

# **DERBY CITY COUNCIL**

## **Fraud Response Plan**

**September 2010**

## **1. Introduction**

### **1.1 Why Do We Need A Fraud And Corruption Response Plan?**

- 1.1.1 The prevention of fraud, and the protection of the public purse is in everyone's interest. It is important that all staff know what to do if they come upon fraud.
- 1.1.2 Good Corporate Governance requires that the Council is strongly committed to dealing with fraud and corruption. All instances will be viewed seriously and, following investigation, the action taken will be in line with the merits of each case and in line with the Council's Corporate Prosecution Policy.

## **2. Fraud and Corruption – Investigation Process**

### **2.1 Introduction**

- 2.1.1 Suspicion of fraud, corruption or irregularity may be raised through a number of means, including the following:
  - Requirement on all staff under financial procedure rules to report fraud, corruption or irregularity.
  - The Confidential Reporting Code (whistle-blowing policy).
  - Planned audit work.
  - Operation of proper procedures.
- 2.1.2 There are a number of facets to the management of a suspected case of fraud, which may involve officers from a number of disciplines, including audit, finance, human resources, and police. Additionally there are a number of specific legislative requirements. Therefore, it is vitally important that the response plan is followed by all concerned in order to ensure that the situation is handled professionally and to safeguard against the case being compromised.
- 2.1.3 Once fraud or corruption is suspected, there are four immediate issues to be addressed:
  - The proper internal investigation of the matter.
  - What action, if any, should be taken in relation to the officer or officers concerned.
  - The facilitation and management of the investigation; and subsequently.
  - Whether to involve the police and if so at what stage.
- 2.1.4 It is important that all investigations are conducted promptly.

### **2.2 Requirements of the Council's Financial Procedure Rules**

- 2.2.1 Financial Procedure Rules E6.5 requires the Strategic Director – Resources *To ensure that all suspected financial irregularities are reported to the Head of Audit and Risk Management and where there is evidence of perceived criminality, to notify the Chief Executive and Monitoring officer, and where appropriate Members.*

2.2.2 Financial Procedure Rule E6.8 requires Chief Officers:  
*To ensure that all suspected financial irregularities are reported to the Head of Audit and Risk management or the Strategic Director – Resources.*

2.2.3 The relevant Chief Officer will then determine, after consultation with all appropriate officers, what action should be taken. This could be the resolution of the issue within the department, or a full investigation carried out by Audit and Risk Management. An Investigating Officer must be appointed by the Chief Officer.

## **2.3 Initial Action**

2.3.1 If you have any suspicions whatsoever that a fraud is taking or has taken place, then the first step is to formally raise this concern. Try to keep notes of the relevant details including dates, times and names. Report your concerns to:

- Your line manager, or
- Your service director, or
- The Head of Audit and Risk Management or
- The Monitoring Officer (if it relates to a Member of Chief officer or  
Through the Confidential Reporting Code (whistleblowing policy)

2.3.2 The officer that you raised the issue with should ensure that the matter is reported confidentially to the Strategic Director – Resources and the Head of Audit and Risk Management.

2.3.3 Care should be taken, by both the officer who suspects fraud, and the officer to whom this suspicion is reported, to retain any evidence and make immediate note of the issues and concerns. All records relating to the issue under investigation should be secured as soon as suspicions arise to ensure they are not destroyed or amended.

2.3.4 Before any investigation begins the Head of Audit and Risk Management should be consulted. He will advise you on the best course of action to take and whether Audit and Risk Management needs to be involved in the investigation.

2.3.5 You should not:

- Contact the person you suspect of committing fraud
- Investigate the issue yourself
- Discuss the case with anyone outside the Council unless specifically asked to by the Investigating Officer or  
Discuss the case with anyone within the Council other than those persons listed at 2.3.1

2.3.6 If you are a manager and receive a report of suspected fraud you must:

- Listen to the concerns of your staff seriously and sensitively
- Take their concerns seriously
- Get as much information as you can from the member of staff and secure any notes they give you
- Do not try to investigate the issue yourself.
- Report the matter immediately to the Head of Audit and Risk Management.

## **2.4 Management Process**

- 2.4.1 The process must be co-ordinated by an Investigating Officer or if Audit and Risk Management are wholly carrying out the investigation, by the Head of Audit and Risk Management.
- 2.4.2 There are three distinct aspects that will need to be managed:
- Issues concerning members of staff or independent contractors.
  - The actual investigation.
  - The external environment i.e. the media.

## **2.5 Managing the Investigation**

- 2.5.1 Provided that the Head of Audit and Risk Management is satisfied that sufficient concern or evidence exists to indicate that a fraud may have been committed, the Investigating Officer will manage the investigation. It is probable that the investigation will be performed by internal audit staff on behalf of the Investigating Officer. However, there could be circumstances where the assistance of the external auditors may be requested, or a member of staff with key skills.
- 2.5.2 The Head of Audit and Risk Management has contacts within Derbyshire Economic Crime Unit who can be consulted at an early stage to provide informal advice on the conduct of the investigation.
- 2.5.3 The Investigating Officer will agree the terms of reference, its scope of operations and an initial time allocation with specific monitoring points. The head of Audit and Risk Management must be consulted on this.
- 2.5.4 Where Audit and Risk Management performs the investigation, it will be carried out in accordance with best practice as laid down in the Code of Practice for Internal Audit in Local Government and the relevant International Standards of Auditing. The Head of Audit and Risk Management will report back to the Investigating Officer at agreed points during the investigation or earlier, should the results of the investigation dictate. Decisions will need to be made regarding:
- Involvement of the police.
  - Action to be taken (if any) against the suspected perpetrator.
  - Communications with external bodies.
  - Proposed action regarding recovery of losses.
  - The level of any additional routine or ad hoc investigations required in related areas.
  - Producing and issuing of reports.

Regardless of who undertakes the investigation, following an examination of records and / or the conduct of interviews with relevant persons, findings will be documented and a report made to management for appropriate action to be taken. A copy of these findings will be given to Internal Audit who may comment on the results of the investigation and advise management accordingly.

### **3. The Council's Policies and Guidelines**

#### **3.1 Where does the Fraud Response Plan fit in?**

3.1.1 The Authority has many policies and procedures, which are designed to regulate behaviour, and ensure that systems (particularly financial) are in place.

3.1.2 It is important that all staff are aware of these policies and procedures, and of their content. Copies of the most important documents in respect of fraud and corruption must be issued to all senior managers and staff involved in financial procedures. These are:

- Financial Procedure Rules (Financial Regulations).
- Contracts Procedures Rules.
- Code of Conduct for members and officers.
- Anti-Fraud and Corruption Policy & Strategy.

3.1.3 Staff and Members should also be aware of:

- Grievance Procedures.
- Disciplinary and Dismissal Procedures.
- Confidential Reporting Code (Whistle-blowing Policy).
- Anti-Money Laundering Policy.

3.1.4 A full copy of the Constitution which includes Financial Procedure Rules, Contracts Procedures Rules, Members' and Officers' Codes of Conduct and the Confidential Reporting Code is available to view on the Council's intranet site.

3.1.5 The Council has an overall approach to ensuring that fraud and corruption is minimised and that probity is upheld. This includes, in addition to the above:

- Effective systems and controls which are monitored by both Audit and Risk Management and external audit.
- An environment of openness and trust.
- The Anti-Fraud and Corruption Policy & Strategy.

3.1.6 Audit and Risk Management assesses risk, review procedures, and carries out specific tests to detect fraud and error and also strengthen the Council's preventative arrangements.