

Fraud Policy

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Related Policies, Procedures, Guidelines, Standards, Frameworks	Fraud Response Plan Code of Conduct
Replaces	
Policy Lead (Name/Position/Contact details)	Louise Kennedy Director of Corporate Services
Sponsor Directorate	Corporate Services
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1. Scope of Fraud Policy

- 1.1 This Policy applies to all Mid and East Antrim Borough Council employees (permanent, temporary and voluntary).

Note for Elected Members

If an Elected Member has concerns regarding malpractice, he/she is advised to refer to the Northern Ireland Code of Conduct for Councillors or seek the advice of the Chief Executive.

2. Background

- 2.1 This Policy outlines the commitment Mid and East Antrim Borough Council (**hereafter referred to as 'The Council'**) places on the prevention and detection of fraud and irregularity, financial or otherwise.

- 2.2 All public servants are required to act honestly and with integrity, to safeguard the resources for which they are responsible and are required to conduct 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.

- 2.3 The opportunity to commit fraud is ever present and must therefore be a concern to all members of staff. **It is everyone's responsibility to prevent fraud and follow the Council's procedures where a fraud is suspected or detected.**

- 2.4 Fraud of any kind will not be tolerated within the Council. All suspected frauds will be thoroughly investigated with the aim of establishing the facts. All cases of suspected or detected fraud should be reported immediately to the relevant person, as detailed in section five of this Policy. Such cases will be fully investigated and followed up. Every effort will be made to recover losses from fraudulent activity. Where fraud is proven, appropriate disciplinary action will be taken.

- 2.5 **The Council has adopted the Local Government Staff Commission's** Code of Conduct for staff. The Code expects the highest standards of conduct from all employees and sets out standards for disclosure of information, neutrality, relationships, appointments, outside commitments and personal interests.
- 2.6 The Code of Conduct also provides a framework for equality issues, tendering, hospitality, gifts, sponsorship and corruption.
- 2.7 With reference to corruption, the Code highlights that for an officer of Council, it is a serious criminal offence to receive or give any gift, loan, fee, reward or advantage for doing, or not doing anything, or showing favour or disfavour to any person in their official capacity. If an allegation is made, it is for the employee to demonstrate that any such rewards have not been corruptly obtained.
3. Definition of Fraud
- 3.1 CIPFA defines Fraud as:
“The intentional distortion of financial statements or other records by persons, internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain”. Individuals outside, as well as inside the Council, can perpetrate fraud. An attempt to commit fraud is a criminal act and is therefore treated as seriously as accomplished fraud.
- 3.2 The Fraud Act (2006) states that fraud can be committed in the following ways:
- Fraud by false representation;
 - Fraud by failing to disclose information; or
 - Fraud by abuse of position.
- 3.3 Concerns which should be reported include, but are not limited to, staff committing or attempting to commit:
- any dishonest or fraudulent act;
 - forgery or alteration of documents or accounts;
 - misappropriation of funds, supplies or other assets;
 - impropriety in the handling or reporting of money or financial transactions;
 - profiting from an official position;
 - disclosure of official activities or information for advantage;
 - accepting or seeking value from third parties by virtue of official position or duties; and
 - theft or misuse of property, facilities or services.

- 3.4 **External organisations' actions which should be reported include:**
- being offered a bribe or inducement by a supplier;
 - receiving fraudulent (rather than erroneous) invoices from a supplier;
 - reported allegations of corruption or deception by a supplier.
- 3.5 This list is not exhaustive. If you are in any doubt about the seriousness of your concern, advice and guidance can be obtained from the Chief Executive or Director of Corporate Services.
- 3.6 Frauds may be suspected or detected in a number of ways, including the following:
- By line managers or their staff applying the Financial Control Code or departmental internal control procedures;
 - By internal audit;
 - By the Northern Ireland Audit Office;
 - By allegations from a third party.
- 3.7 All matters will 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.
4. Aims of Fraud Policy
- To ensure staff use public funds entrusted to them in a responsible and lawful manner.
 - To avoid legal challenge to the Council.
 - To help ensure all staff working in the Council act with honesty and integrity at all times.
 - Ensure Council complies with the current accounting standards.
 - Prevent abuse of public resources, whether by third parties, **or the Council's own staff.**
 - To take all reasonable steps to prevent fraud within Council.
 - Ensure all cases of fraud, or attempted fraud, against the Council are thoroughly and promptly investigated.

