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**ANTI-FRAUD POLICY
AND
FRAUD RESPONSE PLAN
EFFECTIVE FROM SEPTEMBER 2015**

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(A) ANTI-FRAUD POLICY

1 INTRODUCTION

- 1.1 National Museums is determined to protect its staff, its collections and all aspects of its work from the risk of fraud. It acknowledges that, where present, fraud in all its forms is very damaging and takes away valuable resources. Fraud is not only illegal, but it also carries serious consequences for the resources available to National Museums.
- 1.2 This Anti-Fraud Policy aims to develop a culture across the organisation which raises awareness of the risks and consequences of fraud by identifying areas where the risk of fraud exists, detecting fraud which has already occurred, taking firm action against the perpetrators and designing systems to prevent the occurrence of fraud in all its forms. It provides a framework for promoting National Museums' policies and measures to prevent and detect fraud.
- 1.3 This Policy covers fraud and loss within National Museums and applies to staff, members of the public and all contractors. The overall purpose of this statement, the Anti-Fraud Policy, is to detail responsibilities regarding the prevention of fraud. The procedures to be followed in the event of a fraud being detected or suspected are detailed in the Fraud Response Plan.

2 PROMOTING AN ANTI-FRAUD CULTURE

- 2.1 National Museums, as a publicly funded organisation, has a duty of care in regard to the handling and safekeeping of public money and public resources. National Museums therefore requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud is an ever-present threat, both internal and external, to these resources and hence must be a concern to all members of staff. **The purpose of this statement is to set out responsibilities regarding both the prevention of fraud and procedures to be followed where a fraud is detected or suspected.**
- 2.2 National Museums promotes an anti-fraud culture through:
 - maintaining a comprehensive system of internal financial controls designed to prevent and detect fraud;
 - operating a system of internal audit to test such systems, ensuring they operate in a manner to reduce the risk of fraud;
 - training all staff in fraud awareness principles and the requirements of this policy and response plan;
 - fully investigating any allegation of fraud, anonymous or otherwise, using a suitably trained investigative team;
 - handling cases on a consistent and impartial basis;
 - consideration of whether there have been failures of supervision. Where this has occurred, disciplinary action may be initiated against those responsible;

- reporting any suspected frauds to the police and facilitating any consequent criminal investigations;
- recovery of losses resulting from fraud through civil action;
- publicising general examples of previous frauds, as a future deterrent;
- regularly reviewing its anti-fraud policy updating it as necessary and training staff in its implementation; and
- prominently displaying the anti-fraud policy statement on the National Museums intranet.

2.3 National Museums does not accept any level of fraud or corruption; consequently, any case, whether internal or external, will be thoroughly investigated and dealt with appropriately. National Museums is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.

3 DEFINITION OF FRAUD

3.1 Fraud is the obtaining of financial advantage or causing of loss by implicit or explicit deception. It is the mechanism through which the fraudster gains unlawful advantage or causes unlawful loss. Fraud is not a victimless crime and is generally used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

3.2 The term is usually used to describe depriving someone of something by deceit, which might either be theft, misuse of funds or other resources, or more complicated crimes such as false accounting and the supply of false information. In legal terms, all of these activities are the same crime – theft. The criminal act is the attempt to deceive; attempted fraud is therefore treated as seriously as accomplished fraud.

3.3 The Bribery Act 2010 came into effect on 1 July 2011. It defines four new criminal offences of offering or paying a bribe; requesting or receiving a bribe; bribing a foreign public official; and failure of commercial organisations to prevent bribery by person associated with them. Organisations must demonstrate that they have “adequate procedures” in place that are designed to prevent persons associated with it from committing bribery. Refer to the NMNI Anti-Bribery and Corruption policy on intranet.

3.4 Fraud can be perpetrated by persons outside as well as inside an organisation.

3.5 Fraud can be committed in an infinite number of ways including the inappropriate use of assets or equipment such as the telephone, falsifying work records and unauthorised use of IT software or equipment

3.6 Computer fraud is where information technology (IT) equipment has been used to manipulate computer programs or data dishonestly (for example by altering or substituting records, destroying or suppressing records, duplicating or creating spurious records), or where the existence of an IT system was a material factor in the perpetration of fraud (i.e. where the fraud was unlikely to have occurred if there had been no IT system). Theft or fraudulent use of computer facilities, computer

programs and the Internet is included in this definition. The suspicion that any of these acts has taken place will mean that the act is viewed as potentially fraudulent and will be dealt with in accordance with this policy and response plan.

3.7 The Fraud Act 2006 came into effect on 15th January 2007. The Fraud Act supplements other legislation such as the Theft Act (NI) 1969 and the Theft (NI) Order 1978. An individual can be prosecuted under the Fraud Act 2006 if they are in breach of the following:

- **Fraud by false representation**, ie if they dishonestly make a false representation and intend by making the representation to make a gain for themselves or another or to cause loss to another or expose another to risk of loss;
- **Fraud by failing to disclose information**, ie if they dishonestly fail to disclose to another person information which they are under a legal to duty to disclose and intend, by means of abuse of that position, to make a gain for themselves or another, or to cause loss to another or expose another to risk of loss; and
- **Fraud by abuse of position**, ie if they occupy a position in which they are expected to safeguard, or not to act against, the financial interests of another person, and they dishonestly abuse that position, and intend, by means of the abuse of that position, to make a gain for themselves or another, or to cause loss to another or to expose another to a risk of loss.

