

Anti-Fraud Policy and Procedures



Contents

	Para
Introduction	1
Policy	2
The control framework	6
What is fraud?	7
Reporting fraud	8
Senior management	11
Director of Finance	13
Operational managers and Team Leaders	14
Internal Audit	15
Staff	16
Fraud response plan	17

Links

- Appendix 1- Control measures to reduce the possibility of fraud
- Appendix 2 – Definitions
- Appendix 3- The role of the Director of Finance
- Appendix 4 – Possible fraud indicators
- Appendix 5 – Fraud response plan
- Appendix 6 – Regulation of Investigatory Powers Act 2000

Introduction

1. This policy and its associated procedures help demonstrate effective corporate governance in Natural England. They explain the need for an anti-fraud policy, the responsibilities for effective controls and the associated procedures to deal with any fraud.
2. Whilst it has always been important to consider whether there has been an element of bribery relating to fraud the introduction of the Bribery Act 2010 introduces a new offence which could lead to Natural England facing criminal liability and therefore the requirements of the new Act need to be considered in the event that any Natural England staff either bribed colleagues to commit fraud, or were themselves bribed to commit a fraud, as Natural England could itself become criminally liable under the Act. The offence of bribery covers not only staff, but also agents or intermediaries acting for or on behalf of Natural England. (Natural England has already published guidance to staff and briefed senior management on the affects of the new Act.)

Policy

3. Natural England will not accept any level of fraud or corruption. All Natural England Board Members, Executive Directors, Directors and staff must follow the relevant Natural England Code of Conduct, the policy on Regularity and Propriety and all other relevant procedures and policies.
4. All cases of suspected fraud will be thoroughly investigated and dealt with appropriately. Natural England is committed to protecting public resources, revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub contractors or its own employees or volunteers, to gain by deceit, any financial or other benefits.
5. This policy applies to all Board Members, Executive Directors, Directors and staff whether permanent, part-time, fixed term, casual employees and volunteers of Natural England, and to any temporary staff, consultants or contractors, working on Natural England's behalf.
6. It is the responsibility of any contracting manager within Natural England to make sure that all temporary staff, consultants and contractors are aware of this policy.

The Control Framework

7. All managers must ensure that effective internal control systems, including governance and accounting, are in place and operating to reduce the opportunity for fraud and corruption. Control measures are shown in **Appendix 1**.

What is Fraud?

8. The term "Fraud" is usually used to describe depriving someone of something by deceit. This might either be straightforward theft, misuse of funds or other resources, or more complicated crimes like false accounting and the supply of

false information. The Fraud Act 2006 covers fraud by false representation, by failing to disclose information and by abuse of position. See **Appendix 2** for more details of types of fraud.

Reporting Fraud

9. Staff should report any suspicions of fraud to their line managers, or through their line management chain, who will report as appropriate to the Director of Finance, Head of Internal Audit or Executive Director - Corporate Services.
10. All matters will be dealt with in confidence and prompt investigations will be carried out into all cases of actual or suspected fraud that are discovered or reported.
11. Natural England has a Whistleblowing procedure for staff who may wish to submit information about wrongdoing at work outside the management chain.

Senior Management

12. Under the terms of Natural England's Management Statement, the Chief Executive is also the Accounting Officer and is therefore responsible for establishing and maintaining a sound system of internal control that supports the achievement of Natural England's policies, aims and objectives. Executive Directors, Directors and the full management chain assist in this.
13. The system of internal control is designed to respond to and manage the whole range of risks that Natural England faces. The system identifies the principal risks and evaluates their nature and extent, allowing them to be managed effectively.

Director of Finance

14. Overall responsibility for managing the risk of fraud rests with the Director of Finance. Detailed responsibilities are in **Appendix 3** but in summary they are:
 - promoting an anti-fraud culture;
 - appropriate risk management;
 - fraud prevention and detection measures; and
 - fraud investigation.

Operational Managers and Team Leaders

15. Operational Managers and Team Leaders at all levels are responsible for:
 - ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
 - preventing and detecting fraud;
 - assessing the types of risk involved in the operations for which they are responsible;

- reviewing and testing regularly the control systems for which they are responsible;
- ensuring that controls are complied with and their systems continue to operate effectively;
- implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place;
- incorporating anti-fraud controls at the design phase in all systems.

