

# **Draft anti-fraud and corruption response plan**

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## Introduction

1. This is a joint response plan adopted by South Oxfordshire District Council and Vale of White Horse District Council.
2. This fraud and corruption response plan forms part of the councils' anti-fraud and corruption policy. It covers the councils' response to suspected or apparent irregularities affecting resources belonging to or administered by either council or fraud or corruption perpetrated within or against either council.
3. Definitions of what constitutes fraud can be found in the anti fraud and corruption policy.

**Note:** As well as using this policy and its associated response plan, any person employed or engaged by the relevant council who makes a report of fraud, should refer to the council's whistleblowing policy for guidance.

## Who this response plan applies to

4. People involved with either council in any way should know what to do in the event of fraud or corruption, so that they can act immediately. These people include, but are not limited to, council employees (including temporary and agency staff), councillors, co-optees (those invited to join the council's committees as independent members or because of their expertise), partners, contractors, suppliers, voluntary organisations and members of the public.
5. This response plan will help people to understand how the councils will deal with any concerns that may arise. However, it primarily provides information to employees who may be party to cases of fraud or corruption when receiving a report or becoming involved in the investigation of suspected fraud or corruption.

## Links to strategic objectives

6. This response plan underpins the council's strategies, initiatives and work plans.

## Aims and scope of this response plan

7. Using this plan will enable each council to:
  - prevent further losses of funds or other assets where fraud or corruption has occurred and maximise the recovery of any loss
  - reduce adverse impacts on the council's business
  - minimise the occurrence of fraud or corruption by taking prompt action at the first sign of a problem

- minimise any adverse publicity for the organisation suffered as a result of fraud or corruption
  - identify any lessons that can be acted upon in managing fraud or corruption in the future and
  - identify the perpetrator and maximise the success of any disciplinary or legal action taken.
8. This response plan is not limited to fraud and corruption but is applicable to any suspected act of financial impropriety. This includes any act that puts the council's resources at risk.
9. The [additional sources of information](#) section in this response plan contains a list of other documents that people should refer to when reading this plan and its associated policy.

### Action required at point of discovery

10. Either council may become aware of a suspected fraud, corruption or an irregularity through a number of means, including the following:
- Councillors, staff, an organisation or person acting on behalf of the council reporting fraud or irregularity to the appropriate employee in accordance with South Oxfordshire District Council's Financial Procedure Rules.
  - Officers reporting to their chief officer any loss or irregularity, or suspected irregularity, affecting cash, stock, property, computer held data, or other matters having implications of a financial nature in accordance with Vale of White Horse District Council's Financial Regulations.
  - The whistleblowing policy,
  - Planned audit work,
  - Operation of proper procedures.
11. Appendices A and B to this response plan provide further guidance on [detection and awareness](#) (appendix A) and [action and controls for fraud prevention](#) (appendix B).
12. A person may raise a concern verbally but preferably in writing to ensure they reflect allegations accurately to those conducting any investigation that may arise. The councils' whistleblowing policy provides guidance on responding to allegations. Some information is set out below.
13. In a written allegation, an individual should include any background information including names and relevant dates, places and the reasons for the particular concern. However, an individual can raise a concern by telephone or in a meeting with the person they are notifying of the concern. The earlier the individual raises a concern, the easier it is to investigate the allegation and/or take preventative action.

14. An individual may choose to report the concerns anonymously. Concerns expressed anonymously are much less powerful and therefore more difficult to investigate. The monitoring officer will use their discretion in deciding whether to progress an anonymous allegation beyond the initial enquiry stage.

15. When reporting a concern, an individual must not:

- approach or accuse any individuals directly
- convey suspicions or facts to anyone (within or outside of the council) other than those indicated in the council's whistleblowing policy, unless specifically asked to do so by the monitoring officer, the section 151 (chief finance) officer if they have become responsible for the case, or investigating officer (if the case has progressed to investigation)
- attempt to investigate the matter unless asked to do so by the monitoring officer, the section 151 (chief finance) officer if they have become responsible for the case, or the investigating officer (if the case has progressed to investigation).

