

## Audit and Governance Committee Paper

<b>Paper Title:</b>	<b>Finance policies</b>
<b>Paper Number:</b>	[AGC (18/03/2015) 444 SG]
<b>Meeting Date:</b>	18 March 2015
<b>Agenda Item:</b>	<b>5</b>
<b>Author:</b>	Sue Gallone
<b>For information or decision?</b>	Decision
<b>Recommendation to the Committee:</b>	To note developments of Finance polices. To comment on and approve the Counter-fraud and anti-theft policy
<b>Evaluation</b>	To be reviewed annually

## Background

1. Finance policies set out the principles and rules governing key areas of finance activity. The whole suite of policies, instructions from the Department of Health, accounting policies set out in the annual report and accounts, Standard Operating Procedures (SOPs) for the finance team and intranet guidance for staff, has been known in the HFEA as Standing Financial Instructions.
2. A key document in use in the HFEA was the Financial procedures. This included policies and procedures for a range of finance topics, including travel and subsistence and procurement. It was not always easy for staff to find the information they needed and there have been plans to update this for some time. In 2014 the HFEA requested that internal Audit provided advice to inform the update.
3. The Financial procedures have been replaced by a range of policies, supplemented by SOPs and guidance provided in the intranet. This approach, and the content of the policies, takes account of staff views and Internal Audit advice.

## Finance policies

4. The policies now in use are:

Reserves – approved by AGC in October 2014

Expenses – approved by CMG in September 2014

Budgetary control – approved by CMG in February 2015

Procurement (including tendering) – approved by CMG in February 2015

Counter-fraud and Anti-theft – presented to AGC in March 2015

Licence fees – in progress

5. The policies for Reserves and Counter-fraud and anti-theft are presented to AGC for approval, as is the Whistleblowing policy (an HR policy). AGC review the accounting policies set out in the annual report and accounts, annually. In this way AGC can fulfil their duty of advising the Accounting Officer and Authority that suitable arrangements are in place for anti-fraud and whistleblowing and that there are proper accounting policies in place.

## Counter-fraud and anti-theft policy

6. The policy has been reviewed and minor updates made. It is enclosed with this paper.
7. The key changes have been to:
  - Include specific reference to theft and bribery
  - Reflect the role of and assistance available from the DH Anti-fraud Unit
  - Make general updates to reflect current HFEA roles
  - Streamline the policy

## Recommendation

8. That AGC notes the developments of Finance policies and approves the Counter-fraud and anti-theft policy.



# Human Fertilisation & Embryology Authority

## Counter Fraud and Anti Theft Policy

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In this policy:

### Counter Fraud and Anti-Theft Strategy

- ▶ 1 Introduction
- ▶ 2 Protecting the HFEA from the risk of Fraud and Theft

### Counter Fraud and Anti-Theft Policy

- ▶ 3 Introduction
- ▶ 4 Definitions of Fraud and Theft
- ▶ 5 Avenues for Reporting Fraud and Theft
- ▶ 6 Responsibilities
- ▶ 7 References

## 1. Introduction

- 1.1 This strategy has been produced in order to promote and support the framework within which the HFEA tackles fraud and theft. It sets out the aim and objectives of the HFEA with respect to countering fraud and theft, whether it is committed externally or from within. Awareness of, and involvement in, counter-fraud and anti-theft work should be a general responsibility of all, and the support of all staff is needed with clear direction from the CEO that there will be a zero-tolerance attitude to fraud within the HFEA.

### Definitions

- 1.2 Fraud has three general elements: false representation; failing to disclose information; and abuse of position. Fraud includes obtaining services dishonestly and possessing, together with making and supplying articles for use in frauds, and can encompass forgery, computer misuse and corruption. A person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

### Aim

- 1.3 It is the HFEA's aim to generate a counter-fraud and anti-theft culture that promotes honesty, openness, integrity and vigilance in order to minimise fraud and theft and its cost to the HFEA.

### Objectives

- 1.4 In respect of the risk of fraud and theft, the HFEA seeks to:
- promote and support an counter-fraud and anti-theft culture;
  - deter, prevent and discover fraud and theft effectively;
  - carry out prompt investigations of suspected fraud and theft;
  - take effective action against individuals committing fraud and theft;
  - support the core values and principles set out in the *Civil Service Code*.

## 2. Protecting the HFEA from the Risk of Fraud and Theft

### Promoting and supporting an counter-fraud and anti-theft culture

- 2.1 The HFEA seeks to foster an counter-fraud and anti-theft culture in which all staff are aware of what fraud and theft are, and what actions constitute fraud and theft. Staff should know how to report suspicions of fraud and theft with the assurance that such

suspicious will be appropriately investigated, and any information supplied will be kept in confidence.

