

LIBRARIES NI

Issue:	Fraud Response Plan (Revised)
From:	Terry Heron
Date:	22 June 2016
Objective:	For consideration by the Committee.
Timescale:	Immediate
FOI implications:	This note is considered to be disclosable.
Recommendation:	Recommend to the Board for Approval

Detail

As part of an organisation's fraud prevention procedures, Libraries NI is required to have in place a Fraud Response Plan to provide detailed guidance on how to proceed in the event of a suspected fraud.

In their Sponsorship Risk Assessment, DCAL recommended that the Anti-Fraud Policy and the Fraud Response Plan be reviewed annually by the Audit and Risk Assurance Committee. This document is presented for review. The review has also considered:

- fraud guidance from HM Treasury – 'Tackling Internal Fraud' issued in January 2011,
- NIAO guidance issued in November 2015 – 'Managing Fraud Risk in a Changing Environment'
- correspondence from DFP ('FD (DFP) 4/12 Ad Hoc Reporting to DFP and the Comptroller and Auditor General') and

The Plan was last reviewed in January 2016.

Key Changes / Additions

- New arrangements for reporting suspected fraud with the new sponsoring Department, Department for Communities

Copy Distribution: Chief Executive, SMT, Assistant Directors, Business Support Managers, HIA

Date of Submission to Chief Executive's Office 15 June 2016

LIBRARIES NI**FRAUD RESPONSE PLAN (Version 4.0)****1. Introduction**

- 1.1 Employees of Libraries NI 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 Libraries NI is minimised. Fraud is an ever-present threat, and hence must be a concern to all members of staff.
- 1.2 Libraries NI, 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. Libraries NI policy is to always notify the police when a fraud is suspected.
- 1.3 The aim of this response plan is to help staff handle allegations of fraud properly and to assist in taking the correct action at all stages, from the moment fraud is first suspected to the conclusion of any disciplinary process.
- 1.4 This document should be read in conjunction with the following Libraries NI documents:
 - The Anti- Fraud Policy
 - The Anti-Bribery Policy
 - The Code of Conduct for Staff
 - The Whistleblowing Policy.
- 1.5 The Fraud Act 2006 became law in January 2007 in England, Wales and Northern Ireland. It replaced a complicated array of over specific and overlapping deception offences and established a new general offence of Fraud which can be committed in three ways:
 - by false representation
 - by failing to disclose information
 - by abuse of position
- 1.6 It also established a number of specific offences to assist in the fight against fraud. These include an offence of possessing articles for use in fraud and an offence of making or supplying articles for use in fraud.
- 1.7 Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources is included in this definition.

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 Libraries NI's 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 Libraries NI 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 Police and Criminal Evidence (PACE) requirements to record interviews for evidentiary purposes.

3. Counterfeit Money

- 3.1 If large value amounts over £100 of counterfeit notes are presented the employee should contact the PSNI immediately by phoning 101 (PSNI non-emergency number). The notes should be secured until the police arrive. If smaller amounts are presented staff should:
 - contact the PSNI
 - advise the customer of the fraudulent note
 - record the date that the counterfeit note was presented, the amount and the name, address and telephone number of the person who presented the counterfeit note.
 - retain the note (where possible)
 - contact the Finance Manager.
- 3.2 The Finance Manager should advise the Director of Business Support and the Head of Internal Audit. The Director of Business Support should notify the following officials at the Sponsor Department and advise them of the action taken by completing the Fraud notification template ([Appendix 4](#)):
 - Deborah Brown, Director of Finance, Deborah.Brown@communities-ni.gov.uk
 - Jacqueline McLaughlin, Corporate Investigations Unit, Jacqueline.McLaughlin@communities-ni.gov.uk and copied to
 - Andrea Orr, Head of Governance Andrea.Orr@communities-ni.gov.uk