5. Links to the Corporate Plan
- 5.1 **The Policy links to the core values as outlined in Council’s Corporate Plan 2019 - 2023.**

Respect

Establishing a culture of openness, trust and value.

Integrity

To support the spirit which enables honesty, accountability and trust throughout.

6. Responsibilities
- 6.1 Council Responsibility
 - a. Under Article 35(1)(c) of the Local Government (Miscellaneous Provisions)(NI) Order 1992, the functions of the Local Government **Staff Commission include ‘establishing and issuing a code of recommended practice as regards conduct of officers and Councils’.**
 - b. Although the Accounting Officer bears overall responsibility and is liable to be called to account for specific failures, these responsibilities fall directly on management and may involve individual members of staff.
 - c. Fraud awareness training is part of staff induction and the Council is committed to providing ongoing training at appropriate levels on the issue of preventing fraud.
- 6.2 Staff Responsibilities
 - a. Failure of an employee to comply with the requirements of this policy may be considered a disciplinary matter and may be dealt with under **Council’s Disciplinary Procedure.**
 - b. All financial transactions must be processed and authorised in accordance with the procedures **laid down in the Council’s Finance Policy Manual** and accompanying procedures. Every member of staff is expected to make sure that public funds are safeguarded, whether they are involved with cash or payments systems, receipts, stocks or dealings with contractors or suppliers.
 - c. Being alert to the possibility that unusual events or transactions could be indicators of fraud and alerting management where they believe the opportunity for fraud exists. Appendix 1 provides examples of fraud indicators. In addition, common methods and types of frauds

are included at Appendix 2, with examples of good management practice which may assist in combating fraud in Appendix 3.

- d. Staff should alert their line manager where they believe the opportunity for fraud or abuse exists because of poor procedures or lack of effective control. If procedures are not improved, the Director of Finance and Governance should be contacted. Every effort will be made to protect the identity of the informants.
- e. Where a member of staff suspects or detects fraud, they are required to immediately inform their line manager, who in turn is required to notify the Chief Executive or Director of Corporate Services .
- f. If the member of staff feels unable to raise a particular concern with their line manager, for whatever reason, they are required to raise the concern with their Director, who in turn is required to notify the Chief Executive or Director of Corporate Services.
- g. If these channels have been followed and the member of staff still has concerns, or the member of staff feels that the concern is so serious that they cannot discuss it with any of the above, they are required to discuss their concern directly with the Chief Executive or Director of Corporate Services.
- h. If a member of staff feels that they cannot discuss their concerns with any officer in the Council they are required to refer the matter **to the Chair of the Council's** Audit and Scrutiny Committee, the **Independent Member of Council's** Audit and Scrutiny Committee or **Council's Internal or External Audit contacts, whose details can** be found under Section 12 of this Policy.
- i. Staff should also assist in any investigations, by making available all relevant information and by cooperating in interviews. Staff should treat all information relating to any investigation as confidential.
- j. If staff are unsure what steps to take, they should ask their manager.
- k. The responsibility for the prevention and detection of fraud or abuse rests primarily with managers and supervisors throughout the Council, who should always be alert to the possibility of fraud or attempted fraud.
- l. Managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that mandatory controls are being complied with and are operating effectively. Where concerns exist, these should be notified promptly to the Director of Corporate Services

m. Managers are also responsible for:

- Identifying the risks to which systems and procedures are exposed;
- Assisting to develop and maintain effective controls to prevent and detect fraud;
- Ensuring that controls are being complied with;
- Ensuring the organisations objectives are achieved; and
- Ensuring that there is adequate separation of duties to ensure that total control of key functions are not vested in one individual.

n. Managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Irregularities/fraud may also be highlighted as a result of specific management checks or be brought to **management's attention by a third party**.

o. **Staff must also be aware of the provisions for 'Whistleblowing' as detailed in "The Public Interest Disclosure (NI) Order 1998", which allows staff to qualify for protection if they have a reasonable belief that there has been an instance of fraud or attempted fraud and disclose this.**

p. For a disclosure to be protected under the Public Interest Disclosure Act an employee must follow the procedures laid down in the legislation, make the disclosure in good faith and to the appropriate authority. For example, disclosures can be made to the contacts that **are defined within Council's Fraud Policy, Internal/External Audit, etc.** Disclosures made to the media may not fall under the protection of the Public Interest Disclosure Act.

q. **The Council has a 'Raising Concerns Policy' which can also be referred to.**

7. Abuse of IT Systems

7.1 IT fraud can include the manipulation of programs or data dishonestly (for example, by altering, substituting or destroying records, creating spurious records and deliberately introducing potentially harmful programs such as viruses), or where the use of an IT system has been a material factor in the perpetration of fraud.

