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## SI0917

# Fraud Response Plan

This instruction outlines the areas of responsibility for managing the risk of fraud and the procedures to be followed in the event of fraud, or attempted fraud, being suspected.



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## 1. Introduction

Fraud is an ever-present threat to the effective utilisation of resources and should always be an important concern for all members of the organisation. The aim of the Police Service of Northern Ireland (PSNI) is that fraud should be detected and potential fraud prevented to the maximum extent practicable.

It is important that all officers and staff understand that fraud of any kind will not be tolerated within the PSNI. The Fraud Response plan has been prepared to act as a procedural guide to be followed in the event of fraud, or attempted fraud, being suspected.

## 2. What Is Fraud

The Fraud Act 2006 contains a general offence of fraud which can be committed in three ways:

- By false representation;
- By failing to disclose information; or
- By abuse of position.

It 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.

Fraud covers **any deception which harms the PSNI'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.

The Bribery Act 2010 creates the following four statutory offences:

- The general offence of offering, promising or giving a bribe;
- The general offence of requesting, agreeing to receive, or accept a bribe;
- The offence of bribing a foreign public official to obtain or retain business; and
- A corporate offence of failing to prevent bribery.

In essence the Act makes it a criminal offence to give a bribe to or accept a bribe from a public or private individual, at home or abroad where the party guilty of an offence is covered by the jurisdiction of the Act.

### 3. Managing the Risk of Fraud

Overall responsibility for managing the risk of fraud has been delegated to the Director of Finance & Support Services.

Responsibilities of the Director include:

- (i) Promoting an anti-fraud culture;
- (ii) Establishing a Fraud Policy Statement and communicating the approach to fraud;
- (iii) Regularly reviewing assessments of fraud risk at organisational and operational levels;
- (iv) Designing an effective control environment to prevent fraud, proportional to the risk;
- (v) Reporting suspected or detected fraud;
- (vi) Disseminating lessons learnt from serious cases; and
- (vii) Liaising with the Audit and Risk Assurance Committee.

Managing the risk of Fraud is the responsibility of **all staff**. However, the primary responsibility for the prevention and detection of fraud in the Police Service rests with line management.

In order to exercise their responsibility in an effective manner, management have the responsibility to design and implement systems, within their area of responsibility, which have satisfactory internal controls that are operating effectively, thereby ensuring that:

- (i) Information used to monitor performance and take decisions is complete, accurate and reliable;
- (ii) Policies, plans, procedures and regulations are adhered to;
- (iii) Resources are used efficiently, effectively, and economically;
- (iv) Assets are safeguarded;
- (v) The organisations objectives are achieved; and
- (vi) There is adequate separation of duties to ensure that total control of a key function is not vested in one individual.

Further sources of information on how to manage the risk of fraud and guidelines to be adhered to are set out in [Appendix A](#) and [Appendix C](#).

#### **4. Initial Notification of Fraud**

When any member of staff becomes aware of a fraud (whether they discover it themselves or it is reported to them by a third party), they must notify their Line Manager/Head of Branch promptly. If it is not appropriate to raise the concern with their line manager or senior line management, the matter should be brought directly to the attention of the Director of Finance & Support Services.

Staff members may also avail of the PSNI [Whistleblowing Service Instruction](#) to report suspected or actual frauds. Alternatively there are also two confidential reporting mechanisms that can be used; Integrity Line and the confidential email notification.

#### **5. Action required by Management to whom the Case is Reported**

The Line Manager/Head of Branch must report to the Director of Finance & Support Services. Where a line manager is reporting directly to the Finance Director they should ensure that the Head of Branch and, (where a Police Officer is suspected of involvement) Head of Professional Standards are copied in to all correspondence, unless these individuals appear to be involved or linked with the case.

Line management should not undertake preliminary enquiries until any suspicion has been reported to and advice taken from the Director of Finance & Support Services and the Head of Professional Standards. It is imperative that enquiries should not prejudice subsequent investigations or corrupt evidence.

## 6. Initial Enquiries

The Director of Finance & Support Services and the Head of Professional Standards will advise on the initial fact finding exercises to be carried out.

The business area must then make arrangements for the necessary initial enquiries to be made and facts gathered to confirm that a fraud is suspected or proven. Depending on the nature and scale of the case and the investigative requirements, the Director may wish to delegate these responsibilities to an official at an appropriate level within their business area, for example, lower level/less complex cases.

Where it is considered that a suspected case of fraud may involve a senior officer, suitable procedures should be put in place to ensure that an appropriate senior officer investigates it. At present, Professional Standards Department are responsible for investigating police officers up to the rank of Chief Inspector. For Superintendent ranks it will be an Assistant Chief Constable (ACC). The Northern Ireland Policing Board (NIPB) is responsible for investigating ranks of ACC and above.