16. When reporting a concern, the individual must retain all evidence, passing it to the monitoring officer, the section 151 (chief finance) officer if they have become responsible for the case, or the investigating officer (if the case has progressed to investigation).

17. As well as obtaining guidance from the councils' whistleblowing policy, Public Concern at Work ([pcaw.co.uk](http://pcaw.co.uk)) will give free, confidential and totally independent advice on how to proceed (contact: [helpline@pcaw.co.uk](mailto:helpline@pcaw.co.uk) or telephone 020 7404 6609).

### **Additional information for employees: whistleblowing**

18. Any employee suspecting fraud, corruption or an irregularity should refer to the council's whistleblowing policy and report it immediately to their line manager or the head of service. This depends however, on the seriousness and sensitivity of the issue involved and whom the individual suspects of malpractice. For example, if an employee believes management is involved in a suspected fraud or a potential conflict of interest exists, an employee can choose to inform:

- the chief executive,
- a strategic director,
- the head of legal and democratic services (as monitoring officer),
- the internal audit manager.

## **The recipient's role in receiving a report of suspected fraud or corruption**

19. On receiving an allegation of fraud or corruption, the employee (it is generally assumed that this would be a line manager or the head of service within the council) should:

- treat the report seriously and confidentially
- give due consideration to all concerns
- familiarise themselves with the whistleblowing policy and make the policy available to employees making any report
- reassure the individual that they will not suffer from any reports made in good faith
- obtain or prepare a written record of the concerns from the person making the allegations. This should ideally include:
  - background details and nature of the suspicions (including relevant names, dates and locations)
  - details of the job and responsibilities of the individuals implicated
  - the reasons why the person raising the matter has concerns
  - details of action (if any) taken to date before this concern was raised
  - a description of the systems, controls and procedures operating within the area of the alleged abuse
- not attempt to carry out any investigation as this may damage any future enquiry if evidence is not in a legally admissible form
- retain evidence in a safe place, taking care not to interfere with the evidence
- report the matter immediately to the monitoring officer.

## **Making initial enquiries: the monitoring officer**

20. In order to protect individuals and each council the monitoring officer, who has the authority to act independently, will deal with initial enquiries. The purpose of the initial enquiry is to establish whether there are reasonable grounds for the concerns raised so that, if necessary, they may instigate further investigation.

21. During the initial enquiry, the monitoring officer will:

- determine the factors that gave rise to the suspicion
- examine factors to determine whether any irregularity has occurred (i.e. any incident or action that is not part of normal operating systems or the expected course of events) and
- where necessary, carry out discreet enquiries with staff and/or review documents.

22. The monitoring officer will then consult the chief executive, section 151 (chief finance) officer, the internal audit manager. They will agree whether an investigation is appropriate and, if so, whether the responsibility will pass to the section 151 (chief finance) officer and what form the investigation should take.

Where appropriate they will assign an appropriate employee (investigating officer) to investigate the concern.

23. The monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, can decide to take no further action if a complaint appears to be trivial or malicious.
24. If the concern raised involves the monitoring officer, the chief executive will nominate a responsible senior employee to conduct initial enquiries with the same authority that the monitoring officer would have.

### **Prevention of further loss**

25. Where initial enquiries provide reasonable grounds to suspect a councillor, co-optee or employee of fraud or corruption, the monitoring officer in consultation with the chief executive, section 151 (chief finance) officer, and the internal audit manager, will decide how to prevent further loss. This may require the suspension of a suspected employee. The head of HR, IT & customer services will advise on the appropriate means to suspend an individual.
26. It may be necessary to plan the timing of the suspension to prevent the suspect(s) from destroying or removing evidence that may be needed to support disciplinary or criminal action.
27. The head of HR, IT & customer services, with the HR manager and facilities manager, will advise on the appropriate procedures to suspend the individual(s) and how to deny access to the council building, whilst the suspect(s) remain suspended. The monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, will instruct the head of HR, IT & customer services to withdraw without delay access to the council's computer systems from within the council and the extranet.
28. In such circumstances, the person dealing with the suspension of the suspect(s) will approach them unannounced and will inform them of their suspension. They will make arrangements to ensure that the suspect(s) remain under supervision at all times before they leave the council's premises. The suspect(s) will be allowed to collect personal property under supervision, but will not be able to remove any property belonging to the council. The person dealing with the suspension will ask the suspect(s) for any security passes and keys to premises, offices and furniture.
29. The monitoring officer, the chief executive, section 151 (chief finance) officer and the internal audit manager will consider whether it is necessary to investigate systems other than those that gave rise to the suspicion, through which the suspect may have had opportunities to misappropriate the council's assets.