4. Initial Assessment of Fraud

- 4.1 All staff should report any suspicions of fraud to their line manager who will immediately inform the relevant Director responsible for that area. If the suspected fraud is in frontline services the Director of Business Support should also be contacted.
- 4.2 Should a member of staff be reluctant to raise a concern with their line manager, the matter can be reported in confidence. Staff should refer to the guidelines contained in Libraries NI's Whistleblowing Policy.
- 4.3 When a report of suspected fraud is received, the relevant Director must, where possible determine if there is a reasonable suspicion that a fraud has occurred. This exploration of the facts must be carried out discreetly and quickly. Any clarification of the facts relating to a potential irregularity must be treated as a priority engagement and progressed as promptly as possible. The preferred timescale for completion should be within 24 hours of the suspicion being raised.
- 4.4 From the first time that suspicions are raised it is important that evidence is preserved and protected. Wherever possible the gathering of evidence relevant to the enquiry, prior to reporting to the police, should be carried out by persons accredited in investigative practice and who are familiar with the Police and Criminal Evidence (Northern Ireland) Order 1989 as amended by the Police (Amendment) (Northern Ireland) Order (PACE) and Rules of Evidence.
- 4.5 Lack of knowledge or expertise may lead to insufficient or unusable evidence being collected. The Head of Internal Audit should be consulted at an early stage for advice and guidance in relation to gathering and securing evidence. The PSNI fraud unit can also provide guidance on this matter.
- 4.6 **Any person(s) suspected of being involved in a potential fraud must not be interviewed at this stage as this may seriously jeopardise any future disciplinary action or criminal prosecution.**
- 4.7 When the initial exercise to clarify the facts is completed the Director of Business Support should quickly convene the Fraud Investigation Oversight Group (FIOG). This group is made up of the Director of Business Support, the Director of Library Services (in cases where the suspected fraud has occurred in her directorate), the Head of Internal Audit and the Human Resources Manager (where appropriate). The Director responsible for the area in which the suspected fraud took place will be required to provide the following information to the group:
- whether initial suspicions have been ruled out, confirmed or remain suspicions
 - a brief description of the suspected fraud
 - the cause of the suspected fraud

- the means of discovery
 - the value of the suspected fraud
 - the name(s) of the suspected perpetrator(s)
 - actions taken in relation to the suspected perpetrator(s)
 - actions taken to improve management controls and secure assets
 - any other comments / recommendations arising from the clarification of facts.
- 4.8 The FIOG must determine the next course of action based on the initial evidence presented to them; either to:
- discontinue the investigation if initial suspicions are not confirmed, or
 - accept that there is sufficient evidence to warrant continuation with a full internal investigation.
- 4.9 If the decision made is to continue with a full internal investigation and an employee is under suspicion, the Director of Business Support and HR Manager will be responsible for the consideration of initial action, including precautionary suspension with or without pay. If the clarification of facts enquiry 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 and Control Framework should be updated and where appropriate, the Branch and Corporate Risk Register(s).
- 4.10 At this stage the Director of Business Support should advise the Chief Executive, Chairperson of the Board and the Chairperson of the Audit and Risk Assurance Committee of the findings of the enquiry to clarify facts.
- 4.11 Circumstances may arise which require the Department to become involved in the investigation of fraud e.g. where a whistleblower makes allegations directly to the Department or because of the seniority of the person involved such as the Chairperson, Vice Chairperson or Chief Executive. Guidance from the Public Accounts Committee (PAC) recommends that the Department take the lead in any investigation where allegations or suspicions involving senior management take place. In such circumstances the DfC Director of Finance, in conjunction with the Group Head of Internal Audit and the DfC Senior Sponsor, will decide on the most appropriate course of action.
- 4.12 It should be noted that where the designated officer of FIOG is not available their responsibilities should be assumed by a nominated deputy.
- 5. Reporting to and advising other bodies.**
- 5.1 Where the initial investigation has indicated that a fraud does or may exist the Director of Business Support should advise the PSNI. This is an informal referral for notification purposes. The process for formal referrals, if required, is detailed later (see Section 7).

