - (b) discuss the case facts, suspicions, or allegations with anyone outside PSNI unless specifically asked to do so by the Legal Department or the Head of Internal Audit; or
 - (c) discuss the case with anyone within PSNI other than the people listed above.
- (5) 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 paragraph 4(2) above.
- (6) 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.
- (7) Where appropriate, individuals can make a confidential and or anonymous report to "Safecall Limited" (0870 2410762), which is external and independent to the PSNI.

5. INITIAL INVESTIGATION

- (1) Together the Head of Department, the Director of Finance and Support Services and the Director of Human Resources 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 PSNI, including Crime Operations, PSNI Fraud Unit, PSD, and Internal Audit. All correspondence and the subsequent actions by management could be subject to disclosure in any subsequent criminal case.
- (2) When it is agreed that there are sufficient grounds to suspect that a fraud has been committed, the Head of Department will notify the ACC Crime Operations, the Head of PSD (when a police officer is involved) and the Director of Finance and Support Services (in the role of Fraud Liaison Officer – see paragraph 7(1) below).
- (3) The Director of Finance and Support Services will notify the Chair of the Audit and Risk Committee, the Head of Internal Audit, the NIPB, the NIO and the NIAO. The ACC Crime Operations (or Head of PSD when a police officer is involved) will initiate a fraud investigation. This investigation may draw on the expertise of the PSNI Fraud Unit.

6. THE COURSE OF A FRAUD INVESTIGATION AND FOLLOW UP ACTION

- (1) The objectives of a fraud investigation should be:
 - (a) to establish whether a fraud has occurred;
 - (b) to collect sufficient evidence to identify the individual(s) concerned; and
 - (c) to provide sufficient evidence to prove the offence before a court and/or take disciplinary or other legal action.

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- (2) 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.
- (3) 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) and (5) as appropriate. It may be also necessary to take immediate action to safe guard evidence, which may be essential to support subsequent disciplinary action or prosecution. Action to suspend staff from duty may also need to be initiated to prevent tampering with evidence or continued wrongdoing.
- (4) 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 disciplinary measures arises, 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.
- (5) 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.
- (6) Where the NIAO uncover fraud, they will notify the Director of Finance and Support Services and the Head of Internal Audit, who will arrange for an investigation to be instigated. The NIAO must be kept informed of the progress and final outcome of the investigation.
- (7) 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 1996 with respect to restraint and confiscation are applied.
- (8) In all stages of the investigation, consideration will be given to the need for advice to be sought from the Legal Adviser.
- (9) 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.

7. FRAUD REPORTING

- (1) The PSNI have a responsibility to notify the NIPB, NIO, NIAO, the Chair of the Audit and Risk Committee and the Head of Internal Audit **immediately** of all frauds (proven or suspected), which are believed to have been perpetrated by PSNI officers, staff, and members of the public or contractors. For this purpose the Director of Finance and Support Services has been appointed **Fraud Liaison Officer** with responsibility for notifying the NIPB, NIO, NIAO, Chair of the Audit and Risk Committee and the Head of Internal Audit of all proven or suspected frauds.
- (2) In addition, PSNI will comply with the requirements to report fraud to HM Treasury. The exception to this will be if reporting would likely prejudice the outcome of a criminal investigation. Such cases should be agreed between the responsible Chief Officer, the ACC Crime Operations and the Director of Finance and Support Services.
- (3) Chapter 5.3 of Government Accounting sets out the requirements for 'Reporting fraud to the Treasury':

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‘Departments should submit a return to the Treasury by the end of May in respect of each financial year. The report should contain details of cases of theft and fraud at the stage when preliminary investigations have demonstrated that fraud or theft has occurred (or that an attempt has been made to commit theft or fraud). Cases to be reported are those affecting departments, including their agencies. These should be reported under four main categories:

- (a) fraud involving departmental staff;
- (b) frauds perpetrated by members of the public with a value of £10,000 or more and containing valuable lessons for others;
- (c) contractor or supplier frauds; and
- (d) frauds where the perpetrators are not yet known.

The Treasury will send out an annual commissioning letter, which will set out guidance on the reporting categories, definitions and administrative arrangements for the annual return.’

- (4) Specifically, paragraphs 5.3.3 and 5.3.5 of Government Accounting state that:

‘The annual reporting exercise covers frauds affecting departments and their agencies. NDPBs are not required to complete an annual return. However, details of frauds or thefts perpetrated against NDPBs with a value of £20,000 or more that contain valuable lessons for others should be reported.

In addition to the Annual Fraud Reporting process, departments should report, as quickly as possible, details of any novel or unusual frauds (or suspected frauds) affecting their departments, agencies or NDPBs sponsored by them. Departments, agencies and NDPBs should not fail to report frauds which in themselves are minor if such frauds or variations of them could be serious if repeated across the government as a whole. The Treasury will consider whether details of frauds reported under these arrangements should be circulated confidentially to other departments.’

- (5) 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 Department will be responsible for providing regular update reports to the Director of Finance and Support Services.
- (6) A report will be made quarterly to the Audit and Risk Committee on all reported fraud (proven or suspected).
- (7) In all cases of fraud proven and suspected, there is a requirement that the systems should be reviewed to ascertain if a break down 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 Finance Department 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

- (1) All instances of fraud, corruption, misappropriation and unprofessional conduct by its 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.

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- (2) In the case of a serious fraud where the offender is not prosecuted for any reason, any decision not to take disciplinary action should be taken by the Director of Human Resources or the Deputy Chief Constable, in consultation with the Head of Department. The Director of Human Resources or Deputy Chief Constable will inform the Chief Constable in such circumstances.
- (3) Serious failures in supervision and control of staff, which lead to fraud, misappropriation, corruption or unprofessional conduct by staff, may attract appropriate disciplinary 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

- (1) Disciplinary action will be taken, where appropriate.
- (2) Any Command or disciplinary action will be undertaken in accordance with existing PSNI codes.
- (3) 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 PSNI 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

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

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