

# DEPARTMENT OF FINANCE AND PERSONNEL

## FRAUD PREVENTION POLICY

### Introduction

1. There is a continuing need to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud. The overall purpose of this statement, the Fraud Prevention Policy, is to detail responsibilities regarding the prevention of fraud. The procedures to be followed in the event of a fraud being detected or suspected are detailed in the Fraud Response Plan. Both documents relate to fraud and loss within the Department and its Agencies (tailored as appropriate within each Agency to reflect their individual organisational structures and reporting lines). Reporting arrangements also apply to monies for which the Department is accountable but expended outside the Department. This includes the Special EU Programmes Body, the North/South Pension Scheme Account and the Superannuation and Other Allowances Resource Account.
2. The Department 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. The Department will not tolerate any level of fraud or corruption; consequently, Departmental policy is to thoroughly investigate all suspected frauds and allegations (anonymous or otherwise) and where appropriate, refer to the police at the earliest juncture. The Department is also committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.

### Definition

3. The Fraud Act 2006 came into effect on 15<sup>th</sup> January 2007. The Act states that a person is guilty of fraud if he is in breach of any of the following:
  - Fraud by false representation, ie 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, ie if he dishonestly fails to disclose to another person information which he is under a legal to 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, ie 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.

### **Department's Responsibilities**

4. The Department's responsibilities are set out in Chapter 5 of "Government Accounting in Northern Ireland" (GANI). Also, DAO (DFP) 35/03 contains a booklet entitled 'Managing The Risk of Fraud – A Guide For Managers', with which all managers and staff should be familiar (see DFP Accountability and Accountancy Service Division website: [www.aasdni.gov.uk](http://www.aasdni.gov.uk)). This will be supplemented by appropriate education and training.
5. The Accounting Officer is responsible for establishing and maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that a department 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. Managing fraud risk will be seen in the context of the management of this wider range of risks.
6. Overall responsibility for managing the risk of fraud has been delegated to the Director of Corporate Services Group (CSG). His responsibilities include:
  - (a) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;

- (b) Establishing an effective anti-fraud policy and fraud response plan, commensurate to the level of fraud risk identified in the fraud risk profile;
- (c) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
- (d) Operating appropriate pre-employment screening measures;
- (e) Establishing appropriate mechanisms for:
  - Reporting fraud risk issues;
  - Reporting significant incidents of fraud to the Accounting Officer;
  - Reporting to DFP and the Comptroller and Auditor General in accordance with GANI Chapter 37; and
  - Coordinating assurances about the effectiveness of anti-fraud policies to support the Statement on Internal Control;
- (f) Liaising with the Audit and Risk Committee;
- (g) Making sure that all staff are aware of the organisation's anti-fraud policy and know what their responsibilities are in relation to combating fraud;
- (h) Ensuring fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;
- (i) Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected;
- (j) Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud;
- (k) Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- (l) Ensuring, where appropriate, disciplinary action against staff who fail to report fraud;
- (m) Taking appropriate action to recover assets and losses; and
- (n) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

## **Line Manager's Responsibilities**

7. 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.
  
8. A major element of good corporate governance is a sound assessment of the organisation's business risks. Managers need to ensure that:
  - (a) Fraud risks have been identified within Risk and Control Frameworks encompassing all operations for which they are responsible;
  - (b) Each risk has been assessed for likelihood and potential impact;
  - (c) Adequate and effective controls have been identified for each risk;
  - (d) Controls are being complied with, through regular review and testing of control systems;
  - (e) Risks are reassessed as result of the introduction of new systems or amendments to existing systems;
  - (f) 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
  - (g) 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.
  
9. In terms of establishing and maintaining effective controls, it is generally desirable that:
  - (a) There is a regular rotation of staff, particularly in key posts;
  - (b) Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual;
  - (c) Backlogs are not allowed to accumulate; and

- (d) In designing any new system, consideration is given to building in safeguards to prevent and/or detect internal and external fraud.
10. As fraud prevention is the ultimate aim, anti-fraud measures should be considered and incorporated in every system and programme at the design stage, eg the design of application forms, the statement of accountability in respect of the content in completed applications, regular monitoring of expenditure etc. Internal Audit is available to offer advice to managers on risk and control issues in respect of existing and developing systems/programmes.