- 5.2 The Director of Business Support is also responsible for reporting the suspected fraud to the Northern Ireland Audit Office Audit Manager and to the sponsor Department. Libraries NI is required to report immediately all suspected or proven frauds to the Department. The report should be made to the following officials by completing the Fraud notification template. (Appendix 4)
- Deborah Brown, Director of Finance, Deborah.Brown@communities-ni.gov.uk
 - Jacqueline McLaughlin, Corporate Investigations Unit, Jacqueline.McLaughlin@communities-ni.gov.uk and copied to
 - Andrea Orr, Head of Governance Andrea.Orr@communities-ni.gov.uk
- 5.3 DfC and its ALBs have a Service Level Agreement with the NICS Group Internal Audit and Fraud Investigation Service (GFIS) to conduct fraud investigations.
- 5.4 It is the responsibility of DfC to notify the Department of Finance and the Group Fraud Investigation Service (GFIS). A determination will then be made whether GFIS will assume responsibility for the fraud investigation or whether it will continue within Libraries NI. The Libraries NI Director of Business Support is responsible for keeping the FIOG, the Chairperson of the Board, the Chairperson of the Audit and Risk Assurance Committee and DfC advised.

6. Internal Investigation

- 6.1 The FIOG, having established that there is a suspected fraud and that an internal investigation is required, will agree the Terms of Reference for the investigation with GFIS or the Libraries NI Lead Investigator and an oversight / checkpoint plan for the various stages of the investigation. The FIOG will ensure that a plan is established to identify the following:
- the facts to be established
 - the evidence required
 - the interview plan
 - relevant timeframes
 - evaluation and analysis.
- 6.2 The purpose of an internal investigation is to:
- establish whether there is sufficient evidence to confirm that a fraud has occurred
 - collect sufficient evidence to support any formal referral to the police
 - provide a complete, accurate and valid evidential pack to support any disciplinary or legal action required, in accordance with the Memorandum of Understanding signed between the Northern Ireland Public Sector and the Police Service of Northern Ireland.

- 6.3 The FIOG will therefore liaise with GFIS or the Libraries NI Lead Investigator to ensure that the following best practice guidance is applied during the investigation:
- all aspects of the suspected officer's work should be considered for investigation, not just the area where the fraud was discovered
 - consideration is given to investigating earlier periods of the suspected officer's employment
 - potential evidence, including computer files and records relevant to the case must be retained securely (in compliance with PACE requirements) and not disposed of
 - control weaknesses discovered in procedures during the investigation are notified to management for immediate remedial action
 - the extent, if any, of supervisory failures should be examined and reported.
- 6.4 Should the Investigation Team advise that further expertise is required, e.g. Solicitors, Forensic Accountants, Engineers etc. the FIOG will engage the appropriate assistance.
- 6.5 The Investigation Team is responsible for ensuring the gathering of all relevant information that may relate to the suspected fraud for inclusion in the Evidential Pack.
- 6.6 The progress and nature of the investigation will be determined by the scope, value and nature of the suspected fraud. The investigation should be completed with all possible speed notwithstanding the need to ensure completeness and accuracy. A monthly update must be provided to the FIOG. The FIOG should forward this update together with progress reports on all outstanding frauds to the Department. More frequent progress reports may be required depending on the significance of the case.
- 6.7 The FIOG will liaise with the Investigation Team to review the Evidential Pack and consider whether there are sufficient grounds for a formal referral of the alleged fraud to be reported to the PSNI.
- 6.8 Where the case does not provide sufficient grounds for a referral and investigation by the PSNI, the FIOG will outline the reasons why in a report which will be filed with the Evidential Pack. In these circumstances the Evidential Pack may be used by management to initiate internal disciplinary proceedings.
- 7. Reporting to the Police**
- 7.1 The FIOG should ensure that legal and / or police advice is sought where necessary. The Investigation Team, on behalf of the FIOG, will lead on liaisons with the PSNI Fraud Squad, in line with the agreed terms contained within the Memorandum of Understanding between the Northern Ireland Public Sector and the Police Service of Northern Ireland. The PSNI is available to give advice and / or guidance in cases where fraud is

suspected. Where actual or attempted fraud is confirmed and is of a large or complex nature, the Fraud Squad is capable of carrying out investigations. Smaller cases may be referred to the local police.

