

FRAUD & CORRUPTION POLICY STATEMENT

ANTRIM BOROUGH COUNCIL

Policy Statement

This policy covers the prevention, detection and management of fraud and/or corruption and fair dealing in matters pertaining to fraud and/or corruption. It aims to raise the awareness of fraud and its prevention in the Council environment and to give guidance to both the reporting of suspected fraud and how the investigation of that report will proceed.

There are seven policy objectives:-

- Management awareness of anti-fraud responsibilities.
- Employee guidance if fraud is suspected.
- A statement forbidding misconduct.
- Investigation responsibilities.
- Assurance that fraud will be fully investigated.
- Protection guidelines for those reporting suspected fraud (whistleblowing).
- Development of a suitable environment for fraud management.

Members are requested to recommend the adoption of this policy and to delegate authority to the Director of Corporate Services to establish and amend the practical arrangements for its implementation and on-going development as the policy is, in nature, dynamic (ie. it will evolve in the light of experience).

Antrim Borough Council is committed to developing, implementing and maintaining effective procedures and controls to prevent any occurrence of fraud and corruption or to facilitate its discovery if it does occur. Any cases of suspected fraud or corruption will be fully investigated (i.e. a policy of zero tolerance).

Such investigations may result in disciplinary and/or legal proceedings and changes to policies, systems and procedures. Strict confidentiality will be maintained during any investigation.

This policy should be read in conjunction with other related Council policies, principally:

- (a) The Councillors' Code of Conduct;
- (b) The Code of Conduct for Local Government Officers. Particular attention is drawn to the Nolan Principles for Conduct in Public Life.
- (c) The Whistleblowing Policy

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1.0 INTRODUCTION

- 1.1 All public, business and commercial organisations are exposed to a certain risk of fraud or corruption.
- 1.2 However, with proper systems and controls, the risk of a fraud being perpetrated can be minimized. With proper management and appropriate control procedures in place, any fraud which does occur can be promptly detected and dealt with in an appropriate manner.
- 1.3 It is especially important for an organisation in the Public Sector, such as Antrim Borough Council, to have such systems, controls management and procedures because the Council has to exercise a stewardship role over public funds. There have been several 'high profile' instances of attempted fraud within the Northern Ireland Public Sector in the recent past that have highlighted the need for extra vigilance and the necessity of effective internal controls. For example, the request for banking details from a Nigerian source, purporting to seek a 'safe haven' for investment funds and the Swiss fax directory invoice request for payment when no valid order was placed for insertion in the aforementioned publication. These are external frauds, both of which have been attempted against Council.
- 1.4 It is not enough to avoid actual impropriety – it is important that Council Officers avoid any occasion for suspicion or the appearance of improper conduct.
- 1.5 This policy has been prepared in accordance with guidelines issued by the Local Government Auditor (LGA), who again highlighted the issue in his 2000/01 Annual Report: "I would again stress the importance of having clear procedures for dealing with suspected fraud situations". Furthermore, in circular LG35/01, issued December 2001, the use of credit cards by public bodies was selected by the Public Accounts Committee as an area of concern. It concludes that it is a disciplinary offence to charge items of personal expenditure to credit cards issued to a public body, even if there is an intention to repay such expenditure.

2.0 DEFINITIONS

- 2.1 In law there is no specific offence of fraud, though many offences referred to as fraud are covered by the Theft Act (Northern Ireland) 1969 and the Theft (Northern Ireland) Order 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

2.2 Fraud is a deliberate act by an individual or group and is, therefore, always intentional and dishonest.

2.3 **Fraud** may be broadly defined as:

"The false representation of facts with the intention to deceive or enable some person or organisation to gain an unfair advantage. It includes the falsification of documents and the certification as true of facts known to be wrong."

2.4 See Appendix 1 'Signs & Symptoms of Fraud' for further information.

2.5 Fraud therefore covers matters such as:

- Alteration or falsification of documents or records;
- Omission of transactions or their effects from financial records or other documents;
- Creating false transactions;
- Misappropriation of Council property, including cash or misuse of Council facilities, including telephone and stationery.

2.6 Corruption may be defined as including all acts demonstrating a lack of integrity, including bribery. It should be noted that proven corruption and fraud are serious criminal offences.

