

SI0917

Anti-Fraud Policy and Fraud Response Plan

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This Service Instruction outlines the Anti-Fraud Policy and Fraud Response Plan and the areas of responsibility for managing the risk of fraud and the procedures to be followed in the event of fraud, or attempted fraud, being suspected.

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1. Introduction

Fraud is an ever-present threat to the effective utilisation of resources and should always be an important concern for all members of the organisation. The Police Service of Northern Ireland (PSNI) requires that all Police Officers, Staff, Contractors and Agency Non Police Personnel (NPP) must be honest and act with integrity at all times, as set out in the [PSNI Code of Ethics](#), the [NICS Code of Ethics](#) and the [Nolan Principles – The Seven Principles of Public Life](#) (see [Appendix A](#)).

Organisational and personal integrity is a prerequisite for community confidence in Policing.

The PSNI has a zero tolerance approach to fraud. Cases will be thoroughly investigated and appropriate action will be taken to recover monies lost as a result of fraud within the organisation. This Service Instruction has been prepared to act as a procedural guide to be followed in the event of suspected or actual fraud.

2. What is Fraud

The [Fraud Act 2006](#) contains a general offence of fraud which can be committed in three ways:

- False representation;
- Failing to disclose information; or
- Abuse of position.

The [Fraud Act 2006](#) also includes offences of obtaining services dishonestly and of possessing, making and supplying articles for use in frauds.

Fraud covers an act of deception carried out for personal gain or to cause loss to another party, which in this instance is the PSNI. It may involve:

- Manipulation, falsification or alteration of records or documents;
- Suppression or omission of the effects of transactions from records or documents;
- Recording of transactions without substance;
- Misappropriation (theft) or wilful destruction or loss of assets including cash;
- Deliberate misapplication of accounting or other regulations or policies;

- Bribery and corruption¹;
- Deception and collusion;
- Money laundering; and
- Computer fraud, i.e., fraud in which IT equipment is used to manipulate computer programmes or data.

3. Managing the Risk of Fraud

The Chief Constable (Accounting Officer) has overall responsibility for managing the risk of fraud. They are responsible for establishing and maintaining a sound system of internal control that supports the achievement of PSNI policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that an organisation faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively.

Managing fraud risk will be seen in the context of the management of this wider range of risks. This has been delegated to

the Assistant Chief Officer (ACO) of Corporate Services. Responsibilities of the ACO include:

- Promoting an anti-fraud culture;
- Establishing a Fraud Policy Statement and communicating the approach to fraud;
- Regularly reviewing assessments of fraud risk at organisational and operational levels;
- Designing an effective control environment to prevent fraud, proportional to the risk;
- Reporting suspected or detected fraud;
- Disseminating lessons learnt from serious cases; and
- Liaising with the Audit and Risk Assurance Committee.

Managing the risk of Fraud is the responsibility of all staff. However the primary responsibility for the prevention and detection of fraud in the Police Service rests with line management.

¹ Corruption, which includes bribery, is the abuse of a public or private office for financial gain or the avoidance of personal loss ([Bribery Act 2010](#)).

In order to exercise their responsibility in an effective manner, management have the responsibility to design and implement systems within their area of responsibility which have satisfactory internal controls that are operating effectively, thereby ensuring that:

- Information used to monitor performance and take decisions is complete, accurate and reliable;
- Policies, plans, procedures and regulations are adhered to;
- Resources are used efficiently, effectively and economically;
- Assets are safeguarded;
- The organisation's objectives are achieved; and
- There is adequate segregation of duties to ensure that total control of a key function is not vested in one individual.

Further sources of information on how to manage the risk of fraud and guidelines to be adhered to are set out in [Appendix A](#) and [Appendix C](#).

4. Internal Reporting of Suspected or Actual Fraud

When any member of Staff (Police Officer or Police Staff) becomes aware of a suspected or actual fraud they must notify their Line Manager promptly. Line Management must complete the 'Initial Notifications of Fraud' template ([Appendix B](#)) and send on to the ACO Corporate Services or Director of Finance. If it is not appropriate to raise the concern with their Line Manager or Senior Line Management the matter should be brought directly to the attention of the ACO / Director of Finance.

In all instances cases of suspected or detected fraud should be reported to the ACO / Director of Finance in writing for onward reporting to the Head of Professional Standards Department (PSD). For those instances of suspected or detected fraud involving Police Staff, these will be further reported to the Head of Human Resources (HR) following an initial review by PSD. Details of the investigatory processes are provided in [Chapter 5 – Investigations](#).

If Staff become aware of wrongdoing there may be some circumstances where they are afraid to raise their concern, especially

if the case involves a more senior Officer / Staff member. The [Public Interest Disclosure \(Northern Ireland\) Order 1998](#) protects individuals from workplace retributions for raising a genuine concern, whether a risk to the public purse or other wrongdoing. [Service Instruction SI3117 – Whistleblowing](#) provides further guidance on this.