- 7.2 The Public Prosecution Service will make the final decision as to whether or not a criminal prosecution will be undertaken

8. Disciplinary Action

- 8.1 At the completion of the internal investigation, the FIOG will decide on whether further disciplinary action should be considered. The role of supervisors and the extent (if any) to which they were negligent in their duties will also be assessed to determine if this contributed to circumstances that allowed the fraud to be perpetrated. Where supervisory negligence is found to be a contributing factor, disciplinary action may also be initiated against those managers / supervisors responsible.
- 8.2 Where a police investigation is to be conducted, the FIOG will seek the advice of the police to determine how to proceed with any internal disciplinary action, as this is not necessarily contingent on the police investigation being completed.
- 8.3 It should also be noted that the measure of proof used for criminal conviction is 'beyond reasonable doubt' whereas for internal disciplinary action it is assessed on the 'balance of probabilities'.
- 8.4 It is possible for an employee to be found not guilty of criminal charges by a court of law (or for the Police or Public Prosecution service to decide not to prosecute) but for that employee to have action taken against them under the Libraries NI's disciplinary procedure.

9. Recovering Assets

- 9.1 The recovery of losses is a major objective of all fraud investigations. To this end the quantification of losses is very important.
- 9.2 Libraries NI will always seek recovery or reimbursement of misappropriated assets and if this is not forthcoming, 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. Dealing with Enquiries from the Media and Others

- 10.1 Staff must not discuss any aspect of an investigation with the media or others as this may seriously jeopardise the duty of care owed by Libraries NI to its employees and may also prejudice any future disciplinary action or criminal prosecution. (See Libraries NI Media Policy)
- 10.2 All enquiries from media sources about suspected or actual cases of fraud must be referred to the Director of Library Services who will consult with the FIOG before taking the matter further.

- 10.3 Staff must not communicate any details of the fraud to any person not officially involved in the investigation.
- 10.4 If the case is likely to attract media attention the Director of Library Services should be briefed by the FIOG to determine precisely what information can be released.
- 10.5 The Director of Library Services must maintain a record of what information was released and to whom.

11. Follow-up Action

- 11.1 Following on from any fraud investigation, Internal Audit will review the systems in operation and make recommendations to prevent a re-occurrence. The review will also examine:
 - existing practices and risk management arrangements to determine if any action is needed to strengthen internal controls
 - management's compliance with fraud reporting procedures
 - the Fraud Response Plan to ensure that it has operated in the manner intended.
- 11.2 The Audit and Risk Assurance Committee will be fully briefed on the circumstances which led to the fraud and informed of progress being made to implement the recommendations contained in the internal audit report
- 11.3 If appropriate, a "lessons learned" document will be circulated to managers in due course.
- 11.4 Information on frauds is reported annually to the Department of Finance and to Libraries NI's sponsoring department for wider dissemination to the public sector.

This Fraud Response Plan was developed after consideration of guidance contained in the following documentation:

- DAO (DFP) 12/06 Fraud Forum Best Practice Guidance
- AASD – Managing the Risk of Fraud (Appendix 4) Sept 2003
- HM Treasury – Tackling Internal Fraud Jan 2011
- DCAL Fraud Response Plan – Revised December 2015
- NIAO guidance issued in November 2015 – 'Managing Fraud Risk in a Changing Environment'