## Commissioning an investigation

30. If an investigation is required, the monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, will consult with the chief executive, and the internal audit manager and nominate an appropriate employee (investigating officer) to investigate the concern.
31. Before the investigation commences, the monitoring officer or the section 151 (chief finance) officer if they have become responsible for the case, in consultation with the chief executive and the internal audit manager will:
- agree detailed terms of reference with the investigating officer setting out the objectives and scope of the investigation
  - take advice from the head of HR, IT & customer services and the HR manager to ensure that the investigation is undertaken in a manner which preserves the rights of the subject(s) under the council's disciplinary procedures and that the correct suspension process follows where necessary and
  - consider what communication needs to be made with other agencies (i.e external audit, the police).
32. Two sorts of investigations may be carried out:
- **Fact-finding:** where the monitoring officer considers that further work is needed to establish the facts following the initial enquiry, or
  - **Formal investigation:** in which the objective is to identify and secure evidence as to whether or not fraud has taken place.
33. The type of investigation required will be set out in the agreed terms of reference. In practice, a fact finding investigation may establish facts, which lead to a formal investigation.

## Conducting the investigation

### Establishing and securing evidence

34. The councils will follow disciplinary procedures against any employee who has committed an impropriety. A major objective in any fraud investigation will be the punishment of the perpetrator(s), to act as a deterrent to others.
35. The council will normally pursue the prosecution of any individuals. For these reasons it is important that the investigating officer:
- maintains familiarity with the council's disciplinary procedures when dealing with employees to ensure that evidence requirements are met during any fraud investigation
  - establishes and maintains contact with the police
  - establishes whether there is a need for members of the investigating team to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act 1984 (PACE) and

- ensures that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings
- hold securely any documentary evidence during the course of the investigation.

36. A recipient of an allegation of fraud should not attempt to collect evidence, other than undertaking activities as set out in paragraph <20> of this response plan unless specifically requested to do so by the investigating officer.

37. The best form of evidence is original documentation. Where it is not possible to obtain originals, for whatever reason, a copy will normally suffice. The copy should be clearly endorsed as a copy and certified as a true copy of the original. The person taking the copy should certify the copy from the original source document.

### **The investigating officer**

38. The role of the investigating officer (and their supporting team), is to seek to establish the facts of the matter in an independent, objective and professional manner.

39. The investigating officer will:

- carry out an investigation in accordance with the council's standard approach for compiling investigation files and collating and documenting evidence
- deal promptly with the matter
- record all evidence that has been received
- ensure that evidence is sound and adequately supported
- make secure all of the evidence that has been collected
- where appropriate, contact other agencies
- when appropriate, report to the monitoring officer.

40. The investigating team will complete the investigation in accordance with the agreed terms of reference.

### **Interviews**

41. The matters under investigation may constitute criminal acts, and consequently the investigating officer will conduct and record any interviews under specific guidelines as detailed in the PACE Act 1984. Criminal proceedings may be compromised by conducting interviews outside of the scope of PACE.

42. In some instances, employment law and PACE may conflict with each other. In all circumstances, unless the investigating officer has established beforehand that prosecution will never be an option in a particular case, PACE procedures will apply before employment law procedure.

43. The investigating officer will carry out interviews in accordance with the relevant council's disciplinary procedures. Those subject to an interview will have the right for a union representative, professional association representative, colleague, a friend or an interpreter to accompany them.
44. Normal practice will be that the investigating officer will conduct and/or control any interview, with a secondary officer taking notes. Where possible, the interviewee and investigating officer will be asked to sign a transcript of the interview to declare it is a true and correct record of what was said. If it is not possible to obtain a signature of the interviewee on the transcript, the investigating officer and secondary officer will sign the transcript to confirm that, to the best of their knowledge, it is a true and correct record of what was said.

