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# DEPARTMENT OF CULTURE, ARTS AND LEISURE (DCAL) FRAUD PREVENTION POLICY

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## Introduction

1. The Department requires all staff, at all times, to act honestly and with integrity, and to safeguard the public resources for which they are responsible. As a result there is a continuing need to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud.
2. In recognising responsibilities, the Department is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.
3. The overall purpose of this Fraud Prevention Policy is to detail the Department's zero tolerance approach to fraud and to detail responsibilities regarding the prevention of fraud whereas the procedures to be followed in the event of a fraud being detected or suspected and brought to attention either through raising concerns (whistle-blowing) or other routes, are detailed in the Fraud Response Plan. Both documents relate to fraud and loss within the Department and in some circumstances it may be relevant for these to be read alongside the Department's 'Raising Concerns' policy.
4. Relevant guidance relating to the Department's Arms Length Bodies (ALBs) is detailed in paragraph 43.

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## Definition of Fraud

5. Fraud is the obtaining of financial advantage or causing of loss by implicit or explicit deception. It is the mechanism through which the fraudster gains unlawful advantage or causes unlawful loss.
6. Fraud can be committed in 3 ways:
  - **Fraud by false representation** – if a person dishonestly makes a false representation and by making the representation intends to make a gain for themselves or another or to cause loss to another or expose another to risk of loss;
  - **Fraud by failing to disclose information** - if a person dishonestly fails to disclose to another person information which they are under a legal duty to disclose and intend, by means of abuse of their position, to make a gain for themselves or another, or to cause loss to another or expose another to risk of loss; and
  - **Fraud by abuse of position** - if a person occupies a position in which they are expected to safeguard, or not to act against, the financial interests of another person, and they dishonestly abuse that position, and intend, by means of the abuse of that position, to make a gain for themselves or another, or to cause loss to another or to expose another to a risk of loss.
7. Fraud is not a victimless crime and in its widest sense covers acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, false accounting, money laundering, concealment of material facts and collusion.
8. The Bribery Act 2010 came into effect on 1 July 2011. It defines four additional criminal offences of (1) offering or paying a bribe; (2) requesting or receiving a bribe; (3) bribing a foreign public official; and (4) failure of commercial organisations to prevent bribery by persons associated with them. Organisations must demonstrate that they have “adequate procedures” in place that are designed to

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prevent persons associated with it from committing bribery. Refer to the Department's Gifts and Hospitality policy on the intranet or DCAL Internet.

9. Computer fraud is where information technology (IT) equipment has been used to manipulate computer programs or data dishonestly (for example by altering or substituting records, destroying or suppressing records, duplicating or creating spurious records), or where the existence of an IT system was a material factor in the perpetration of fraud (i.e. where the fraud was unlikely to have occurred if there had been no IT system). Theft or fraudulent use of computer facilities, computer programs and the Internet is included in this definition. The suspicion that any of these acts have taken place should be regarded as potentially fraudulent.
10. The Theft Act of 1996 states the following is also classed as fraud:
  - Obtaining services by deception
  - Obtaining cash by deception
  - Evasion of liabilities

### **Department's Responsibilities**

11. The Department's responsibilities are set out in Annex 4.7 of "Managing Public Money Northern Ireland" (MPMNI).
12. NICS departments are required to report immediately to DFP and C&AG all frauds (proven or suspected) including attempted fraud, which affects:
  - the Department or the agencies and NDPBs sponsored by them, and/or
  - Any public funds disbursed by Voluntary Bodies and other agencies such as Intermediary Funding Bodies and funded third party organisations (Public funds include mainstream and European Funding).
13. The Departmental Accounting Officer has overall responsibility for managing the risk of fraud and is accountable for the effectiveness of fraud risk management. He/She is responsible for establishing and maintaining a system of internal control designed to respond to and manage the whole range of risks that a department faces including fraud.

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14. Annex 4.7.1 of MPMNI requires discussion of suspected fraud cases with the police at the earliest juncture. (Refer to Fraud Response Plan for further detail)
  15. Managers and staff should also make themselves familiar with relevant guidance published on the Accountability and Financial Management Division (AFMD) website: ([www.dfpni.gov.uk/afmd](http://www.dfpni.gov.uk/afmd)) including the NICS Annual Fraud Report and the minutes of the NICS Fraud Forum meetings.