Appendix 1

Libraries NI Officers to Contact in the Event of a Suspected Fraud

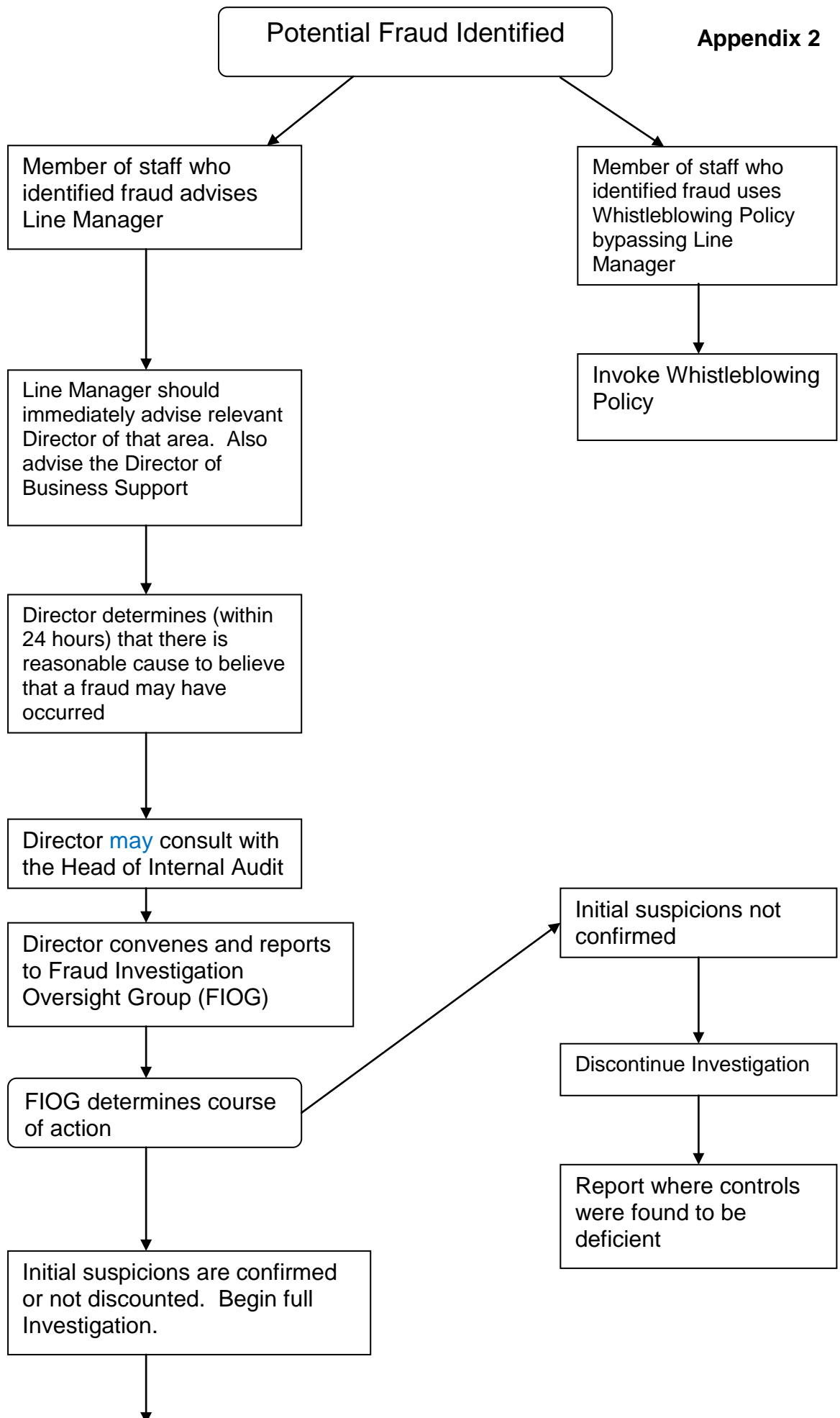
Ms Irene Knox, Chief Executive
Tel No: 028 9263 5320
E-mail: irene.knox@librariesni.org.uk

