

Finance and Corporate Resources

**Fraud Response Plan and Procedures
January 2019**

If you need this information in a different format or language, please phone 0303 123 1015
or email equalities@southlanarkshire.gov.uk

1. Introduction

1.1 In line with the Council's Counter Fraud, Bribery and Corruption Policy Statement and Strategy, this document sets out the procedures to be followed where fraud is identified or suspected. Section one details procedures to be followed by employees who identify or suspect that fraud has been committed and section two provides guidance to managers on actions to take when a fraud is reported to them. A flowchart of the procedure is detailed at Appendix One.

1.2 Within South Lanarkshire Council fraud categorised as external fraud or theft, internal theft, some conduct issues, procedural breach, embezzlement, bribery, corruption and benefit fraud.

1.3 Concerns which should be reported include:

- abuse of funds;
- misconduct;
- a criminal offence;
- a failure to comply with a legal obligation;
- bribery;
- the deliberate concealment of information tending to show that any of the matters above is being deliberately concealed.

1.4 Examples of concerns which should be reported are employees committing or attempting to commit:

- any dishonest or fraudulent act, including abuse of time;
- forgery or alteration of document or accounts, including false claims for payment;
- misappropriation of funds, supplies or other assets;
- impropriety in the handling or reporting of money or financial transactions;
- profiting from an official position;
- disclosure of official activities or information for advantage;
- accepting or seeking value from third parties by virtue of official position or duties;
- theft or misuse of Council property, facilities or services.

1.5 External organisations actions which should be reported include

- bribes or inducements offered by a supplier;
- fraudulent invoices;
- misuse of grant funding;
- suspicions of corruption or deception by a supplier.

2. Section One – Procedures to be followed by employee

2.1 Confidential Reporting Procedures are in place within South Lanarkshire Council to enable employees to report any concerns they may have without

fear of prejudice or harassment. The types of concerns covered under these procedures include fraud as defined in 1.2 above.

- 2.2 If an employee wishes to report a fraud they should contact their line manager or Head of Service. If they do not feel this is appropriate they may contact the Resource Executive Director, the Council's Monitoring Officer (the Head of Administration and Legal Services), the Audit and Compliance Manager, Personnel Services Fact Finding Team, Trade Union representatives or the Chief Executive.
- 2.3 Initial contact may be made in person, by telephone, email or in writing. Anonymous reports will be accepted and followed up by Internal Audit, however, employees should avoid reporting suspected frauds anonymously where possible as this could hinder the investigation if further information is required.
- 2.4 Internal Audit will then be informed of the concern raised in line with the procedures detailed below.
- 2.5 Fraud is a complex area, it is therefore important that the correct action is taken as failure to do so may compromise a later investigation and invalidate evidence. It is therefore important that employees;
 - do not attempt to conduct an investigation into the suspected fraud.
 - do not approach the person, people or organisation suspected of the fraud. Instead report concerns as specified within these procedures.
 - do not attempt to collect evidence or question anybody, but if documents etc. are held which are thought to be relevant, ensure they are secured safely.
 - do make a note of times, dates and details of anything thought to be relevant.
- 2.6 If an employee is unsure about what has been seen or heard they should ask for advice from their line manager, Head of Service, Executive Director, the Council's Monitoring Officer, the Audit and Compliance Manager or their trade union.
- 2.7 All reports of suspected fraud against the Council will be treated seriously and will be reported to Internal Audit.
- 2.8 Benefit Fraud can be reported online at www.gov.uk/report-benefit-fraud, through a dedicated telephone number 0800 854 440 or by post to NBFH, PO Box 224, Preston PR1 1GP.
- 2.9 Internal Audit will assess all reported frauds as detailed in the approved Internal Audit Procedures. This assessment will determine the next course of action and is based on the circumstances of the incident, the risk associated with the incident and the information available. It is therefore imperative that as much detail as possible is reported.

- 2.10 Once an employee has made a report, they will be updated as soon as practicable on the Council's response and any action that may be taken, in line with the Confidential Reporting Procedures.
- 2.11 Where ever possible the Council will strive to ensure that all cases of suspected fraud reported are treated confidentially. However, in some cases, for example where the matter requires to be reported to the Police, it may not be possible to preserve anonymity.
- 2.12 The Public Interest Disclosure Act 1998 provides protection for workers who make certain disclosures of information about misadministration or malpractice in the public sector.
- 2.13 Regardless of the outcome of an investigation, employees making a confidential report will be protected by legislation against being subjected to any detriment such as dismissal, harassment, victimisation or any other form of punitive sanction provided the disclosure was made in good faith.
- 2.14 However, if an employee acts purely on some ulterior motive and it has been proven that they deliberately or maliciously made false accusations they may lose the protection of the Act and may be liable to action under the Council's disciplinary procedures.

