



**Preston**  
City Council

# Fraud Response Plan

## 1. Introduction

- 1.1. The Council's Anti-Fraud, Bribery and Corruption Policy and Strategy makes it clear that the Council is committed to adopting a zero-tolerance approach to fraud, bribery and corruption from both internal and external sources. Where fraud, bribery or corruption is suspected the Council will deal with the allegations seriously in accordance with Council procedures.
- 1.2 This Fraud Response Plan provides guidance to Councillors and staff on the procedures that should be followed where a fraud is suspected or discovered. It includes reporting requirements, responsibilities for actions and how allegations will be investigated. It should be read in conjunction with the Council's Anti -Fraud, Bribery & Corruption Statement and Strategy, and the Whistleblowing Policy.
- 1.3 It is important to ensure that a structured and consistent approach is implemented by the Council for the investigation of any cases of fraud, bribery and corruption. This Fraud Response Plan sets out the Council's approach to ensure:
  - Councillors and staff are aware of how to report any allegations of fraud, bribery or corruption;
  - there is a clear understanding of who will lead investigations and appropriate staff are informed and involved;
  - Information about the investigation is retained by officers involved in the case. in accordance with the Council's Information Management and retention policies;
  - further losses of funds or assets where fraud may have occurred are prevented and the recovery of losses is maximised;
  - evidence is gathered to support an allegation and inform further action;
  - evidence necessary for possible disciplinary and criminal action is established and secured;
  - any adverse effects or publicity on the business of the Council or any other partner organisations involved are minimised;
  - a review is undertaken of the reasons for the incident and action taken to improve control, strengthen procedures and prevent recurrence.
- 1.4 Under no circumstances should staff feel that they must tolerate the abuse of systems employed at the Council by other staff members or outside persons in ways that may be classed as potentially fraudulent behaviour. Whilst total anonymity cannot be guaranteed, every effort will be made not to reveal your name. However, if criminal activity is found and the case is forwarded to the police, your identity may be needed at a later date. However, all persons implicated by an

allegation must be informed of the circumstances and relevant evidence and allowed to comment as part of the investigation.

- 1.5 The Council seeks to establish a flexible Fraud Response Plan to enable the approach to be varied in individual cases. Generally, the approach taken shall depend on the perceived risk to the Council in a financial or reputational sense. This shall be judged individually for each case, based on the information available. The Financial Procedure Rules allocate responsibility for investigating allegations of fraud, bribery and corruption, to the Head of Internal Audit & Risk in conjunction with the Director of Resources. In practice, investigations into the alleged actions of Council staff will usually be conducted in conjunction with the Head of Workforce, Corporate Fraud Manager and, in more serious cases, they may agree the matter be referred directly to the Police.
- 1.6 A flowchart on page 9 illustrates the fraud response process.

## 2. Reporting Suspicions

- 2.1 The procedures detailed below should be followed for all suspected cases of fraud, bribery and corruption involving Council staff, its partners and suppliers. You may also come across instances where third parties are attempting to defraud or scam the Council, for example submitting bogus invoices or changing bank details of suppliers. Any concerns such as these should be reported to the Head of Internal Audit & Risk who will investigate further and arrange for alerts to be circulated to relevant areas of the Council.
- 2.2 Examples of fraud, bribery and corruption include, but are not limited to theft, financial irregularities, and misuse of Council property, vehicles or equipment, misuse of Council systems, conflicts of interest and supplier kickbacks.

### Action by Employees

- 2.3 You should raise your concerns or suspicions with your line manager in the first instance. If you feel unable to approach your line manager, you should report any concerns or suspicions of financial irregularity to the Head of Internal Audit & Risk in accordance with the Council's Financial Procedure Rules (13.4). Alternatively, you may choose to report your concerns or suspicions anonymously via the Council's whistleblowing reporting procedures outlined in the Whistleblowing Policy. Whilst total anonymity cannot be guaranteed, every effort will be made not to reveal your name. However, if criminal activity is found and the case is forwarded to the police, your identity may be needed at a later date.
- 2.4 If you suspect a colleague is committing fraud, **under no circumstances** confront him or her with accusations of wrongdoing. This may allow the destruction of evidence and in extreme cases may

expose you to physical danger. If your suspicions are mistaken, then workplace relationships may be poisoned irretrievably. The official investigators are best placed to interview suspects.