### **Director of Finance and Corporate Services' Responsibilities**

16. Specific responsibility for managing the risk of fraud has been delegated to the Director of Finance. Their responsibilities include:
  - a) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
  - b) Establishing an effective Fraud Prevention Policy and Fraud Response Plan, commensurate to the level of fraud risk identified in the fraud risk profile;
  - c) Developing appropriate fraud targets in the Business Plan and/or priorities for action;
  - d) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
  - e) Establishing appropriate mechanisms for:
    - o Reporting fraud risk issues;
    - o Reporting significant incidents of fraud to the Accounting Officer;
    - o Reporting to DFP and the Comptroller and Auditor General; and
    - o Coordinating assurances about the effectiveness of anti-fraud policies to support the Governance Statement;
  - f) Liaising with and advising the Audit and Risk Assurance Committee;
  - g) Ensuring that all staff are aware of the organisation's Fraud Prevention Policy and know what their responsibilities are in relation to combating fraud;
  - h) Ensuring fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff;

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- i) Ensuring that vigorous and prompt investigations are carried out if fraud occurs, is attempted or is suspected (See fraud response plan).
  - j) Ensuring, where appropriate, legal and/or disciplinary action is taken against perpetrators of fraud;
  - k) Ensuring, where appropriate, disciplinary action is taken against supervisors where supervisory failures have contributed to the commission of fraud;
  - l) Ensuring, where appropriate, disciplinary action is taken against staff who fail to report their suspicions of fraud;
  - m) Taking appropriate action to recover assets and losses; and
  - n) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.
  - o) Development of Departmental guidance concerning the provision and acceptance of gifts and hospitality and Conflicts of Interest.

## **Line Manager's Responsibilities**

- 17. Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. Responsibility for the prevention and detection of fraud and staff training, therefore, rests primarily with managers.
- 18. A major element of good corporate governance is a sound assessment of the organisation's business risks. Line Managers need to ensure that:
  - Fraud risks have been identified within all operations for which they are responsible;
  - Each major activity within the line manager's remit has had its vulnerability to fraud evaluated via the completion of a Fraud Risk Analysis - at the start of each year and refreshed on a periodic basis.
  - Adequate and effective controls have been identified for each activity/system to reduce the risk of fraud ;
  - Controls are being complied with, through regular review and testing of control systems;

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- Risks are reassessed as a result of the introduction of new systems or amendments to existing systems;
  - Where a fraud has occurred, or has been attempted, controls are reviewed and new controls implemented, as necessary, to reduce the risk of fraud recurring; and
  - Fraud occurrences are quantified on an annual basis and Risk Registers updated to reflect the quantum of fraud within the Business Area. Where appropriate, strategies should be devised to combat recurrence of fraud and targets set to reduce the level of fraud.
19. In terms of establishing and maintaining effective controls, it is generally desirable that:
- There is a regular rotation of staff, particularly in key posts;
  - Wherever possible, there is a segregation of duties so that control of a key function is not vested in one individual;
  - Backlogs are not allowed to accumulate; and
  - In designing any new system, consideration is given to building in safeguards to prevent and/or detect internal and external fraud (See Appendix III for good practices/controls).
20. As fraud prevention is the ultimate aim, anti-fraud measures should be considered and incorporated in every system and programme at the design stage, eg the design of application forms, the statement of accountability in respect of the content of completed applications, regular monitoring of expenditure etc. Departmental Internal Audit is available to offer advice to managers on risk and control issues in respect of existing and developing systems/programmes.

## **Departmental Internal Audit**

21. Internal Audit is responsible for the provision of an independent and objective opinion to the Accounting Officer on risk management, control and governance. The adequacy of arrangements for managing the risk of fraud and ensuring the

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Department promotes an anti-fraud culture is a fundamental element in arriving at an overall opinion.