7.2 The Council has a written E-mail, Internet and IT Security Policy, which requires all staff to be aware that they must not access or attempt access to IT records under any circumstances other than for official purposes.

8. Confidentiality

8.1 Any person making an allegation of fraud shall receive a guarantee that the allegation will be regarded as confidential to the recipient until a formal investigation is launched.

8.2 Thereafter the identity of the person making the allegation may be kept confidential, if requested, unless this is incompatible with a fair investigation or if there is an over-riding reason for disclosure.

8.3 The Council will seek to:

- Encourage staff to feel confident in raising serious concerns and to question and act upon concerns about fraud; and
- Reassure staff, that where possible, they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made a disclosure in good faith.

8.4 It must be appreciated however, that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence. All employees should also be aware that any criminal prosecutions or civil actions arising from the disclosure will in all probability result in a loss of anonymity for the person making the disclosure.

9. Investigations

9.1 All alleged frauds will be thoroughly investigated, appropriately, as per the Fraud Response Plan, with the aim of achieving the following objectives:

- Deterring staff and persons outside the organisation from committing frauds;
- The recovery of all losses incurred;
- Ensuring appropriate action is taken to prevent a recurrence of the fraud; and
- Protecting staff from frivolous accusations.

9.2 Irrespective of the source of suspicion, an initial enquiry is to confirm or repudiate the suspicions that have arisen. It is important for staff to be clear that any irregularity, however apparently innocent, will be analysed.

9.3 Staff must attempt to prevent the loss of evidence that may prove essential for subsequent disciplinary action or prosecution, and steps should be taken to ensure that all original documentation is preserved in a safe place for further investigation.

- 9.4 Additionally, it may be considered appropriate to suspend any officer involved, pending the outcome of an investigation. Suspension does **not imply guilt, it is a measure to safeguard the Council's interests.**
- 9.5 Any investigation will be conducted in accordance with Human Rights and the Northern Ireland Act 1998. If any provision of this Policy conflicts with such legislation, or with the rights secured thereunder, then the terms of the legislation will take precedence.
- 9.6 The objective of any fraud investigation will be to test the original suspicion of fraud by obtaining and thoroughly examining evidence of all the material facts. Before any view can be reached that a suspicion of fraud is justified, the investigation must identify the person(s) involved and secure sufficient evidence of that fraud having been committed by that person/those persons.
- 9.7 The Police will be notified once a firm suspicion of criminal behaviour has been formed and before any other action taken. This will ordinarily be done through the Chief Executive or his/her designated Fraud Investigation Officer.
- 9.8 The Council has a Fraud Response Plan which details how instances of fraud should be reported and how preliminary investigations should be conducted.
10. Disciplinary Procedures
- 10.1 Disciplinary action will be undertaken in accordance with existing Council Policies.
- 10.2 After proper investigation, legal and/or disciplinary action will be taken in all cases where it is considered appropriate. The Council will co-operate fully with Police enquiries and these may result in the offender(s) being prosecuted. The investigations described above will also consider whether there has been any failure of supervision. Where this has occurred, appropriate disciplinary action will be considered against those responsible.
- 10.3 Disciplinary action can proceed at the same time as Police investigations or may await the outcome of such investigations, depending on the circumstances of the case. Where disciplinary action is implemented, the individual will have the usual rights of being assisted by a colleague or Trade Union representative.
- 10.4 **The officer's immediate supervisor must be informed if suspension** occurs and be instructed that he/she should be allowed no further access to the building or to the records, without the approval of the officer in charge of the investigation.

10.5 The manager (and any other staff who have been involved in the detection or investigation of the case) will normally be responsible for acting as a witness, if a case is taken to court.

11. Learning from Experience

11.1 It is appreciated that the circumstance of individual irregularities and/or frauds are likely to vary considerably, but it is important that after each is rigorously investigated, appropriate remedial action is taken. Management must make any necessary changes to systems and procedures to ensure, as far as possible, that similar frauds will not recur. The investigation may have pointed to where there has been a failure of supervision, a breakdown in or absence of control.

