

pirc
people
plan

**FRAUD
PREVENTION
POLICY**

pirc

Police Investigations &
Review Commissioner

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1. Policy Statement

All PIRC staff are required at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The PIRC will not accept any level of fraud or corruption; consequently, any case will be thoroughly investigated and dealt with appropriately.

2. Definitions

Fraud

Fraud is the use of deception with the intention of obtaining personal gain, avoiding an obligation or causing loss to another party. Fraud can be used to describe a wide variety of dishonest behaviour such as forgery, false representation and the concealment of material facts. The fraudulent use of IT resources is included in this definition, where its use is a material factor in carrying out a fraud

Bribery

A bribe is an offer or promise of a financial or other advantage, designed to induce another person to perform improperly in their position of trust and responsibility. The [Bribery Act 2010](#) is UK-wide legislation that:

- makes it a criminal offence to give, promise or offer a bribe and to request, agree to receive or accept a bribe either at home or abroad.
- increases the maximum penalty for bribery from seven to ten years imprisonment, with an unlimited fine.
- introduces a corporate offence of failure to prevent bribery by persons working on behalf of a business.

This policy is non-contractual but sets out the steps we are taking to minimise the risk of fraud and corruption in our workplace.

3. Reducing the Opportunity for Fraud – Separation of Duties

The opportunity for fraud must be reduced wherever possible. Allocating responsibility for too many functions to one person can constitute a high risk of fraud and should be avoided. The risk of fraud can be reduced by ensuring proper separation of duties so that, for example, more than one person has to be involved in ordering, receiving and authorising payments for goods or services.

The separation of key functions forms an integral part of systems control and is essential to minimise the potential scope for irregularity by staff acting on their own. The need for proper separation of duties applies as much to grant systems as it does to procurement procedures.

Without adequate separation of duties, the effectiveness of other control measures is undermined. Where resources are limited and separation of duties is not possible, alternative management controls such as supervisory checking must be employed.

4. Controls

Robust Systems of Control

Appropriate preventive and detective controls should be put in place to counter the risk of fraud. Procedures set up to prevent and detect fraud must be proportional to the risk involved and be carefully followed and monitored. Additional information is provided in the Scottish Public Finance manual (SPFM) sections on [Checking Financial Transactions](#) and on [Risk Management](#). Guidance on the coverage of fraud response plans can be found in HM Treasury's [Managing the Risk of Fraud](#) guidance.

Preventive controls are designed to limit the possibility of a fraud occurring e.g. separation of duties.

Detective controls are designed to spot errors, omissions and fraud after the event e.g. supervisory checks and reconciliations. Support for managers in establishing appropriate controls is provided by the appropriate finance business partners and internal audit.

Where the PIRC has responsibility for awarding contracts, making payments, authorising grants and other financial transactions it must ensure there are clear control procedures. It is important that:

- There is adequate separation of duties and proper authorisation processes for payments
- Staff dealing with these procedures are familiar with them
- Accounting and other records, such as cash balances, bank balances, physical stock counts, are reconciled with the actual position
- Staff who are bankrupt or insolvent are not employed on duties which might permit the misappropriation of public funds.

5. The Importance of Monitoring

Heads of Department have the prime responsibility for ensuring their systems are sound and that they are operating as intended. Both internal and external auditors have a role in carrying out independent reviews of systems and the adequacy of controls in place.

Many frauds are due to failure to comply with existing controls. It is vital that good control systems are supported by supervisory checking and alertness to the risks of fraud. Additional guidance and procedures on monitoring are included in [Managing the Risk of Fraud](#).

There is additional information available on conduct, discipline and management responsibilities in the other relevant PIRC policies and our code of conduct.

6. Identification of Fraud

External and internal fraud is not always easy to identify. Often suspicion may be raised but it is not acted on and reported. Fraud is often committed where there is:

- **Opportunity** to commit fraud. This is where internal controls are weak and access to assets and information allows fraud to occur.
- **Rationalisation** that justifies fraudulent behaviour. This can be for a variety of reasons. The PIRC has a zero tolerance approach to fraud.
- **Motivation** or a need for committing fraud. This can be for financial reasons or other motivating factors.