22. Internal Audit has no responsibility for the prevention or detection of fraud. However, in carrying out their work internal auditors will be alert to risks and exposures that could allow fraud. Individual audit assignments, therefore, are planned and prioritised to assist in deterring and preventing fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk. Risk and Control Frameworks are also reviewed as a constituent part of each audit assignment to ensure that management have reviewed their risk exposures and, where appropriate, identified the possibility of fraud as a business risk.
23. Internal Audit is available to offer advice and assistance on risk management/internal control issues and in relation to cases of fraud or suspected fraud.
24. All cases of suspected or actual fraud should be reported immediately to Internal Audit by Equality and Governance (EG).

## **Staff Responsibilities**

25. Every member of staff has a duty to ensure that public funds are safeguarded and therefore, **everyone is responsible** for:
  - a. Acting with propriety in the use of official resources and the handling and use of public funds in all instances. This includes cash and/or payment systems, receipts and dealing with suppliers;
  - b. Conducting themselves in accordance with the seven principles of public life detailed in the first report of the Nolan Committee 'Standards in Public Life', i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and
  - c. Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting their line manager where they believe the opportunity for fraud exists ([Appendix I](#) provides examples of Fraud

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Indicators. In addition, Common Methods and Types of Fraud are included in [Appendix II](#)).

- d. Raising concerns in line with the Department's 'Raising Concerns' Policy if they suspect that a fraud has been attempted or committed, or see any suspicious acts or events. The Public Interest Disclosure (NI) Order 1998, alongside the Department's 'Raising Concerns' policy, protects the rights of staff who report wrongdoing.
- e. Immediately bringing to the attention of the Director of Finance any correspondence received that appears to contain allegations or concerns regarding the Department or its Arm's Length Bodies. This should be done **in the first instance before any action is taken** to ensure appropriate procedures are followed and access is limited as far as possible. The DCAL 'Raising Concerns' Policy can be found on the DCAL intranet and internet.
- f. Upholding the values detailed in the NICS code of Ethics. (See NICS Staff Handbook – HRConnect Portal).
- g. Co-operating fully with whoever is conducting internal checks, reviews or fraud investigations.
- h. Maintaining personal integrity. In particular not accepting or offering gifts, hospitality or benefits of any kind from or to a third party, which might be seen to compromise this integrity (See Departmental Guidance on Gifts & Hospitality on the intranet and DCAL internet).
- i. Understand and adhere to Departmental systems, procedures and controls designed to reduce the risk of fraud.

26. Note that advice for staff is also available through the independent charity **Public Concern at Work on 020 7404 6609**. Their lawyers can give free confidential advice at any stage regarding a concern about serious malpractice at work. An employee can, of course, also seek advice from a lawyer of their own choice, at their own expense. .

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## **Fraud Investigation**

27. It is Departmental policy that there will be consistent handling of all suspected fraud cases.
28. After suspicion has been roused, prompt action is essential, and all cases of suspected or actual fraud should be reported immediately to the Finance Director and Equality and Governance (EG) who can provide advice on the next steps.
29. Line Management **should not** undertake preliminary enquiries until any suspicion has been reported to and advice taken from the Finance Director or Equality and Governance. As detailed in the Fraud Response Plan, it is imperative that enquiries should not prejudice subsequent investigations or corrupt evidence, therefore:

### **IF IN DOUBT, ASK FOR ADVICE**

30. If an initial assessment confirms the suspicion that a fraud has been perpetrated or attempted, management should follow the procedures provided in the Department's **Fraud Response Plan**.
31. Investigators should have access to all staff, records and premises in order to carry out investigations.

## **NICS Group Fraud Investigation Service (GFIS)**

32. A Service Level Agreement has been signed with the NICS Central Fraud investigation service, FIS is responsible for providing DCAL with a provisional fraud investigation service which complies with the necessary legislative framework (e.g. PACE/CPIA etc) professional standards and recognised best practice Contact details are provided at Appendix IV.
33. FIS provide the following support for DCAL (including ALBS):

