

INVEST NORTHERN IRELAND

FRAUD RESPONSE PLAN

Introduction

1. Invest NI has prepared this Fraud Response Plan to act as a procedural guide and provide a checklist of the required actions, which must be followed, in the event of a fraud, or attempted fraud, being suspected.
2. As detailed in Invest NI's Anti-Fraud Policy, Invest NI will not tolerate any level of fraud or corruption; and requires all staff, at all times, to act honestly and with integrity, and to safeguard the public resources for which they are responsible.
3. Adherence to this plan will ensure that timely and effective action is taken to prevent further losses, maximise the recovery and minimise recurrence of losses, identify the fraudsters and maximise the success of any disciplinary/legal action taken.
4. The overarching theme of this plan is '**IF IN DOUBT, ASK FOR ADVICE**'. This applies at any point in an investigation. Details of contacts are provided in paragraphs 17, 20 and 22 below.

Preliminary Stage

5. In the event of a fraud, attempted fraud or other illegal act being suspected, the member of staff should immediately report the matter to their Divisional Manager (Grade 7) / Divisional Director (Grade 5). If there is concern that line management may be involved, the matter should be reported to the next appropriate level. Alternatively, the HR Director, Finance Director, Invest NI's internal auditors (Internal Audit Service of DETI) should be contacted.
6. The Divisional Manager / Director should consult the HR Director (for internal fraud) and Finance Director (for external fraud) to decide on undertaking an initial exercise to ascertain the facts and the scope of such exercise. This discreet enquiry should be carried out as speedily as possible and certainly within 24 hours of the suspicion being raised.

Where the suspected fraud involves the use of computers, advice must be sought from the IT Manager / IT Security Officer before access or removal of computer equipment is attempted.

7. The purpose of the initial fact-finding exercise is to determine the factors that gave rise to the suspicion and to clarify whether a genuine mistake has been made or if it is likely that a fraud has been attempted or occurred. This may involve discreet enquiries with staff or the examination of documents. **It is imperative that such**

enquiries should not prejudice subsequent investigations or corrupt evidence, therefore, IF IN DOUBT, ASK FOR ADVICE.

All procedures taken and findings must be properly documented.

8. If the preliminary enquiry confirms that a fraud may have been attempted or perpetrated, but reveals that internal controls are deficient, Divisional management should review their control systems to ensure they are adequate and effective. Invest NI Finance and Internal Audit Service are available to offer advice and assistance on matters relating to internal control, if required.

Formal Reporting Stage

9. If the preliminary enquiry confirms the suspicion that a fraud has been attempted or perpetrated, management must ensure that all original documentation and computer based files are preserved in a safe place for further investigation. This is to prevent the loss of evidence, which may be essential to support subsequent disciplinary action or prosecution.

The facts should be discussed with the HR Director (for internal fraud) and Finance Director (for external fraud) who will report immediately to Internal Audit Service, Invest NI's Top Management Team and Audit Committees where appropriate.

10. To remove any threat of further fraud or loss, management should immediately change/strengthen procedures and if appropriate, inform Finance to suspend any further payments pending full investigation.

Action Required for Internal Fraud

11. Where there is the suspicion of staff being involved (internal fraud) the Divisional Manager / Director should notify the HR Director immediately.
12. The HR Director (in conjunction with the Finance Director if appropriate) will decide on the appropriate course of action including the full formal investigation arrangements. The terms of reference of such investigations should not be determined by the management of the business unit / division, instead it should be determined by officers who are independent from the business unit / division, such as Invest NI Internal Audit Committee or Board Audit Committee members.

Should further expertise be required, e.g. Specialist Fraud Investigators, Solicitors, Forensic Accountants/Engineers, the HR Director or Finance Director will engage the appropriate assistance. Other best practice guidance is contained in DAO (DFP) 22/05.

13. It is Invest NI's policy to suspend an individual suspected of fraudulent activity at the earliest juncture. Suspension itself does not imply guilt – it is simply another safeguard to prevent the removal or destruction or alteration of evidence.

Action Required for External Fraud

14. Where a fraud is suspected involving an external organisation or individual, it is management's responsibility to determine, having consulted with the Finance Director, an appropriate course of action. If there is sufficient evidence, the Finance Director, in consultation with Internal Audit Service, will notify the police. Thereafter, the investigation will be guided by police advice.
15. For a fraud occurring outside the jurisdiction of the UK advice should be sought by the Finance Director from the Head of Internal Audit Service as to the appropriate authorities to be notified.

Liaison with the Police Service of Northern Ireland

16. The HR Director (for internal fraud) and the Finance Director (for external fraud) should ensure that legal and/or police advice is sought where necessary. The Police Service of Northern Ireland Economic Crime Bureau, based at Strandtown PSNI Station, Belfast, is available to give advice and/or guidance in cases where fraud is suspected. Where actual or attempted fraud is confirmed and is of a large or complex nature, the Economic Crime Bureau is capable of carrying out investigations. Smaller cases may be referred to the local police.
17. A Memorandum of Understanding (MOU) between the Northern Ireland Public Sector and the PSNI was formally signed on 30 October 2006. The MOU sets out a basic framework for the working relationship between the PSNI and the Public Sector in respect of the investigation and prosecution of fraud cases. Its aim is to ensure consistency in the way fraud cases are investigated across the range of public sector bodies and a more targeted approach to criminal prosecution cases. A detailed Acceptance Criteria and Evidence Pack, in support of the MOU, are included at Annex 1. Details of the arrangement are contained in DAO (DFP) 13/06 and DAO (DFP) 14/06.