3. Section Two – Procedures to be followed by managers

- 3.1 Heads of Service are responsible for putting procedures in place to ensure matters regarding fraud within their Service are reported to them.
- 3.2 The Head of Service, or their nominee should report all fraud to Internal Audit within 24 hours of them becoming aware of an incident occurring or being suspected. The Fraud Notification/Incident Return form must be completed preferably by the Head of Service, or nominee, to advise Internal Audit of the actual/suspected incident unless the incident is reported directly to the Audit and Compliance Manager or an Audit Adviser. A copy of the fraud notification/incident form is included at Appendix two.
- 3.3 On being informed by an employee of a fraud incident occurring or suspected it is important that the manager receiving the information deals with it appropriately. In particular the manager should;
- ◆ deal with the employee giving the information in a way that shows that their concerns are being taken seriously;
 - ◆ not belittle or dismiss the information;
 - ◆ emphasise what the employee should not do as per 2.5 above
 - ◆ respect, as far as possible, the confidentiality of the employee
 - ◆ attempt to identify where any evidence may be but do not attempt to obtain it, or question anybody and
 - ◆ follow the procedure for passing the information on, namely to the Head of Service, a designated senior manager or the Internal Audit Section.

- 3.4 If a manager identifies a fraud through another means, for example through routine management checks or from a third party, they should;
- ◆ Follow the guidelines
 - ◆ attempt to identify where any evidence may be but do not attempt to obtain it, or question anybody and
 - ◆ follow the procedure for passing the information on, namely to the Head of Service, a designated senior manager, the Fact Finding Team or the Internal Audit Section.
- 3.5 Line managers should not carry out their own investigations before informing Internal Audit, through their Head of Service or relevant other senior manager, as this may compromise a later investigation, invalidate evidence, and consequently allow a guilty person to get away with a possible crime.
- 3.6 Where it is suspected that a theft has occurred and it is believed that the stolen item may still be on the premises it may be necessary to carry out searches. If searches are to be conducted in areas where employees may hold personal belongings, for example desk drawers or cabinets which are also used for business purposes, the employee must be advised that a search is about to be undertaken and asked to remove personal belongings prior to the search taking place. The employee may also be asked to show the contents of other personal belongings, for example a handbag or brief case, however searches of this kind can only be undertaken with the full consent of the employee and should be avoided where possible. In addition, employees may be requested to remain in the office until searches have been carried out, however you can not detain an employee without their full and prior consent.
- 3.7 All searches should be sanctioned by the Head of Service and should be carried out jointly by Internal Audit and either the Head of Service or a relevant other Senior Manager provided this does not prejudice the investigation.
- 3.8 Immediate action, such as removal of a person from the workplace by the Head of Service or other senior manager, should only be taken where an employee or a third party is caught committing an offence, or there is a risk that evidence will be destroyed for example something illegal on a computer. Removal of an employee from the workplace should be carried out in consultation with Personnel Services.
- 3.9 Where an employee is suspected of committing fraud, the Head of Service may remove that person from the workplace or redeploy to an alternative location/duties. This should only happen after due consideration of the guidance within the Disciplinary Procedures. However, Internal Audit and the Executive Director, Finance and Corporate Resources must be advised of the action taken.
- 3.10 Internal Audit must be advised of any action taken by the Head of Service as soon as possible.
- 4. Section Three – Internal Audit Investigation Procedures**
- 4.1 Having been informed of a suspected or actual fraud, the Audit and Compliance Manager, after an appropriate level of consultation between the

Audit Adviser, the nominated Resource contact and the Fact Finding Team (where appropriate), will decide on the scope of and the responsibility for any investigation.