4 RESPONSIBILITIES OF NATIONAL MUSEUMS

4.1 Annex 4.7 of Managing Public Money Northern Ireland, provides detail on arrangements by public sector organisations for preventing, countering and dealing with fraud:

A.4.7.6 The organisation's response to fraud risk should be customised to the risks it faces. Typically it will involve some or all of the following:

- *Developing a Fraud Policy Statement and Fraud Response Plan (two key documents that every organisation should have)*
- *Developing and promoting an anti-fraud culture*
- *Allocating responsibilities for overall management of fraud risk and for management of specific fraud risks so that these processes are integrated into management generally*
- *Establishing cost-effective internal controls to detect and deter fraud, commensurate with the identified risks*
- *Developing the skills and expertise to manage fraud risk effectively and to respond to fraud effectively when it arises.*
- *Establishing well publicised avenues for staff when it arises using trained and experienced personnel to investigate.*

- *Responding quickly and effectively to fraud when it arises using trained and experienced personnel to investigate.*
- *Establishing systems to monitor the progress of investigations.*
- *Tracking all fraud cases and drawing on Internal Audit experience to strengthen control to prevent repetition.*
- *Taking appropriate action (criminal, disciplinary) against fraudsters and seeking to recover losses.*
- *Continuously evaluating the effectiveness of anti-fraud measures in reducing fraud.*
- *Working with stakeholders to tackle fraud through intelligence sharing, joint investigations, etc. and the results of data matching under the National Fraud Initiative.*

In summary:

- *develop and maintain effective controls to prevent and detect fraud*
- *carry out vigorous and prompt investigations if fraud occurs*
- *take appropriate legal and/or disciplinary action against perpetrators of fraud*
- *consider disciplinary action where supervisory failures have contributed to the commission of fraud and*
- *establish and maintain systems for closely monitoring all areas where cases of fraud have previously been discovered.*

4.2 In the design of working systems, National Museums will ensure that

- the prevention of fraud and loss is taken into account
- the risk of fraud and loss are assessed when changes are being considered and
- weaknesses are identified and rectified when the opportunity arises.

4.3 National Museums will regularly review its policies, legislation and related guidance, in consultation with NIPSA and other relevant parties, to ensure that appropriate measures for combating fraud are maintained.

5 RESPONSIBILITIES OF THE ACCOUNTING OFFICER

5.1 National Museums' Accounting Officer is the Chief Executive, and as the Accounting Officer he/she is responsible for the stewardship of public funds. This responsibility covers all matters of financial propriety and regularity. The Accounting

Officer is liable to be called to account for specific failures in these areas.

5.2 Whilst the overall responsibility for establishing and maintaining a sound system of internal control is borne by the Accounting Officer. The system of internal control is designed to identify the principal risks that National Museums faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent (impact and likelihood) of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks. National Museums will regularly review policies, legislation and related guidance to ensure that appropriate measures for combating fraud are maintained. The responsibility for managing the risk of fraud in National Museums has been delegated to the Director of Finance. His/her responsibilities include:

- a) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
- b) Establishing an effective Fraud Prevention Policy and Fraud Response Plan, commensurate to the level of fraud risk identified in the fraud risk profile;
- c) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
- d) Advising on operating appropriate pre-employment screening measures;
- e) Establishing appropriate mechanisms for:
 - Reporting fraud risk issues
 - Reporting significant incidents of fraud in accordance with the Fraud Response Plan
 - Coordinating assurances about the effectiveness of anti-fraud policies to support the Governance Statement
 - Liaising with and advising the Audit and Risk Assurance Committee
 - Ensuring that all staff are aware of the organisation's Fraud Prevention Policy and know what their responsibilities are in relation to combating fraud
 - Ensuring fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff
 - Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected. This will be effected through the establishment of a Fraud Investigation Oversight Group (FIOG) in accordance with the Fraud Response Plan
 - Ensuring, where appropriate, legal and/or disciplinary action against perpetrators of fraud
 - Ensuring, where appropriate, disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud
 - Ensuring, where appropriate, disciplinary action against staff who fail to report fraud
 - Taking appropriate action to recover assets and losses and
 - Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

6 RESPONSIBILITIES OF OPERATIONAL MANAGERS

6.1 The delegated responsibility for the prevention and detection of fraud and staff

awareness rests primarily with managers. Operational managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. Managers will be appropriately trained in the operation of such controls. There is therefore a need for all managers to:

- assess the types of risk involved in the operations for which they are responsible;
- ensure that adequate systems of internal control exist within their areas of responsibility, taking into account the scale of the risk in the particular business area;
- ensure that staff are adequately trained in the operation of internal controls within their area of responsibility;
- ensure that controls are being complied with, including testing the controls and maintaining a record of such tests;
- risks are reassessed as a result of the introduction of new systems or amendment to existing systems; and
- where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring.