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- attending case conferences with the Client to discuss initial information/allegations/concerns;
  - assisting the Client in assessing the need for a preliminary/full investigation to be undertaken;
  - developing the Terms of Reference and investigation plan for individual cases being investigated in line with the scope agreed with the Client/department;
  - carrying out required investigatory work;
  - reporting at key points to the relevant Client on progress and findings;
  - providing advice/recommendations to the Client on the appropriate actions to be taken e.g. referral to police, recovery options etc ;
  - liaising with PSNI, PPS, Forensic Science and other specialists as required;
  - producing evidence packs for PSNI investigation or the preparation of prosecution files for PPS direction;
  - attendance at court/tribunal hearings etc;
  - where required, working with departmental Internal Audit teams and other specialists in the investigation of fraud cases;
  - maintaining a professionally qualified investigatory team of staff to undertake investigations;
  - liaising with Clients in respect of any PR/media issues;
  - providing feedback on lessons learned from investigations e.g. procedural/legislative weaknesses;
  - liaison with HR in respect of cases involving employees; and
  - subject to availability of resources, the provision of fraud awareness seminars.

34. **Business areas who are considering seeking FIS advice, guidance or support should contact the Finance Director/EG in the first instance.**

## **The National Fraud Initiative**

35. The Department participates in the National Fraud Initiative (NFI) data matching exercise which is carried out by the Audit Commission (on behalf of the Comptroller & Auditor General) on a 2 year cycle. The purpose of the exercise is to prevent and help detect instances of fraud, over and under payments and other errors.

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36. Any actual, attempted and suspected fraud that is identified via NFI matches will be dealt with in line with the Fraud Response Plan.

## **Disciplinary Action**

37. After full investigation the Department will take legal and/or disciplinary action in all cases where it is considered appropriate. Any member of staff found guilty of a criminal act will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the Department on the grounds of gross misconduct.
38. It important to ensure that any fraud investigation and disciplinary action are not carried out by the same personnel.
39. Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.
40. It is Departmental policy that in **all cases of fraud**, whether perpetrated or attempted by a member of staff or by external organisations or persons, the case will be referred to the PSNI at the earliest possible juncture. The Memorandum of Understanding between the Northern Ireland Public Sector and the PSNI refers and is available on the DFP website and within the Department's Fraud Response Plan.
41. Appropriate steps will be taken to recover all losses resulting from fraud, if appropriate through civil action.

## **Arrangements within Third Parties**

42. **Grant to 3<sup>rd</sup> Parties:** Where the Department is responsible for the award of grants to third party organisations, which operate autonomously, it is the responsibility of awarding branches to ensure that those bodies have in place suitable control systems which comply with the principles contained in this statement – firstly through the application process and secondly through the fulfilment of terms and conditions detailed in Letters of Offer. See grant guidance intranet link:

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[http://dcal.intranet.nigov.net/index/corporate\\_services\\_finance/governance\\_support\\_unit/content-newpage-8.htm](http://dcal.intranet.nigov.net/index/corporate_services_finance/governance_support_unit/content-newpage-8.htm)

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44. **Arm's Length Bodies:** It is the responsibility of each ALB to have its own Fraud Prevention Policy incorporating the Bribery Act 2010, a Fraud Response Plan and a Raising Concerns/Whistleblowing Policy which should all comply with DFP and DCAL guidance.

The responsibility for reporting frauds rests with the Chief Executive for each body.

Each ALB should ensure fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant staff on an annual basis

ALBs are required to report all suspected or proven frauds to the Department in accordance with the guidance contained in their MSFM (via completion of Schedule V), who will in turn inform DFP and the NIAO. This reporting process is detailed within the Departmental Fraud Response Plan.

## **Malicious Allegations**

45. If an allegation is made frivolously, in bad faith, maliciously or for personal gain, disciplinary action may be taken against the person making the allegation.

## **Conclusion**

46. It is appreciated that the circumstances of individual frauds will vary. The Department takes fraud very seriously, taking a zero tolerance approach, and will ensure that all cases of actual or suspected fraud, including attempted fraud, are vigorously and promptly investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential for fraud.

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47. Any queries in connection with this policy document should be directed to the Director of Finance.
  48. Internal Audit is available to offer advice and assistance on risk management/ internal control issues.
  49. Current contact details are provided in [Appendix IV](#).