### **Referral to the police**

45. At any time throughout the investigation process, the monitoring officer, the chief executive, section 151 (chief finance) officer and the internal audit manager, can decide whether to involve the police.
46. The councils aim to involve the police sufficiently early to enable joint investigation arrangements to take place where appropriate but not before the council has identified evidence of fraud.

### **Management, retention and security of documentation**

47. The monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, becomes responsible for the secure retention of any documentation in relation to the concern raised from the point that someone raises a concern until any initial enquiries are complete. The monitoring officer, or the section 151 (chief finance) officer will hold documentation in one location and will restrict access to those people authorised to view or use it.
48. The monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, will ensure that all documents relevant to the enquiry contain clear referencing, indicate the author of the document or who obtained it, the purpose of the document and the date it became active within the enquiry. The monitoring officer, or the section 151 (chief finance) officer will ensure that information cannot be tampered with, that no marks are made on original documentation and a record kept of anyone handling the evidence. The councils will comply with the Data Protection Act at all times.
49. Once the monitoring officer, the chief executive, section 151 (chief finance) officer and the internal audit manager agree that a formal investigation is required, the monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, will establish an investigation file. The file should state clearly the name of the investigating officer, the names of the employees

assigned to the investigation support team, and the name of the overseeing officer who will normally be the monitoring officer or the section 151 (chief finance) officer. The monitoring officer will draft an executive summary, outlining all the events that have taken place leading up to the creation of the investigation file.

50. Once the terms of reference have been established, and an investigating officer identified, the investigating officer shall be responsible for the secure retention of any documentation in relation to the investigation as set out in paragraphs 47 to 49 above.
51. The investigating officer will be responsible for maintaining a diary of events, recording all significant events, meetings, interviews, telephone calls and correspondence details.
52. Once the investigating officer completes an investigation, they will return all investigation documentation to the custodianship of the monitoring officer.

## Reporting lines

53. On completion of the investigation, the investigating officer will submit a written report to the monitoring officer, the chief executive and the section 151 (chief finance) officer containing:
  - a description of the incident, including the value of any loss
  - the people involved
  - details of the action taken against the people involved
  - the means of perpetrating the fraud
  - the measures taken to prevent a recurrence, and
  - any action needed to strengthen future responses to fraud or corruption, with a follow-up report on whether the actions have been taken.
54. On an annual basis, the monitoring officer will advise the Audit and Corporate Governance Committee at South Oxfordshire District Council and the Audit and Governance Committee at Vale of White Horse District Council, whether they have invoked the anti fraud and corruption policy and its associated response plan during the year. The report will set out:
  - any quantification of losses
  - progress with recovery action
  - progress with disciplinary action
  - progress with criminal action
  - estimate the resources required to conclude any outstanding matters and
  - the actions taken to prevent and detect similar incidents.
55. These committees can request reports from the monitoring officer.

## Action taken following investigation

56. Once the investigating officer has submitted the report, the council's lead involvement in the investigation under the anti-fraud and corruption response plan is complete. Any decision the council takes will be final.
57. If an investigation identifies evidence that fraud has taken place, the council will refer the matter to the police for further investigation. The council will co-operate fully with any police investigation, and the matter will be closed once the police have completed their investigations.
58. The council may also pursue action under the council's disciplinary procedures. The head of HR, IT & customer services and the HR manager will decide whether the council can pursue disciplinary action separately from any criminal investigation or whether the two investigations must be conducted together. The council will carry out any interview, hearing and appeal pursued under the disciplinary route in accordance with the council's disciplinary procedures.
59. In the event that the investigation identifies no evidence of fraud but evidence of misconduct, the council will pursue the matter in accordance with the council's disciplinary procedures.
60. Where the investigation identifies evidence of a failure of supervision contributing to the commission of the fraud, the council may invoke the disciplinary procedure against the manager in question.
61. Should the investigation conclude that there is no evidence of fraud or misconduct, the council will reinstate the subject (if previously suspended) and will close the case. The monitoring officer, or the section 151 (chief finance) officer if they have become responsible for the case, and the head of HR, IT & customer services will decide how any reinstatement will be communicated, in consultation with the subject, and where requested his/her trade union representative.