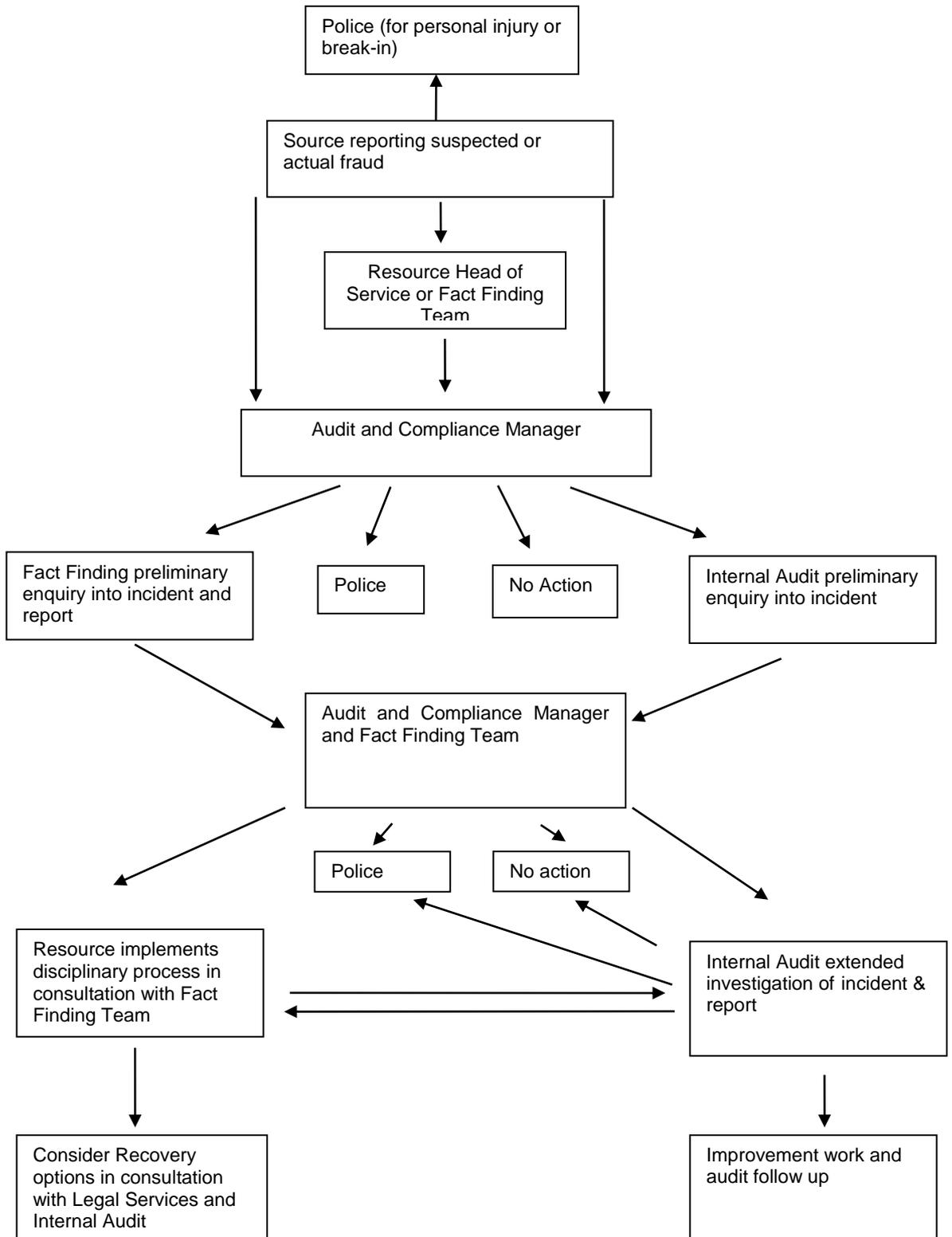
- 4.2 The options will be to take no action, to immediately inform the Police, to appoint an auditor to determine the facts of the allegation, to refer the matter to Resource management for further investigation or to refer the matter to the Fact Finding Team. Depending on circumstances, it may be necessary to undertake joint investigations with the Fact Finding Team and/or involve officers or external professionals with relevant technical expertise to assist. Skills needed to preserve evidence may sometimes be a specialism which only trained officers for example IT Professionals or the Police can apply.
- 4.3 Internal Audit will ensure that the Fact Finding Team is aware of all ongoing investigations, provided this does not prejudice the investigation. Separate arrangements are in place to ensure all relevant information on ongoing investigations is shared between Internal Audit and the Fact Finding Team.

N.B. Internal Audit is entitled to access files and make enquiries of individuals to initially establish the facts of any incident. This entitlement is enshrined within the Terms of Reference for Internal Audit and is not part of the disciplinary process. Individual's rights will however be respected.