Internal Audit

16. Internal Audit is responsible for:

- Delivering an opinion to the Accounting Officer on risk management, internal control and governance. As part of this it will review and evaluate the policies, procedures and operations in place to safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control appropriate to the extent of the potential exposure/risk in the various segments of Natural England's operations;
- Assessing the extent to which management has evaluated its risk exposures and the possibility of fraud as business risks; and
- Assisting management by managing and undertaking fraud investigations as required.

Staff

17. All staff must:

- understand and comply with the Code of Conduct and show due regularity and propriety in the use of official resources and the handling and use of public funds whether they are involved with cash or payments systems, receipts or dealing with suppliers;
- be alert to the possibility of fraud; and take special care where unusual events or transactions occur. Possible fraud indicators are shown in **Appendix 4**;
- report details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events; and
- cooperate fully with whoever is conducting internal checks, reviews or investigations.

Fraud Response Plan

18. Natural England has a Fraud Response Plan, at **Appendix 5**, that sets out how to report suspicions and how investigations will be conducted and concluded. This plan forms part of Natural England's anti-fraud policy.

Links

Fraud Act 2006

Code of Conduct
Whistleblowing
Regularity and Propriety
Financial Procedures
Procurement Procedures
Bribery Act 2010

Appendix 1

Control measures to reduce the possibility of fraud or theft

Line managers must ensure the security of assets and money within their area of responsibility. Among the measures they can take to discharge this responsibility are:

- regularly assessing their unit's exposure to potential fraud or theft;
- ensuring there is an adequate system for reporting problems to senior managers;
- being aware of Natural England's policy and procedures on fraud and theft;
- assessing, with advice from Organisational Development, the suitability of staff to handle particular risk areas;
- ensuring appropriate segregation and rotation of duties;
- providing adequate training and guidance;
- allowing staff to see all relevant information on fraud and theft;
- ensuring regular management review of work; and
- ensuring complete and clear documentation of all transactions.

Appendix 2

Definitions

The Fraud Act 2006 defines three categories of fraud by false representation, by failure to disclose information and by abuse of position. Fraud is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts, and collusion. Fraud is committed by the act of seeking improper benefit. A crime is committed with the actual intention to defraud not its realisation.

The Audit Commission (1994) defines:

Fraud as

'The intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.'

Corruption as

'The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.'

Fraud and other similar irregularities include

1. Forgery or alteration of payable order, expense claims, cheques, drafts, letters of comfort, contracts, etc.
2. Any misappropriation of funds, supplies or any other asset owned or service provided by Natural England.
3. Any irregularity in the handling or reporting of any transactions.
4. Misappropriation or misuse of Natural England property, equipment, materials, information or records.
5. Seeking or accepting anything of material value from vendors, consultants or contractors doing business with Natural England in breach of the Code of Conduct.
6. Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Natural England - owned software.
7. Any claim for reimbursement of expenses not incurred completely and exclusively in the performance of one's official duty.
8. Any similar or related irregularity.

Appendix 3

The role of the Director of Finance

The Director of Finance has overall responsibility for anti-fraud policy and procedures. The Director of Finance will, amongst other measures:

- develop a fraud risk profile and undertake a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
- establish the anti-fraud policy, procedures and a fraud response plan, appropriate to the level of fraud risk identified and develop any appropriate anti fraud targets;
- design an effective control environment to prevent fraud commensurate with the fraud risk assessment;
- establish appropriate mechanisms for:
 - reporting fraud risk issues;
 - reporting significant incidents of fraud to the Executive Board and the Accounting Officer;
 - reporting to Defra in accordance with the financial memorandum;
 - coordinating assurances about the effectiveness of anti-fraud policies to support the Statement of Internal Control;
- liaise with the Audit and Risk Committee on fraud issues;
- make sure that all staff are aware of Natural England's anti-fraud policy and know what their responsibilities are in relation to combating fraud;
- develop appropriate skill and experience competency frameworks;
- ensure that appropriate anti-fraud training and development opportunities are available to appropriate staff in order to meet the defined competency levels;
- ensure that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
- seek appropriate legal and/or disciplinary action against perpetrators of fraud;
- recommend appropriate disciplinary action against staff where supervisory failures have contributed to the commission of fraud or where there has been a failure to report fraud;
- take appropriate action to recover assets; and
- ensure appropriate action is taken to minimise the risk of similar frauds occurring in future.

