

ARUN DISTRICT COUNCIL

FRAUD RESPONSE PLAN

1.0 PURPOSE

- 1.1 Arun District Council is committed to providing community leadership and quality services. The Council will do everything possible to promote honesty and integrity in everything it does and is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.
- 1.2 This plan has been drawn up in support of the Council's Anti-Fraud, Corruption & Bribery Policy document. The purpose of this plan is to define responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the authority to:
- Prevent further loss;
 - Establish and secure evidence necessary for criminal and disciplinary action;
 - Recover losses;
 - Take necessary actions against the individuals involved;
 - Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud;
 - Keep all personnel with a need to know suitably informed about the incident and the authority's response;
 - Assign responsibility for investigating the incident;
 - Establish circumstances in which external specialists should become involved; and
 - Notify the Police and establish lines of communication with them.

2.0 INITIATING THE ACTION

2.1 Detection

Suspicion of fraud or irregularity may be raised through a number of means, including the following:

- Operation of proper management and control procedures;
- The Council's Corporate Complaints Procedure
- Disclosure under the Council's "Whistleblowing" Policy (Public Interest Disclosure Act 1998);
- The requirement under the Council's Financial Regulations for Directors / Group Heads to notify the Chief Internal Auditor immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources; and
- Planned audit work.

2.2 Initial Action

All actual or suspected incidents of fraud or irregularity must be reported without delay.

Certain types of fraud should be reported to specialist areas within the Council:-

- Council Tax or NDR - to the Council's Revenues section
- Benefits – to the Council's Benefits section (who now refer appropriate cases to the DWP's Single Fraud Investigation Service) or via the National Benefit Fraud Hotline (0800 854 440)
- Housing Tenancy – to the Council's Housing department who now have a dedicated Fraud Investigator.

All other types of fraud should be reported to the Chief Internal Auditor (ext. 37561) or via the "Whistleblowing hotline" (ext. 37556). The Chief Internal Auditor will then obtain as much information as possible to determine whether there is substance to the allegation, the parties involved and the nature of the fraud, including the potential loss and whether the fraud is ongoing.

It is the responsibility of the Chief Internal Auditor to ensure that arrangements are made whereby all irregularities reported are properly investigated in accordance with the requirements of the Human Rights Act 1998.

Depending on the nature of the allegation, the Chief Internal Auditor will normally work closely with the Director / Line Manager concerned to ensure that all allegations are thoroughly investigated and reported on.

Where appropriate, the involvement of the ICT & Service Improvement Manager and/or the senior officer within Legal Services may be required. The involvement of the Group Head of Corporate Support (where employees appear to be involved) or the Monitoring Officer (where elected Members appear to be involved) is also recommended.

Any decision to involve the police should be made by the relevant Director, in conjunction with the Chief Internal Auditor, and will depend on how significant the suspected fraud is and the resources available to present a case to the police.

In the conduct of an investigation, the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) must be considered, particularly in respect of the use of covert surveillance techniques which will require approval of an authorising officer.

The steps taken in an investigation will depend upon the circumstances, but immediate action must be taken if there is a danger to the health or safety of other staff, Members or the public and/or further financial loss will be incurred by the Council. If immediate action is taken, then this should include evidence gathering (see sections 3 and 4 below), as the fraudster is likely to become aware of the investigation and potentially destroy/suppress the evidence available.

3.0 PREVENTION OF FURTHER LOSS

- 3.1 Where initial investigation provides reasonable grounds for suspecting an employee, contractor or elected Member of fraud, a decision must be taken on how to prevent further loss. In serious cases, this may require suspension of the suspect(s) in accordance with the Council's Disciplinary Procedures. It may be necessary to plan the

timing of suspension to prevent the suspect from destroying or removing evidence that may be needed to support disciplinary or criminal action.

3.2 In these circumstances, the suspect(s) should be approached unannounced and:-

- be supervised at all times before leaving the Council's premises
- be allowed to collect personal property under supervision, but they should not be able to remove any property belonging to the Council. Any security passes, keys to premises or vehicles, mobile telephones, portable computer equipment, etc. should be returned.
- the ICT & Service Improvement Manager should be instructed to withdraw, without delay, access permissions to all computer systems. Similarly, the Group Head of Technical Services (responsible for Facilities Management) should advise on the best means of denying access to the Council's property while the suspect(s) remains suspended (e.g. by changing locks and informing staff not to admit the individual(s) to any part of the premises).