This discreet preliminary enquiry should be carried out as speedily as possible after the

suspicion being raised and with due consideration to potential future prosecutions and the need to ensure evidence is not compromised. If the initial enquiries confirm that a fraud has not been attempted or perpetrated, no further action is necessary apart from documenting the outcome of the initial enquiry.

## 7. Reporting of Suspected or Actual Fraud

If the initial enquiries confirm a suspicion of fraud using the template at ([Appendix B](#)) the business area contact should report the facts immediately, internally, to

- The Director of Finance & Support Services;
- Head of Branch;
- The Head of Professional Standards (where a police officer is involved); and
- The Head of Financial Reporting.

The Head of Financial Reporting will notify the following parties:

- (i) Chief Constable and the Deputy Chief Constable;

- (ii) The Director of Human Resources ( if a member of police or police staff is suspected of being involved);
- (iii) NI Policing Board (NIPB) and the Department of Justice NI (DOJNI);
- (iv) The Chair of the Police Service Audit and Risk Assurance Committee;
- (v) The Head of the Police Service Internal Audit.

Where Fraud is detected it is a criminal offence and should also be recorded as a crime, via a local Crime Manager or District Commander.

## 8. Investigation

All investigations should be properly planned to ensure the investigation is carried out in a professional manner; that appropriate and sufficient resources are identified; that appropriate methods of investigation are determined, and the evidence sources are identified and safeguarded.

The full formal investigation arrangements should be decided on by The Director of Finance & Support Service and/or the Head of Professional Standards as appropriate including:

- What unit should undertake the investigation (Professional Standard, Local area, or external function such as internal audit).
- Appointing a suitable qualified responsible officer.
- Providing the assistance of various sources of help at all stages (e.g. Finance, HR, Internal Audit, etc).

## 9. Reporting

In addition to the formal notification of any actual, suspected or attempted fraud regular updates on the progress of all cases should be provided.

A quarterly review will be undertaken by the Head of Financial Reporting.

A six monthly report (October and May meetings) will be made to the Audit and Risk Assurance Committee on all reported fraud (proven or suspected).

Where an investigation raises significant allegations about the conduct of public business, concerns should be highlighted to the Chief Constable, the Director of Finance & Support Services, and the Audit and Risk Assurance Committee.



In addition, the PSNI will comply with the requirements to complete an annual fraud return to the Department of Finance.

## 10. Review

In all cases of fraud proven and suspected, there is a requirement that the systems should be reviewed to ascertain if a breakdown in internal controls, or other operational weaknesses exist.

Internal Audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

## 11. Recovery of Losses

Appropriate steps will be taken to **recover all losses** resulting from fraud, if necessary through civil action.

## Appendix A Nolan Principles

### **The Seven Principles of Public Life**

The seven principles below were identified in the first report of the Nolan Committee and should be the hallmark of all public servants' behaviour. They apply equally to temporary staff, secondees and contractors working within the Department.

#### **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

#### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### **Leadership**

Holders of public office should promote and support these principles by leadership and example.

## Appendix B Notification Template

### Initial Notification of Frauds

Specific location of Fraud

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Date of Fraud

#### 1. CASE DESCRIPTION

Please provide a description of how the fraud was attempted or perpetrated. Each case description should include:

- an outline of the case;
- the amount lost;
- the control weaknesses that were exploited;
- details about how the fraud was discovered;
- any action taken against the fraudsters and action to recover losses; and
- the actions taken to reduce the risk of similar frauds being perpetrated in the future (eg new measures to deter or detect fraud).

## SERVICE INSTRUCTION

To assist in the full analysis of the cases of fraud reported please also complete the following sections.

2. CATEGORY OF FRAUD	Please tick appropriate box	✓
Is the case being reported an actual fraud, a suspected fraud, or an attempted fraud?	Actual	
	Suspected	
	Attempted (but prevented)	

Has the case reported been concluded?	Yes	
	No	

Please indicate the category of fraud which best classifies this case.  Annex C contains some information which will assist in the consistent classification of reported cases.	Grant related	
	Theft of assets	
	Payment process related	
	Income related	
	Pay or pay related allowances	
	Travel and Subsistence	
	Pension Fraud	
	Contractor fraud	
	Procurement Fraud	
	Abuse of position / assets / exploitation of information	
	Other (please specify)	

3. PERPETRATORS		
Please indicate who perpetrated, or attempted to perpetrate the fraud?	Internal member of staff	
	Contractor	
	Funded body / Grant applicant	
	Other third party – please state	
	Collusion between internal and external parties	
	Unknown	

4. VALUE OF CASE		
If known please state the actual value of the fraud case being reported?	£	
If the actual value is not known please state any estimated value?	£	
Otherwise please confirm that the value of the fraud cannot be identified or cannot be estimated at this current time.		

**5. CAUSATION**

Please indicate the category which best describes how the fraud was able to be perpetrated?