2.2 Two key elements of an effective anti-fraud and theft culture are promotion and awareness, to ensure staff understand what fraud and theft is and know what standards of behaviour are expected. This will be achieved on an ongoing basis through:

- Staff inductions to ensure all new starters are clear about the HFEA's attitude to fraud and theft, and who they should contact if they have any suspicions;
- in house presentations to provide information on the nature of fraud and theft, and how it applies to the HFEA and its employees;
- case studies to provide real examples of frauds and thefts and to demonstrate its prevalence within public sector organisations;
- maintenance of up to date policies and procedures, to ensure that the roles and responsibilities of all staff are clear, with special emphasis placed on the process for reporting suspicions of fraud and theft.

### **Deterring, preventing and discovering fraud and theft**

2.3 The preferred way of minimising fraud and theft is to deter individuals from trying to perpetrate a fraud or theft in the first place. A counter-fraud and anti-theft culture whereby such activity is understood as unacceptable, combined with effective controls to minimise the opportunity for fraud and theft, can serve as a powerful deterrent. The main deterrent is often the risk of being caught and the severity of the consequences. One of the most important aspects about deterrence is that it derives from perceived risk and not actual risk.

2.4 If it is not possible to deter individuals from committing frauds and thefts, then the next preferable course of action is to prevent them from succeeding before there is any loss. Potential/possible frauds and thefts will be identified and investigated through a defined counter-fraud and anti-theft assurance programme addressing the areas where the HFEA is most vulnerable to fraud and theft. Any gaps in control or areas where controls are not being applied properly that are identified by this work will be addressed accordingly.

2.5 It is the responsibility of managers to ensure that there are adequate and effective controls in place. Internal Audit can provide assurance on the adequacy and effectiveness of such controls. In addition to the annual programme of internal audits (which provide

assurance on the controls identified in the Strategic and Operational Risk Registers), Internal Audit will also carry out advisory work on request, and seek to ensure appropriate controls are built into new systems and processes through its project assurance role.

- 2.6 It will not always be possible to prevent frauds and thefts from occurring. Therefore, the HFEA must have the means to discover frauds and thefts at the earliest opportunity. All staff should be vigilant and aware of the potential for fraud and theft and report any suspicions in accordance with the HFEA's Whistle Blowing Policy.

#### **Prompt investigation of suspected frauds and thefts**

- 2.7 All suspected and actual frauds and thefts will be investigated promptly in line with the Whistleblowing Policy in the first instance. The effective investigation of suspected and actual frauds and thefts depends upon the capability of the appropriate staff conducting these investigations. The Department of Health Anti-fraud Unit have the necessary skills to investigate once initial information has been obtained.
- 2.8 Unless inappropriate in all the circumstances, initial investigations will normally be undertaken by the following post holders:

<b>Allegation against :</b>	<b>Investigated by :</b>
Directors	Chief Executive
Chief Executive	Chair
Member	Chair
Audit Committee Member	Audit Committee Chair
Chair	Department of Health*

\*Via Senior Sponsor at the DH (currently Paul McNaught, Director, Health Science and Bioethics (tel. 0207 210 6304 / [paul.macnaught@dh.gsi.gov.uk](mailto:paul.macnaught@dh.gsi.gov.uk))

#### **Taking effective action**

- 2.9 In the case of a proven allegation of fraud or theft, effective action will be taken in respect of those investigated in accordance with the HFEA's Disciplinary Policies and Procedures. The HFEA will always seek financial redress in cases of losses to fraud and theft and legal action will be taken where appropriate.

# Counter Fraud and Anti Theft Policy

## 3. Policy Statement

- 3.1 The HFEA requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The HFEA will not accept any level of fraud, corruption or theft. Consequently, any suspicion or allegation of fraud or theft will be investigated thoroughly and dealt with appropriately. The HFEA is committed to ensuring that opportunities for fraud, corruption or theft are reduced to the lowest possible level.
- 3.2 Staff should have regard to related policy and procedures including (but not restricted to):
- a. Expenses policy
  - b. Procurement policy
  - c. Financial Procedures
  - b. HFEA Staff Handbook
  - c. Disciplinary and Whistle Blowing Policies
  - d. Registering Staff Gifts and Interests
  - e. Homeworking
- 3.3 This policy applies to all staff including contractors, temporary staff and third parties delivering services to and on behalf of the HFEA.
- 3.4 The circumstances of individual frauds and thefts will vary. The HFEA takes fraud and theft very seriously. All cases of actual or suspected fraud or theft against the HFEA will be thoroughly and promptly investigated and appropriate action will be taken.