6.2 Line managers must ensure that the opportunities for fraud to be committed are minimised. In terms of establishing and maintaining effective controls it is desirable that:

- there is a separation of duties so that control of a key function does not rest with one individual;
- where operationally possible, there is a regular rotation of staff responsibilities;
- backlogs of work are not allowed to accumulate; and
- in designing any new system, consideration is given to building in safeguards against internal and external fraud.

6.3 As regards the personal conduct of staff, line managers should:

- ensure that staff under their control have read and understood the content of National Museums' Code of Conduct;
- encourage staff, if appropriate, to make internal disclosures of malpractice under the Public Interest Disclosure Order (PIDO) via the steps outlined in the Code of Conduct;
- ensure that staff under their control are aware of the rules within the Staff Code of Conduct relating to confidentiality of information;
- ensure that staff under their control have been made aware that fraudulent behaviour is wrong and are aware of the consequences of involvement in fraudulent activity;
- provide, and regularly review, a register to record gifts and hospitality;
- regularly reinforce the rules, as set out in the Staff Code of Conduct; and
- ensure staff are aware of the indicators of fraud relating to their business area.

- 6.4 In addition to identifying risk, managers should also be able to consider, and quantify where possible, the cost of fraud, both internal and external. Strategies should be devised to combat fraud and to reduce the possibility of fraud occurring.
- 6.5 Operational managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by another member of staff or external party. Additionally, irregularities may come to light in the course of audit reviews.

7 RESPONSIBILITIES OF ALL STAFF

- 7.1 Every member of staff has a duty to ensure that public funds are safeguarded, whether they are involved with cash or payments systems, receipts, stocks or dealings with contractors or suppliers. As stewards of public funds everyone is responsible for:
- Acting with propriety in use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers;
 - Conducting themselves in accordance with the seven principles of public life detailed in the first report of the Nolan Committee 'Standards in Public Life'; selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
 - Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting their line manager where they believe the opportunity for fraud exists. Appendix 1 provides examples of Fraud Indicators. In addition, Common Methods and Types of Fraud are included in Appendix 2, with Examples of Good Management Practices which may assist in combating fraud detailed in Appendix 3.
- 7.2 If a member of staff suspects that a fraud has been committed or see any suspicious acts or events, it is their responsibility to report details immediately to their line manager and the Director of Finance & Capital Development. Staff should:
- alert their line manager where they believe the opportunity for fraud exists because of poor procedures or lack of effective oversight;
 - assist in any investigations by making available all relevant information and by co-operating in interviews; and
 - inform line management of any gifts, hospitality or benefits of any kind received from a third party. Staff should not accept gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their integrity. (See further details within National Museums' Financial Procedures Manual).
- 7.3 All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998, which protects the rights of staff who report wrongdoing. Information on the Public Interest Disclosure Act can be found in the Staff Code of Conduct.

- 7.4 Advice is also available through the independent charity Public Concern at Work on 020 7404 6609. Its lawyers can give free confidential advice at any stage regarding a concern about serious malpractice at work. An employee can, of course, also seek advice from a lawyer of their own choice, at their own expense.
- 7.5 Section 5 of the Criminal Law Act (Northern Ireland) 1967 (Withholding Information) also places the onus on individuals to report/pass evidence to the Police. The involvement of the Police Service of Northern Ireland (PSNI) is dealt with in the Fraud Response Plan.
- 7.6 Staff must also assist any investigations by making available all relevant information, by co-operating in interviews and if appropriate provide a witness statement.

8 RESPONSIBILITIES OF INTERNAL AUDIT

- 8.1 National Museums Northern Ireland appoints Internal Auditors who are responsible for:
- providing an opinion to the Accounting Officer on the adequacy of arrangements for managing the risk of fraud and ensuring that National Museums promotes an anti-fraud culture;
 - assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various segments of National Museums' operations.
 - ensuring that management has reviewed its risk exposures and identified the possibility of fraud as a business risk.

9 REPORTING RESPONSIBILITIES AS AN NDPB

- 9.1 National Museums is a Non-Departmental Public Body (NDPB), accountable to the Assembly through the Department of Culture, Arts & Leisure (DCAL). National Museums is required to immediately report all suspected or proven frauds to DCAL. The suspected, or proven, fraud should be reported using the pro-forma Fraud Report (Appendix 3) as soon as possible. The need to complete the report should not, however, delay advising DCAL of concerns.
- 9.2 All suspected, or proven, frauds must also be reported immediately to the Comptroller and Auditor General (C&AG), to Internal Audit and to the Fraud Unit, DFP).
- 9.3 If an allegation is made frivolously, in bad faith, maliciously or for personal gain, disciplinary action may be taken against the person making the allegation.

10 FRAUD RESPONSE PLAN

- 10.1 National Museums has a Fraud Response Plan that sets out how suspicions should be reported and how investigations will be conducted and concluded. The Fraud Response Plan forms part of the Anti-Fraud Policy.

11 CONCLUSION

- 11.1 National Museums views fraud very seriously. All cases of actual, or suspected, fraud will be vigorously and promptly investigated and appropriate action will be taken.
- 11.2 Successful fraud prevention involves creating an environment which inhibits fraud. It is the responsibility of all staff to ensure that such an environment is created and maintained.
- 11.3 Managers and staff who are alert to the possibility of fraud and who act accordingly are a powerful deterrent against fraud.
- 11.4 Any queries in connection with this policy document should be directed to the Director of Finance and Capital Development.
- 11.5 Current contact details are provided in Appendix IV

12 APPROVAL AND REVIEW

- 12.1 The Anti- Fraud Policy will be reviewed every 5 years or earlier if deemed necessary due to changes in legislation or best practice.
- 12.2 The Anti- Fraud Policy was reviewed by the Audit and Risk Assurance Committee on 19 June 2015 and approved by the Board of Trustees on 19 June 2015.

