

# **Raising Fraud Awareness**

## **– a guide for employees and managers**

### **Anti-Fraud and Corruption Policy Statement**

Wolverhampton City Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council. Where appropriate arrangements will be made to ensure that the case receives maximum publicity to deter potential fraudsters.

#### **Why you should read this**

All public sector organisations are at risk of, or affected by, fraudulent or corrupt activity. Everyone has a key role to play in deterring and tackling such abuse, as this guide explains. Apart from costing all of us as taxpayers millions of pounds each year, the reasons you should not ignore fraud and corruption are that it:

- demoralises honest colleagues
- strengthens bullies and incompetents
- encourages others to behave in the same way
- diverts precious resources from those who need it
- undermines public and political confidence in public services
- makes your job harder

#### **What is fraud?**

For the Council's purpose fraud can be defined as the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain (this covers theft, false accounting, bribery and corruption, deception, collusion, money laundering and identity theft). Examples of fraudulent activities include:

- The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the authority, its members or officers
- Destroying, defacing, concealing or falsifying any account, record or document required for an accounting purpose, with a view to personal gain or gain for another (including falsifying expenses claims and time records)
- Theft of cash and Council assets/property

#### **How fraud occurs**

At least one of the four following basic elements, are usually found to be present when fraud occurs:

- people are involved - they may be people or groups working inside or outside the Council
- assets are at risk
- intent/motive to commit the fraud is present
- opportunity

Managers have a responsibility to ensure that the opportunities for fraud are minimised. While some people would never contemplate fraud, others may if they thought they could get away with it. A high chance of being caught will deter them. Opportunities to commit fraud will be

reduced by ensuring that a sound system of internal control has been established and that it is functioning as intended.

### **Example indicators of potential fraud in systems**

To spot fraud indicators in individual areas or activities it is important that accepted practices have been established for the area or activity under review - the following are examples of possible fraud indicators in a number of areas:

- secretiveness or defensiveness
- when an employee is on leave, the work is left until they return
- annual leave not taken
- regular long hours working
- high staff turnover rates in key controlling functions
- understaffing in key control areas
- low staff morale/lack of career progression/weak management
- lack of rotation of duties
- inadequate or no segregation of duties
- an employee's lifestyle is more affluent than would be expected from their employment
- excessive variations to budgets or contracts
- bank and ledger reconciliations are not maintained or cannot be balanced
- excessive movements of cash or transactions between accounts
- numerous adjustments or exceptions
- key documents missing (e.g. invoices, contracts)
- absence of controls and audit trails
- inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation)
- consistent failures to correct major weaknesses in internal control
- documentation that is photocopied or lacking essential information
- duplicate payments
- 'ghost' employees on the payroll
- large payments to individuals
- lack of senior management oversight
- PO boxes as shipping addresses
- defining needs in ways that can be met only by specific contractors

### **Some do's and don't's for managers who suspect fraud**

**do** be open to staff concerns. We need to encourage staff to voice any genuine concerns. You should reassure staff that if they raise concerns with you that are in the public interest, they will be protected from victimisation or reprisal. If someone wishes to discuss a concern in confidence you should respect it, but tell them that there may be circumstances (for instance, where their evidence is needed in court) where the matter cannot be resolved unless their identity is revealed.

**do** note details. Get as much information as possible from the employee. If he or she has made notes, ask for a copy of these. In addition, note any documentary evidence that may exist to support the concern, but do not interfere with this evidence in any way.

**do** evaluate the information objectively - Before you take the matter further, you need to determine whether any suspicions appear justified. Be objective when evaluating it. Consider the facts as they appear, based on the information you have to hand.

**do** deal with the matter promptly. The sooner the problem is detected the sooner any damage

caused can be repaired.

**don't** approach or accuse any individuals directly. If the concern seems credible, don't accidentally tip-off a fraudster in case incriminating evidence could be destroyed.

**don't** convey the concern to anyone other than someone with the proper authority. We have appointed and trained designated individuals able to deal with and help guide you on fraud matters.

**don't** try to investigate the matter yourself. If the concern seems credible don't rush into investigating the matter yourself. Pass it on or discuss it as soon as possible with the person or body who has been given that responsibility.

### Some do's and don't's for employees who suspect fraud

**do** raise the matter. The sooner the problem is raised and looked into, the sooner any wrongdoing can be stopped and the sooner you, and others can be reassured things are in order.

**do** pass on any reasonable suspicion to someone in authority.

**do** remember key details. If possible, make a note of key details, such as what caused your suspicion, when things happened and who was involved.

**don't** ignore it. If you are worried that some wrongdoing is happening at work, please don't keep it to yourself.

**don't** investigate the matter. You may make matters worse if you do. It's your job to raise the concern, not to prove it.

**don't** report your suspicions to someone who doesn't have proper authority. There are special rules surrounding the gathering of evidence for use particularly in criminal cases. Attempts to gather evidence by people who are unfamiliar with these rules can inadvertently destroy the case.

**don't** delay. As you won't be asked to prove your concern, raise it when it's a concern. Don't wait for proof.

### Investigating suspected fraud

Audit Services normally investigate cases of suspected fraud as investigations must be well managed and carried out by staff trained in handling fraud and corruption investigations in order to result in the right outcome. There are special rules surrounding the gathering of evidence for use in criminal cases and any attempt to gather evidence by people who are unfamiliar with these rules may adversely affect the outcome of the case.

Your primary responsibility is to report the issue and all associated facts promptly and accurately to an appropriate person. You should then be prepared to co-operate as instructed in any subsequent investigation.

## Useful contact details

Anyone who has any concerns regarding the possibility of fraud, corruption or bribery taking place can contact the following:



### **Fraud Hotline: (01902) 550550**

(24 hours a day, 7 days a week, answerphone out of office hours)

#### **Peter Farrow - Head of Audit Services**

Tel: (01902) 554460

e-mail: peter.farrow@wolverhampton.gov.uk

#### **Mark Taylor – Director of Finance (S151 Officer)**

Tel: (01902) 556609

e-mail: mark.taylor@wolverhampton.gov.uk

#### **Kevin O’Keefe – Director of Governance/Monitoring Officer**

Tel: (01902) 554910

e-mail: kevin.o’keefe@wolverhampton.gov.uk

#### **The Council’s external auditors:**

PricewaterhouseCoopers (PwC)

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

(Tel: 0121 265 5000)

#### **Public Concern at Work**

3<sup>rd</sup> Floor

Bank Chambers

6 -10 Borough High Street

London

SE1 9QQ

(Tel: 020 7404 6609)

[www.pcaw.org.uk](http://www.pcaw.org.uk)