

NORTHERN IRELAND POLICING BOARD

FRAUD PREVENTION POLICY

Introduction

There is a continuing need to raise staff awareness of their responsibility to safeguard public resources against the potential / actual risk of fraud. The overall purpose of this policy, **the Fraud Prevention Policy, (TRIM 87773)**, is to detail responsibilities regarding the prevention of fraud. The procedures to be followed in the event of a fraud being suspected or detected are detailed in the Fraud Response Plan, **(TRIM 87774)**. Both these documents relate to fraud and loss within the Northern Ireland Policing Board's (NIPB) areas of responsibility. Reporting arrangements also apply to monies for which NIPB is accountable but expended outside the Northern Ireland Policing Board, e.g. District Policing Partnerships. NIPB requires all staff, at all times, to act honestly and with integrity, and to safeguard the public resources for which they are responsible. Fraud is an ever present threat to these resources and must be a concern to all members of staff. NIPB will not tolerate any level of fraud or corruption; consequently, NIPB's policy is to thoroughly investigate all suspected frauds and allegations (anonymous or otherwise) and where appropriate, refer to the police at the earliest juncture. NIPB is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.

NIPB encourages anyone having reasonable suspicions of fraud to report them. For these purposes 'reasonably held suspicions' shall mean any suspicions other than those which are groundless and/ or raised maliciously.

All cases of suspected fraud in NIPB must be reported to the Department for Justice NI (DoJNI). DoJNI will then report these suspected frauds to the Comptroller and Audit General in the Northern Ireland Audit Office and the Department of Finance and Personnel (DFPNI). **The latter should only be done by the DoJNI.**

Definition

The Fraud Act 2006 came into effect on 15th January 2007. The Act states that a person is guilty of fraud if s/he is in breach of any of the following:

- Fraud by false representation, i.e. if he dishonestly makes a false representation and intends by making the representation to make a gain for himself or another, or to cause loss to another or expose another to risk of loss;
- Fraud by failing to disclose information, i.e. if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose and intends, by means of abuse of that position, to make a gain for himself or another, or to cause loss to another or expose another to risk of loss; and

- Fraud by abuse of position, i.e. if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, and he dishonestly abuses that position, and intends, by means of the abuse of that position, to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

The Act also established a number of specific offences to assist in the fight against fraud. These include an offence of possessing articles for use in fraud and an offence of making or supplying articles for use in fraud.

For the purposes of this document, fraud covers any deception which harms NIPB's interests. It may involve:

- Manipulation, falsification or alteration of records or documents;
- Suppression or omission of the effects of transactions from records or documents;
- Recording of transactions without substance;
- Misappropriation (theft) or wilful destruction or loss of assets including cash;
- Deliberate misapplication of accounting or other regulations or policies;
- Bribery and corruption;
- Deception and collusion;
- Money laundering; and
- Computer fraud, for example fraud in which IT equipment is used to manipulate computer programmes or data dishonestly, or where the existence of an IT system was a material factor in the perpetration of the fraud.

When Fraud is suspected or detected

Staff members are advised to report any suspicions of fraud urgently as per the Fraud Response Plan. All matters will be dealt with in confidence and strict accordance with the terms of the Public Interest Disclosure (Northern Ireland) Order 1998 (please see **TRIM 87775** (DAO 11/08 Whistleblowing also refers)). This statute protects the legitimate personal interests of staff. Vigorous and prompt investigations will be carried out into all cases where suspected fraud is discovered or reported.

NIPB's Responsibilities

NIPB's responsibilities in relation to fraud are set out in general terms within Managing Public Money (NI) Annex 4.7 which can be accessed via the Accountability and Financial Management Division website www.afmdni.gov.uk. More specific information can be obtained at: - <http://search2.nics.gov.uk/kbroker/afmdni-cms/search.lsim?qt=managing+public+monies+ni+fraud&sr=0&nh=10&cs=iso>

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Accounting Officer

The Accounting Officer (NIPB's Chief Executive) is responsible for establishing and maintaining a sound system of internal control that supports the achievement of the organisational policies, aims and objectives. The system of internal control is designed to respond to, and manage the whole range of risks that NIPB faces. 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 to manage them effectively, (see Risk Management Policy **TRIM 70315**). Managing fraud risk will be seen in the context of the management of this wider range of risks.