### **Internal Audit**

11. 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 the Department promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion.
12. 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**

13. Every member of staff has a duty to ensure that public funds are safeguarded and therefore, everyone is responsible for:
- (a) 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;

- (b) Conducting themselves in accordance with the seven principles of public life detailed in the first report of the Nolan Committee 'Standards in Public Life', ie selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and
  - (c) 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 I](#) provides examples of Fraud Indicators. In addition, Common Methods and Types of Fraud are included in [Appendix II](#), with Examples of Good Management Practices Which May Assist in Combating Fraud detailed in [Appendix III](#)).
14. In addition, it is the **responsibility** of every member of staff to report details immediately to their line manager or the Departmental Establishment Officer (DEO) 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 – see CSC 04/03 Guidance on Public Interest Disclosure ('whistleblowing') – protects the rights of staff who report wrongdoing. As detailed in paragraph 9 of the Circular, if you are in any doubt, you should speak to a senior officer, or your DEO. A DFP Whistleblowing Policy is currently being developed and reference details will be provided in this document on finalisation.
15. 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. Additionally, a hotline facility is available on 0808 100 2716. The Hotline operates 24/7 and all information received is treated in strictest confidence.
16. 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.

17. Staff must also assist any investigations by making available all relevant information, by co-operating in interviews and if appropriate provide a witness statement.
18. As stewards of public funds, civil 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 (the Department's Gifts and Hospitality Guidelines can be found in the DFP Document Database, CSG, CSG - Departmental Personnel).
19. 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.

### **Investigation**

20. 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.
21. It is Departmental policy that there will be consistent handling of all suspected fraud cases without regard to position held or length of service.
22. Investigators should have free access to all staff, records and premises in order to carry out investigations.
23. Irrespective of the source of suspicion, it is for the appropriate line management to undertake an initial examination 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.** A Service Level Agreement has been established with the Department of Agriculture and Rural Development (DARD) Central Investigation Service (CIS) for the completion of investigations in accordance with the requirements of the Police and Criminal Evidence (Northern Ireland) Order 1989. The Head or Deputy Head of the DARD CIS can be contacted for advice. Contact details are provided in [Appendix IV](#).

24. If the initial examination confirms the suspicion that a fraud has been perpetrated or attempted, management should follow the procedures provided in the DFP Fraud Response Plan, which forms part of the Department's anti-fraud policy.

### **Disciplinary Action**

25. After full investigation the Department 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 Department on the grounds of gross misconduct.
26. Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.
27. It is Departmental 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.
28. Losses resulting from fraud should be recovered, subject to the policy on write-offs, if necessary through civil action.

### **Conclusion**

29. It is appreciated that the circumstances of individual frauds will vary. The Department 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.

30. Any queries in connection with this policy document should be directed to the DEO.
31. Internal Audit is available to offer advice and assistance on risk management/ internal control issues.
32. Current contact details are provided in [Appendix IV](#).

**BRUCE ROBINSON**  
**Permanent Secretary**

**LEO O'REILLY**  
**Second Permanent Secretary**

### 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

### Indicators of Fraud (Continued)

- 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.
- Socialising with clients – meals, drinks, holidays
- Seeking work for clients
- Favourable treatment of clients – eg allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose – eg Leasing capital equipment instead of purchasing them

### Corporate Fraud

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

[Back up Paragraph 13](#)

[Back up Paragraph 13](#)

### 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.

[Back up Paragraph 13](#)

[Back up Paragraph 13](#)

### **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 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

**Examples of Good Management Practices Which May Assist in Combating Fraud  
(Continued)**

- 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
- 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

[Back up Paragraph 13](#)

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**Contact Details**

<b>Name</b>	<b>Designation</b>	<b>Telephone Number</b>
Mr Ryan Dobson	Departmental Establishment Officer (DEO)	9185 8146 (x68146)
Mr Ian Lewis	Head of Accounting & Accountability Branch	9185 8052 (x68052)
Mrs Jackie Connolly	Head of Internal Audit	9052 6922 (x26922)
Mr Thomas McCauley	Head of DARD Central Investigation Service	9052 4084 (x24084)
Mrs Renee McDowell	Senior Investigator, DARD Central Investigation Service	9052 5005 (x25005)