

Appendix 3: Anti-fraud and corruption policy

Introduction

1. The Gambling Commission (the Commission) requires all employees to act honestly and with integrity at all times, and to safeguard the resources for which he/she is responsible. The Commission is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk and will not accept any level of fraud, corruption, or other criminal activity.¹ Consequently, any suspected irregularity will be thoroughly investigated and dealt with appropriately.
2. The Commission's policy is to report all suspected fraud and corruption to the police. The Commission will follow police advice and support police investigations where the police choose to be involved. If the police do not choose to pursue a case, the Commission will take appropriate action on its own account in line with its response plan in Annex A.

What is fraud and corruption?

3. The Fraud Act 2006 introduces a statutory single offence of fraud which can be committed in three different ways:
 - false representation
 - failure to disclose information when there is a legal duty to do so
 - abuse of position.

For practical purposes fraud can be defined as dishonest conduct with the intention to make gain, or cause a loss, or the risk of a loss to another.

4. Existing offences such as theft, corruption, false accounting, forgery, counterfeiting and blackmail will continue to be offences under previous relevant legislation.
5. 'Corruption' is defined as the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately. Employees should be aware that he/she may be exposed to corrupt activity in a variety of ways, for example, the offer of bribes, coercion, blackmail and false accounting. The nature of the Commission's work means that employees need to be aware of the risk of allegations of corruption and for this reason the Commission has strict rules for giving and receiving any hospitality and gifts. These are set out in the Commissioners Code of Conduct in Appendix 3 and the Employee Code of Conduct in Appendix 5.

Avenues for reporting fraud

6. The Commission has avenues in place for reporting suspicions of fraud. The detailed response plan is in Annex A. Employees should report any such suspicions in the first instance to their line manager, or, if that is not appropriate, directly to the Director of Finance, the Chief Executive, to any member of the Commission's Audit Committee, a Commissioner or to the Internal Auditors.
7. All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This Act protects the legitimate personal interests of employees. Vigorous and prompt investigations will be carried out into all cases of actual or suspected fraud discovered or reported, but those reporting may be required as witnesses in any criminal proceedings.

¹ This includes assaults, robbery, money laundering and other criminal activities not alluded to in the description of fraud.

Responsibilities

8. Guidance to Non-Departmental Public Bodies in relation to fraud are set out in chapter 5 of Government Accounting.

The Accounting Officer and Director of Finance

9. The Chief Executive, as Accounting Officer, is responsible for establishing and maintaining a sound system of internal control that supports the achievement of Commission policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that the Commission faces. The system of internal control is designed to identify the principal risks facing the Commission at organisational and departmental level, 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.
10. Overall responsibility for managing the risk of fraud and corruption within the Commission has been delegated to the Director of Finance. The responsibilities of this role include:
 - developing a fraud and corruption risk profile and undertaking a regular review of the fraud risks associated with each of the key organisation objectives in order to keep the profile current
 - establishing an effective anti-fraud and corruption policy and response plan, commensurate with the level of risk identified in the risk profile
 - developing appropriate targets, as appropriate
 - designing an effective control environment to deter and prevent fraud and corruption commensurate with the risk profile
 - establishing appropriate mechanisms for:
 - reporting fraud and corruption risk issues
 - reporting significant incidents to the Accounting Officer
 - reporting to the sponsor department in accordance with the Commission's Management Statement and Financial Memorandum
 - co-ordinating assurances about the effectiveness of anti-fraud and corruption policies to support the Statement of Internal Control
 - liaising with the Commission's Risk Management Committee and/or Audit Committee
 - making sure that all employees are aware of the Commission's anti-fraud and corruption policy and know what their responsibilities are in relation to combating fraud and corruption
 - ensuring that appropriate training and development opportunities are available to employees in order to meet their defined competency levels
 - ensuring that vigorous and prompt investigations are carried out if fraud or corruption occurs or is suspected
 - ensuring that the police are notified of identified fraud and/or corruption and taking appropriate legal and/or disciplinary action against perpetrators of fraud
 - taking appropriate disciplinary action against supervisors where supervisory failures have contributed to the committal of fraud and corruption
 - taking appropriate disciplinary action against employees who fail to report fraud and corruption
 - taking appropriate action to recover assets
 - ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.
11. Operational managers are responsible for:
 - ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively

- preventing and detecting fraud
- assessing the types of risk involved in the operations for which he/she is responsible
- regularly reviewing and testing the control systems for which he/she is responsible
- ensuring that controls are being complied with and their systems continue to operate effectively
- implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

12. Internal audit is responsible for:

- delivering an opinion to the Accounting Officer on the adequacy of arrangements for managing the risk of fraud and ensuring that the Commission promotes an anti-fraud culture
- 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 Commission's operations
- ensuring that management has reviewed its risk exposures and identified the possibility of fraud as a business risk
- assisting management in conducting fraud investigations.