Appendix I

Indicators of Fraud

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business climate
- Profitability declining
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Related party transactions
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- Lack of Board oversight
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not maintained or can't be balanced
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debts
- Offices with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems
- Conflicts of interest
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Excessive ambition
- Apparent lack of ambition

- Poor morale
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Personal creditors appearing at the workplace
- Non taking of leave
- Excessive overtime
- Large backlogs in high risk areas
- Lost assets
- Unwarranted organisation structure
- Absence of controls and audit trails.
- Socialising with clients – meals, drinks, holidays
- Seeking work for clients
- Favourable treatment of clients – eg allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose – eg Leasing capital equipment instead of purchasing them

Corporate Fraud

- Lack of thorough investigations of alleged wrongdoing
- Pecuniary gain to organisation – but no personal gain

Appendix II

Common Methods and Types of Fraud

- Payment for work not performed
- Forged endorsements
- Altering amounts and details on documents
- Collusive bidding
- Overcharging
- Writing off recoverable assets or debts
- Unauthorised transactions
- Selling information
- Altering stock records
- Altering sales records
- Cheques made out to false persons
- False persons on payroll
- Theft of official purchasing authorities such as order books
- Unrecorded transactions
- Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- Cash stolen
- Supplies not recorded at all
- False official identification used
- Damaging/destroying documentation
- Using copies of records and receipts
- Using imaging and desktop publishing technology to produce apparent original invoices
- Charging incorrect amounts with amounts stolen
- Transferring amounts between accounts frequently
- Delayed terminations from payroll
- Bribes
- Over claiming expenses
- Skimming odd pence and rounding
- Running a private business with official assets
- Using facsimile signatures
- False compensation and insurance claims
- Stealing of discounts
- Selling waste and scrap.

Appendix III

Examples of Good Management Practices Which May Assist in Combating Fraud

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques
- Regulations governing contracts and the supply of goods and services are properly enforced
- Accounting records provide a reliable basis for the preparation of financial statements
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- A strong internal audit presence
- Management encourages sound working practices
- All assets are properly recorded and provision is made known or expected losses
- Accounting instructions and financial regulations are available to all staff and are kept up to date
- Effective segregation of duties exists, particularly in financial accounting and cash/securities handling areas
- Close relatives do not work together, particularly in financial, accounting and cash/securities handling areas
- Creation of an organisational climate to promote ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted
- Query mutilation of cheque stubs or cancelled cheques
- Store cheque stubs in numerical order
- Undertake test checks and institute confirmation procedures

- Develop well defined procedures for reporting fraud, investigating fraud and dealing with perpetrators
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure staff take regular leave
- Rotate staff
- Ensure all expenditure is authorised
- Conduct periodic analytical reviews to highlight variations to norms
- Take swift and decisive action on all fraud situations
- Ensure staff are fully aware of their rights and obligations in all matters concerned with fraud

Appendix IV

Contact Details

Name	Designation	Telephone Number
Jude Helliker	Acting Chief Executive	9039 5040
Paul Sheridan	Acting Director of Finance	9039 5023
Michelle Anderson	Group Head of Internal Audit and Fraud Investigation Service	91858 208

FRAUD RESPONSE PLAN

EFFECTIVE FROM SEPTEMBER 2015

1 INTRODUCTION

- 1.1 Employees of National Museums have a responsibility to ensure that the resources provided by the public purse are properly utilised and, in doing so ensure that the scope for fraud to be perpetrated against the interests of National Museums is minimised. Fraud is an ever-present threat, and hence must be a concern to all members of staff.
- 1.2 National Museums, in common with other public sector organisations, operates a zero tolerance policy with regard to fraud and requires all staff at all times to act honestly and with integrity and to safeguard the public resources which have been entrusted to it.
- 1.3 This plan sets out the actions to be followed for all occasions when a case of fraud is detected or suspected within National Museums and also sets out the responsibilities of National Museums' staff.
- 1.3 The objective of this plan is to ensure that the requirements of National Museums' Fraud Policy are implemented and that timely and effective action is taken when fraud is suspected. In the event of a fraud, attempted fraud or other illegal act being suspected of **any member of National Museums' staff** the Board of Trustees (through the Chairman) and the Department (using Appendix I) should be notified immediately and kept informed throughout the investigation.
- 1.4 National Museums' policy is that all allegations of fraud, internal or external, will be investigated whether by NMNI employees, suppliers of goods and services, contractors in the course of their work or other persons.
- 1.5 This document should be read in conjunction with the following documents:
 - The Anti- Fraud Policy
 - The Staff Code of Conduct
 - The Whistleblowing Policy
- 1.6 The Department of Culture, Arts and Leisure and Arms Length Bodies is in the process of developing Service Level Agreement with the Department of Finance and Personnel. When complete the Fraud Unit, DFP, will ensure the completion of investigations in accordance with the requirements of the Police and Criminal Evidence (Northern Ireland) Order 1989.
- 1.7 A Memorandum of Understanding (MoU) has also been agreed with the Police Service of Northern Ireland (PSNI) for the Public Sector. The MoU provides a basic framework for the working relationships between the NI Public Sector and the PSNI in respect of the investigation and prosecution of suspected fraud cases.
- 1.8 The following sections of this paper (with the exception of specific guidance on counterfeit notes) set out the initial steps to take in the event of fraud or suspected fraud – the Preliminary Stage – and if the preliminary enquiry confirms the suspicion that a fraud has been attempted or perpetrated – the Formal Reporting Stage - including the management of an investigation, liaison with the Police, follow up actions, communication and external reporting requirements.