## Recovery of losses

62. Recovering losses is a major objective of any fraud investigation. The investigating officer shall ensure that they quantify any loss in all fraud investigations. The council will seek repayment of losses in all cases.
63. The council will undertake a variety of approaches to recover losses depending on the exact circumstances. These may be:
- salary deduction
  - agreement to repay on dismissal
  - a restitution order as part of any prosecution, or
  - a civil lawsuit (where the likely recoveries outweigh the potential costs involved).

## Publicity and dealing with the media

64. Whilst the council cannot prevent members of the public approaching the press about suspected fraud or corruption, they should be aware that such action could prejudice any investigation or any subsequent disciplinary or legal action.
65. Councillors, co-optees, employees, partners and contractors should not make any public statement regarding suspected financial impropriety. This will prevent defamatory statements or statements that may prejudice any investigation or disciplinary/legal action. On being contacted by a member of the press or public, the monitoring officer should be contacted immediately.
66. The council may optimise the publicity opportunities available to make employees and the public aware of the relevant council's commitment to taking action on acts of financial impropriety. The council may report any action taken relating to acts of financial impropriety to the press as a deterrent to other potential offenders, subject to the usual restrictions on reporting legal proceedings.

## Conclusion

67. Each council commits to the development of an anti fraud and corruption culture and will not tolerate fraud or corruption in any capacity.
68. Each council will deal with fraud or corruption promptly. Each council will investigate cases fairly, and where appropriate, prosecute the perpetrators to the fullest extent that the law allows. In certain matters, depending on the nature of the circumstances, alternative sanctions may, on agreement, be deemed to be appropriate.
69. This document seeks to state the councils' position and intent regarding all fraud and corruption matters that may affect the council.

## Officer responsible for this policy

70. The monitoring officer has overall responsibility for the maintenance and operation of this response plan, and they will liaise as necessary with the chief executive, the section 151 (chief finance) officer and the internal audit manager.

This policy was approved by South Oxfordshire District Council's Cabinet on <>

This policy was approved by Vale of White Horse District Council's <> on <date>

Policy review date: December 2012

## Additional sources of information

The following are associated policies and procedures that are referred to in this policy or can be used as additional sources of information:

<b>Joint policies: South and Vale</b>	<b>South policies</b>	<b>Vale policies</b>
Anti-fraud and corruption policy		
	Budget and policy framework procedure rules	Budget and policy framework procedure rules
	Code of conduct for councillors and its associated complaints procedure	Code of conduct for councillors and its associated complaints procedure
	Code of conduct for employees	Staff code of conduct
	Complaints policy and procedure	How to make a comment, complaints and suggestion
	Contracts procedure rules	Contracts standing orders
	Councillors' allowances scheme	Members' allowances scheme
Dignity at work policy		
Disciplinary procedure (for employees)		
	Financial procedure rules	Financial regulations
	Gifts and hospitality guidance for officers	Gifts and hospitality code
Grievance procedures (for employees)		
	Local code of governance	
Money laundering policy (scheduled for availability March 2010)		
	Planning code of good practice for councillors	
	Protocol on councillor/employee relations	Member/officer relations
Safeguarding children and vulnerable adults policy		

<b>Joint policies: South and Vale</b>	<b>South policies</b>	<b>Vale policies</b>
	Scheme of delegation	Scheme of delegation
	Service specific procedure manuals	Service specific procedure manuals
Whistleblowing policy		

**Alternative formats of this publication are available on request. These include large print, Braille, audio cassette or CD, email and alternative languages.**

此文檔備有中文版本以供選擇。如需索取，請通過以下的電話聯繫地區議會。如果您不會講英語，您可以請講英語的親屬或朋友為您代勞。

**Please contact democratic services at South Oxfordshire District Council on ☎ 01491 823649**

**Please contact <> at Vale of White Horse District Council on ☎ 01235 <>**

## **Fraud and corruption – detection and awareness**

1. This appendix aims to give practical advice and information to managers who are likely to be responsible for areas where fraud and corruption may occur. It gives hints about the signs to look for to spot fraud and corruption. It also provides examples and guidance on the action to take if fraud is suspected.

