

Fraud Response Plan

Draft
October 2024

This policy is designed to apply to all staff except School based employees unless the school governing body has adopted it.

1. Introduction

- 1.1 This document provides guidance to all employees of Caerphilly County Borough Council and is commended to School Governing Bodies and other associated employers as best practice. The document also applies to Third Party individuals (Partners, Consultants, Suppliers, Volunteers, Contractor and employees of Council suppliers and contractors, who are employed to deliver a service / goods to the Council).
- 1.2 An appendix is also included at the end of this document, to provide a glossary of terms and a copy of the fraud reporting form.
- 1.3 A potential fraud or other issue may be uncovered in a variety of ways – it is important that you know how to deal with your suspicions. Remember you are a witness not a complainant. You should write down or record the relevant details and make sure your report is supported by facts. Do not attempt to investigate without support, do not confront the person and do not discuss your concerns with anyone other than the officers named in this document. Do not gossip or speculate.
- 1.4 Don't forget that you could be mistaken or there could be an innocent explanation. Also investigations can often take some time, particularly if external agencies such as the police are involved.

Important Note

This protocol is not intended for use where there are safeguarding concerns.

2. Objectives

- 2.1 The objectives of the Fraud Response Plan are to ensure that timely and effective action can be taken to: -
 - Establish there is a clear understanding over who will lead any investigation and to ensure Heads of Service, Service Managers, Internal Audit and People Management are involved as appropriate.
 - Prevent further losses of funds or other assets where fraud has occurred and maximise recovery of losses.
 - Demonstrate there is substance and evidence to support any allegation against an employee before that employee is subject to disciplinary action or referral to the police.
 - Minimise the risk of inappropriate action or disclosure taking place which would compromise an investigation or recovery of losses.
 - Secure evidence and containment of any information or knowledge of any investigation into the matter reported.
 - identify the perpetrators and maximise the success of any disciplinary / legal action taken.

3. Whistleblowing and Anonymous Referrals

- 3.1 If you prefer to raise your concerns confidentially the Council has a Whistleblowing Policy published on the intranet (insert link here). The policy provides individuals with a method of raising concerns about any financial or other malpractice in the Council.
- 3.2 Where referrals are received anonymously, we will seek to investigate the issues raised to the fullest extent, however it is natural that without a point of contact from the original reference it may not always be possible e.g. if further follow up information is required. In addition, it will not be possible to report any outcomes either.
- 3.3 If you make a referral under the Whistleblowing policy, if you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent apart from in exceptional cases. It is also possible that the investigation itself may serve to reveal the source of information, although this will be avoided where possible.
- 3.4 Subject to the constraints of Data Protection legislation and the Council's duty of confidentiality to the workforce and Councillors, we will give you as much feedback as we properly can within an agreed timescale.

4. Roles and Responsibilities

- 4.1 As an individual (employee, member or third party stakeholder of the council), there are a number of actions you may be required to take depending on who is involved in the fraud or irregularity. You should remember, however, that when you know of or suspect a fraud or irregular act, you must report it in accordance with the guidance detailed below and not discuss it with other individuals or work colleagues either before or after reporting it so that the investigation is not compromised.
- 4.2 An irregularity is an administrative or financial mismanagement that comes about either by act or omission. There may or may not be an element of financial or material gain arising by such an act.
- 4.3 You should never confront the suspected individual or act in a manner which might draw their attention to your suspicions or put yourself in a position of personal risk by confronting this person.
- 4.4 At the earliest opportunity you should clearly record all the activities you have witnessed and information you have received or are aware of. It is important to record as much information as possible to inform any subsequent management assessment or investigation, including dates, times and sequences of events.