2.7 Corruption therefore covers matters such as:

- Accepting bribes, gifts or undue hospitality from other parties in return for favourable treatment.
- Failure to follow Council procedures without satisfactory explanation and/or approval regarding quotations and tenders to knowingly benefit a particular supplier, whilst not corruption per se, represents a breakdown in application of Council procedures and will be investigated as such.

2.8 It is important to note that the acceptance of hospitality does not necessarily indicate corruption, and that there can be legitimate reasons why procedures regarding quotations and tenders are occasionally not followed. These issues are discussed later in this policy. Further guidance in relation to gifts and hospitality is given in the Code of Conduct (para. 14).

3.0 SUPPLIER FRAUD

- 3.1 Organisations must also be wary of fraud perpetrated by its suppliers. The 2 mains types of supplier fraud is defective delivery and contract rigging.
- 3.2 Defective delivery occurs where the items delivered vary in quantity, quality or specification to that ordered. Such risks can be largely mitigated through the use of effective “goods in” procedures. However where the contractor is acting in collusion with an employee “goods in” procedures will be ineffective unless supported by appropriate controls elsewhere in the system, for example duty segregation, duty rotation and independent inspection.
- 3.3 The second source of supplier fraud is that of contract triggering. This includes:
- 3.4 **Contract Change Orders (Unbalanced Bidding)**
- Bid low on those contract items assured to be eliminated;
 - Defer work on contract item likely to be changed and falsely claim to have invested in time and materials seeking reimbursement;
 - Substitute cheaper materials than those specified;
 - Unbalance the bid in such a way as to profit disproportionately as items are changed or eliminated.
- 3.5 **Rotation Fraud**
In rotation fraud two or more companies who dominate an industry in a region conspire to alternate the business between them, thereby defeating the advantage of advertised contracts. They feel that it is preferable to share the business equally rather than to engage in cut throat competition where everyone loses profit.
- 3.6 In safeguarding public funds, the Council’s fraud prevention measures will extend to all activities internal and external.

4.0 ROLES AND RESPONSIBILITIES

- 4.1 A culture of honesty, propriety and vigilance, encompassing all individuals at all levels in the organisation, is fundamental to minimising the risk of fraud and irregularity. All staff need to be alert to risks both within the Council and with outside bodies, groups, businesses and organisations, with which the Council is engaged. All personnel have a role in limiting the scope for fraud by abiding strictly by the Council's financial and other procedures and guidance notes.

- 4.2 **Chief Executive:** - The responsibilities of a public body are set out in the Local Government Act 1972. The Dear Accounting Officer Letter DAO (DFP) 35/03 provides guidance on 'Managing the Risk of Fraud – A Guide for Managers.'
- 4.3 As Accounting Officer, the Chief Executive is responsible for establishing and maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives. As such, this forms the control base through which all major risks, including fraud are managed.
- 4.4 The Chief Executive responsibilities also 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 policy;
 - 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 Council the Local Government Auditor;
 - Coordinating assurances about the effectiveness of anti-fraud policies to support the Statement of Internal Control;
 - f) Liaising with the Council's Audit 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 that appropriate anti-fraud training and development opportunities are available 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;
 - n) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.
- 4.5 **Directors** - Directors are responsible for ensuring that adequate internal controls and procedures are in place and that these are being complied with. Director's duties include appropriate and timely checks, which assist in identifying (and deterring) areas where the risk of fraud, theft or corruption may potentially arise. Directors should ensure that the controls that are in place in the system are adequate for minimising those risks identified.
- 4.6 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 external and external fraud.

5.0 NOTIFICATION

- 5.1 It is important that any potential case which could involve fraud or corruption is dealt with in the strictest confidence. To this end, the Council's "whistleblowing" policy, has been implemented to ensure reasonable protection of people discovering suspected fraud and/or corruption.
- 5.2 Any alleged incident which could constitute fraud or corruption, or any suspicion held by an Officer or Member, should be reported either to:
- The Line Manager and Head of Department at the earliest opportunity, or
 - Directly to the Chief Executive, Director of Corporate Services or Internal Auditor.