Danger Signs

Line managers and staff must always be alert to the risk of fraud, theft and corruption. Danger signs of external fraud include:

- Photocopies of documents when originals would be expected
- Discrepancies in information e.g. signatures and dates
- Unexpected queries from stakeholders or suppliers e.g. bank account detail changes
- Requests for non-standard types of payment
- Unexpected trends or results e.g. from reconciliations.

Danger signs of internal fraud include:

- Evidence of excessive spending by staff in cash/contract work
- Inappropriate relationships with suppliers
- Reluctance of staff to take leave
- Undue possessiveness of or anomalies between work records
- Pressure from colleagues to avoid normal control procedures
- Abnormal Travel and Subsistence claims, overtime or Flexible Working Hours patterns.

7. Reporting Fraud

The danger signs highlighted in this policy are not exhaustive and any indication of fraudulent activity should be reported. Line managers and staff must always be alert to the risk of fraud, theft, bribery and corruption.

Staff should report any suspicions either to their line manager, the Head of HR & Corporate Services (HHRCS) or to the SG finance business partner either in writing or using the fraud hot-line **(0131 244 1415)** - direct to the SG **Fraud Response Team**.

Cases of fraud in bodies sponsored by the Scottish Government should also be notified to the relevant sponsor team.

Under the PIRC whistle-blowing procedures all matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff.

All discovered cases of actual or attempted fraud should be notified to the PIRC Audit and Accountability Committee. Comprehensive annual assurance on counter fraud activity and instances of fraud is provided to the PIRC Audit and Accountability Committee. Consideration should be given on a case by case basis to immediately notifying external auditors when a case comes to light and in any case notify the relevant SG Portfolio Audit and Risk Committee

The steps for reporting and responding to fraud are illustrated at Appendix 1.

8. Responding to Fraud

Thorough investigations should be undertaken where there is suspected fraud and the appropriate legal and/or disciplinary action will be taken in all cases. Appropriate disciplinary action should also be taken where supervisory or management failures have occurred.

Investigating fraud is a specialised area of expertise, and those tasked with any investigation work should have received appropriate training, including the gathering of evidence. **Investigations should not be undertaken by untrained staff.** Specialist advice is available from, the Head of Investigations, Internal Audit/External Audit and HR & Corporate Services who can access legal advice where this is necessary.

9. Gifts and Hospitality

Under the PIRC policy on Gifts and Hospitality (see PIRC Finance Manual), it is made clear that you must not accept gifts or hospitality without the prior approval of the Director of Operations or receive other benefits from anyone which might reasonably be seen to compromise your personal judgement or integrity. These ethical standards are described in more detail in the staff intranet and are laid down in the PIRC Finance Manual.

10. Recording and Accounting

Losses due to fraud are subject to the SPFM guidance on [Losses and Special Payments](#). Details must therefore be submitted to and recorded by relevant finance business partners and brought to the attention of the Sponsor Dept.

11. Responsibility

The **Scottish Ministers** are responsible for issuing relevant guidance in the Scottish Public Finance Manual (SPFM) on the prevention, detection, reporting and handling of fraud.

The **Accountable Officer** (the Director of Operations) is responsible for the systems of internal control that support the achievement of the Scottish Ministers' policies, aims and objectives. Accountable Officers are responsible for ensuring that they are aware of fraud risks and have appropriate procedures in place to prevent and detect fraud that are consistent with guidance in the SPFM.

Heads of Department are responsible for:

- the communication and implementation of this policy in their area of work
- ensuring that those working for them are aware of PIRC financial rules and procedures and that these are followed.
- ensuring that effective internal controls are operating within their areas of responsibility
- assessing the types of risk involved in the operations for which they are responsible and responding to minimise the opportunity for fraud
- reporting relevant cases to the Director of Operations
- recording all the evidence received
- ensuring that evidence is sound and adequately supported

- contact other agencies, for example the police, when necessary and when authorised to do so by the Director of Operations
- implementing the PIRC disciplinary procedures where appropriate

Special arrangements will apply where employees are in charge of financial systems and systems that generate payments, for example payroll. Line managers must ensure that relevant training is provided for these employees. Checks must be carried out at least annually to ensure that proper procedures are being followed.