3.3 The Chief Internal Auditor shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect(s) may have had opportunities to misappropriate the Council's assets.

4.0 ESTABLISHING AND SECURING EVIDENCE

4.1 A major objective in any fraud investigation will be the punishment of the perpetrator(s), to act as a deterrent to other personnel. The Council will follow disciplinary procedures against any member of staff who has committed fraud. In appropriate cases, the Council will also involve the Police and pursue the prosecution of any such individual.

4.2 The Chief Internal Auditor will:

- Maintain familiarity with the Council's disciplinary procedures, to ensure evidence requirements will be met during any fraud investigation;
- Establish and maintain contact with the Police throughout the investigation as required; and
- Ensure that staff involved in fraud investigations are familiar with and follow the rules on the admissibility of documentary and other evidence in criminal proceedings (as governed by the Police & Criminal Evidence Act 1984). This may require the use of interview under caution and/or the requirement to forensically examine computer equipment, requiring the use of trained staff or external specialists to ensure evidence is gathered, documented and secured appropriately.

5.0 RECOVERY OF LOSSES

5.1 Recovering losses is a major objective of any fraud investigation. The Chief Internal Auditor shall ensure that, where possible, the amount of any loss will be quantified for all fraud investigations. Repayment of losses should be sought in all cases.

5.2 Where the loss is substantial, legal advice should be obtained without delay about the options available and any need to freeze the suspect's assets through the court, pending the conclusion of the investigation. Similarly, where the perpetrator refuses to

repay, legal advice should be sought about prospects for recovering losses through the Civil Court. The Council would normally elect to recover any costs in addition to any losses.

6.0 REPORTING

6.1 Reporting Lines

The Chief Internal Auditor will regularly liaise with, and provide reports on progress to, the appropriate senior management of the Council during in the conduct of the investigation.

At the end of the investigation, the Chief Internal Auditor will provide a formal report, together with supporting evidence, to the relevant Officers for them to make a decision on how they wish to progress the case. This should provide details of what has occurred, any system/control weaknesses identified and recommendations for improvements to prevent future incidents.

In the event a serious fraud has taken place, the Chief Internal Auditor shall also provide periodic confidential update reports to the Chairman of the Audit & Governance Committee summarising:

- Circumstances surrounding the case, contributing factors, etc.;
- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action;
- Progress with criminal action;
- Estimate of resources required to conclude the investigation; and
- Actions taken to prevent and detect similar incidents.

The Chief Internal Auditor will also consider the need to keep others informed, in particular the External Auditors.

6.2 Reporting to the Audit & Governance Committee

Any significant variation from the Fraud Response Plan, together with reasons for the variation, shall be promptly reported to the Audit & Governance Committee.

On completion of a special investigation, the Chief Internal Auditor shall submit a written report to the Audit & Governance Committee containing:

- A description of the incident, including value of any loss, the people involved and the means of perpetrating the fraud;
- The measures taken to prevent a recurrence; and
- Any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

7.0 OTHER ISSUES

7.1 Responsibility for investigation

All special investigations in connection with non-benefits fraud shall normally be led by the Chief Internal Auditor, in liaison with appropriate senior management of the Council and with the assistance of line management. Fraud investigations shall not be undertaken by management without the approval of the Chief Internal Auditor, although some minor or specialist investigations may be more appropriately conducted by line management with assistance from Internal Audit.

Some special investigations may require the use of technical expertise, which the Council's Internal Audit service does not possess. In these circumstances, assistance of specialist staff from within the Council may be requested (e.g. to conduct PACE interviews) or the appointment of external specialists to lead or contribute to the investigation may be required. The use of external resource and costs involved should be agreed by the appropriate Director and obtained in accordance with the Council's Standing Orders.

The Local Government Internal Audit Manual (developed by CIPFA) contains the standard procedures adopted by the Council's Internal Audit section. Reference will be made to Appendix 24 – Fraud, Corruption and Irregularity Investigations in the event a formal fraud investigation is conducted.

7.2 References for employees disciplined or prosecuted for fraud

Any requests for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Council's Human Resources section who shall prepare any response to such a request.

7.3 Involvement of Nominated Officers

If any suspected fraud directly involves an officer referred to in this document, then the responsibilities of that officer as outlined should be undertaken by their line manager.

7.4 Review of Fraud Response Plan

This plan will be reviewed periodically by the Chief Internal Auditor for fitness of purpose. Any need for change shall be referred to the Audit & Governance Committee for approval.

Document updated by: Chief Internal Auditor

Date: 18 September 2017