



European Union
European
Social Fund

European Social Fund

2014-2020 Programme – England

Anti-Fraud Policy

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Introduction

The Managing Authority (MA) and Certifying Authority (CA) and Audit Authority (AA) for European Social Fund (ESF) England are committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wish to be seen as **opposed to fraud and corruption** in the way that they conduct their business. All members of staff in the Authorities are expected to share this commitment. The objective of this policy is to:

- promote a culture which deters fraudulent activity
- facilitate the prevention and detection of fraud
- facilitate the implementation of timely and appropriate procedures that aid in the investigation of fraud and related offences

A procedure (is in place for the **disclosure of situations of conflict of interests**.

The term 'fraud' is commonly used to describe a wide range of misconducts including theft, corruption, embezzlement, bribery, forgery, misrepresentation, collusion, money laundering and concealment of material facts. It often involves the use of deception to make a personal gain for oneself, a connected person or a third party, or a loss for another; intention is the key element that distinguishes fraud from irregularity.

Fraud does not just have a potential financial impact, but it can cause damage to the reputation of an organisation responsible for managing funds effectively and efficiently. This is of particular importance for a public organisation responsible for the management of EU funds.

Corruption is the abuse of power for private gain. Conflict of interests exists where the impartial and objective exercise of the official functions of a person are compromised for various reasons including;

- involving family
- emotional life
- political
- national affinity
- economic interest
- any other shared interest with, for example, an applicant for or a recipient of EU funds.

Responsibilities

- Within ESF England, overall responsibility for managing the risk of fraud and corruption has been delegated to the Head of the Verification and Compliance Team in the MA who has the responsibility for:
 - undertaking a regular review, with the help of the Risk Reassessment Team, of the fraud risk
 - establishing an effective anti-fraud policy and fraud response plan
 - ensuring fraud awareness for staff and implementing training
 - ensuring that ESF England promptly refers investigations to competent investigative bodies when they occur
- Process owners/managers of the MA are responsible for the day-to-day management of fraud risks and action plans, as set out in the fraud risk assessment and particularly for:
 - ensuring that an adequate system of internal control exists within their area of responsibility
 - preventing and detecting fraud
 - ensuring due diligence and implementing precautionary actions in case of suspected fraud
 - taking corrective measures, including any administrative penalties, as relevant
- The CA is responsible for ensuring that there is a system which records and stores reliable information on each operation; and that they receive adequate information from the MA on the procedures and verifications carried out in relation to expenditure
- The AA has a responsibility to act in accordance within professional standards in assessing the risk of fraud and the adequacy of the control framework in place

Reporting Fraud

ESF England has procedures in place for reporting possible fraud, both internally, and to the European Anti-Fraud Office (OLAF).

The GIAA (CF&I) team is responsible for progressing allegations of fraud referred to the MA. The GIAA (CF&I) team will deal directly with fraud allegations that arise from the DWP Co-financing Organisation (CFO) and non-CFOs. Other CFOs (Skills Funding Agency, Big Lottery, National Offender Management Service) will lead on any fraud cases in the first instance, liaising with GIAA CF&I if appropriate.

These procedures also require that the MA is notified of ESF fraud allegations which have been referred directly to GIAA (CF&I) or CFOs. In all instances, the MA will be immediately informed when reasonable grounds to suspect fraud have been

established. All cases of suspected or identified fraud must be notified to the MA Verification and Compliance team within 2 days of the initial date of detection.

All cases of identified fraud are communicated to OLAF and, where there is a financial element to the fraudulent activity (irregular expenditure), this is recorded on OLAF's Irregularity Management System (IMS) within the reporting period specified in the regulations. The MA Verification & Compliance team notify the CA for input to IMS.

The GIAA (CF&I) team (or other CFO fraud team, in liaison with GIAA (CF&I)) will be invited to investigate the case and keep the relevant authorities notified of the status. They also instigate criminal proceedings (through the police) where it is deemed appropriate. All reports are dealt with in the strictest of confidence and in accordance with the Data Protection Act 1998. Staff reporting irregularities or suspected frauds are protected from reprisals.

Anti-fraud measures

ESF England has put in place proportionate anti-fraud measures based on a regular and thorough fraud risk assessment. In particular, it uses IT tools (such as ARACHNE) to detect potentially risky operations and ensures that staff are aware of fraud risks and receive anti-fraud awareness training from the GIAA CF&I team.

ESF England carries out a rigorous and prompt review into all cases of suspected and actual fraud which have occurred with a view to improve the internal management and control system where necessary. The review feeds into the subsequent update of the fraud risk self-assessment. It is objective and self-critical, resulting in clear conclusions about perceived weaknesses and lessons learned, with clear actions, responsible individuals and deadlines.

Conclusion

Fraud can manifest itself in many different ways. ESF England has a zero tolerance policy to fraud and corruption, and has in place a robust control system that is designed to prevent and detect, as far as is practicable, acts of fraud; correcting their impact, should they occur.

This policy and all relevant procedures and strategies are supported by the ESF England Senior Management Team, who proactively review and update them on a continual basis.