- 5.3 The Head of Department will notify the Director of Corporate Services who is responsible for the Internal Audit function of the Council, and will decide how the matter should be dealt with or investigated.
- 5.4 Investigations into any alleged incident should not take place prior to notifying the Director of Corporate Services or Chief Executive.
- 5.5 All allegations as to fraud or corruption must ultimately be reported to the Director of Corporate Services and Chief Executive.
- 5.6 Where there is evidence of fraud or corruption, the LGA and the police may be informed.
- 5.7 The interests of the person who reports the alleged incident will be protected as far as possible and they will be informed when the investigation has been successfully concluded. However, employees should be aware that where they report an alleged fraud it will not always be possible to provide anonymity, especially if legal action will result and/or where disciplinary action may be necessary against another employee.
- 5.8 Failure to report an incident which could constitute fraud or corruption could in itself lead to disciplinary action, if proven.
- 5.9 Proven instances of malicious allegations being made against officers is a serious disciplinary offence and will be treated accordingly.

6.0 ROLE OF INTERNAL AUDIT

- 6.1 The responsibility for the development and maintenance of appropriate systems and controls lies with Management. However, internal audit can play an important role by examining and evaluating the adequacy and effectiveness of those systems and controls
- 6.2 The normal audit work will be planned and carried out in such a way that there is a reasonable expectation of detecting fraud or irregularities.
- 6.3 In the case of a suspected fraud and at the request of the Director of Corporate Services and/or Chief Executive, Internal Audit may be asked to conduct or participate in an investigation. Internal Audit may also be asked to make recommendations regarding the nature and extent of investigation considered necessary and the nature of subsequent action deemed necessary, if such is to be carried out internally.

7.0 REGISTERS OF INTERESTS

- 7.1 In order that a suspicion can be identified, the Local Government Act 1972 requires that a register be maintained, as outlined below.

- 7.2 Section 46(3) of the Act requires that a register be kept to record the pecuniary interests of Council employees in contracts, proposed contracts or other matters, subject to prevailing human rights' protections.
- 7.3 Employees must declare to the Appointed Officer (the Assistant Director – Human Resources) any non-financial interests that they consider could bring about conflict with the Council's interests, for instance membership of an organisation receiving grant aid from the Council or membership of an organisation or pressure group which may seek to influence the Council's policies.
- 7.4 Employees must declare to the Appointed Officer any financial interests which could conflict with the Council's interests, see appendix 4.
- 7.5 Where possible, employees who have an interest, financial or non-financial, should not involve themselves in any decision on the allocation of Council services or resources from which they, their friends or family might benefit and should ensure that the matter is referred immediately to the Appointed Officer. Given the size of the Council and the fact that many senior officers reside within the Borough's boundaries this is not always feasible.
- 7.6 The register is kept by the Appointed Officer, and is available for inspection during normal working hours by the Chief Executive and the auditors.
- 7.7 Any queries regarding pecuniary interests should be addressed to the Chief Executive.

8.0 HOSPITALITY AND GIFTS

- 8.1 Employees should only accept offers of hospitality if there is a genuine need to impart information or represent the Council in the community. Offers to attend purely social or sporting functions should be accepted only when they are part of the life of the community or where the Council should be seen to be represented. They must be properly authorised by the relevant Director, Assistant Director or the Chief Executive and reported to the Appointed Officer.
- 8.2 When hospitality has to be declined, those making the offer should be courteously but firmly informed of the procedures and standards operating within the Council.
- 8.3 Employees should not accept significant personal gifts from contractors, members of the public and outside suppliers, but insignificant items of token value such as pens, diaries, etc. can be retained by employees.
- 8.4 When considering whether or not to accept authorised hospitality, employees should be particularly sensitive as to its timing in relation to

decisions which the Council may be taking affecting those providing the hospitality, for instance, during a tendering period of a contract for which the provider may be bidding.

8.5 Acceptance by employees of hospitality through attendance at relevant conferences and courses is acceptable where:

- It is clear that the hospitality is corporate rather than personal.
- Where the Council or the Chief Executive approves in advance or
- Where the Council is satisfied that any purchasing decisions are not compromised.

8.6 Occasionally gifts may be offered to Officers by outside parties. These are normally small items such as diaries and pens. The recommendation of the Local Government Auditor is that gifts with a value of less than £15 be considered de minimis. Any offers of gifts with a value in excess of this should be refused.

9.0 FRAUD MONITROING:

9.1 The Data Protection Act 1998 does not prohibit monitoring, but any monitoring of staff will be carried out in accordance with the Act. Monitoring is recognised as sometimes being a necessary part of the employment relationship. Monitoring is also a necessary part of crime or fraud detection and ensuring that the Council, facilities, resources, telecommunications and IT systems are used appropriately.

9.2 Unauthorised monitoring is not permitted. Attempts by any member of staff to implement unauthorised monitoring will be in breach of this policy and may result in disciplinary action. All monitoring of staff must be approved by the Chief Executive.