Appendix 4

Possible fraud indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. Managers and staff should also be alert to any warning signs that might indicate that fraud may be taking place. These may include:

- Unusual employee behaviour, reluctance to take leave, refusal of promotion or regular long-hours worked by key staff. When an employee is on leave, the work is left until the employee returns.
- Key documents missing (e.g. invoices, contracts). Documentation that is photocopied or lacking essential information. Missing expenditure vouchers and official records.
- A sudden unexplained change of lifestyle or an employee's lifestyle that is more affluent than would be expected from his/her employment
- Cosy relationships with suppliers/contractors. Suppliers/contractors who insist on dealing with one particular member of staff. Excessive variations to budgets or contracts. Defining needs in ways that can be met only by specific contractors. Lowest tenders or quotes passed over with minimal explanation recorded. Single vendor selection and vague specifications. Disqualification of any qualified bidder.
- Managers by-passing subordinates, subordinates bypassing managers and management frequently overriding the internal controls.
- Lack of Senior Management oversight. Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation).

Appendix 5

Fraud Response Plan

Introduction

This document provides guidance to all employees if they become aware of a fraud being committed at Natural England by permanent, temporary or casual staff, consultants, contractors or members of the public.

Objectives

The objectives of a fraud response plan are to ensure that timely and effective action can be taken to:

- prevent losses of funds or other assets where fraud has occurred and to maximize recovery of losses;
- minimize fraud by taking rapid action at the first signs of a problem;
- identify the fraudsters and maximise the success of any disciplinary /legal action taken;
- identify any lessons to help manage fraud in the future; and
- reduce adverse impacts on the business of Natural England.

Staff responsibilities

To whom should you report if you suspect a fraud?

The route you take will depend on whether you are reporting possible fraud by a member of the public or by a member of staff. When you suspect a fraud, you should not discuss it with any other work colleagues, either before or after reporting it to the appropriate person.

Fraud by a member of the public:

If the fraud is being committed in your area, the matter should be reported to your line manager immediately. The line manager will contact the Director of Finance and the appropriate Team Manager of the policy or delivery area. They will advise the Head of Internal Audit and the appropriate Director and Executive Director.

Fraud by a member of staff, including Board Members, or another employee:

If a work colleague is committing the fraud, then once again under normal circumstances you should report it to your line manager. They will advise the Head of Internal Audit and the Director of Finance. If you suspect your own or any other line manager of committing the fraud you should report it to someone else in the management chain or use the Whistleblowing procedure.

What happens when you report a fraud?

When a fraud is reported, whether internal or external, an appropriate officer – normally the line manager - investigates it. Irrespective of the source of suspicion, line management must undertake an initial investigation to ascertain the facts.

If it is fraud by a member of the public, the appropriate officer will consult the Head of Internal Audit who will advise on the most appropriate course of action.

Any conversations and information that you give to the investigating officers will, as far as possible, remain confidential. You may be asked to produce a written statement that could be used in the event of the fraud becoming a criminal investigation. If you are required to produce a written statement you will receive help and guidance.

Management responsibilities

Each Executive Director, Director and Team Manager is responsible for ensuring that procedures and systems exist within their business area, which minimise the incidence of, and the opportunity for, fraud and irregularities. See **Appendix 1**

Whenever any suspected fraud in Natural England is reported, the Director of the area concerned shall be responsible for managing the investigation.

It is important that line management's initial responsibility goes only as far as assessing the evidence and determining whether the suspicion is reasonable, i.e. not malicious or based on a clear misunderstanding/lack of knowledge. Line management must err on the side of caution. The advice of the Head of Internal Audit must be obtained before proceeding in all but the most straightforward cases. Assistance may be available to manage or undertake the investigation through Internal Audit or other resources.

Evaluation and investigation of complaints and allegations

The circumstances of individual frauds will vary. But it is important that all are vigorously and promptly investigated and that appropriate action is taken. As soon as an allegation is received, it is the responsibility of line management to undertake an initial enquiry to ascertain the facts. This enquiry should be carried out as quickly as possible with the objectives of either substantiating or repudiating the allegation that has been made. At this stage, care needs to be taken to ensure that any activity is carried out in accordance with the Regulation of Investigatory Powers Act 2000 **Appendix 6**.

