

WARNING SIGNS FOR POTENTIAL FRAUD, BRIBERY, CORRUPTION

As stated above managers are responsible for the design of systems, (in conjunction with compliance with corporate policies), which must include controls that will prevent and detect fraud within their processes. Employee training and awareness is essential in ensuring that they are alert to the signs that a fraud may be being undertaken.

Warning signs for potential fraud**External****Supplier Invoices**

- There is no record of an official order made
- The invoice contains errors in details such as officer's name and addresses
- Goods have not been received
- Stated website has limited contact information
- Documents supporting supplier invoices are inadequate or obviously altered
- Key documents appear to have been photocopied
- Evidence that a document has been altered.

Customer Applications and Payments

- Gaps in information given
- Unable to supply identification
- Unable to provide original documents
- Only able to supply photocopied documents
- Unwilling to meet at their home
- Large transactions paid by cash
- Overpayments made and refunds requested

Internal

- A person has a sudden change of lifestyle without apparent reason or unexplained and sudden wealth
- Noticeable personality or routine changes - continually works after hours, comes in frequently on weekends, insists on taking work home, requests for unusual patterns of overtime
- Possessiveness of job and records - reluctant to take holiday, go off sick or share responsibility
- Misfiled or missing documents such as receipts, estimates, correspondence.
- Computer enquiries made which are not necessary to job role,
- Suppliers & contractors insisting on dealing with a particular officer
- Unexplained budget pressures
- Poor audit trails

Procurement - procurement can be complex and can also encompass a range of areas spanning the whole period from agreeing a project to contract monitoring, extensions and re-letting. this type of fraud can be difficult both to detect and to investigate. In some cases, procurement fraud can be linked to grant fraud or classified as grant fraud. Procurement processes are vulnerable because there are multiple ways to commit fraud, some of which are:

- Price fixing - suppliers collude to fix the prices they will charge.
- Bid rigging - Suppliers collude to ensure a particular bidder wins the contract
- Manipulation of specifications to favour a particular bidder
- Split contracts – the splitting of contracts to bring them below procurement thresholds
- Bribery for awarding a contract - A bribe ('kickback') is given to a council employee or councillor to secure the award of a contract.
- Conflict of interest - A council employee or councillor does not disclose a pecuniary or other personal interest in a contract

Contract Management -

- Overcharging - Overbilling in relation to the goods and services which have been delivered. This includes unjustified expenses claimed by consultants.
- Duplicate payments -The council is charged twice for the same goods or services.
- False invoices -A form of identity fraud. Payment to a genuine supplier is diverted to a bank account controlled by the fraudster. This could also be an internal fraud perpetrated by a council employee.
- False claims and variations - Unjustified contractual claims and payments for contract variations. This type of fraud is often associated with under-priced bids ('loss leaders').
- False performance reporting - Payment is claimed for levels of performance that have not been achieved.
- Phantom suppliers -A fictitious company, or a real company that does not have a genuine relationship with the council, is set up as a supplier and receives payment.
- Sub-standard materials - Cheaper materials are substituted for those specified in the contract.
- Misappropriation of assets - Council assets (including data and intellectual property) are stolen or exploited illegitimately by suppliers in the course of performing a contract.