

## **Section: 15**

### **Anti-Fraud Policy and Response Plan**

#### **1. Introduction**

- 1.1** Barnet Homes requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which Barnet Homes is responsible.
- 1.2** Fraud is an ever-present threat to these resources and must be a concern to all members of staff and directors. Fraud may occur internally or externally and may be perpetrated by staff, consultants, suppliers, contractors or development partners, individually or in collusion with others.
- 1.3** The purpose of this document is to set out your responsibilities with regard to fraud prevention, what to do if you suspect fraud and the action that will be taken by management. It applies to
- Board Directors
  - Employees
  - Contractors
  - Consultants
  - Suppliers
  - Service Users
  - Staff and Committee Members of organisations funded by Barnet Homes.

#### **2. Definitions of Fraud**

- 2.1** In law there is no specific offence of fraud and many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.
- 2.2** 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, including unauthorised personal browsing on the Internet, is included in this definition.

### **3. Corporate Framework and Culture**

**3.1** Barnet Homes has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:

- Codes of Conduct for Board Directors and officers
- Standing Orders and Financial Regulations
- Accounting procedures and records
- Sound internal control systems
- Effective internal audit
- Tenancy management procedures
- Effective recruitment and selection procedures
- Disciplinary Procedure
- Criminal Acts Procedure
- Fraud Response Plan
- Confidential Reporting (Whistle Blowing) Code
- The Regulation of Investigatory Powers Act (RIPA) Procedure
- Training

**3.2** Barnet Homes believes that its culture of honesty and openness is a key element in tackling fraud. The Codes of Conduct for Board Directors and Staff are based on the Nolan Principles of Standards in Public Life. Failure to uphold these Codes will be considered as non-compliance with corporate aims and will lead to the appropriate action being taken against those concerned.

### **4. Prevention**

**4.1** Barnet Homes recognises that fraud and corruption are costly, both in terms of reputational risk and financial losses. The prevention of fraud is a key objective of the authority and respective roles and responsibilities are outlined below.

**4.2** Staff of Barnet Homes

**4.2.1** A key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage. These will be to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard, temporary staff should be treated in the same manner as permanent officers.

- 4.2.2** Staff recruitment will be undertaken in accordance with the Barnet Homes policies for Recruitment and Selection. Written references should be obtained regarding the known honesty and integrity of potential members of staff, before formal employment offers are made.
- 4.2.3** All staff must abide by the Barnet Homes Code of Conduct for Employees, which sets out requirements on personal conduct.
- 4.2.4** Barnet Homes recognises that staff are often the first line of defence in preventing fraud. Financial Regulations place responsibility for fraud prevention on all employees. Staff should therefore be alert to the possibility of fraud and to report any concerns.
- 4.2.5** Barnet Homes has in place disciplinary procedures for all employees. Those found to have committed any acts of impropriety will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution, in accordance with the Criminal Acts Procedure. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.
- 4.2.6** Under Barnet Homes' Standing Orders, staff must operate within Section 117 of the Local Government Act 1872, regarding the disclosure of pecuniary interests in contracts relating to Barnet Homes, or the acceptance of any fees, gifts, hospitality or any other rewards, other than their proper remuneration. These requirements are set out in Barnet Homes' Code of Conduct for Employees.

### **4.3 Board Directors**

- 4.3.1** Board Directors are required to operate within:
- National Code of Local Government Conduct
  - Sections 94-96 of the Local Government Act 1972
  - Local Authorities Members' Interest Regulations 1992 (SI 618); SI 1996/121.5
  - Barnet Homes Standing Orders
  - The requirements of the Companies Act
- 4.3.2** These matters and other guidance are specifically brought to the attention of Board Directors at the induction course for new Directors and are in each Director's handbook. They include rules on the declaration and registration with the Company Secretary of potential areas of conflict between Directors' duties

and responsibilities and any other areas of their personal or professional lives.

**4.3.3** Directors will be expected to play an important role through leading by example and being seen to support Barnet Homes' anti-fraud policy.

**4.3.4** Barnet Homes has established a Standards and Ethics Committee to examine issues of misconduct by members.

**4.3.5** The Local Government Act 2000 requires all members to give a written undertaking to comply with the Code of Conduct, if they are to remain on the Board.

#### **4.4 Internal Control System**

**4.4.1** Barnet Homes has Standing Orders, Financial Regulations, Accounting Procedures and various rules and codes of conduct in place. Staff are required to comply with this best practice when dealing with Barnet Homes' affairs.