## 4. Definitions of Fraud and Theft

- 4.1 The Fraud Act 2006 created the general offence of fraud which can be committed in various ways. The main areas are by false representation, by failing to disclose information where there is a legal duty to do so, and by abuse of position. It also created offences of obtaining services dishonestly and of possessing, making and supplying articles for use in frauds.

- 4.2 The term fraud also encompasses bribery - an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage. The advantage sought or the inducement offered does not have to be financial or remunerative in nature, and may take the form of improper performance of an activity or function. Further guidance is at <http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>
- 4.3 A person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

## 5. Avenues for reporting Fraud and Theft

- 5.1 The HFEA Whistle Blowing policy sets out how staff should report suspicions of fraud and thefts. All frauds, thefts, or suspicions of fraud or theft, of whatever type, should be reported in accordance with the Whistle Blowing policy. All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff and seeks to ensure that staff will not face any recriminations from voicing reasonably held suspicions.

## 6. Responsibilities

- 6.1 The responsibilities of HFEA staff in respect of fraud and theft are determined by the Treasury publication “Managing Public Money” (MPM), supplemented by the HFEA’s policies and procedures.

### Accounting Officer (Chief Executive)

- 6.2 As “Accounting Officer”, the Chief Executive is responsible for managing the organisation’s risks, including the risks of fraud and theft, from both internal and external sources. The risks of fraud or theft are usually measured by the probability of them occurring and their impact in monetary and reputational terms should they occur. In broad terms, managing the risks of fraud and theft involves:
- a. assessing the organisation’s overall vulnerability to fraud and theft;



- b. identifying the areas most vulnerable to fraud and theft;
- c. evaluating the scale of fraud and theft risk;
- d. responding to the fraud and theft risk;
- e. measuring the effectiveness of managing the risk of fraud and theft;
- f. reporting fraud and theft to the Department of Health;
- g. in consultation with the Director of Finance and Resources, Head of HR and Head of Legal, reporting any thefts against the HFEA to the police.

6.3 In addition, the Chief Executive must:

- a. be satisfied that the internal control applied by the HFEA conforms to the requirements of regularity, propriety and good financial management;
- b. ensure that adequate internal management and financial controls are maintained by the HFEA, including effective measures against fraud and theft.

6.4 The Chief Executive will be responsible for making a decision as to whether:

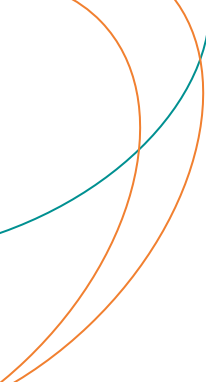
- a. an individual who is under suspicion of fraud or theft should be suspended;
- b. criminal or disciplinary action should be taken against an individual who is found to have committed a fraud or theft.

Such decisions should be taken in conjunction with the relevant Director and the Head of HR, with advice from the Head of Legal and Director of Finance and Resources where appropriate, to ensure consistency across the organisation. Should there be any disagreement over the appropriate action to be taken, the Chief Executive will be the final arbiter in deciding whether criminal or disciplinary action should be taken against an individual.

### Director of Finance and Resources

6.5 Responsibility for overseeing the management of fraud and theft risk within the HFEA has been delegated to the Director of Finance and Resources, whose responsibilities include:

- b. ensuring that the HFEA's use of resources is properly authorised and controlled;

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- c. developing fraud and theft risk profiles and undertaking regular reviews of the fraud and theft risks in order to ensure the HFEA can identify, itemise and assess how it might be vulnerable to fraud and theft;
  - d. evaluating the possible impact and likelihood of the specific fraud and theft risks the HFEA has identified and, from this, determining action to manage the HFEA's fraud and theft risks;
  - e. designing an effective control environment to prevent fraud and theft commensurate with the fraud and theft risk profiles. This will be underpinned by a balance of preventive and detective controls to tackle and deter fraud, corruption and theft;
  - f. ensuring that appropriate reporting of fraud and theft takes place within the organisation, to the Audit and Governance Committee and to the Department of Health;
  - g. measuring the effectiveness of actions taken to reduce the risk of fraud and theft, including by assurances from auditors and internal monitoring;
  - h. establishing the HFEA's response to fraud and theft risks including:
    - developing a counter-fraud and anti-theft policy and response arrangements;
    - developing and promoting a counter-fraud and anti-theft culture;
    - allocating responsibilities for the overall management of fraud and theft risks and for the management of specific fraud and theft risks so that these processes are integrated into management generally;
    - establishing cost-effective internal controls to detect and deter fraud and theft, commensurate with the identified risks;
    - developing skills and expertise to manage fraud and theft risk effectively and to respond to fraud and theft effectively when it arises;
    - establishing well publicised avenues for staff and members of the public to report their suspicions of fraud and theft;
    - responding quickly and effectively to fraud and theft when it arises using trained and experienced personnel to investigate where appropriate;

