



FRAUD RESPONSE PLAN

1. Introduction

- 1.1 The purpose of a Fraud Response Plan is to define responsibilities for action and reporting lines in the event of suspected fraud or corrupt activity. The use of the Plan should enable the Council to prevent loss of public money, recover losses and establish and secure the evidence necessary for any civil, criminal or disciplinary action.
- 1.2 The Response Plan should also provide direction to take appropriate action against those responsible for any fraud or corrupt act.
- 1.3 The Response Plan complements the Counter Fraud and Corruption Policy and forms part of the overall Counter Fraud and Corruption Strategy of the Council.

2. Prevention

- 2.1 In some circumstances it is not possible to deter fraudsters, so the next most preferable course of action is to prevent fraud from succeeding before there is any loss to Council funds. This can be achieved by developing systems with administrative or technical features, which make them less vulnerable to fraud, referred to as Internal Controls.
- 2.2 It is management's responsibility to establish and maintain systems of internal control and to ensure that the Council's resources are applied appropriately. The Internal Audit and Risk Service operates as an aid to management to give assurance as to the effectiveness of internal control and to make recommendations for improvement. Management should strive to design the potential for fraud out of all new policies and procedures.
- 2.3 It is recognised that in organisations in which fraud occurs, frauds are often perpetrated by employees who familiarise themselves with controls in order that they can circumvent these controls for personal gain. The honesty and integrity of employees is therefore paramount. It is management's responsibility to ensure that in line with the Council's recruitment and selection process appropriate pre-employment screening is operated diligently to prevent unsuitable candidates from securing positions within the Council. This includes agency staff.

3. Detection and reporting suspected fraud

- 3.1 All employees and Members should be aware of the possibility of fraud and corruption and should report any concerns they have without fear of recrimination. There are a variety of ways of making reports, both personally and anonymously, by using the Council's Whistleblowing Policy, reporting to management or to the Internal Audit and Risk Service Corporate Fraud team - using either the online Fraud Reporting Form or by contacting the fraud reporting hotline 0191 433 2805.

- 3.2 All concerns will be treated in confidence and will be investigated promptly and fully in a professional manner, in line with this Fraud Response Plan. It should be noted that an allegation does not mean the individual person or organisation is guilty of any wrong-doing, and so they will not be treated as such until the case is proven.
- 3.3 There is a need to ensure that the investigation process is not misused, therefore, if it is found that an allegation has been made in bad faith, maliciously, or for personal gain, then disciplinary action may be taken against that employee.
- 3.4 The Council is committed to the exchange of data with external parties such as other local authorities and other public bodies which are aimed at detecting fraud. In line with the requirements of the Data Protection Act, the Council has in place fair processing notices to facilitate this data exchange. Gateshead Council fully participates in the Cabinet Office's National Fraud Initiative (NFI); a biennial data matching exercise aimed at detecting fraud.
- 3.5 All Internal Audit reviews will have regard to the possibility of fraud. In addition, a series of pro-active counter fraud reviews are undertaken annually in areas of known fraud risk.

4. Investigation

- 4.1 Where it is appropriate to do so (i.e. without alerting the alleged fraudster), initial enquiries may be made by the manager or the Corporate Fraud team, as agreed with the Chief Internal Auditor, to determine if there actually does appear to be an issue of fraud or other irregularity.
- 4.2 During the initial enquiries, managers should:
- Determine the factors that gave rise to the suspicion;
 - Examine the factors to determine whether a genuine mistake had been made or whether a fraud or irregularity has occurred;
 - Where necessary, carry out discreet enquiries with staff and / or review documents; and
 - Contact the Chief Internal Auditor to discuss the allegation and agree any proposed action.
- 4.3 An evaluation of the case should include the following details:
- Outline of allegations;
 - Officers involved, including job role and line manager;
 - Amount involved / materiality / impact;
 - Involvement of any other parties;
 - Timescales – one off or ongoing; and
 - Evidence – where held and access.

- 4.4 In accordance with the Counter Fraud and Corruption Strategy, without prejudice to any action required of Chief Officers under any disciplinary codes, procedures or regulations, the Chief Internal Auditor will, in consultation with the Strategic Director, Corporate Resources, and the Monitoring Officer, make a decision on the action to take, including any preliminary audit investigation or referral to the Police.
- 4.5 The Chief Internal Auditor should be informed of the results of the initial enquiry so that the case can be closed or a more detailed investigation organised. Internal Audit and Risk staff have the power to access documents, and obtain information and explanations from any officer for the purpose of audit.
- 4.6 Where the initial enquiry appears to indicate misconduct by a Council employee the manager should inform Internal Audit and Risk of:
- All the evidence gathered; and
 - The actions taken with regard to the employee (e.g. suspension or redeployment) or any other action taken to prevent further loss.
- 4.7 The manager should liaise with Human Resources and be aware of the Council's requirements regarding the disciplinary process. If suspension is necessary, this requires the prior approval from the Service Director.
- 4.8 Depending on the size of the fraud or the circumstances of its perpetration, the Chief Internal Auditor will consider whether the Corporate Fraud team should undertake the investigation. If appropriate, advice and guidance will be provided by Internal Audit and Risk and Human Resources to enable an investigation to be undertaken by an appropriate officer within the service area.
- 4.9 Internal Audit and Risk will review the outcome of the investigation (irrespective of whether undertaken by its own staff or the staff from the service area), to ensure that appropriate action is taken to help detect/prevent similar frauds and make recommendations to strengthen internal control systems.
- 4.10 The Investigating Officer will:
- Deal promptly with the matter;
 - Record all evidence that has been received;
 - Ensure that evidence is sound and adequately supported;
 - Secure all of the evidence that has been collected;
 - Where appropriate, contact other agencies;
 - When appropriate, arrange for the notification of the Council's insurers;
 - Report to senior management, and where appropriate,

recommend the action to be taken by management in accordance with the Counter Fraud and Corruption Strategy and the Council's Disciplinary Procedure; and

- If a criminal act is being investigated seek advice from the Monitoring Officer to ensure that the investigation is undertaken in accordance with the Police and Criminal Evidence Act 1984 (PACE).

- 4.11 Where circumstances merit, close liaison will take place between the Investigating Officer, Internal Audit and Risk, Strategic Director, Corporate Resources, Monitoring Officer, the respective Service/Directorate and Human Resources as appropriate.

5. Sanctions and Recovery of Losses

- 5.1 The Council will seek the strongest sanctions against individuals/ organisations who commit fraud against the Council. The Council will in appropriate cases:

- Take disciplinary action where it involves an employee and this may lead to dismissal.
- Refer the case for local investigation by the Audit and Standards Committee where it involves a Member.
- Pursue a criminal prosecution. This will act as a deterrent to other fraudsters.
- Pursue civil proceedings to recover all amounts due to the Council.
- Where appropriate the results of any action taken, including prosecutions will be reported in the media.

- 5.2 If the Chief Internal Auditor determines that the Police need to be involved, either from the start or at a later stage in the investigation, Internal Audit and Risk will support the police investigation as necessary.