If a line manager has grounds for suspecting that a member of staff may be involved in a fraudulent activity they should not interview the member of staff without seeking guidance from the Director of Organisational Development or the Head of Internal Audit.

The purpose of the initial enquiry is to ascertain whether there is any substance in the suspicions so that, if necessary, a full investigation may be instigated. If the allegation is substantiated, the Director of Organisational Development and Head of Internal Audit should be apprised of the situation. At this stage, managers should be aware that they have a prime role in securing evidence and minimising any further losses. The Head of Internal Audit will offer advice on the most appropriate course of action. This further action may involve the commissioning of specialist services to assist with an investigation e.g. IT specialists to preserve and manipulate information held on computer systems, lawyers, building surveyors to assess the value of potential loss or Organisational Development specialists to advise on the rights and support for the staff member.

In most instances, any further investigation will be carried out in conjunction with the line manager, an Organisational Development specialist or other appointed person. In every case, one person will be appointed as the controller of the case / investigating officer.

Suspected frauds involving claimants of EU funded schemes will be handled in conjunction with the Defra Investigations Department.

When the allegation is not referred to the line manager but is referred to one of the Whistleblowing designated officers, the preliminary enquiry will normally be carried out by Internal Audit. If appropriate, this will be in conjunction with the line manager.

The investigating officer may obtain further assistance from Defra's Investigation Department if required.

Allegation against an employee

If an allegation is substantiated after the preliminary enquiry and further investigation is needed, the investigation should have two objectives that will determine the type of investigation:

- if the employee should be subject to Natural England's Disciplinary Policy
- if there is evidence that an employee has committed fraud against Natural England or has committed a corrupt act, the employee may be the subject of a criminal investigation by the police.

Allegation against a member of the public:

If an allegation is substantiated after the preliminary enquiry and further investigation is needed, the type of investigation will very much depend on the allegation. There will be different implications of the investigation, depending whether the perpetrator is a supplier of goods and services to Natural England or a grant claimant.

Generally, all investigations will follow a criminal route. This will be with a view to prosecuting an individual under the appropriate legislation. The decision to seek prosecution will be taken on the advice of Natural England's Head of Legal Services.

Management's welfare responsibility regarding an employee accused of fraud

Natural England may suspend any member of staff involved in a potential fraud, pending the outcome of an investigation, and Organisational Development will be closely involved in this process.

Managers should be mindful of the requirements of the Disciplinary Policy. Natural England also recognises that suspension can be an extremely stressful experience for employees and their families and managers should remind employees of the option of approaching the Organisational Development Team for advice or possible sources of support.

Management responsibility regarding the investigating officers

The need to investigate thoroughly and as quickly as possible may put undue stress on the investigating officer. Managers should be supportive throughout an investigation; make sure that the investigating officer is given the necessary cooperation and be aware of the investigating officer's workload, which should be reviewed and if necessary, redistributed.

The control framework to minimise and prevent fraud

When fraud has been identified, management in consultation with Internal Audit should review the control procedures to ensure that the opportunities to repeat the fraud are minimised.

Press and Publicity

External Communications will deal with the press and publicity in all matters regarding fraud and corruption. If any officer discloses any related information to the media without the express authority of Head of External Communications, it will be regarded as a disciplinary offence.

Training

Managers should ensure that all staff receive appropriate training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it will be necessary for them to be regularly reminded of fraud issues. In other cases, it may be sufficient to include fraud awareness information in an induction pack. The Director of Finance should be consulted as necessary to provide advice on this.

Appendix 6

Regulation of Investigatory Powers Act 2000

The Human Rights Act (1998) requires investigations to ensure compliance with Human Rights legislation. Permission must be obtained from an authorised officer before using intrusive investigative techniques.

Within Natural England the following officers have been designated as Authorised Officers:

- Head of Internal Audit
- Director of Organisational Development

Other bodies have their own Authorised Officers.

Any relevant investigations may be made in conjunction with the Counter Fraud & Compliance Unit, Rural Payments Agency and the Investigations Branch, Defra or other relevant investigatory bodies.