2 Duty of Care

- 2.1 Any initial report should be treated with caution and discretion as, apparently suspicious circumstances may turn out to have a reasonable explanation or the report could originate from a malicious source. When theft, fraud or corruption is suspected it is essential that **confidentiality is maintained** at all times.
- 2.2 National Museums' duty of trust and care still applies even when an individual is under investigation for suspected fraud. The potential impact of the investigations on an individual should not be underestimated. Individuals can feel stigmatised by association with a fraud investigation, especially if they are suspended from duty and subsequently found to be innocent of all allegations. Improper application of procedures may lead an individual to seek redress from National Museums as a result of what they deem to be unreasonable treatment.
- 2.3 It is extremely important that all aspects of an investigation are properly and expeditiously managed in accordance with procedures. All details of meetings held to progress an investigation, whether formal or informal, should be recorded in some form. This is separate to any PACE requirements to record interviews for evidentiary purposes.

3 Counterfeit notes

- 3.1 If large value amounts over £100 of counterfeit notes are presented contact the PSNI immediately by phoning 101. The notes should be secured until the police arrive. If small amounts discovered contact the PSNI and inform the customer of the fraudulent note. Record the date counterfeit note was presented, the amount and the name and address of person who presented the counterfeit note. Notify DCAL and advise the action taken, completing Fraud Report to DCAL template. (Appendix I)

4 PRELIMINARY STAGE

- 4.1 All staff should report any suspicions of fraud to their line manager who will immediately inform their relevant Director and in turn inform the Director of Finance. If a member of staff feels unable, for whatever reason, to raise a concern about suspected fraud with a line manager, then they may report their suspicions directly to their relevant Director, as well as the Director of Finance.
- 4.2 When a report of suspected fraud is received, the line manager must, where possible, determine if there is reasonable suspicion that a fraud has occurred. This exploration of the initial facts must be carried out discreetly and quickly; prompt action is essential. The purpose of this stage is to **confirm or repudiate the suspicions** which have arisen so that, if necessary, further investigation may be instigated. The preliminary investigation must be undertaken as soon as possible (normally initiated within 1 day and normally should take no longer than 48 hours). In the event of allegations relating to National Museums' senior staff, there is no difference in how these allegations are investigated and reported except more care must be taken to ensure the independence of the investigation.

- 4.3 The factors which gave rise to the suspicion should be determined and examined to clarify whether a genuine mistake has been made or an irregularity has occurred. An irregularity may be defined as any incident or action which is not part of the normal operation of the system or the expected course of events. This may involve the discreet questioning of staff or the examination of documents. **Any investigations carried out at this stage must not be undertaken by individuals connected to the circumstances which gave rise to the investigation. It is imperative that such investigations at this stage would not prejudice subsequent investigations or corrupt evidence, therefore, IF IN DOUBT, ASK FOR ADVICE.** The Head of the DFP Internal Audit and Fraud Investigation Service can be contacted for advice on how to correctly proceed at the preliminary enquiry stage and on what further enquiries are necessary.
- 4.4 The scope of a preliminary fraud investigation is usually to confirm reasonable suspicion that an attempted, suspected or alleged fraud has taken place. Everyone interviewed is treated as a witness. Once a fraud has been confirmed the interview of anyone perceived as a potential suspect should be stopped. Only trained investigators should interview suspects. The rules / guidelines of the Police and Criminal Evidence Act (PACE) need to be applied. If these rules are not applied later disciplinary / criminal action against the suspect may be compromised.
- 4.5 During these preliminary investigations management should take all steps necessary to prevent continuation of fraud. Procedures should be immediately changed/strengthened to remove any threat of further fraud or loss, and, if appropriate, any further processing should be postponed pending full investigation.
- 4.6 If the preliminary investigation confirms that a fraud has not been attempted nor perpetrated, but, internal controls are deficient, management should review their control systems with a view to ensuring they are adequate and effective, and where relevant the Risk Management Framework should be updated and, where appropriate, the Risk Register(s).
- 4.7 National Museums' Financial Procedures require all financial irregularities to be reported immediately to the Director of Finance. Where the actions are deliberate, the possibility of fraud should be considered.