5. Suspected Fraud by a Council Employee

- 5.1 As an employee if a work colleague is giving rise to suspicions that she / he is committing a fraudulent or corrupt act within the Authority, then under normal circumstances you should report it to your Line Manager. However, you may not wish to report to your Line Manager, particularly if you suspect them of

committing a fraud or corrupt act or having an involvement in what you have observed. Therefore, the option exists to report your concerns to any of the following officers:

- Your Line Manager's Manager
- Your Chief Officer
- The Internal Audit Manager
- Fraud referral link on the Intranet (to be inserted)

5.2 In addition, suspicions can be reported to your Trade Union.

6. Suspected Fraud by an Elected Member

6.1 If you need to report a suspicion, an actual fraud or corrupt act by a Councillor, you should report this to one of the following officers in the Council: -

- The Head of Legal Services & Monitoring Officer
- The Head of Financial Services & Section 151 Officer
- The Internal Audit Manager
- Fraud referral link on the Intranet (to be inserted)

7. Suspected Fraud by a Contractor, Supplier, Volunteer or a Member of the Public

7.1 If the fraud or corrupt act is being committed in your Service area, then under normal circumstances you should report your concerns to your Line Manager. If your suspicions do not relate directly to your area, then you should not ignore the information you have, but should report the matter directly to the Internal Audit Manager. This could include information that comes into your possession through your profession or social life.

8. Members' Responsibilities

8.1 Where Members come into possession of information which may indicate that a fraudulent or corrupt act is being perpetrated against the Council, they must report this to either the Chief Executive, the Internal Audit Manager, the relevant Chief Officer, the Head of Financial Services & Section 151 Officer or the Head of Legal Services & Monitoring Officer. The officer in receipt of the report should ensure that any subsequent investigation follows the requirements of this fraud response plan.

8.2 Under no circumstances should a Member discuss a suspected fraud with other Members or the press.

9. Third Party Responsibilities (Partners, Consultants, Suppliers, Contractors, Volunteers and the Employees of these)

9.1 Where a third party comes into possession of information which may indicate that a fraudulent or corrupt act is being perpetrated against the Council, they must report this to either the Chief Executive, the Internal Audit Manager, the

relevant Chief Officer, the Head of Financial Services & Section 151 Officer or the Head of Legal Services & Monitoring Officer

10. Senior Officers Responsibilities (Directors, HoS, Service Managers and line managers)

- 10.1 As soon as a complaint or an allegation is received by a Manager (including referrals made by Members), it is their responsibility to inform the Internal Audit Manager in accordance with Financial Regulations and Human Resources (where the allegation relates to a Council employee). You should listen to the facts as reported, make detailed notes and get as much information as possible. You should also reassure the member of staff that they are doing the right thing by bringing the issue to your attention. You should also ask the member of staff to keep the issue confidential and to keep any evidence safe. If you feel the issue relates to another service area, you should arrange to bring the matter to that Service area's attention. It may also be necessary to secure a building/ assets/cash or prevent certain staff from accessing locations or IT systems etc to prevent further losses. IT security, Human Resources, Insurance and Property Services may need to be consulted in relation to this.
- 10.2 The Internal Audit Team or Human Resources (as appropriate) will undertake an initial risk assessment / fact finding around the issue that has been disclosed. This should be carried out as quickly as possible, with the objectives of either substantiating that there are grounds for further investigation or repudiating the allegation that has been made and there is no further action required.
- 10.3 At no time during the fact finding evaluation should the Manager confront the alleged suspect, nor put evidence at risk. Under no circumstances should a Manager discuss a suspected employee fraud with other staff members or peer Managers.
- 10.4 If there are suspicions that similar frauds are or could be being committed the situation should be discussed with the Internal Audit Manager.

11. Trade Union Responsibilities

- 11.1 Should any employee who is a member of a recognised Trade Union have any concerns regarding their own behaviour, or that of others, in relation to any potentially fraudulent activity then they can seek advice and assistance from their Trade Union.

12. Next steps/response plan

- 12.1 After the initial assessment / fact finding has been carried out and where evidence suggests there is a potential fraud or irregularity, a detailed investigation will need to be undertaken. Depending on the nature of the allegation the options for this will usually be: -
- Appoint an Investigating Officer; this will usually be a senior officer in the relevant service.