### **Fraud/corruption areas**

2. Fraud, corruption or any financial impropriety are risks wherever staff or independent contractors complete official documentation and could take advantage of the council. The risk is enhanced where staff or contractors are in a position of trust or responsibility and are not checked or subjected to effective monitoring or validation.
3. Consequently, the following areas are particularly susceptible to fraud:
  - Procurement and contracts
  - Direct Services Organisation and works
  - Claims for services supplied
  - Travel claims
  - Expense claims
  - Cash receipts/petty cash
  - Payroll
  - Ordering and payments
  - Stocks and assets
4. The list is not definitive or exhaustive. The following provides more information on the above examples.

### **Claims for services supplied**

5. This could include claiming for services not performed and/or claiming for a higher level of service than that performed.

### **Travel claims**

6. Because of staff travelling alone, the volume of journeys and the numbers of staff claiming, it is extremely difficult for management to check and validate all the claims made. Some of the most common frauds in this area are:
  - false journeys claimed
  - inflated mileages
  - unnecessary journeys taken
  - higher reimbursement rates claimed
  - two employees claiming for a journey taken together
  - claiming first class travel but taking second class.

### **Expense claims**

7. Expense claims that staff can make include subsistence, training expenses and removal expenses. The examples of fraud in this area generally fall into the following categories:

- false and inflated claims made
- claims submitted to the council and a third party
- excessive /inappropriate expenses claimed

### **Cash receipts**

8. Staff can collect cash in a variety of situations. It is a high-risk area. The main problems are:

- accepting cash without a receipt or declaring it
- altering documentation to disguise the theft of cash
- 'teeming and lading', e.g. substituting cheques received, but not recorded, for cash received.

### **Petty cash**

9. Petty cash is usually held in a limited number of authorised locations at specified levels. The following problems can arise:

- reimbursement sought for receipted, but inappropriate expenditure
- vouchers/receipts submitted but no expenditure made.

### **Payroll**

10. The major payroll frauds are most likely to occur with respect to starters and leavers. However, other fraud areas may be:

- erroneous or 'ghost' employees introduced onto the payroll, the salary being paid to the perpetrator
- a leaver not being taken off the payroll and the salary payment being diverted to the perpetrator
- hours worked over-stated to take advantage of flexi-time or overtime arrangements.

### **Ordering and payments**

11. This is an area that is open to corruption as well as fraud. The number of employees able to commit an offence in this area is more limited than in some of the above examples. However, suppliers can also commit fraud such as:

- goods ordered for personal use or from a specific supplier in return for some form of benefit
- goods ordered from a relative or friend's business

- accepting a lower number of items than ordered, but certifying an invoice for a higher number
- creating/certifying false invoices and payment requisitions, for which no order has been raised

### **Stocks and assets**

12. Misuse, theft, and fraud in this area are not unknown. The most obvious and common risk area is stationery. However, employees need a variety of stocks and assets, which if not properly controlled, may be subject to losses due to fraud and theft.
13. A further problem is the use of the council's assets for an individual's personal reasons, e.g., using a personal computer, fax or telephone for running a private business or for other private purposes.
14. The above examples do not represent a comprehensive list of potential frauds.