11.2 Where remedial action taken involves implementation or strengthening of controls to reduce future vulnerability, Internal Audit can provide advice and assistance as required.

12. Key Contacts

Key Contact	Name	Tel Number
Mid and East Antrim Borough Council Chief Executive	Chief Executive	0300 1245000
Mid and East Antrim Borough Council Chair of Audit and Scrutiny Committee	Contact details can be obtained by contacting Member Services on 0300 1245000	
Mid and East Antrim Borough Council Independent Member of Audit and Scrutiny Committee	Contact details can be obtained by contacting Member Services on 0300 1245000	
Internal Audit - ASM Chartered Accountants	Christine Hagan	028 9024 9222
External Audit - NI Audit Office, Local Government Auditor	Louise Mason	028 90251000

13. Monitoring and Review

13.1 **This Policy will be reviewed by the Council's Senior Management Team every two years.** Interim reviews may also be prompted by feedback, challenge or a change in legislation. Any need for change will be reported to the Senior Management Team and Audit Committee and Scrutiny Committee for approval.

14. Training and Awareness

- 14.1 Where deemed appropriate, Council will provide relevant fraud awareness training for managers and employees. This will be provided on a continuing basis and appropriate to the needs of and risks relating to their area of work.
- 14.2 Heads of Service are responsible for identifying those employees who should undergo training and the type and level of training that is deemed appropriate.
- 14.3 **Relevant training will be provided to the Council's designated Fraud Investigation Officer(s)** so that he/she is fully qualified and competent to carry out a fraud investigation.

15. National Fraud Initiative (NFI)

- 15.1 The National Fraud Initiative is a data matching exercise run by the Audit Commission since 1996, and is designed to help participating bodies identify possible cases of fraud and detect and correct any under or over payments from the public purse.
- 15.2 The Serious Crime Act 2007 gives new statutory powers for the Comptroller and Auditor General for Northern Ireland to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. Local Government bodies are subject to mandatory participation.

Further information can be obtained from
www.audit-commission.gov.uk/nfi

16. The Bribery Act 2010

- 16.1 The Bribery Act 2010 came into force on 1 July 2011. Under this act there are four statutory offences, namely:
 - 1. General offence covering, offering, promising or giving a bribe;
 - 2. General offence covering, requesting, agreeing to receive, or accept, a bribe;
 - 3. Distinct offence of bribing a foreign public official to obtain or retain business; and
 - 4. New **strict liability offence for "commercial organisations"** where they fail to prevent bribery by those acting on their behalf.
- 16.2 Any act or attempted act of bribery will not be tolerated by Mid and East Antrim Borough Council. Council will fully investigate all

suspected acts of bribery and put in place all reasonable controls to reduce the risk of bribery taking place.

17. What should a Member of the Public do if they suspect Fraud or Corruption?

17.1 A member of the public who suspects fraud involving Mid and East Antrim Borough Council, its staff or contractors, is strongly encouraged to report their concerns, by contacting the Chief Executive on 0300 1245000 or by writing to the Council at:

Chief Executive
Mid and East Antrim Borough Council
The Braid
1 - 29 Bridge Street
Ballymena
Co Antrim
BT43 5EJ

Indicators of Fraud

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business climate
- Profitability declining
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Related party transactions
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- Lack of Board oversight
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not **maintained or can't be balanced**
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debts
- Officers with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Excessive ambition
- Apparent lack of ambition
- Poor morale
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Personal creditors appearing at the workplace
- Non taking of leave
- Excessive overtime
- Large backlogs in high risk areas
- Lost assets
- Unwarranted organisation structure
- Absence of controls and audit trails
- Conflicts of interest
- Socialising with clients - meals, drinks, holidays

- Seeking work for clients
- Favourable treatment of clients - e.g. allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done
- Grants not used for specified purpose - e.g. Leasing capital equipment instead of purchasing them

Corporate Fraud

- Lack of thorough investigations of alleged wrongdoing
- Pecuniary gain to organisation - but no personal gain

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/securities handling areas
- Close relatives do not work together, particularly in financial, accounting and cash/securities handling 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

Examples of Good Management Practices Which May Assist in Combating Fraud

- Set achievable targets and budgets, and stringently review results
- Ensure staff take 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