Inadequate controls in place	
Failure to apply existing controls	
Opportunistic (ie controls were appropriate for the risk faced)	
Not applicable – the case reported was an attempted fraud only and was detected by existing controls	
Currently unknown how fraud was perpetrated	

**6. DISCOVERY**

Please indicate how the actual, suspected or attempted fraud was discovered?

Through the operation of normal control procedures (includes management and supervisory checks)	
Reported by internal member of staff	
Reported by an external third party	
By chance	
Through the completion of a special exercise	
By Internal Audit	
By External Audit	
*Through computer analysis techniques	
Other means (please state)	

Where frauds were reported by internal members of staff or by external third parties please advise if this was done through an established Whistleblowing policy / procedures?

Reported through formal whistleblowing routes (state whichever one is inappropriate)	
Yes	No

**7. INVESTIGATION AND FOLLOW UP ACTION**

Please indicate in each case which of the following occurred, providing any additional details in the box below. Also advise if any category is considered “not applicable” or “too early in the case to determine / have occurred”.

Incident reported to the police	
Reported to Department of Finance and Northern Ireland Audit Office	
Reported to the Board and Audit Committee	
Investigation carried out by the police	
Investigation carried out internally by the organisation	
Disciplinary action being considered	
Criminal prosecution being considered	
Disciplinary action being taken	

Criminal prosecution being taken	
Recovery of losses being sought	
Full recovery made or no loss incurred	

**Additional details.**

**Where recovery of losses are being sought please provide details of the action taken and the amount recovered to date.**

**Where criminal or disciplinary proceedings have been completed please provide details of the outcome.**

**8. ACTIONS TAKEN TO IMPROVE CONTROLS**

**Please indicate what action has been taken as a result of the fraud being perpetrated or attempted.**

Controls improved	
No action considered necessary	
Control improvements still under consideration	
Other 3 <sup>rd</sup> Party	
Discipline Action	
Prosecution	

**Where controls have been improved please provide details of the actions taken.**

**Please provide details of the main point of contact for this fraud case return.**

**Name**

**Address**

**Telephone Number**

**Email address**

## Appendix C Additional Guidance and Information

### POSSIBLE INDICATORS OF FRAUD

1. Missing expenditure vouchers and unavailable official records
2. Crisis management coupled with a pressured business climate
3. Profitability declining
4. Excessive variations to budgets or contracts
5. Refusals to produce files, minutes or other records
6. Related party transactions
7. Increased employee absences
8. Borrowing from fellow employees
9. An easily led personality
10. Covering up inefficiencies
11. Lack of Board oversight
12. No supervision
13. Staff turnover is excessive
14. Figures, trends or results which do not accord with expectations
15. Bank reconciliations are not maintained or can't be balanced
16. Excessive movement of cash funds
17. Multiple cash collection points
18. Remote locations
19. Unauthorised changes to systems or work practices
20. Employees with outside business interests or other jobs
21. Large outstanding bad or doubtful debts
22. Poor morale
23. Excessive control of all records by one officer
24. Poor security checking processes over staff being hired
25. Unusual working hours on a regular basis
26. Refusal to comply with normal rules and practices
27. Non taking of leave
28. Excessive overtime
29. Large backlogs in high risk areas
30. Lost assets
31. Lack of thorough investigations of alleged wrongdoing
32. Offices with excessively flamboyant characteristics
33. Employees suffering financial hardships
34. Placing undated/post-dated personal cheques in petty cash
35. Employees apparently living beyond their means
36. Heavy gambling debts
37. Signs of drinking or drug abuse problems
38. Conflicts of interest

39. Lowest tenders or quotes passed over with scant explanations recorded
40. Managers bypassing subordinates
41. Subordinates bypassing managers
42. Excessive generosity
43. Large sums of unclaimed money
44. Large sums held in petty cash
45. Lack of clear financial delegations
46. Secretiveness
47. Apparent personal problems
48. Marked character changes
49. Excessive ambition
50. Apparent lack of ambition
51. Unwarranted organisation structure
52. Absence of controls and audit trails
53. Socialising with clients – meals, drinks, holidays
54. Seeking work for clients
55. Favourable treatment of clients – e.g. allocation of work
56. Personal creditors appearing at the workplace
57. Altering contract specifications
58. Contract not completed to specification
59. Contractor paid for work not done
60. Grants not used for specified purpose, e.g. leasing capital equipment instead of purchasing them

Further information and guidance to supplement this document is available from the following sources:

1. [Managing Public Money Northern Ireland](#)
2. [Managing The Risk Of Fraud – A Guide For Managers](#)
3. [Gifts, Gratuities And Hospitality](#)
4. [Police Misconduct](#)
5. [Whistleblowing](#)
6. [Risk Management](#)



## Appendix D Contact Details

### **Service Instruction Author**

### **Branch Email**

[Accounts@psni.police.uk](mailto:Accounts@psni.police.uk)