Senior Management Team

Overall responsibility for managing the risk of fraud is held with the Senior Management Team (SMT). Their responsibilities include:

- Undertaking regular review of the potential fraud risks associated with each of the organisational objectives in order to minimise the possibility of fraud;
- Establishing an effective anti-fraud policy and fraud response plan, commensurate to the level of fraud risk identified in the fraud risk profile;
- Designing and implementing an effective control environment to prevent fraud;
- Operating appropriate pre-employment screening measures;
- Establishing appropriate mechanisms for:
 - Reporting fraud risk issues;
 - Reporting significant incidents of fraud to the Accounting Officer;
 - Coordinating assurances about the effectiveness of anti-fraud policies to support the Statement on Internal Control;
- Liaising with the Audit and Risk Management Committee;
- Making sure that all staff are aware of the organisation's Fraud Prevention Policy and know what their responsibilities are in relation to combating fraud;
- Ensuring fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;
- Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected;

- Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud;
- Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- Ensuring, where appropriate, disciplinary action against staff who fail to report fraud;
- Taking appropriate action to recover assets and losses; and
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

Line Manager's Responsibilities

Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively.

Responsibility for the prevention and detection of fraud, therefore, rests primarily with managers. A major element of good corporate governance is a sound assessment of the organisation's business risks. Managers need to ensure that:

- Fraud risks have been identified within Risk and Control Frameworks encompassing all operations and activities for which they are responsible;
- Each risk has been assessed for likelihood and potential impact;
- Adequate and effective controls have been identified for each risk;
- Controls are being complied with, through regular review and testing of control systems;
- Risks are reassessed as a result of the introduction of new systems or amendments to existing systems;
- Where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring; and
- Fraud occurrences are quantified on an annual basis and Risk Registers / Risk and Control Frameworks updated to reflect the quantum of fraud within the Business Area. Where appropriate, strategies should be devised to combat recurrence of fraud and targets set to reduce the level of fraud.

In terms of establishing and maintaining effective controls, it is generally desirable that:

- Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual;
- Backlogs are not allowed to accumulate; and
- In designing any new system, consideration is given to building in safeguards to prevent and/or detect internal and external fraud.

As fraud prevention is the ultimate aim, anti-fraud measures should be considered and incorporated in every system and programme at the design stage, e.g. the design of application forms, the statement of accountability in respect of the content in completed applications, regular monitoring of expenditure etc. Advice is available to managers on risk and control issues in respect of existing and developing systems/programmes.

Internal Audit

Internal Audit is responsible for the provision of an independent and objective opinion to the Accounting Officer on risk management, control and governance. The adequacy of arrangements for managing the risk of fraud and ensuring NIPB promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion. **Internal Audit has no responsibility for the prevention or detection of fraud.** However, internal auditors are alert in all their work to risks and exposures that could allow fraud. Individual audit assignments, therefore, are planned and prioritised to assist in deterring and preventing fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk. Risk and Control Frameworks are also reviewed as a constituent part of each audit assignment to ensure that management have reviewed their risk exposures and, where appropriate, identified the possibility of fraud as a business risk.

Staff Responsibilities

Every member of staff is responsible for:

- ✓ Ensuring that their conduct complies with NICS Code of Ethics and the seven principles of public life as set out in the first report of the Nolan Committee, Standards in Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Employees have a responsibility to carry out their duties carefully and honestly and to follow procedures and guidance from managers. Such diligence will ensure NIPB operates with integrity and in the best interest of the public.
- ✓ Acting with propriety in the use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers; and

- ✓ Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting their line manager where they believe the opportunity for fraud exists, [Appendix One](#) provides examples of Fraud Indicators. In addition, Common Methods and Types of Fraud are included in [Appendix Two](#), with Examples of Good Management Practices which may assist in Combating Fraud, are detailed in [Appendix Three](#).

In addition, it is the responsibility of every member of staff to report details immediately to their line manager, SMT or designated Board Member, Ms Joan O'Hagan, if they suspect that a fraud has been attempted or committed, or see any suspicious acts or events. The Public Interest Disclosure (NI) Order 1998 (DAO 11/08 Whistleblowing refers) (**TRIM 87775**) – protects the rights of staff who report wrongdoing.

Advice is also available through the independent charity Public Concern at Work on 020 7404 6609. Their lawyers can give free confidential advice at any stage regarding a concern about serious malpractice at work. An employee can, of course, also seek advice from a lawyer of their own choice, at their own expense.

Section 5 of the Criminal Law Act (Northern Ireland) 1967 (Withholding Information) also places the onus on individuals to report/pass evidence to the Police. The involvement of the Police Service of Northern Ireland (PSNI) is dealt with in the Fraud Response Plan (**TRIM 87774**).

Staff should also assist any investigations by making available all relevant information and by co-operating in interviews. Any information provided by staff will be treated confidentially. As stewards of public funds, public officials / servants must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party, which might be seen to compromise their integrity (NIPB's Gifts and Hospitality Policy is available within **TRIM 125380**).