13. Every employee is responsible for:

- acting with propriety in the use of official resources and the handling and use of public funds whether he/she is involved with cash or payments systems, receipts or dealing with suppliers
- complying with the Commission's Employee Code of Conduct and the provisions of the Employee Handbook
- 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'. They are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership
- being alert to the possibility that unusual events or transactions could be indicators of fraud and corruption
- reporting details immediately through the appropriate channel if he/she suspects that a fraud or corruption has been committed or see any suspicious acts or events
- cooperating fully with whoever is conducting police or internal checks or reviews or investigations.

Fraud and corruption response plan

14. The Commission has a Fraud Response Plan that sets out how to report suspicions, and how investigations will be conducted and concluded. This plan forms part of the Commission's anti-fraud and corruption policy in Annex A.

Conclusion

15. The circumstances of individual frauds and corrupt activities will vary. The Commission takes fraud and corruption very seriously. All cases of actual or suspected fraud will be vigorously and promptly investigated and appropriate action will be taken, including referral to the police.

Annex A: Fraud and corruption response plan

Introduction

1. The Gambling Commission (the Commission) has developed this plan to support its Anti-Fraud and Corruption Policy. The plan sets out how employees should report suspicions of fraud, and how investigations will be conducted and concluded.
2. Given the nature of the Commission's functions, and with consistent application by management and employees of the designated systems of internal control and management practices, the risk of fraud occurring within the Commission is considered to be low. However, given this rating, complacency should be avoided and it is important for all employees to remain vigilant in addressing this risk. Such vigilance should be kept in perspective, and not lead to the creation of an unproductive climate of suspicion in the workplace.
3. The Commission considers that there is a higher risk of corrupt practices, or the perception of corrupt practices, given the nature of its activities. For this reason, the Commission has strict rules governing the receipt and giving of gifts and hospitality. These rules are set out in the employee and Commissioner codes of conduct. The underlying presumption is that staff should not accept hospitality from operators or potential operators or from significant contractors or potential contractors.
4. This response plan has been tailored to the Commission's circumstances and reflects the likely nature and scale of losses which may occur through fraud and corruption.

Identifying fraud and corruption

5. More than half of fraud and corruption is identified through the operation of normal system controls which exist within an organisation and information from third parties typically accounts for another 30% of proven cases. Other means of discovery include accident, internal and external audit, confession, employee changes, and suspicion.
6. There is a range of warning signs which may lead to an initial suspicion that fraud or corruption may be taking place. Although the following list is not comprehensive, these signs include:
 - employees who appear under stress but without a high workload
 - first to arrive in the morning, last to leave at night
 - reluctance to take leave
 - refusal of promotion
 - sudden change in lifestyle or unexplained wealth
 - new employee resigning quickly
 - cosy relationships with suppliers/contractors
 - suppliers/contractors insist on dealing with a particular employee
 - risk taker/rule breaker
 - breaches of statutory or Commission codes of practice
 - breaches of or failures to comply with Commission policies and procedures
 - unreasonable or excessive hospitality received or offered
 - abuse of the Commission's powers for unauthorised purposes or personal gain

Action required at the point of discovery

7. In the event that employees discover, or have suspicions that fraud or corruption is occurring within the Commission, he/she should **immediately** inform their line manager in the first instance. Failing that, the Director of Finance, the Chief Executive, a member of the Audit Committee, a Commissioner, or the Head of Internal Audit, in accordance with the procedures specified in the Commission's 'Whistleblower' Policy should be informed. The Whistleblower Policy is set out in the Commission's Employee Code of Conduct publication.
8. It is important that the employee, who has identified the suspected fraud or corruption, does not take any action which may forewarn the alleged perpetrator. Instead, efforts should be directed, in conjunction with the appropriate line manager, towards ensuring that any readily available evidential material is secured for the investigation process (see below). Under no circumstances should the employee attempt to investigate the suspected fraud or corruption personally.

Investigation

9. The Chief Executive, as Accounting Officer and the Director of Finance will decide how the investigation of the suspected fraud will proceed. The Director of People and Organisational Development will normally be informed of any such investigation involving Commission employees. The investigation process will include:
 - clarifying and documenting the nature and circumstances surrounding the suspect activity
 - securing the evidence in a legally admissible form
 - ensuring the threat of further or continued fraud or corruption and any associated losses are removed
 - deciding whether a formal investigation is appropriate
 - advising Internal Audit, the Chairman of the Audit Committee, and the Department of Culture, Media and Sport (DCMS)
 - advising the police in accordance with the Commission's policy where there is initial evidence of wrongdoing
 - following the advice of the police and providing the necessary support and information if he/she accepts the allegation for investigation
 - if the police decide not to take further action, the Commission will consider:
 - suspending or dismissing the alleged perpetrator from the workplace (if the circumstances support this action), or arrange for appropriate surveillance if the employee under suspicion remains in the work place. Any such action will only be taken after consideration of advice from the Director of People and Organisational Development and the Legal Adviser
 - appointing an investigation manager with suitable experience, who may be a member of management, or a third party investigator, to perform the investigation and report
 - reviewing the investigation manager's report and taking the necessary actions based upon the report recommendations, for example disciplinary action in accordance with the Commission's Employee Handbook
 - ensuring a fully documented record is kept setting out the key steps and details of the investigative processes.