9.3 Some examples of monitoring activity are:

- Routine use of CCTV to check that health and safety rules are being complied with or to assist in the prevention of crime e.g theft;
- Routine use of vehicle tracking systems to check that vehicles are being used appropriately and that driver logs reconcile with vehicle system logs;
- Keeping recordings of telephone calls that come into the Council for training purposes or for dealing with complaints;
- Examining website logs to ensure that staff are not visiting inappropriate sites;
- Randomly checking or using software to check if staff are sending or receiving inappropriate e-mails;
- Checking telephone logs to detect misuse of telecommunications;
- Checking for SPAM e-mails;

- Examining the contents of computer hard disks to check for any unlicensed software or to see if updates are needed.
- 9.4 In some cases monitoring may be carried out, but the data collected is only viewed retrospectively to investigate an incident.
- 9.5 Any monitoring information that is collected in relation to a member of staff may be used in a disciplinary investigation, for example where there is inappropriate use of the internet or e-mail. Monitoring information may also be passed to relevant authorities if there are any criminal proceedings to which it relates. It will also be used to plan and deliver IT and telecommunications services.

10.0 FIDELITY GUARANTEE INSURANCE COVER

- 10.1 The Council will have in place appropriate Fidelity Guarantee insurance cover. This is insurance against the misappropriating of Council funds by an employee who has responsibility for handling cash or movement of Council funds through bookkeeping functions.

11.0 QUOTATIONS AND TENDERS

- 11.1 The Council has regulations relating to the processes to be undertaken regarding obtaining quotations or inviting tenders for goods or services, and the financial limits involved are updated every three years.
- 11.2 It is especially important that these regulations are adhered to in order that it can be demonstrated to the Local Government Auditor that all appropriate steps have been taken to ensure that value for money is achieved, and to avoid any suspicion of corruption.
- 11.3 In circumstances where it may be necessary to breach these regulations, approval must be sought in advance from the Department's Director and the Assistant Director of Finance. An explanation should be attached to the yellow copy of the order attached to the invoice to be sent to the Finance Department. In these circumstances the order must be approved by the relevant Head of Department.
- 11.4 Controls are in place to monitor compliance with governing procurement procedures. Failure to follow this procedure, with a particular emphasis on fraudulent and corrupt practices, may lead to disciplinary action if investigation warrants such action.

12.0 STATEMENT OF MEMBERS' RESPONSIBILITIES

- 12.1 Section 28(4) of the Local Government Act 1972 requires that a Register be kept in which Members record their pecuniary interests. These interests may be direct or indirect, and may be in a contract, proposed contract or other matter. The Register is held by the Chief Executive's Office and is stored in the Council strong room. All disclosures must be recorded in this Register.
- 12.2 The Act provides that Members must disclose the nature of their pecuniary interest at a meeting of Council or a Committee where a relevant matter is being discussed, and then withdraw from the meeting.
- 12.3 Members should also disclose any non-pecuniary interests in any other organisations, such as membership of a charity or a voluntary body. In this case, Members may usually be permitted to speak and vote on issues concerning such bodies, unless they are a member of the managing committee or other governing body.
- 12.4 All disclosures of interests will be recorded in the Minutes of the Committee and Council Meetings. These Minutes are available through the Chief Executive's Office.
- 12.5 Any queries regarding pecuniary and non-pecuniary interests should be addressed to the Chief Executive.

13.0 GIFTS AND HOSPITALITY

- 13.1 The Northern Ireland Code of Local Government Conduct for Councillors makes it clear that Members should '*not accept any offer, gift or favour*' made to them personally. There are, however, no hard and fast rules regarding the acceptance of hospitality or tokens of goodwill. The code indicates that Members are '*personally responsible for all such decisions connected with the acceptance or offer of gifts or hospitality and for avoiding the risk of damage to public confidence in Local Government*'.

14.0 LEARNING FROM EXPERIENCE

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

- 14.2 Where remedial action taken involves implementation or strengthening of controls to reduce future vulnerability, Internal Audit can provide advice and assistance as required.
- 14.3 To repeat, while the circumstances of individual frauds will vary, it is important that all are vigorously and promptly investigated and that appropriate action is taken. It must be clearly understood that the Council views fraud very seriously.