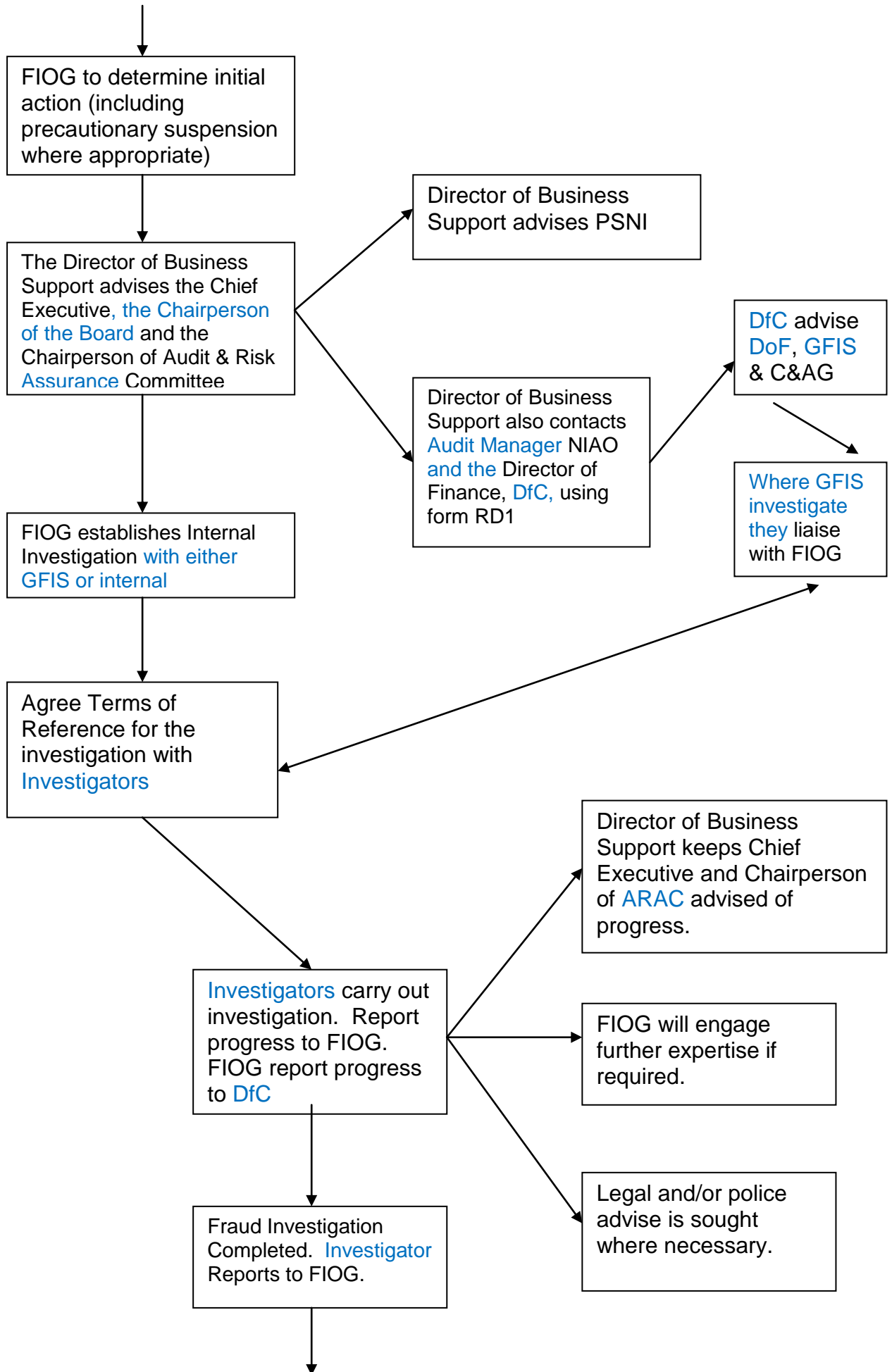
Mrs Helen Osborn, Director of Library Services
Tel No: 028 8244 0726
E-mail: helen.osborn@librariesni.org.uk