Securing evidence

10. Line managers should, following information from an employee or other source about suspicious activity, take immediate steps to secure any available evidence which is considered to substantiate the alleged fraud or corruption. Where possible, advice should be taken from the Commission's Director of Regulation on procedures to preserve that evidence for any potential legal proceedings. The gathering of any additional evidence should only be undertaken with the advice and agreement of the investigation manager.
11. In order to secure the evidence in a legally admissible form consideration should first be given to photographing the relevant documents in the location where found. Thereafter they should be preserved in their original state, as they may need to be fingerprinted or otherwise tested and stored in a secure place. A record should be maintained of precisely where, when and by whom they were found and of anyone handling the evidence.

Dealing with employee(s) under suspicion

12. It is important to ensure that any employee(s) who are under suspicion of committing fraud or corruption are treated fairly. Any action taken by management to suspend or dismiss an employee in this situation will only be taken in conjunction with Director of People and Organisational Development and the Director of Legal. If the decision is made to allow the employee(s) under suspicion to remain in the workplace, additional pre-authorised surveillance may be necessary, including, for example, a search of the work area, filing cabinets and computer files.

Interviewing employee(s) under suspicion

13. If the police have decided to pursue an investigation, they must be involved at an early stage in accordance with the Commission's Anti-Fraud and Corruption Policy and they will make any decisions regarding interviews. Otherwise, the decision to interview employee(s) who are under suspicion of committing fraud is made by senior management.
14. Any such interviews must be conducted under the provisions of Police and Criminal Evidence Act 1984 and under properly controlled conditions in order to ensure that any statement taken, which may be subsequently used as evidence in a court case, will not be rejected as inadmissible. The investigation manager will be responsible for ensuring the appropriate guidelines and codes of conduct are applied in interviewing suspects. Wherever practical, such interviews will be recorded.

Recovery of the assets

15. The Commission will seek to recover all assets lost or misappropriated as a result of fraud, theft or corruption. The process of recovery will depend upon the nature and circumstances surrounding the loss, and whether the fraud results in criminal charges being laid.
16. Once the size and extent of the loss has been confirmed, action will be taken to trace and freeze the lost assets, where possible, so that the recovery process can be commenced. The recovery process may take several forms:
 - frauds committed by third parties – repayment by an agreed arrangement, directly to the Commission
 - frauds committed by employees – repayment by an agreed arrangement, either directly or through payroll deductions.

17. Recovery arrangements agreed with third parties will be handled by the Commission's legal advisers. The Human Resources function, who may also seek legal advice, will assist senior management with recoveries from employees.

Contacts for advice and guidance

18. The following will be contacted for advice as appropriate:

Adviser	Name	Contact Details
Sponsor Department	DCMS	Andy.birleson@culture.gsi.gov.uk 0207 211 6528
Director of Finance	Julie Grant	j.grant@gamblingcommission.gov.uk 0121 230 6634
Director of Legal	Neil McArthur	n.mcarthur@gamblingcommission.gov.uk 0121 230 6696
Director of Corporate Affairs	Julia Mackisack	j.mackisack@gamblingcommission.gov.uk 0121 230 6542
Police	D I Neil Postins (Economic Crime Unit)	0845 113 5000
Internal Audit	Grant Thornton (Assistant Director Lorna Barry)	lorna.barry@gtuk.com 0121 232 5226
National Audit Office	Sajid Rafiq	sajid.rafiq@nao.gsi.gov.uk 0207 798 7140

Communications

19. All internal and external communications about any event covered by this being investigated internally will be handled by the Commission's communications team. Given the sensitivity surrounding such events and the need to ensure consistency in the release of any information about the event, the communications team will deal directly with the media if necessary, taking advice from the Director of Legal (and the police where they are involved) as to what information can be released, and in what form.

Applying the lessons learnt

20. The Commission is committed to ensuring that the threat of fraud and corruption is properly managed through the implementation and application of sound systems of internal control and supporting employee management processes.
21. In the event that fraud or corruption is discovered and subsequently acted upon by the police or internally, the Commission will take steps to ensure the lessons learned from the event are applied to existing policies and practices. This may require:
- changes to the existing systems of internal control, for example separation of duties, additional checks
 - changing attitudes to and understanding the risks of fraud and corruption, for example, by training
 - making use of the deterrence factor (of being caught/severity of the consequences)
 - making it too much effort to commit fraud or corrupt acts.

22. In addition, the dissemination of the lessons learned from a particular fraud event, will provide a valuable learning opportunity for the organisation as a whole.

Reporting Losses

23. The Commission's Management Statement and Financial Memorandum sets out the requirements for Fraud and Theft Reporting. All losses resulting from frauds/thefts are to be recorded and reported in an annual return to DCMS by 30 April of each year.
24. The details of losses experienced by Non-Departmental Public Bodies through fraud/theft are incorporated in DCMS's annual return to Treasury.