Signs & Symptoms of Fraud

For fraud to occur a particular set of environmental conditions will normally exist. This environment involves both organisational and personal elements:

Organisational Characteristics

Below are conditions, which allow fraud to be committed more easily:

- Weak internal controls
- Unethical leadership
- Lack of fraud policy
- Lack of effective internal auditing function
- Control by a single person over key functions/Too much trust placed on one individual
- Management requires unreasonable productivity by employees/Lack of concern on the part of management for the welfare of staff
- Junior or inexperienced staff being required to undertake duties in excess of their responsibilities for which the employee is suited and paid
- Disagreements between employer and employees
- Impending company closure
- Fiscal problems
- Type of business
- Inadequate screening of job applicants, vendors or contractors
- Extremely low or high employee turnover rates in key positions
- Under employment of staff time.
- Management lacking computer expertise and knowledge, which is held by subordinate staff.

Personal Behaviour

The following are a selection of human factors warning signs that provide the other half of the equation for **possible** fraud.

- Borrowing
- Unexplained wealth
- Refusing to take holidays
- Working overtime excessively
- Refusal to release control to anyone else
- Refusing promotion
- Extended illness
- Staff under stress without an obvious workload
- New staff resigning quickly

- Poor attitude towards record keeping and procedures
- Adversarial attitude towards auditors

Other Warning Signs

- Self/job preservation where the individual "window dresses" the statements/accounts to present an enhanced version of the true situation.
- Missing documents
- Altered documents
- Unusual accounting entries e.g. excessive use of suspense account
- Missing assets
- Cosy supplier/contractor relationships
- Suppliers/contractors who insist on dealing only with specific individuals

Personal Circumstances

- Overqualified person doing job
- Personal financial problems
- Greed
- Genuine need (e.g. family pressures)
- Personal egotism, the need to beat the system.

Fraud may be broadly defined as:

"The false representation of facts with the intention to deceive or enable some person or organisation to gain an unfair advantage. It includes the falsification of documents and the certification as true of facts known to be wrong."

Fraud is a deliberate act by an individual or group and is, therefore, always intentional and dishonest.

Irregularities can broadly be defined as:

"Intentional distortions of financial statements or other records, for whatever purpose."

Theft

A person is guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other.

Bribery & Corruption

The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the actions taken by an organisation, its member or officers.

Forgery

A person is guilty of forgery if he makes false instrument with the intention that he or another shall use it to induce someone to accept it as genuine and by reason of so accepting it, to do, or not to do, some act to his own or any other person's prejudice.

Conspiracy

Conspiracy is an unlawful agreement by two or more persons to carry out an unlawful common purpose or a lawful common purpose by unlawful means. The offence is complete as soon as the unlawful purpose has actually been agreed upon, and before and overt act in the execution of that purpose had been committed.

Falsification of Accounts

Falsification of accounts can be broadly defined as the destruction, defacement, concealment, falsification of accounts, records or documents for any accounting purpose. This also extends to the furnishing of information which is produced using any account, record or document which is known to be misleading, false or deceptive.

Computer fraud

Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of IT systems was a material factor in the perpetration of fraud. Theft of fraudulent use of computer time and resources is included in this definition.

In law there is no specific offence of fraud, though many offences referred to as fraud are covered by the Theft Act (Northern Ireland) 1969 and the Theft (Northern Ireland) Order 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

"The false representation of facts with the intention to deceive or enable some person or organisation to gain an unfair advantage. It includes the falsification of documents and the certification as true of facts known to be wrong."

EXAMPLES OF FRAUD

Below are examples of fraudulent activities. The list is by no means exhaustive, but these are examples have been provided to help illustrate the many different kinds of fraud, which can be perpetrated.

The following are extracts from an auditing magazine "Audit Viewpoint" published under the auspices of CIPFA. These case studies give a brief outline of frauds in various organisations and may help illustrate the many different kinds of fraud which can occur.

- Abuse of position
- Housing benefit
- Vocational training initiative
- Car parking
- Allocation of work to contractors
- Falsification of records
- Loft insulation fraud
- Overstatement of journey distances
- False invoices
- Misuse of telephone
- Acceptance of gifts
- Payphone and allowances
- Cashier theft
- Information in return of benefits
- Theft of cheque
- Area housing manager
- Police canteens
- Misappropriation of materials
- Theft of receipts
- Warden of sheltered accommodation
- Cheque fraud
- Theft of cheque at printers
- Fraudulent payments.