Another tool for reporting a concern confidentially to PSD is via Integrity Matters. Details on how to report a concern and using Integrity Matters can be found on the Professional Standards homepage.

Should PSD become aware of suspected or actual fraud prior to any notification by Line Management to the ACO Corporate Services or Director of Finance, PSD will complete the 'Initial Notifications of Fraud' template ([Appendix B](#)) and notify the ACO Corporate Services or Director of Finance.

It should be noted that Policer Officers have an obligation under the [PSNI Code of Ethics](#) to report suspected wrongdoing or misconduct of fellow Officers. Police Staff also have a responsibility under the [NICS Code of Ethics](#) to raise any concerns

regarding the behaviour or conduct of other members of the organisation.

In accordance with [Managing Public Money Northern Ireland](#) (Chapter 4.7) the Director of Finance is responsible for the external reporting of all suspected or actual fraud within or against the PSNI to the Department of Justice, for onward reporting to the Comptroller and Auditor General, Northern Ireland Audit Office (NIAO) and the Department of Finance (DoF).

5. Investigations

All misconduct investigations of Police Officers will be undertaken by Professional Standards Department. The Professional Standards homepage provides further details on the investigative process. Where there is a criminal element, this will be investigated by the particular PSNI department for which the offence is normally investigated as per the PSNI Case Allocation Policy.

Investigations of Police staff will be managed by Human Resources (HR). Following a preliminary investigation, any case to be answered will be considered under the relevant policy. Any potential criminal concerns from HR involving a member of Police staff will be referred to

PSD to review and allocated for investigation as per the PSNI Case Allocation Policy.

6. External Reporting

As referenced in [Chapter 4 – Internal Reporting of Suspected or Actual Fraud](#), there is a requirement for external reporting of fraud. Additionally there is a reporting requirement to the Department of Justice for regular updates on the progress of all investigations.

Professional Standards Department will provide an update on the progress of investigations to the Director of Finance (DoF) on a quarterly basis, or as required by the nature of the investigation.

A six monthly report will be made to the PSNI Audit and Risk Assurance Committee on all reported fraud (suspected or actual). In addition, the PSNI will comply with the requirements to complete an annual fraud return to the Department of Finance.

7. Review & Monitoring

In all cases of fraud (suspected or actual) there is a requirement that systems, processes, and procedures are reviewed to ascertain if a breakdown in internal controls or other operational weaknesses exist. Line management in the relevant areas should ensure that any identified issues are addressed accordingly and appropriate action is taken to rectify the issue.

8. Recovery of Losses

Appropriate steps will be taken to recover all losses resulting from fraud. The mechanism for recovery of losses will be determined in consultation with Human Resources, Professional Standards Department, and Finance. Advice and guidance may be sought from PSNI Legal Services and referring to [Managing Public Money Northern Ireland](#).

Appendix A – Nolan Principles – The Seven Principles of Public Life

The seven principles below were identified in the first report of the Nolan Committee and should be the hallmark of all Public Servants' behaviour. They apply equally to Temporary Staff, Secondees and Contractors working within the Department.

| | |
|------------------------------|--|
| <p>Selflessness</p> | <p>Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.</p> |
| <p>Integrity</p> | <p>Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.</p> |
| <p>Objectivity</p> | <p>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.</p> |
| <p>Accountability</p> | <p>Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.</p> |
| <p>Openness</p> | <p>Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.</p> |

| | |
|-------------------|--|
| Honesty | Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest. |
| Leadership | Holders of public office should promote and support these principles by leadership and example. |

Appendix B – Notification Template

| | | |
|-----|---|---|
| 1. | Unique fraud reference number | <i>e.g. 2015/16 – XXXX1</i> |
| 2. | Department | Department of Justice |
| 3. | Name of body (e.g. Agency or NDPB) | |
| 4. | Specific location of fraud (e.g. name of site) | |
| 5. | Date fraud or suspected fraud discovered | |
| 6. | Is the case being reported as actual, suspected or attempted fraud? | <i>State Actual, Suspected or Attempted</i> |
| 7. | Type of fraud? | <i>State as per options listed in note 1 overleaf</i> |
| 8. | What was the cause of the fraud? | <i>State as per options listed in note 2 overleaf</i> |
| 9. | Brief outline of case | |
| 10. | Amount of lost or estimated value? | |
| 11. | How was the fraud discovered? | <i>State as per options listed in note 3 overleaf</i> |
| 12. | Who perpetrated the fraud? | <i>State as per options listed in note 4 overleaf</i> |
| 13. | Has PSNI been notified? | <i>Yes or No</i> |
| 14. | Any other action taken so far? | <i>State as per options listed in note 5 overleaf</i> |

| | | |
|-----|--|--|
| 15. | Contact details for this fraud in case follow-up is required | <i>Name:</i> <i>Telephone:</i> <i>Email:</i> |
|-----|--|--|