5 FORMAL REPORTING STAGE

- 5.1 Where, after an initial review of the facts, there are genuine reasons for concern that a case of fraud or irregularity has occurred, management must take steps to ensure that all original documentation/evidence is preserved in a safe place for further investigation, hence ensuring there is no loss of evidence which may prove essential for subsequent disciplinary action or prosecution.
- 5.2 The facts should be reported immediately to the Director of Finance who will arrange for the suspected fraud to be reported immediately to DCAL using the fraud notification form (Appendix I) advising if the suspected fraud is within a community and voluntary group and the investigation needs to be flagged on the Government

Funding database. The Director of Finance will formally notify:

- the Accounting Officer,
- the Board of Trustees, through the Chairman,
- the Chairman of the Audit and Risk Assurance Committee,
- the Vice-Chairman of the Audit and Risk Assurance Committee,
- the NIAO Audit Manager,
- the Head of Internal Audit,
- the Head of DFP Fraud Unit.

The notification should be copied to the Accounting Officer. Immediate notification of all frauds (proven or suspected), including attempted fraud, is essential. Other reporting obligations such as those imposed by money laundering regulations should also be considered as relevant. Information on reported frauds will also be provided to National Museums' Audit Committee. DCAL in turn must notify the Comptroller and Auditor General, DFP and the Charities Commission NI if appropriate.

- 5.3 The Director of Finance should establish a Fraud Investigation Oversight Group (FIOG) comprising his/her self (Chair), the Director of People and Performance, the Director of the operational area concerned and the Head of Central Investigation Service. An urgent meeting of the above must be held to determine and record the action to be taken. Depending on the nature of the fraud, the FIOG may also wish to involve other departments such as Security, Operations or Human Resources. It is anticipated that a member of staff of DP grade or above may suitably represent a Director who is unavoidably absent.
- 5.4 The FIOG may consider that suspension of an alleged involved officer is necessary, pending the outcome of an investigation. Suspension itself does not imply guilt, or that any decision has been pre-determined, rather it allows time for full investigation and is another safeguard to prevent the removal or destruction of evidence. Such suspension, in accordance with National Museums' disciplinary procedures, shall be on full pay, pending outcome of the investigation.
- 5.5 The FIOG will decide on the appropriate course of action including the full formal investigation arrangements. The scope of the investigation should be determined by the Head of the Fraud Unit, in line with the terms of the SLA. Should the Head of the Fraud Unit advise that further expertise is required, e.g. Solicitors, Forensic Accountants/Engineers, the FIOG will engage the appropriate assistance.
- 5.6 If the FIOG agrees that the Head of the Fraud Unit is not required to investigate it is important to ensure that there is segregation between any further investigatory work and any potential disciplinary process.
- 5.7 If the Head of the Fraud Unit advises that the investigation has criminal implications then he will attend all FIOG meetings and lead on the investigation.
- 5.8 The FIOG should agree the Terms of Reference for the investigation with the Head of the Fraud Unit and an oversight/checkpoint plan for the various stages of the investigation. The level of detail relayed to the FIOG on the progress of an investigation will be such as not to compromise or prejudice the outcome. The Terms of Reference will include appropriate and realistic timelines and progress

against these will be monitored by FIOG.

5.9 The FIOG should ensure the following best practice guidance is applied during the investigation.

- Details of all meetings held to progress an investigation, whether formal or informal, should be recorded. This is separate to the specific requirement to appropriately document and record interview for evidentiary purposes.
- An investigatory log will be maintained in order to record progress and significant occurrences.
- **All aspects** of the suspected officer's work should be considered for investigation, not just the area where the fraud was discovered. Sample or full testing of this work may be required – consideration of use of Internal Audit should be given.
- The investigation will obviously cover the period the officer was responsible for the processes under investigation but consideration should also be given to **investigating earlier periods of employment**.
- Potential evidence, including computer files and record of amendments relevant to the case **should be retained securely** and not disposed of per the normal routine procedures for disposal.
- Control weaknesses discovered in procedures during the investigation should be **strengthened immediately**.
- The extent, if any, of **supervisory failures** should be examined.
- Consideration should be given to the audit of internal processes and procedures by Internal Audit, and the Audit Plan updated accordingly.

5.10 The Director of Finance will be responsible for co-ordinating the fraud investigation and reporting progress to the FIOG. The Director of People and Performance will be responsible for the consideration of possible disciplinary action. This will include consideration of suspension for any member of staff suspected of fraud, in accordance with the Disciplinary Procedure. Any suspension, in accordance with National Museums' disciplinary procedures, shall be on full pay, pending outcome of the investigation.

5.11 The Director of Finance must arrange for at least a monthly update on progress of the case to DCAL - with more frequent updates depending on the significance of the case.

6 LIAISON WITH PSNI

6.1 The FIOG should ensure that legal and/or police advice is sought where necessary based on the advice of DFP Fraud Unit. DFP Fraud Unit, on behalf of the FIOG, will lead on liaisons with the PSNI.

7 SANCTION AND REDRESS

7.1 There are three main actions National Museums may pursue as part of its fraud investigation:

- Led by DFP Fraud Unit, conduct the investigation to a criminal standard to maximise the opportunities for a criminal prosecution.
- Seek redress of any outstanding financial loss through the civil courts, if necessary.
- Invoke the disciplinary procedure including in respect of any other member of staff whose negligence or collusion appears, on the evidence available, to have facilitated the fraud.

7.2 National Museums will carefully consider the options available to them and decide the most appropriate course of action/actions to take in each case. It is important that any civil/disciplinary action does not impair a criminal investigation and vice versa.