- 2.5 Once you have reported the incident, you may be contacted further by Internal Audit as part of the ongoing investigation. You should provide them with as much information as possible to enable the investigation to be effectively progressed.

### **Action by Managers**

- 2.6 If you have reason to suspect fraud, bribery or corruption in your work area, or a concern has been reported to you by a member of your staff, you should do the following:
- Listen to the concerns of your staff and treat every report seriously and sensitively. Reassure staff that their concerns will be taken seriously and passed on to the appropriate officer;
  - Obtain as much information as possible from the member of staff, including any notes or evidence to support the allegation. Do not interfere with this evidence and ensure it is kept securely;
  - Do not attempt to investigate the matter yourself or attempt to obtain any further evidence as this may compromise any internal audit, disciplinary or police investigation;
  - Report the matter immediately to the Head of Internal Audit & Risk.

### **Action by Councillors**

- 2.7 If a Councillor has suspicions about fraud, bribery or corruption whether it be a fellow elected Councillor, officers of the Council or partner organisations of the Council they should report this to the Chief Executive or the Monitoring Officer at the earliest opportunity.

### **Action by Members of the Public**

- 2.8 If a member of the public would like to raise a concern, they should follow the reporting procedure contained within the Whistleblowing Policy on the Council's website. Alternatively, benefit fraud can also be reported using the link:

<https://www.preston.gov.uk/article/972/Report-benefit-fraud>

## **3. Malicious Allegations**

- 3.1 If you make an allegation which you believe is in the public interest, but it is not confirmed by the investigation, no action will be taken against you.
- 3.2 All Councillors and staff should be aware that malicious or vexatious allegations will not be tolerated and may be dealt with as a disciplinary matter.

#### **4. Investigating Allegations of Fraud**

##### **Preliminary Investigations (Fact finding)**

- 4.1 In the event of any serious or immediate threat to the Council's financial position, significant fraud, bribery or major accounting breakdown, the Head of Internal Audit & Risk must be immediately informed who will then notify the Director of Resources. If it is considered there are *prima facie* grounds for the concern or complaint involving the alleged misconduct of Council staff, the Head of Internal Audit & Risk will inform the Head of Workforce and a joint investigation will be undertaken. If the allegation involves a Member, the Monitoring Officer will be informed. If preliminary investigation shows the allegations to be groundless, the matter may then be dismissed and referred back to the Directorate to resolve.
- 4.2 The Head of Internal Audit & Risk will initiate the investigation and may seek assistance from HR or the Corporate Fraud team as appropriate. Once the preliminary investigation has been completed a report may be prepared by the Head of Internal Audit & Risk for the relevant Director as well as the Director of Resources. In more serious cases it may be necessary to prepare an interim report if immediate control measures are required.
- 4.3 The Director of Resources will usually keep the Chief Executive informed. If it appears that a criminal offence has occurred, the Head of Internal Audit & Risk and the Director of Resources, in conjunction with the Head of Workforce, Corporate Fraud Manager or the Monitoring Officer, as appropriate, shall consider whether the matter should be referred to the Police.
- 4.4 Depending on the seriousness of the offence, the Director of Resources may inform the Chair of Audit Committee and the Executive Member for Resources and Deputy Leader.
- 4.5 Also note that under Article 33 of the General Data Protection Regulation in cases where the Fraud has included a personal data breach, the Council has a duty to report the incident to the Information Commissioners Office in accordance with Article 55. This shall be carried out without undue delay and, where feasible, not later than 72 hours after having become aware of the personal data breach. The investigation team should be aware of the need to ensure that other statutory requirements are adhered to in the process of

obtaining evidence, particularly the need to obtain in advance a RIPA (Regulation of Investigatory Powers Act) authorisation, should it be necessary to obtain evidence through the process of surveillance.