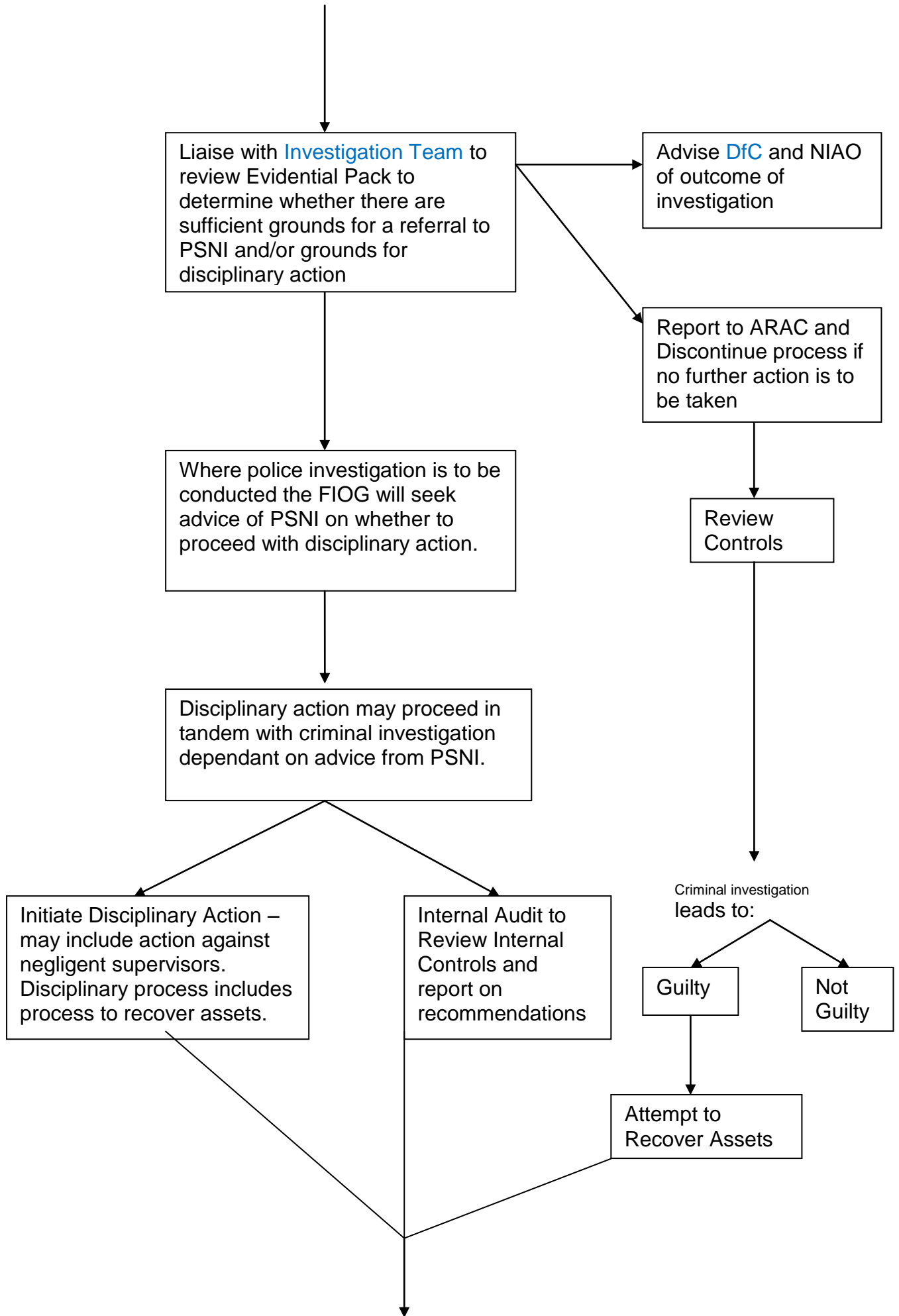
Mr Terry Heron, Director of Business Support
Tel No: 028 3839 9441
E-mail: terry.heron@librariesni.org.uk