## Indicators of Fraud

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### ***Indicators of Fraud***

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business climate
- Profitability declining
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Related party transactions
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- Lack of Board oversight
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not maintained or can't be balanced
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debts
- Offices with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems
- Conflicts of interest
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Excessive ambition
- Apparent lack of ambition

**Indicators of Fraud**

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***Indicators of Fraud (Continued)***

- Poor morale
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Personal creditors appearing at the workplace
- Non taking of leave
- Excessive overtime
- Large backlogs in high risk areas
- Lost assets
- Unwarranted organisation structure
- Absence of controls and audit trails.
- Socialising with clients – meals, drinks, holidays
- Seeking work for clients
- Favourable treatment of clients – eg allocation of work
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose – eg Leasing capital equipment instead of purchasing them

**Corporate Fraud**

- Lack of thorough investigations of alleged wrongdoing
- Pecuniary gain to organisation – but no personal gain

## Common Methods and Types of Fraud

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### ***Common Methods and Types of Fraud***

- Payment for work not performed
- Forged endorsements (including cheques, insurance policies etc)
- Altering amounts and details on documents
- Collusive bidding
- Overcharging
- Writing off recoverable assets or debts
- Unauthorised transactions
- Selling information
- Altering stock records
- Altering sales records
- Cheques made out to false persons
- False persons on payroll
- Theft of official purchasing authorities such as order books
- Unrecorded transactions
- Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- Cash stolen
- Supplies not recorded at all
- False official identification used
- Damaging/destroying documentation
- Using copies of records and receipts
- Using imaging and desktop publishing technology to produce apparent original invoices
- Charging incorrect amounts with amounts stolen
- Transferring amounts between accounts frequently
- Delayed terminations from payroll
- Bribes
- Over claiming expenses
- Skimming odd pence and rounding
- Running a private business with official assets
- Using facsimile signatures
- False compensation and insurance claims
- Stealing of discounts
- Selling waste and scrap.

***Examples of Good Management Practices Which May Assist in Combating Fraud***

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques
- Regulations governing contracts and the supply of goods and services are properly enforced
- Accounting records provide a reliable basis for the preparation of financial statements
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- A strong internal audit presence
- Management encourages sound working practices
- All assets are properly recorded and provision is made known or expected losses
- Accounting instructions and financial regulations are available to all staff and are kept up to date
- Effective segregation of duties exists, particularly in financial accounting and cash/securities handling areas
- Close relatives do not work together, particularly in financial, accounting and cash/securities handling areas
- Creation of an organisational climate to promote ethical behaviour
- Act immediately on internal/external auditor's report to rectify control weaknesses
- Review, where possible, the financial risks of employees
- Issue accounts payable promptly and follow-up any non-payments
- Set standards of conduct for suppliers and contractors
- Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- Review large and unusual payments
- Perpetrators should be suspended from duties pending investigation
- Proven perpetrators should be dismissed without a reference and prosecuted
- Query mutilation of cheque stubs or cancelled cheques
- Store cheque stubs in numerical order
- Undertake test checks and institute confirmation procedures

## Combating Fraud

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### Examples of Good Management Practices Which May Assist in Combating Fraud (Continued)

- Develop well defined procedures for reporting fraud, investigating fraud and dealing with perpetrators
- Maintain good physical security of all premises
- Randomly change security locks and rotate shifts at times (if feasible and economical)
- Conduct regular staff appraisals
- Review work practices open to collusion or manipulation
- Develop and routinely review and reset data processing controls
- Regularly review accounting and administrative controls
- Set achievable targets and budgets, and stringently review results
- Ensure staff take regular leave
- Rotate staff
- Ensure all expenditure is authorised
- Conduct periodic analytical reviews to highlight variations to norms
- Take swift and decisive action on all fraud situations
- Ensure staff are fully aware of their rights and obligations in all matters concerned with fraud

**Contact Details**

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**Contact Details**

<b>Name</b>	<b>Designation</b>	<b>Telephone Number</b>
David Carson	Director of Finance	90515173 (Ext 75173)
John Hinds	Head of Equality and Governance	90515027 (Ext 75027)
Tracey McCavigan	Head of Internal Audit	91279494 (Ext 59494)
Michelle Anderson	NICS Group Head of Internal Audit and Fraud Investigation Services	90424410 (Ext 24410)