**4.4.2** Barnet Homes' aim is to have sound financial systems and procedures, which incorporate efficient and effective internal controls. The "separation of duties" is considered a fundamental control in such systems, especially when involving significant transactions. Heads of Service are responsible for maintaining effective internal controls including the prevention and detection of fraud and other illegal acts.

#### **4.5 Combining with Others to Prevent and Fight Fraud**

**4.5.1** There are a variety of arrangements in place, which facilitate the regular exchange of information between Barnet Homes and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators such as the Council's Corporate Anti-Fraud Team (CAFT). The National Fraud Initiative, housing benefits investigators etc.

**4.5.2** Barnet Homes has also introduced a Whistleblowing Hotline, to allow members of the public to report individuals who are suspected of abusing its resources.

### **5. Barnet Homes' Responsibilities**

**5.1** Irrespective of the amount involved, the Memorandum of Agreement requires that all cases of attempted, suspected or proven fraud shall be

reported to the Council's Representative (Head of Housing). The Financial Memorandum also states that Barnet Homes must:

- Develop and maintain effective controls to prevent fraud
- Carry out vigorous and prompt investigations if fraud occurs
- Take appropriate legal and/or disciplinary action against perpetrators of fraud and
- Take disciplinary action against managers and supervisors where their failures have contributed to the commissioning of fraud.

**5.2** The Head of Financial Services carries overall responsibility for the prevention of fraud, and is liable to be called to account by the Board and the Council for specific failures. However, the above responsibilities fall directly on line management and may involve **all staff** in Barnet Homes.

## **FRAUD RESPONSE PLAN**

### **1. Introduction**

- 1.1** This fraud response plan provides a checklist of actions and a guide to follow in the event that fraud is suspected. It covers:
- Detection
  - Notifying suspected fraud
  - The investigation process
  - Liaison with police and external audit
  - Initiation of recovery action
  - Reporting process
  - Communication with the Council
- 1.2** Its purpose is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud, theft or other irregularity.

### **2. Detection**

- 2.1** It is the responsibility of Board Directors, the Chief Executive Officer, Heads of Service and Barnet Homes managers to maintain good control systems and ensure that all staff comply with these systems.
- 2.2** Barnet Homes has a planned programme to undertake a cyclical programme of audits to test for fraud and corruption, based on a risk assessment model. This includes liaison with the company auditors when considering the programme of audits.
- 2.3** Despite the best efforts of managers, many frauds are discovered by chance or "tip off", either through the alertness of staff or from a member of the public. In such cases there is a requirement within Barnet Homes' regulations for staff to:
- Report actual or suspected instances of fraud to the Head of Financial Services
  - Report findings to the police when advised to do so by the Head of Financial services

### **3. Notifying Suspected Fraud**

- 3.1** It is important that all staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The "Whistle-blowing Policy" provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels.

- 3.2** In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager. If such action would be inappropriate, your concerns should be reported upwards to one of the following persons:
- Head of Service
  - Chief Executive
- 3.3** Additionally, all concerns must be reported to the Head of Financial Services.
- 3.4** Every effort will be made to protect an informant's anonymity if requested. However, Barnet Homes will always encourage individuals to be identified to add more validity to the accusations and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

#### **4. The Investigation Process**

- 4.1** Suspected fraud must be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both Barnet Homes and the suspected individual(s). Suspicion must not be seen as guilt to be proven.
- 4.2** The investigation process will vary according to the circumstances of each case and will be determined by the Head of Financial Services in consultation with the relevant Barnet Homes Head of Service. An "Investigating Officer" will be appointed to take charge of the investigation on a day-to-day basis.
- 4.3** The Investigating Officer will appoint an investigating team. This will normally include staff from within Financial Services but may be supplemented with other resources from within Barnet Homes or from outside.
- 4.4** Where initial investigations reveal that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. This decision will be taken by the Head of Financial Services, in consultation with the relevant Head of Service and the Investigating Officer. Suspension should not be regarded as disciplinary action nor should it imply guilt. The process will follow the guidelines set out in Barnet Homes' Terms and Conditions of Service relating to such action.
- 4.5** It is important from the outset, to ensure that evidence is not contaminated, lost or destroyed. The Investigating Officer will therefore take immediate steps to secure physical assets, including

computers and any records thereon, and all other potentially evidential documents. He/She will also ensure, in consultation with management, that appropriate controls are introduced to prevent further loss.