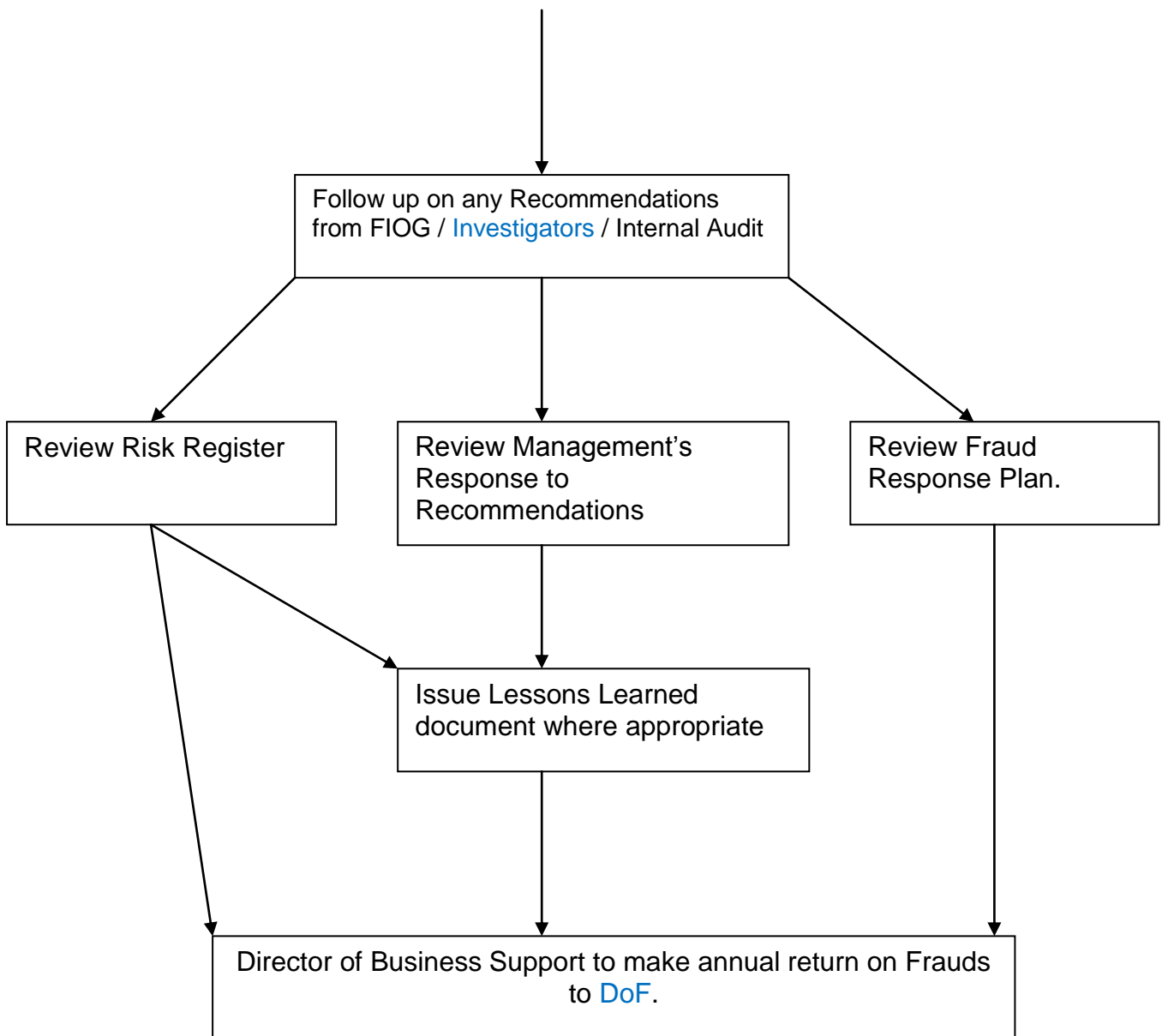
Mrs Mary Walker Human Resources Manager
Tel No: 028 3839 9460
E-mail: mary.walker@librariesni.org.uk

Mr Brian Doherty, Head of Internal Audit
Tel No: 028 7122 9997
E-mail: brian.doherty@librariesni.org.uk









GROUP FRAUD INVESTIGATION SERVICE

CASE REFERRAL DOCUMENT

Department / Organisation making referral: _____

Contact point for initial enquiries:

Name: _____

Telephone: _____

Email Address: _____

- 1. Details of allegation / issue / concern which requires investigation
(Attach separate report if necessary)**

<i>Nature of the case referred:</i>	
<i>Period of alleged incident (if known):</i>	
<i>Approximate value (if known):</i>	
<i>Date detected:</i>	
<i>Details of any investigation already undertaken:</i>	

2. Details of person(s) considered to be involved

<u>Name</u>	<u>Position</u>	<u>Address</u>

3. Please list all the supporting documentation relevant to the case referral and supplied here.

1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

Details of Referring Officer (usually Finance Director or equivalent)

Name: _____

Organisation: _____

Position: _____

Telephone Number: _____

Email Address: _____

Signed: _____

GROUP FRAUD INVESTIGATION SERVICE USE ONLY

HEAD OF GROUP SERVICE COMMENTS

Date: _____

GFIS ADMIN

Date Received by GFIS:

GFIS Ref No:

**Date Case Registered on
TRIM:**

Registered by:

Initial Fraud Notification Form

The information below is required if known at the date of reporting. If bodies wish to use a different format for notifications, it should provide the same relevant details.

1.	Departmental fraud reference number (unique identifier)	
2.	Department	
3.	Name of body (e.g. specific Board, Trust, NDPB, Agency etc...)	
4.	Specific location of fraud (e.g. 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?	<i>Yes / No</i>
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:

Notes**1. Types of fraud**

Grant related

Theft of assets (please state type of asset e.g. 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

5. Other actions taken

Controls improved

Control improvements being considered

Too early to determine

No action possible

Disciplinary action

Prosecution