- Internal Audit carry out the investigation in conjunction with the Investigating Officer.
- The matter may be referred to the Police (in conjunction with Internal Audit where there is evidence of criminal activity).
- The matter may be referred to an external agency for investigation e.g. Housing Benefit fraud or National Anti-Fraud Network (NAFN).

13. The Fraud Reporting Process

13.1 Concerns can be reported in the following ways: -

- Telephone: 01443 863425 (tbc)
- Email: Internalaudit2@caerphilly.gov.uk. Please title email "Fraud"
- Online: (Link to be provided)
- In writing to: Fraud Team, Internal Audit, Ty Penallta, Hengoed, Ystrad Mynach CF827PG. (Please mark your correspondence as Private and Confidential)

13.2 When a disclosure is received a fraud reporting form will be completed (link on intranet to be inserted) either by the person reporting or the person receiving the referral. The person making the disclosure has the option to remain anonymous. The referral is RAG (Red / Amber / Green) rated based on the details obtained and this informs the action / process to be undertaken.

13.3 Every case is unique. The Internal Audit Manager will work with the Investigating Officer and Human Resources to ensure the most appropriate course of action is taken.

13.4 Considerations will include: -

- Is the preparation of a formal investigation plan required?
- The potential to suspend a member of staff, in accordance with the Council's Disciplinary Procedure, while the investigation is undertaken. This will depend on the nature of the allegations, the evidence, the risk to the investigation and the impact on the establishment / service area. It is possible that as an investigation progresses this may need to be reevaluated periodically.
- The need to secure evidence (including documents, computer records, CCTV recordings etc). A referral to the Information Governance Unit may be needed depending on the nature of the evidence.
- Will specialist services from both within and outside the Council (e.g. surveillance experts, forensic IT specialists, specific service areas or subject matter experts) be required?
- Gathering evidence and supporting information. Carrying out interviews may be required to gather further information, and this may require witness statements so advice and support from Human Resources will be required.
- Potential referral to other internal or external agencies, e.g. the Department for Work & Pensions SFIS, the Police, Standards Committee, National Anti-Fraud Network.

- The decision to refer to the Police, or other agencies may be taken at any stage in the process and should not be unnecessarily delayed.
- Advising and assisting management in implementing new procedures and internal controls where necessary.

13.5 Actions and decisions should be recorded appropriately.

13.6 In some cases other actions may be suggested such as IA review or operational /system changes.

14. Outcomes

14.1 Outcomes will depend on the individual under investigation and the nature of the allegations.

Allegations against an Employee

14.2 If an allegation is substantiated following an investigation, the disciplinary process will be instigated.

14.3 At the same time, if there is evidence that fraud has been committed against the Council, the Internal Audit Manager will formally consider referring the matter to the Police (if not already done) and liaise with them over whether formal charges will be brought, and an investigation taken forward to possible prosecution. A referral to the Police will be carried out, normally following consultation with the Head of People Services and the Head of Financial Services & Section 151 Officer.

14.4 In some circumstances the Council may consider taking civil action against the accused employee to recover any debt caused as a result of their actions.

14.5 If there is a criminal prosecution it may be possible to proceed with a claim to recover the losses from the guilty party. This will depend on the individual circumstances.

14.6 It may also be possible to claim from Insurance depending on the individual circumstances and further advice should be sought from the Council's Insurance Team.

Allegation against a Councillor

14.7 Any allegations which are substantiated against a Councillor will be considered under their Code of Conduct by the Council's Head of Legal Services & Monitoring Officer and could result in a referral to the Public Services Ombudsman for Wales or the Police. The Ombudsman on investigation may decide to refer the matter to the Council's Standards Committee or the Adjudication Panel for Wales.

Allegation against a Contractor or Supplier

- 14.8 If an allegation of fraud against the Council by a contractor or supplier is substantiated, it will be referred to the police and may result in prosecution.
- 14.9 In addition to the criminal route, wherever applicable, the action taken by the Council will also follow a civil route, in order to recover assets or monies obtained by the potential offender. Any existing contracts with the Council will be looked at and may be terminated.