Each member of staff is responsible for:

- acting with propriety in the use of official resources and the handling and use of public funds
- conducting themselves in accordance with PIRC procedures and policies (including gifts & hospitality and conflicts of interest) and the PIRC code of conduct
- being alert to the possibility that unusual events or transactions could be indicators of fraud
- reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events
- cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

Any employee who discovers or suspects fraud should not attempt personally to conduct an investigation or interview or discuss the case with anyone unless specifically authorised to do so by the Director of Operations.

The Director of Operations has a responsibility to inform the Sponsor team of all cases of fraud or suspected fraud. The audit committees for bodies sponsored by the Scottish Government are required to notify the relevant Portfolio Audit and Risk Committee if they consider that they have identified a significant problem which may have wider implications: to ensure awareness and the provision of effective support. In our case we have a non-statutory Audit and Accountability Committee however the new SG Governance and Accountability Document sets out a requirement for PIRC to have such a committee which we have agreed.

The SG Governance & Risk Team should also be notified of any cases of suspected fraud as part of the key steps to counter fraud highlighted as part of counter fraud measures.

12. Internal Audits

Our internal audits play a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Director of Operations will investigate all cases of suspected irregularity and will liaise with managers to recommend changes in procedures to prevent or reduce losses to the organisation. Reviews of financial controls and specific fraud and corruption tests, spot checks and unannounced visits will also be included in our internal audit plan.

The internal auditors will investigate any notification of relevant potential fraud that has occurred elsewhere and will inform the relevant manager. They will have free and unrestricted access to all records and premises when carrying out this function and will have our authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities on our premises without the prior knowledge of any staff member who

may use or have custody of any such items, provided always that such actions are within the scope of the investigation.

13. Recruitment

We recognise that a key preventative measure in dealing with fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. Our Equal Opportunity policy will be adhered to during this process.

Aside from the high level security vetting (SC) and this includes financial checks which all employees are subject to, written references will be obtained before employment offers are made and checks will be made against the application form regarding qualifications and previous employment.

14. Enforcement

All cases of actual or suspected fraud will be vigorously and promptly investigated and appropriate action will be taken. The police will be informed where considered appropriate. In addition disciplinary action will be considered not only against those members of staff found to have perpetrated frauds but also against managers whose negligence is held to have facilitated frauds. Both categories of offence can be held to constitute gross misconduct, the penalty for which may include summary dismissal.

15. Awareness and Training

We recognise that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of our training and an awareness of employees throughout the organisation. To facilitate this, positive and appropriate provision will be made via induction and for employees via their development plans. This may include specialist training for certain employees.

16. Confidentiality

The results of any investigation will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

17. Implementation, Monitoring and Review of this Policy

The Head of HR & Corporate Services has overall responsibility for implementing and monitoring this policy, which will be reviewed on a regular basis following its implementation (at least annually) and additionally whenever there are relevant changes in legislation or to our working practices.

Any queries or comments about this policy should be addressed to the Head of HR & Corporate Services.

18. Communication & Contacts

This policy will be shared with all employees within PIRC and will be published for access by all interested parties on our website.