- 4.6 The Investigating Officer will ensure that a detailed record of the investigation is maintained. This should include a chronological file recording details of all telephone conversations, discussions, meetings and interviews (with whom, who else was present and who said what), details of documents reviewed, tests and analyses undertaken, the results and their significance. Everything should be recorded, irrespective of the apparent significance at the time.
- 4.7 All interviews will be conducted in a fair and proper manner. Where there is a possibility of subsequent criminal action, the police will be consulted and interviews may be conducted under caution in compliance with the Police and Criminal Evidence Act (PACE) which governs the admissibility of evidence in criminal proceedings.
- 4.8 The findings of the investigation will be reported to the Head of Financial Services and the relevant Head of Service who will determine, in consultation with the Investigating Officer, what further action (if any) should be taken.

## **5. Liaison with Police & External Audit**

- 5.1 The police generally welcome early notification of suspected fraud, particularly that of a serious or complex nature. Some frauds will lend themselves to automatic reporting to the police (such as theft by a third party). For more complex frauds the Head of Financial Services in consultation with the Investigating Officer will decide if and when to contact the police. The Head of Financial Services will report suspected frauds to the external auditors and the Chair of the Business Sub-Group.
- 5.2 All staff will co-operate fully with any police or external audit enquiries, which may have to take precedence over any internal investigation or disciplinary process. However, wherever possible, teams will co-ordinate their enquiries to maximise the effective and efficient use of resources and information.

## **6. Initiation of Recovery Action**

- 6.1 Barnet Homes will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud.

## **7. Reporting Process**

- 7.1** Throughout any investigation, the Investigating Officer will keep the Head of Financial Services and relevant Head of Service informed of progress and developments. If the investigation is long or complex, interim reports to the Business Sub-Group will be made. These reports may be verbal or in writing.
- 7.2** On completion of the investigation, the Investigating Officer will prepare a full written report setting out:
- Background as to how the investigation arose
  - What action was taken in response to the allegations
  - The conduct of the investigation
  - The facts that came to light and the evidence in support
  - Action taken against any party where the allegations were proved
  - Action taken to recover any losses
  - Recommendations and/or action taken by management to reduce further exposure and to minimise any recurrence.
- 7.3** A copy of the above report will be submitted to the Business Sub-Group at its first available meeting.
- 7.4** In order to provide a deterrent to other staff a brief an anonymised summary of the circumstances will be published on the intranet and all managers will receive a verbal briefing.

## **8. Communication with the Council**

- 8.1** Irrespective of the amount involved, the Management Agreement requires that all cases of attempted, suspected or proven fraud shall be reported to the Council as set out in Paragraph 34 as soon as they are discovered.
- 8.2** The Head of Financial Services and the Chair of the Business Sub-Group are responsible for the preparation and submission of fraud reports to the Council's Head of Housing.

## **ANNEX B: DOs & DON'Ts**

<b>DO</b>	<b>DON'T</b>
<b>Make a note of your concerns</b>	<b>Be afraid of raising your concerns</b>
<ul style="list-style-type: none"><li>• Record all relevant details, such as the nature of your concern, the names of parties you believe to be</li></ul>	<ul style="list-style-type: none"><li>• The Public Interest Disclosure Act provides protection for employees who raise reasonable held</li></ul>

<p>involved, details of any telephone or other conversations with names, dates and times and any witnesses.</p> <ul style="list-style-type: none"> <li>• Notes do not need to be overly formal, but should be timed, signed and dated.</li> <li>• Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened.</li> </ul>	<p>concerns through the appropriate channels.</p> <ul style="list-style-type: none"> <li>• You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially.</li> </ul>
<p><b>Retain any evidence you may have</b></p>	<p><b>Convey your concerns to anyone other than authorised persons</b></p>
<ul style="list-style-type: none"> <li>• The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective investigation.</li> </ul>	<ul style="list-style-type: none"> <li>• There may be a perfectly reasonable explanation for the events that give rise to your suspicion. Spreading unsubstantiated concerns may harm innocent persons.</li> </ul>
<p><b>Report your suspicions promptly</b></p>	<p><b>Approach the person you suspect or try to investigate the matter yourself</b></p>
<ul style="list-style-type: none"> <li>• In the first instance, report your suspicions to your line manager. If this action would be inappropriate, further guidance on disclosure can be found in the Fraud Response Plan and Barnet Homes' Whistle-blowing Policy.</li> <li>• Additionally, all concerns must be reported to the Head of Financial Services.</li> </ul>	<ul style="list-style-type: none"> <li>• There are special rules relating to the gathering of evidence for use in criminal cases. Any attempt to gather evidence by persons who are unfamiliar with these rules may destroy the case.</li> </ul>