External Audit

- 14.10 In some cases it may be necessary to immediately inform the Council's External Auditor of the fraud or corruption. This will be the responsibility of the Head of Financial Services & Section 151 Officer or the Internal Audit Manager.

Governance and Audit Committee

- 14.11 Where it would be proper to do so, the Chair of the Governance and Audit Committee will be briefed immediately with any sensitive / serious matters.
- 14.12 Where matters are still under investigation formally or informally, reports will not be made to the Governance and Audit Committee.

Press and Publicity

- 14.13 The Communications Team will deal with the press and publicity in all matters regarding fraud and corruption. Where appropriate, the details of all successful prosecutions for fraud will be released to the media. Staff, Managers or Members must not directly disclose to the press the details of any cases suspected or under investigation.
- 14.14 Disclosure of details to the media without the express authority of the Communications Team could be regarded as a disciplinary matter.
- 14.15 The aim is to publicise the Council's intolerance of fraud or corruption both within the Council and by users of its services. It also serves to publicise our successes against those who would perpetrate such fraud or corruption against the Council.

15. Conclusion

- 15.1 The Fraud Response Plan is one of a number of policies listed below which support the Council's objectives in countering and investigating fraud and corruption: -
- Anti-Fraud and Corruption Strategy
 - Whistleblowing Policy
 - Codes of Conduct (Officers and Members)
 - Employee Disciplinary Policy

- Code of Corporate Governance
- Financial Regulations
- Standing orders for Contracts
- Procurement Code
- Cyber Security Strategy
- Information Security policy
- Anti Money Laundering Policy

15.2 However, no guidance or policy can be expected to cover all eventualities and, therefore, if you have any issues or are unsure of the action to take in a given situation you should immediately contact the Internal Audit Manager.

Appendix 1

Examples of frauds

Theft

This is the illegal taking of someone else's property without their consent. This would cover items such as computer equipment, cash and other equipment. The following are examples of theft: -

- Borrowing petty cash, use of Council purchase cards for private purchases
- Removal of assets, tools, consumable stocks or equipment from site without authorisation for the intention of private use.
- Theft from clients, students, colleagues or contractors

Bribery

This where a sum of money or a gift is given or solicited that alters the behaviour of the person to their benefit such as an inducement to award a contract.

Corruption

This is a general description of organised behaviour aimed to prevent a system or process from performing correctly.

Deception

Intentionally distorting the truth to mislead others such as misrepresenting qualifications or work experience to obtain employment, creating falsified computer records, unauthorised second jobs or private consultancy in Council time, providing misleading information to others such as grant claim information.

Forgery

Creating or adapting falsified documents such as timesheets or invoices. This is also linked to false accounting which relates to destroying or falsifying accounting records or furnishing false information to a third party such as HMRC.

Embezzlement

The fraudulent appropriation by a person of property that has been entrusted to their care that is owned by another person or the Council.

Extortion

Where a person obtains money by intimidation, threats of violence or other coercion.

Conspiracy/Collusion

This is where more than one person is involved in mutual agreement to break the law or covers up the activity of another person.

Fraud reporting form**Please give as much information as you can.**

Your name /job title and Service area (leave blank if you wish to remain anonymous)	
Your contact details	
Today's date	
Date/s of incident or range of dates.	
Detail of locations / Service area	
Name of person/s alleged of wrongdoing	
Are they Employee/ Councillor/ Contractor/ Member of public	
Their position if known	
What has happened?	
Where did it happen ?	
How long has this been happening for?	

How did you find out about it ?	
Estimated value if known.	
Do you have any evidence ? E.g. documents, CCTV, other witnesses etc.	
If so, where is the evidence located	
Have you told anyone else such as your Line Manager. If so, please tell us who.	
Any other relevant information or sensitivities	
	Office use only
Initial Risk assessment / RAG rating	
Red	High value loss High impact (risk/ reputation) Credible report Clear evidence Possible criminal act Widespread/organised/repeated
Amber	Medium loss/risk Opportunistic One-off /not organised
Green	Low value Not credible
Proposed action	
Decision record Approval	
Other actions to be taken	
Outcome record	