8 DISCIPLINARY ACTION

8.1 At the completion of the internal investigation, the Director of People and Performance will be responsible for the initiation of the disciplinary process.

8.2 Where a police investigation is to be conducted, National Museums will seek the advice of the police during any disciplinary process to protect the integrity of any possible criminal investigation.

8.3 Regardless of the outcome of any process involving the criminal law, National Museums reserves the right to apply its own policies and procedures in regard to the conduct of its employees.

8.4 The investigations described above may also consider whether there has been any failure of supervision. Where this has occurred, appropriate disciplinary action will be taken against those responsible.

9 RECOVERY OF LOSSES

9.1 The recovery of losses should be a major objective of any fraud investigation and to this end the accurate assessment of loss is important. Repayment of losses will be sought in all cases and, where necessary, legal advice will be sought on the most effective actions to secure recovery of losses. This may include seeking advice on the freezing of assets.

10 FOLLOW-UP ACTION

- 10.1 Where a fraud has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds will not occur in future. The investigation may have indicated where there has been a failure of supervision, or a breakdown or an absence of control. The Director of Finance and Internal Audit will assist in a review of the systems in operation and make recommendations to prevent a recurrence. This should include a review of the adequacy of the level of checking on grant and other payments. The review will examine the current guidance and risk management arrangements to determine if there is any action needed to strengthen future responses to fraud.
- 10.2 The Director of Finance is available to offer advice and assistance on matters relating to internal control, financial or otherwise. This does not, however, obviate the direct responsibility of staff and management to maintain and operate sound systems of control in order to prevent and detect fraud.
- 10.3 An internal audit review of the system weaknesses in all cases of suspected fraud and lessons learned will be prepared.
- 10.4 The FIOG is stood down once
- the course of action is agreed and is being taken forward either by Human Resources or the PSNI/PPS; and
 - where appropriate, the lessons learned report has been agreed
- OR
- no further action is deemed necessary by the FIOG
- 10.5 Internal Audit should be engaged to provide advice and assistance on matters relating to internal control, if considered appropriate.
- 10.6 Where a member of staff has reported suspected fraudulent activity and believes that the response(s) received was unsatisfactory, then he/she may report the matter in writing in the first instance to the Accounting Officer who will arrange for the matter to be investigated further. If, after the Accounting Officer has given a response, the member of staff still believes the response to be unsatisfactory, then he/she may in the final instance present a written report to the Chair of the Audit and Risk Assurance Committee who will investigate the matter further and give a decision which shall be final.

11 COMMUNICATION

11.1 The following steps should be undertaken:

- Arrangements should be in place to ensure the Chairman of the Board of Trustees and the Audit and Risk Assurance Committee is kept informed of developments during the investigation
- If appropriate, a “lessons learned” document should, in due course, be circulated throughout the organisation.

- If necessary, the Fraud Response Plan should be updated, and all staff notified of any changes. Such updates will be made in consultation with NIPSA.
- If appropriate, consideration should be given to informing other public sector organisations.
- The NICS Fraud Forum should be informed at the appropriate time of the occurrence of fraud and made aware of any lessons to be learned (Contact FIAP, DFP what format this is to take).
- Informing as appropriate DCAL, NIAO, Audit, Internal Audit and Audit and Risk Assurance Committee of the outcome of any investigations, as appropriate.
- If appropriate, consideration should be given to preparing an appropriate statement of response to any queries from external parties

12 PUBLIC INTEREST DISCLOSURE – “WHISTLEBLOWING”

12.1 The Public Interest Disclosure (NI) Order 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of publicly disclosing certain serious concerns provided that they are disclosed under procedures identified in the Act.

12.2 Further information about Public Interest Disclosure is contained within National Museums Northern Ireland’s ‘Raising Concerns (Whistleblowing) Policy’ and in CSC 04/03 which is available on the website of the group Public Concern at Work: www.pcaw.co.uk

Appendix I

Report to DCAL

1.	Departmental fraud reference number (unique identifier)	e.g. 2012/13 – DFP1.
2.	Department	e.g. DFP
3.	Name of body (eg specific Board, Trust, NDPB, Agency etc)	e.g. XX - Agency
4.	Is the body a charitable organisation?	i.e listed on the Charities Commission NI website
5.	Is the body a community and voluntary group?	i.e is it recorded on the DSD Government Funded database?
4.	Specific location of fraud (eg name of school, name of depot etc)	
5.	Date fraud or suspected fraud discovered	
6.	Is the case being reported as actual, suspected or attempted fraud?	<i>Actual, Suspected or Attempted</i>
7.	Type of fraud?	<i>State as per options listed in notes 1</i>
8.	What was the cause of the fraud?	<i>State as per options listed in notes 2</i>
9.	Brief outline of case	
10.	Amount of lost or estimated value?	
11.	How was the fraud discovered?	<i>State as per options listed in notes 3</i>
12.	Who perpetrated the fraud?	<i>State as per options listed in notes 4</i>
13.	Has PSNI been notified?	Yes / No
14.	Any other action taken so far?	<i>State as per options listed in notes 5</i>
15.	Please give contact details for this fraud in case follow-up is required	Name: Telephone: Email:

cc Chairman of the Board of Trustees

Appendix I continued

Notes

1. Types of fraud

Grant related

Theft of assets (please state type of asset eg cash, laptop, oil, tools, camera)