- 4.4 The level of investigation will be proportionate to the perceived level of risk or concern. The objective, scope and expected outcomes will be laid out in an audit remit approved by the Audit and Compliance Manager, regardless of where the responsibility lies to investigate.
- 4.5 Updates for Resource investigations will be requested by Internal Audit on a monthly basis up to the due date for completion as per the remit. This will be dependent on the time allocated to the investigation. A suitable timescale for updates will be agreed with the Resource for investigations expected to be completed in less than one month.
- 4.6 Resource updates can take the form of a briefing note prepared by the Resource contact or by a telephone call made to the Resource contact by the auditor responsible for the investigation.
- 4.7 The relevant Resource Manager will formally report back to Internal Audit on the outcomes on completion of an assigned investigation. This may indicate that the Head of Service has decided to commence disciplinary procedures where employees are suspected of involvement in the fraud. In this case a further formal intimation to Internal Audit is required to notify the outcome of the disciplinary process when completed.
- 4.8 Where the investigating Resource is not instigating disciplinary procedures, Internal Audit reserves the right, on receipt of the Resource report, to undertake or request further work or to refer the matter to the Police at this stage. The investigation may be closed at this stage if the allegation is unsubstantiated or evidence is weak. Executive Directors and Heads of Service may be consulted at this stage.
- 4.9 Internal Audit does not take decisions on disciplinary action but reserves the right to refer the matter to the Fact Finding team for consideration.

- 4.10 Where Internal Audit is investigating, auditors may conclude their work after only preliminary investigation. At this point a report, memo or letter outlining findings and providing an audit opinion will be supplied to the Resource Head of Service.
- 4.11 Where more in depth investigative work is undertaken by Internal Audit, a formal audit report will be produced for Resource Management outlining findings, providing an audit opinion and detailing recommendations where necessary.
- 4.12 For any investigation Internal Audit may also undertake procedural or analytical reviews or exploration of the circumstances that led to the fraud. This will be appropriate to the level of concern.
- 4.13 Investigation reports will be prepared by Internal Audit or by the appointed Resource investigating officer. The investigation report will present the facts obtained during the investigation. It is the responsibility of the Head of Service, or nominated officer, to assess the findings and decide whether it is necessary to start disciplinary proceedings.
- 4.14 Advising employee(s) on the outcome of investigations is the responsibility of the Head of Service or the nominated officer.
- 4.15 If disciplinary procedures are invoked the Council's approved policy and procedures will be followed with the investigating officer presenting the case on behalf of management. The role of Internal Audit during disciplinary hearings is restricted to that of a witness, to discuss the audit findings contained within the report. Only where the complete investigation has fallen entirely within the remit of Internal Audit will the auditor assume the role of investigating officer.
- 4.16 Where a material crime has been committed or suspected, the Police will be contacted by the Audit and Compliance Manager after seeking approval from the Chief Executive. No approach will be made to the Police regarding suspicions of fraud, corruption or irregularity, except by the Chief Executive or other person acting on the Chief Executive's authority. The Audit and Compliance Manager will be informed where this authority is given. Full co-operation will be given to the Police while they conduct their enquiries.
- 4.17 Only where there has been a break-in and this may result in an insurance claim against the Council or where a crime has been committed against an individual for example personal injury should Resource employees call the police directly.
- 4.18 The decision to refer the matter to the Police has no bearing on internal investigations, the decision reached by the Disciplining Officer, or the justification to be relied upon before an Appeals Panel. Internal investigations may proceed during Police enquiries unless the Police intimate otherwise.

Fraud response flow chart



Appendix 2

Fraud Notification/Incident Return

Job No: (Added by Internal Audit)

Assignment Name: (Added by Internal Audit)

From (Resource)

Other Resource(s) affected

General Information

Section:

Name of Reporting Officer:

Title (Head, Personnel or other senior Mgr):

Phone:

Contact if different from the Reporting Officer

Name:

Title:

Phone

Investigating Officer (if appointed)

Name:

Title

Phone

Date incident Identified:

Date fraud reported:

Reported to Head of Service

Other Information Required

Brief description of the incident, How the incident was discovered, Source of information/reported by, Start date of fraudulent activity, End date of fraudulent activity , Loss to the Council, Loss to the Third Party

Authorised By

Date