Queries should be addressed to:

Head of HR & Corporate Services
Hamilton House
Hamilton Business Park
Hamilton
ML3 0QA

Phone: 01698 542900

Email: enquiries@pirc.gsi.gov.uk

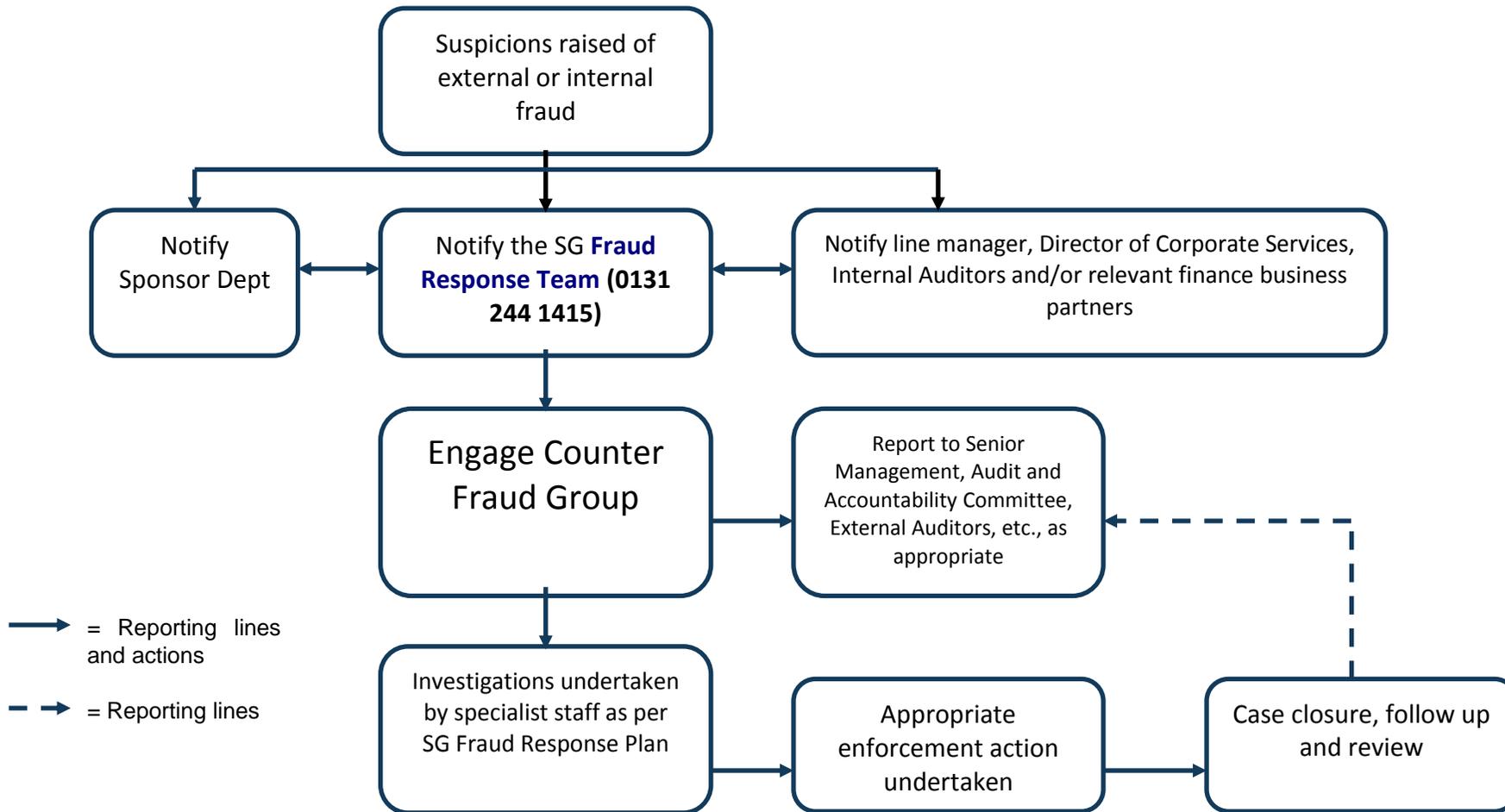
19. Benchmarks Used in Policy Formulation

- Former PIRC policy
- SG Counter Fraud Policy and recent guidance

20. Review of Policy

This Policy is a formal PIRC policy and will be reviewed by PIRC Heads of Department Group on an annual basis.

Reporting and Responding to Fraud



Under the PIRC Whistle-blowing procedures, all matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff.

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