- establishing systems to monitor the progress of investigations;
  - referring suspected fraud cases to the Department of Health Anti-fraud Unit and drawing on their experience to strengthen control to reduce the risk of recurrence of frauds and thefts;
  - seeking to recover losses;
  - continuously evaluating the effectiveness of counter-fraud and anti-theft measures in reducing fraud and theft respectively;
  - working with stakeholders to tackle fraud and theft through intelligence sharing, joint investigations and so on.
- i. enforcing compliance with financial procedures across the organisation while guarding against fraud and theft and delivering continuous improvement in financial control;
  - j. In consultation with the Chief Executive, Head of HR and Head of Legal, reporting any thefts against the HFEA to the police.

### Management (Directors, Heads of service)

#### 6.6 Managers are responsible for:

- a. ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively, in order to assist in their role of preventing and detecting fraud and theft;
- b. assessing the types of risk involved in the operations for which they are responsible;
- c. reviewing and testing the control systems for which they are responsible regularly;
- d. ensuring that controls are being complied with and their systems continue to operate effectively;
- e. implementing new controls to reduce the risk of similar frauds and thefts taking place;
- f. ensuring that all expenditure is legal and proper and in accordance with policies and guidance;
- g. reporting any fraud, or suspicion of fraud in accordance with the Whistle Blowing Policy;

## Staff

- 6.7 All staff, individually and collectively, are responsible for avoiding loss and for:
- a. acting with 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;
  - b. acting in accordance with policies and guidance;
  - c. conducting themselves in accordance with the seven principles of public life set out in the first report of the Nolan Committee “Standards in Public Life”. These are:
    - Selflessness: Holders of public office should take decisions 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;
    - Integrity: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties;
    - Objectivity: In carrying out public business, including making public appointments or recommending individuals for rewards and benefits, holders of public office should make choices on merit;
    - Accountability: 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;
    - Openness: Holders of public office should be as open as possible about all the decisions and action that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it;
    - 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.
  - d. being alert to the possibility that unusual events or transactions could be indicators of fraud or theft;

- e. reporting details immediately through the appropriate channel if they suspect that a fraud or theft has been committed or see any suspicious acts or events;
  - f. co-operating fully with whoever is conducting internal checks or reviews, or investigations of fraud or theft.
- 6.8 Staff are specifically not responsible for investigating any allegations of fraud or theft. Suspicions should be reported in accordance with the HFEA's Whistle Blowing Policy.

### **Board Members**

- 6.9 Authority Members have a responsibility to:
- a. comply at all times with the Code of Conduct that is adopted by the Authority and with the rules relating to the use of public funds and to conflicts of interest, and declare any interests which are relevant and material to the HFEA;
  - b. not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
  - c. comply with the HFEA's rules on the acceptance of gifts and hospitality and of business appointments.

### **Internal Audit**

- 6.10 Internal Audit's primary responsibilities in relation to fraud are:
- a. delivering an opinion to the Chief Executive on the adequacy of arrangements for managing the risk of fraud and ensuring that the HFEA promotes an anti-fraud culture;
  - b. assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various segments of the HFEA's operations;
  - c. ensuring that management has reviewed its risk exposures and identified the possibility of fraud as a risk.

### **Audit and Governance Committee**

- 6.12 The Audit and Governance Committee is responsible for:
- a. Receiving reports on any actual or suspected fraud, theft or losses, and action in response to these;

- b. Ensuring that the HFEA has in place an appropriate fraud policy and fraud response plan.

## 7. References

Managing Public Money – Chapter 4 and Annex 4.7 (HM Treasury);

Managing the Risk of Fraud (HM Treasury) :

[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

Core Values and the Civil Service Code :

[www.civilservice.gov.uk/about/values/index.aspx](http://www.civilservice.gov.uk/about/values/index.aspx)

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### Version/revision control

Version	Changes	Updated by	Approved by	Release date
1	New Policy	Rachael Henry	Rachel Hopkins	1 <sup>st</sup> July 2010
2	Revised Policy	Rachael Henry	CMG/AGC/Staff Forum	10 <sup>th</sup> May 2012
3	Reviewed	M Akingbola	AGC	March 2015