Notes

1. Types of fraud

- Grant related
- Theft of assets (please state type of asset eg cash, laptop, oil, tools, camera)
- Payment process related
- Income related
- Pay or pay related allowances
- Travel and subsistence
- Pension fraud
- Contractor fraud
- Procurement fraud
- False representation
- Failure to disclose information
- Abuse of position
- Other (please specify)

2. Causes of fraud

- Absence of proper controls
- Failure to observe existing controls
- Opportunistic
- Unknown

3. Means of discovery of fraud

- Normal operation of control procedures
- Whistleblowing (please state internal or external)
- Internal Audit

- External
- Computer analysis/National Fraud Initiative
- Other means (please specify)

4. Perpetrators of Fraud

- Internal staff member
- Contractor
- Funded body/grant applicant
- Other third party (please specify)
- Collusion between internal and external parties
- Too early to determine
- Unknown

5. Other actions taken

- Controls improved
- Control improvements being considered
- Too early to determine
- No action possible
- Disciplinary action
- Prosecution

Appendix C – Additional Guidance and Information

Possible Indicators of Fraud

1. Missing expenditure vouchers and unavailable official records
2. Crisis management coupled with a pressured business climate
3. Profitability declining
4. Excessive variations to budgets or contracts
5. Refusals to produce files, minutes or other records
6. Related party transactions
7. Increased employee absences
8. Borrowing from fellow employees
9. An easily led personality
10. Covering up inefficiencies
11. Lack of Board oversight
12. No supervision
13. Staff turnover is excessive
14. Figures, trends or results which do not accord with expectations
15. Bank reconciliations are not maintained or can't be balanced
16. Excessive movement of cash funds
17. Multiple cash collection points
18. Remote locations
19. Unauthorised changes to systems or work practices
20. Employees with outside business interests or other jobs
21. Large outstanding bad or doubtful debts
22. Poor morale
23. Excessive control of all records by one Officer
24. Poor security checking processes over staff being hired
25. Unusual working hours on a regular basis
26. Refusal to comply with normal rules and practices
27. Non taking of leave
28. Excessive overtime
29. Large backlogs in high risk areas

30. Lost assets
31. Lack of thorough investigations of alleged wrongdoing
32. Offices with excessively flamboyant characteristics
33. Employees suffering financial hardships
34. Placing undated/post-dated personal cheques in petty cash
35. Employees apparently living beyond their means
36. Heavy gambling debts
37. Signs of drinking or drug abuse problems
38. Conflicts of interest
39. Lowest tenders or quotes passed over with scant explanations recorded
40. Managers bypassing subordinates
41. Subordinates bypassing managers
42. Excessive generosity
43. Large sums of unclaimed money
44. Large sums held in petty cash
45. Lack of clear financial delegations
46. Secretiveness
47. Apparent personal problems
48. Marked character changes
49. Excessive ambition
50. Apparent lack of ambition
51. Unwarranted organisation structure
52. Absence of controls and audit trails
53. Socialising with clients – meals, drinks, holidays
54. Seeking work for clients
55. Favourable treatment of clients – e.g. allocation of work
56. Personal creditors appearing at the workplace
57. Altering contract specifications
58. Contract not completed to specification
59. Contractor paid for work not done
60. Grants not used for specified purpose, e.g. leasing capital equipment instead of purchasing them

Common Methods and Types of Fraud

1. Payment for work not performed
2. Forged endorsements
3. Altering amounts and details on documents
4. Collusive bidding
5. Overcharging
6. Writing off recoverable assets or debts
7. Unauthorised transactions
8. Selling information
9. Altering stock records
10. Altering sales records
11. Cheques made out to false persons
12. False persons on payroll
13. Theft of official purchasing authorities such as order books
14. Unrecorded transactions
15. Transactions (expenditure/receipts/deposits) recorded for incorrect sums
16. Cash stolen
17. Supplies not recorded at all
18. False official identification used
19. Damaging/destroying documentation
20. Using copies of records and receipts
21. Using imaging and desktop publishing technology to produce apparent original invoices
22. Transferring amounts between accounts frequently
23. Delayed terminations from payroll
24. Bribes
25. Over-claiming expenses
26. Skimming odd pence and rounding
27. Running a private business with official assets
28. Using facsimile signatures
29. False compensation and insurance claims
30. Stealing of discounts

31. Selling waste and scrap.

Examples of Good Management Practice which may assist in Combating Fraud

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

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

Appendix D – Contact Us

Service Instruction Author

Assistant Director Finance

Branch e-mail

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