It is also essential that staff understand and adhere to laid down systems and procedures including those of a personnel / management nature, such as, submission of expenses claims and records of absence, flexi and annual leave.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARM Committee) has responsibility for providing assurance and advice in terms of NIPB's audit function. The ARM Committee reviews NIPB's [Anti-Fraud Prevention](#) Policy and receives reports from Internal and External Audit, and any other Investigating Officers where suspected fraud has been investigated.

External Audit

The role of NIPB's external auditor (the Northern Ireland Audit Office (NIAO) on behalf of the Comptroller and Auditor General) is to give an opinion whether the financial statements give a 'true and fair view', and whether the expenditure has been applied for the purposes intended by the Assembly and conform to the authorities which govern them (referred to as the 'regularity' opinion). In doing so the NIAO will plan its work with due regard to the possibility of material fraud having occurred. Where such cases are identified the external auditor will notify senior management for them to carry out their investigations. It must be reiterated that it is not the responsibility of the external or internal audit to detect cases of fraud; this is primarily a management responsibility.

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~~The role of NIPB's external auditor (Northern Ireland Audit Office (NIAO)) is to determine if the financial accounts represent a 'true and fair view'. In doing so the NIAO will carry out its work with due regard to the possibility of fraud having occurred. Where such cases are identified the external auditor will notify senior management for them to carry out their investigations. It must be reiterated that it is not the responsibility of the external or internal audit to detect cases of fraud; this is primarily a management responsibility.~~

Contractors, Partners and Other Associated Bodies

Contractor, partners and other bodies working with NIPB are expected to conform to the same high standards of conduct and integrity to which NIPB operates. Such partners:

- Are expected to have adequate internal controls in place to prevent fraud and corruption that may affect the name of NIPB; and
- Must co-operate with the NIPB's anti-fraud activity.

Those responsible for the engagement of contractors or external consultants should provide them with a copy of this policy.

Investigation

Line managers should be alert to the possibility that unusual events or transactions can be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

It is NIPB's policy that there will be consistent handling of all suspected fraud cases without regard to position held or length of service.

Investigators should have free access to all staff, records and premises in order to carry out investigations.

Irrespective of the source of suspicion, it is for the appropriate line management to undertake an initial fact finding exercise to ascertain the facts (normally the Head of Branch) and to confirm or repudiate the suspicions,

which have arisen so that, if necessary, further investigation may be instigated. After suspicion has been roused, prompt action is essential. However, as detailed in the Fraud Response Plan, it is imperative that such enquiries should not prejudice subsequent investigations or corrupt evidence, therefore, **IF IN DOUBT, ASK FOR ADVICE.**

If the initial fact finding exercise confirms the suspicion that a fraud has been perpetrated or attempted, management should follow the procedures provided in the NIPB Fraud Response Plan, (**TRIM 87774**), which forms part of NIPB's Fraud Prevention Policy, (**TRIM 87773**).

Disciplinary Action

After full investigation NIPB will take legal and/or disciplinary action in all cases where it is considered appropriate. Any member of staff found guilty of a criminal act will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the organisation on the grounds of gross misconduct.

Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.

It is NIPB's policy that in all cases of fraud, whether perpetrated or attempted by a member of staff or by external organisations or persons, the case will be referred to the police at the earliest possible juncture. Losses resulting from fraud should be recovered, if necessary through civil action.

Conclusion

It is appreciated that the circumstances of individual frauds will vary. NIPB takes fraud very seriously and will ensure that all cases of actual or suspected fraud, including attempted fraud, are vigorously and promptly investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential for fraud.

Any queries in connection with this policy should be referred to their Director.

Appendix One

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
- Offices 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
- Conflicts of interest
- 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

Appendix One

Indicators of Fraud (Cont.)

- 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.
- 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

Corporate Fraud

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

Appendix Two

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
- 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.

Appendix Three

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 for 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 an agency climate to promote ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted
- Query mutilation of cheque stubs or cancelled cheques
- Store cheque stubs in numerical order
- Undertake test checks and institute confirmation procedures
- Develop well defined procedures for reporting fraud, investigating fraud and dealing with perpetrators
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure staff take regular leave

Appendix Three

Examples of Good Management Practices Which May Assist in Combating Fraud (Cont.)

- 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

Appendix Four

Contact Details

Ms Joan O'Hagan, Designated Board Member, (Mobile: 07801 856319) .

Mr Edgar Jardine, Interim Chief Executive Officer, (028) 9040 8535, (x83535);

Mr David Wilson, Director of Support Services, (028) 9040 8555, (x83555);

Mr Peter Gilleece, Director of Policy, (028) 9040 8556, (x83556);

Mr David Jackson, Director of Policing Planning, Performance and Partnerships, (028) 9040 8557, (x83557); and

Mr Martin Pitt, Head of Internal Audit, (028) 9024 5454.