Investigation of Suspected Fraud

18. The following best practice guidance will be applied (as appropriate) during any suspected fraud investigation.
 - Consideration should be given to investigating all aspects of the suspected officer's work, not just the area where the fraud was discovered.
 - The investigation will cover the period the officer was responsible for the processes under investigation but consideration should also be given to investigating earlier periods of employment.
 - Potential evidence, including computer files and record of amendments relevant to the case should be retained securely (in compliance with PACE requirements) and not disposed of per normal routine procedures for disposal.

- Control weaknesses discovered in procedures during the investigation should be strengthened immediately to ensure that similar frauds or attempted frauds will not recur.
- The extent of any supervisory failures should be examined.

Post Event Action

19. Where a fraud, or attempted fraud, has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds or attempted frauds will not recur. Additionally, if an employee is suspected of involvement, the HR Director will consider the appropriate course of action. This may range from close monitoring/supervision to precautionary suspension. However, it should be noted that suspension does not in any way imply guilt.
20. Invest NI Finance and Internal Audit Service are available to offer advice and assistance on matters relating to internal control, if considered appropriate.
21. Following an investigation, a report will be compiled by the investigating team, documenting lessons learned from all aspects of the fraud or attempted fraud, i.e. the cause, how it was detected, the investigation process and how similar frauds or attempted frauds can be prevented in future. The report will be circulated, as appropriate.

Reporting Arrangements

22. The Head of Internal Audit is responsible for notifications to DFP at the Fraud and Internal Audit Policy Branch (FIAP) and the Comptroller and Auditor General about all discovered fraud, proven or suspected, including attempted fraud, within or against Invest NI and its associated companies.

23. All frauds (suspected and proven), both internal and external, must be reported promptly in writing by HR (for internal fraud) and Finance (for external fraud) to the Head of Internal Audit to allow compliance with reporting arrangements.

This guidance relates to frauds and suspected frauds affecting all public funds (including EU funds) and other assets, (not just mainstream funds) and applies to funds dispersed to voluntary and other intermediary/third party organisations. The guidance also includes those suspected and proven frauds in organisations/companies supported with public funds from voluntary and/or other intermediary/third party organisations funded by Invest NI. Therefore, the Head of Internal Audit should be notified immediately of all such frauds.

In cases where the full facts have not been established Invest NI has agreed to issue a preliminary notification (if required) to the Comptroller & Auditor General stating that a suspected fraud has been detected. The Head of Internal Audit will also notify the Finance Director, relevant senior management and Accounts Branch about all cases.

24. Invest NI Finance will continue to be responsible for compiling the annual return of frauds to DETI and DFP (Fraud and Internal Audit Policy). Section 5 of GANI defines requirements.

Conclusion

25. Any queries in connection with this response plan should be made to HR Director (Mr. Liam Hagan ext. 8338), Finance Director (Mr. Mel Chittock ext. 8639) or Internal Audit Service (Mr. Alan Magee).

REFERRAL TO PSNI: ACCEPTANCE CRITERIA

1. These criteria set out the conditions necessary for a suspected fraud case to be referred to the PSNI. **However, the decision to accept a case for investigation rests fully with the PSNI who will provide their decision in writing.**
 - It must be established that there are reasonable grounds to believe that a criminal offence has been committed.
 - Deliberate criminal intent needs to be clearly defined. The fraud needs to be more than an error or omission.
 - The allegations should concern recent events and should not have become stale by reason of age. Incidents, which are over two years old before discovery, need to be judged individually on their merits, including availability of documentary evidence and the reliability of witness evidence.
 - To comply with the rules governing disclosure, the department/body will identify and preserve all original documents and other exhibits relating to any intended complaint.
 - The department/body should be prepared to supply all original relevant documents and exhibits to the police if an investigation is accepted and commenced. Such evidential material should be securely held, in accordance with PACE provisions, before formal hand over to the PSNI.

PSNI AGREED FORMAT OF EVIDENCE PACK

1. Evidential packages should contain a detailed summary of all relevant information surrounding the allegations made. This should include the nature of the allegations against the suspect, including the full name, address and date of birth of the suspect.

2. The package should also include: -
 - All available details of any other parties suspected of involvement in the alleged fraud, including the reasons for the suspicions;

 - A brief summary of the allegations including estimated values of alleged crime and relevant dates;

 - A full description of the nature of the crime and the circumstances surrounding it. This should include full details of any investigations already undertaken by the department/body or anyone acting on their behalf;

 - Copies of all relevant documents, each individually numbered and identified in the summary;

 - Copies of all statements obtained from suspects;

 - Names and addresses of all witnesses identified at the time of reporting to the police, including copies of any statements;

 - Any police reference numbers, which may already apply to any part of the case; and

 - A name and contact point.