Abuse of Authority

Case Study:

In this case two chief surveyors at an authority were using a large amount of council resources (photocopying/telephones etc.). Furthermore these employees were also staffing a retail outlet during hours when they were employed by the council.

The fraud was discovered on receipt of an anonymous letter detailing the activities of the two employees.

Vocational Training Initiative

Case Study:

In this case a company fraudulently claimed, and accepted payments, totalling over £6,000, in respect of three trainees under the VTI after having dismissed them.

The fraud was uncovered when the Careers Office attempted to contact the trainees to check their progress.

Allocation of Work to Contractors

Case Study:

A heating engineer at an authority was found to be awarding domestic heating work to a contractor who was a personal friend without adhering to financial regulations or standing orders. Work done by the contractor involved labour charges of at least £100,000 and jobs totalled around £300,000.

This fraud was discovered when a technical manager in the direct works department notices this particular contractor receiving a large workload.

Falsification of Records

Case Study:

This case involved a temporary employee who was hired to administer the scheme for making cash incentive payments to council tenants to vacate their property and purchase in the private sector. The employee was able to falsify documents to make incentive payments of £15,000 to herself. The fraud included signing an offer letter in place of her supervisor, which was subsequently relied upon by the officer certifying the payment.

The fraud was discovered when no reconciliation could be made between cash incentives paid and council properties vacated.

Cheque Fraud

Case Study

A supplier contacted a government body to ask why an invoice had not been paid. The finance records of the body showed that a cheque had been produced as payment and despatched to the supplier.

The bank upon tracing the cheque, discovered that it had been intercepted, payees details changed and subsequently cashed. The alteration had been skilfully carried out by removing the original print and printing the new name in the same style and font.

Payroll Fraud

Case Study

A cleaning supervisor working for a government body had sole responsibility for recruiting employees. Her manger delegated this role and carried out no meaningful authorising or checking activities. She used her position to set up several fictitious casual and part time employees with inflated pay rates on the payroll. The supervisor then created bogus time sheets for these employees, which she authorised along with timesheets for legitimate employees.

Grant Fraud

Case Study

The fraudster claimed that he had formed three companies, which created 80 new jobs qualifying for certain government grants. In fact, the companies never operated and 80 names, together with National Insurance numbers were obtained from a number of different sources. Additionally' leases were forged for the premises of the three alleged companies and thousands of pounds worth of electronic equipment was borrowed to show an accountant who was validating the claim before the application for the grant was accepted.

Cash Handling Fraud

Case Study

Over a period of twelve months, a cashier employed at a district health authority defrauded the DHA of over £28,000. The authority's canteen was run by a lower grade employee, acting in the absence of a manager. The cashier took advantage of the acting manager's inexperience by not issuing a receipt when the canteen's takings were handed over. The takings, usually in cash, were not banked, but left in a drawer in the cashier's desk and used by him for his own purposes when required.

Travel & Subsistence Fraud

Case Study:

This fraud involved an employee who travelled regularly on official business. He set his own programme of visits, which was not checked by his line manager. He then regularly submitted fraudulent travel and subsistence claims, which included:

- * Claiming subsistence allowances in excess of entitlement
- * Claiming for overnight stays in hotels when in fact he stayed with friends or family
- * Claiming for visits not made
- * Forging authorised signatures
- * Inflating claims by altering details on claim forms after authorisation by the countersigning officer

The fraud came to light when the officer tried to contact him at a hotel where he claimed to be staying. The officer was eventually prosecuted.

Electronic Funds Transfer

Case Study

The basis of this fraud was simple. The perpetrators had no difficulty obtaining blank payment vouchers, which were not held securely. They also set up bogus accounts in a number of overseas banks. The fraudulent payments were initiated using vouchers which were supported by photocopies rather than original documents. The vouchers were then passed to the bank responsible for making the electronic transfers without being checked; in particular, there was no validation of the authorising signatures.

This fraud was perpetrated over a holiday period when because of annual leave and a general slowing down of business, routine controls, such a supervisory and management checks, were not operating with their normal frequency and regularity. Holiday periods are often targeted for this type of fraud for these very reasons.

Nolan Committee – The Seven Principles of Public Life

The Nolan Committee set out seven core principles inherent in the ethics of public service that should reflect the expected values and behaviour for the operation of the public sector. These 'principles of public life' have been endorsed by Government and are set out below.

- Selflessness*** Holders of public office should take decisions 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 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.