### **Fraud awareness**

15. All managers should ensure that controls are in place to prevent and detect fraud and error. The types of controls available to managers set out in appendix B.
16. Fraud involves the falsification of records. Therefore managers need to be aware of the possibility of fraud when reviewing or being presented with claims/forms/documentation. Issues, which may give rise to suspicion, are:
- documents that have been altered, use of 'tippex', or use of different pens and different handwriting
  - claims that cannot be checked, particularly if prior authorisation was not given
  - strange trends (use comparisons and reasonableness)
  - confused, illegible text and missing details
  - delays in documentation completion or submission
  - no vouchers or receipts to support claims.
17. A sense that a certain team is not performing as expected may possibly warn of potential fraud. Often these feelings are ignored and it is only with hindsight that cause for concern is realised.
18. An important step towards eliminating fraud is making sure individuals act on such warning signs. These warning signs fall into two categories: a) warning signs of a temporary increased risk of fraud, b) fraud alerts. More information is set out below.

### **Warning signs of a temporary increased risk of fraud**

- Autocratic line management
19. A forceful person exerting authority and influence exceeding his or her status. Controls may be over-ridden or unfavourable information suppressed, conditions essential to the concealment of many frauds.
- Low morale
20. Unhappy employees are less likely to operate controls effectively and may cut corners.
- High staff turnover
21. High staff turnover may indicate anxiety at fraudulent activity or the way the work is managed as well as a reluctance to continue working under such conditions. It also may prevent fraud being detected due to inexperience/lack of knowledge.
- Undue emphasis on reaching short-term targets
22. Where management becomes so concerned with reaching operational targets this can become the over-riding aim at the expense of risk of fraud, i.e. shortcuts leading to lapses in control.
- Remote locations
23. Fraud is more likely to happen where supervision and control is least effective. Those at remote sites based away from central management may be able to abuse their controls if not regularly monitored and visited.

### **Fraud alerts**

24. Fraudsters sometimes test a fraud by making several small or inconsequential attempts before a single large transaction. Detection of small frauds may be a sign of large-scale fraud activity. It is therefore vital to react quickly and effectively to fraud alerts.
- Anonymous letters
25. Anonymous letters received by the council may be malicious and unsubstantiated, but they must always be followed up.
- Lifestyle
26. Any obvious discrepancy between earnings and lifestyle should be a cause of concern. A sudden improvement in personal circumstances should be discreetly questioned. Usually there will be a good reason.
- Not taking annual leave
27. Concealing fraud is not easy. Workaholics and staff who do not take their leave entitlement may be trying to avoid the risk that temporary staff might spot something suspicious.

- Lack of separation of duties
28. An employee solely responsible for a 'risk' area and/or possible refusal to allow another employee to be involved in their duties.
- Unusual, irrational or inconsistent behaviour
29. Anything that is surprising about the behaviour of individuals deserves further enquiry, e.g. stress, financial pressure (possibly caused by drinking/gambling/over-extension of credit).
30. Fraud alerts such as these should always be investigated promptly. Enquiries should be discreet and fair as there are probably innocent explanations. However, fraudsters are experts at giving convincing explanations. Therefore, any investigation must be thorough and extensive enough to ensure that no concern remains.
31. There may be instances where local knowledge leads to suspicions regarding the behaviour of contractors. These could, for example, emanate from complaints from members of the public, or discussions with other contractors.

## Appendix B

### Fraud prevention – action and controls

1. Whilst it is impossible to create a 100 per cent fraud proof system, heads of service must ensure that the systems they operate include reasonably effective controls designed to detect and prevent fraud and error.
2. The actions and controls that managers should take/consider include:
  - documenting procedures and controls, and training all staff in their use ensuring staff are aware and trained in council wide procedures and they check compliance with the procedures.
  - separating duties between staff and considering staff rotation to avoid a single employee having sole responsibility for the initiation through to the completion of a transaction
  - introducing adequate ‘internal checks’.  
This involves an independent employee checking the work, calculations, or documentation prepared by the initiating employee. For example, a travel claim could be checked by a manager to original work records or diaries.
  - ensuring expenses are supported by appropriate original receipts
  - ensuring the prior documented approval of expense generating courses or visits
  - crossing out the uncompleted part of a claim form, thereby making the addition of further expenses difficult after approval
  - minimising cash/stock holdings and banking cash and cheques on a daily basis
  - reviewing budget statements and other management information
  - following up variances using
    - trend analysis
    - increased monitoring of high risk areas.
3. Heads of service can always seek guidance from internal audit.