Payment process related

Income related

Pay or pay related allowances

Travel and subsistence

Pension fraud

Contractor fraud

Procurement fraud

False representation

Failure to disclose information

Abuse of position

Other (please specify)

2. Causes of fraud

Absence of proper controls

Failure to observe existing controls

Opportunistic

Unknown

3. Means of discovery of fraud

Normal operation of control procedures

Whistleblowing (internal or external)

Internal Audit

External

Computer analysis/National Fraud Initiative

Other means (please specify)

4. Perpetrators of Fraud

Internal staff member

Contractor

Funded body/grant applicant

Other third party (please specify)

Collusion between internal and external parties

Too early to determine

Unknown

Appendix I continued

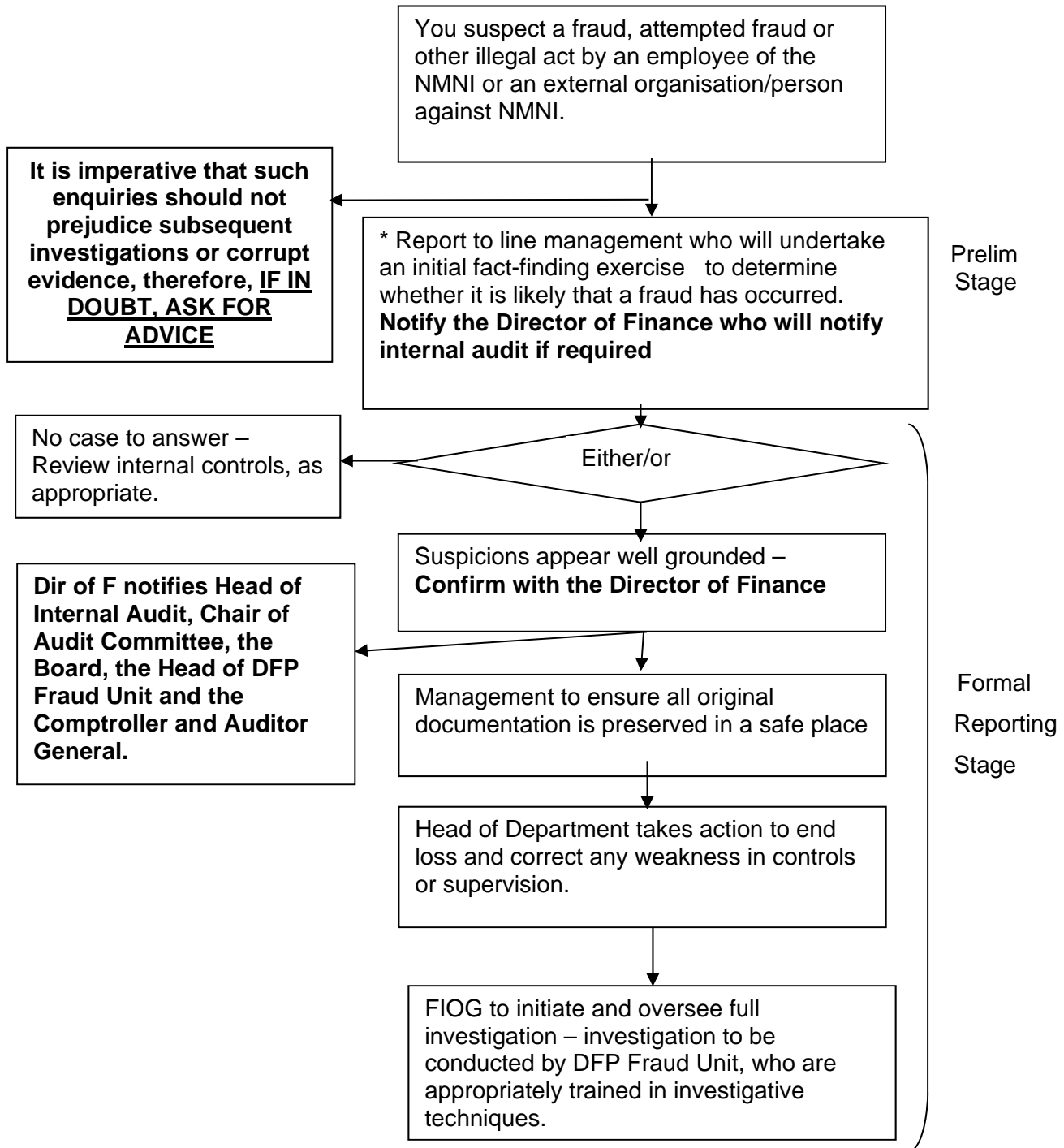
5. Other actions taken

Controls improved
Control improvements being considered
Too early to determine
No action possible
Disciplinary action
Prosecution

Appendix II

Reporting Fraud / Suspected Fraud

NMNI Reporting Fraud/Suspected Fraud



** If you are concerned that line management may be involved in the suspected fraud, you should report it to the next appropriate level, ie Head of Department, Director. Alternatively, at any stage in the process, you can contact the Director of Finance.*