- 4.6 Staff should note that failure to cooperate fully with an investigation may itself constitute grounds for disciplinary action.
- 4.7 In some instances, the investigations may require technical expertise that the investigation team does not possess. In these circumstances, the Head of Internal Audit & Risk will discuss with the Director of Resources whether external specialists should be involved.

### **Interviewing Employees as part of a Preliminary Investigation**

- 4.8 During the course of the preliminary / fact finding investigation, it may be necessary to interview one or more employees. In these cases, the employee should be informed of the purpose of the meeting and that he/she may not refuse to attend without good reason. A refusal without good reason to answer questions relevant to the investigation may result in action being taken under the Council's disciplinary procedure for potential gross misconduct.
- 4.9 All interviews of employees will be undertaken by two people from the investigation team. Normally, one person will ask the questions and the other will take contemporaneous notes. Once the notes have been typed up, a copy will be provided to the employee who will be invited to read them, make and initial any amendments and then sign the interview notes, accepting them as a correct record. It is good practice for the interviewer to counter-initial any amendments to confirm their acceptance. Should there be any disagreement, the interviewer will need to consider the materiality of the amendment and if significant, this should be brought out in the ensuing report,
- 4.10 The purpose of the preliminary interview will be to obtain information (fact-finding) and as such the employee will not be entitled to be accompanied. However, should they wish to have someone present, this will be at the discretion of the Investigation Team.
- 4.11 During the course of the interview, if an individual admits to a criminal offence or the interviewer believes that an admission of a criminal offence is imminent, the recommended practice is that the interview be suspended and the matter referred directly to the Police.

### **Interviewing Employees under the Council's Formal Disciplinary Procedure**

- 4.12 If, following a preliminary investigation, there is evidence to indicate that fraud, bribery or corruption may have been committed by an employee, a formal investigation into the matter will be carried out in accordance with the Council's disciplinary procedure.

- 4.13 If the matter has been referred to the police and/ or Action Fraud the Head of Internal Audit & Risk /Corporate Fraud Manger will consult with the police to determine whether the disciplinary process can proceed.
- 4.14 Official guidance does permit the continuation of an interview following admission of a criminal offence but only after issuing a formal caution. Under PACE, the interviewee would be entitled to legal representation. In deciding whether to continue, the interviewer will need to consider the seriousness of the case and the likelihood of it being referred for prosecution, bearing in mind the requirements of the Council's Anti-Fraud, Bribery and Corruption policy with regard to prosecutions. If it is considered that seeking a prosecution would not be appropriate, the interview can continue without issuing a caution.

## **5 Reporting of an incidence of Fraud, Bribery and / or corruption**

- 5.1 Upon completion of the investigation and subject to the Council's disciplinary procedures where relevant, where an incidence of fraud, bribery and/or corruption is found to have taken place, a report will be produced and issued to the Director of Resources and the relevant Service Director.
- 5.2 The report shall contain:
- a description of the incident/issues alleged including an assessment of the value of any losses;
  - the people involved and the means by which the fraud was allowed to occur (highlighting any control and/or operating weaknesses within the systems)
  - all possible facts relating to the alleged fraud;
  - recommendations to improve/restore the controls and minimise the risk of a re-occurrence;
  - a conclusion on the way forward;
  - any other relevant material.
- 5.3 Where an incidence of fraud, bribery and/or corruption is found to have taken place a report on the fraud shall be presented to the Audit Committee, along with the findings of any investigations undertaken, at their next meeting following the completion of the investigation. The Executive Member for Resources and Deputy Leader will also be informed. An interim report may be presented if an Audit Committee meeting takes place during an ongoing investigation.

## **6. Recovery of Assets and / or Sanctions**

- 6.1 If it is determined on the basis of evidence that a fraud has taken place, unless a referral has been made earlier, the Head of Internal Audit & Risk will discuss the matter with the Director of Resources and a decision taken as to whether to refer the matter to the Police.

- 6.2 In accordance with the Anti-Fraud, Bribery and Corruption Policy, if it is confirmed the Council has suffered financial loss, attempts will be made to recover such losses from the perpetrator.



# Fraud Response Flow Chart

