

## **BIG LOTTERY FUND**

### **ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY**

#### **Introduction**

1. The Big Lottery Fund (BIG) is committed to the highest possible standards of openness, probity and accountability in order to ensure the proper use of public funds. This Anti-Fraud and Anti-Corruption Strategy (the Strategy) establishes BIG's objectives in this respect and sets out a cohesive framework to manage effectively the risks associated with fraud and corruption involving Board Members, staff or third parties and promotes the principles of sound corporate governance.
2. Fraud and corruption are defined for the purposes of this Strategy as follows:

Fraud: Theft involving the distortion, suppression or falsification of financial statements or other records: Any person who, with intent to make a gain or to cause loss or to expose another to a risk of loss, dishonestly:

- (i). Makes a false representation, or
- (ii) Fails to disclose information to another person which,
  - a) He or she is under a legal duty to disclose,
  - b) Is of a kind which the other person trusts him or her to disclose, and is information which in the circumstances it is reasonable to expect him or her to disclose, or
- (iii) Abuses a position in which he or she is expected to safeguard, or not to act against, the financial interests of another person or anyone acting on that person's behalf.

Corruption: An act of collusion, where one person benefits indirectly from a fraud perpetrated for the direct benefit of another.

#### **Aims and Objectives**

3. BIG aims to minimise fraud and corruption relating to its finances, grant programmes and operations in order to support its mission of bringing real

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improvements to the lives of people and communities most in need. The Strategy is designed to:

- (a) help maximise the application of approved resources to meet genuine funding needs by rejecting bogus applications for funding.
- (b) help the organisation continue being accountable and financially efficient by deterring fraud and minimising irrecoverable losses;
- (c) promote public confidence, engage with stakeholders and staff to report crime, and to minimise the reputational risk to BIG from adverse publicity;
- (d) help maintain our commitment to putting equality and diversity at the heart of our work; and
- (e) pursue a zero-tolerance policy and bring to justice any persons that commit acts of fraud or corruption against BIG.

### **Anti-fraud and anti-corruption culture**

4. BIG is determined that the culture and tone throughout the organisation is one of honesty and opposition to fraud and corruption and it will take positive and effective action on fraud and corruption in all aspects of its operations and finances. Board members and staff are expected to lead by example and help promote strong anti-fraud and anti-corruption attitudes within BIG and when dealing with third parties.
5. The Nolan seven principles for public life shown at **Annex A** are endorsed by the Board and reflected within the Code of Practice for Board members. Standards of personal behaviour expected from Board members and staff are further defined in the Board member's handbook and staff handbook and through the declarations of interest procedure.
6. Directors and managers are responsible for ensuring that the risks of fraud and corruption are effectively managed at strategic and operational levels, and with competent and trained staff working within systems that incorporate effective anti-fraud

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and anti-corruption controls, and with appropriate targets and performance review for all risk areas.

7. There is an expectation and requirement that all individuals and organisations associated in whatever way with BIG will act with integrity. This includes partners, contractors, voluntary and community sector organisations and statutory and other sector organisations, all of who are important participants within the Strategy.
8. Senior Management is responsible for ensuring that appropriate contact points are maintained with anti-fraud and anti-corruption publicity to help develop staff and public intolerance of public sector fraud and corruption within the BIG's grant programmes. BIG's Whistleblowing Policy encourages staff to report proper concerns about fraud and corruption and gives information on how this should be done. The "Making a Complaint" leaflet provides information for Members of the Public on how to report suspected fraud and a dedicated fraud hotline has been set up to enable Members of the Public to report their concerns in confidence.
9. BIG is committed to working in partnership with the Police, the Department of Culture Media and Sport as its sponsor department in Government, other public sector agencies such as the Charity Commission, OSCAR or other regulatory bodies and with other funders in the charitable and private sectors (for example charitable trusts, banks, and other corporate donors) in respect of fraud and corruption. BIG will enhance and develop the use of internal and external data matching as part of its anti-fraud measures.
10. BIG fully respects the rights of individuals but it will use all possible lawful means to protect its operations and finances from fraud, and meet, in full, any relevant legislative requirements relating to fraud and corruption, and including money laundering.

### **Standards, codes and declarations**

11. The Statement of Financial Requirements requires BIG to have effective measures in place to detect and prevent fraud in relation to all its distribution activities and sets out the anti-fraud and fraud reporting responsibilities of the

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Accounting Officer. The Management Statement sets out the personal responsibilities of the Chair of the Fund, the Board and the Chief Executive for ensuring integrity in the conduct of BIG's business. Board members are required to conduct themselves in accordance with requirements and procedures set out in the Code of Practice for Board members, which cover standards, private interests and relationships.

12. The Code of Conduct sets out the arrangements to ensure that there is no conflict of interest between private interests of staff and their responsibilities as employees. Breach of the Code may constitute misconduct, or gross misconduct in accordance with BIG's Disciplinary and Dismissal Procedures.
13. On joining BIG all employees are required to complete a Declaration of Interests form that records all significant connections with all bodies eligible for funding or contracts. It is the employee's responsibility for ensuring that their Declaration of Interests form remains up to date.
14. The Employees' Disciplinary and Dismissal policy sets down the procedures for disciplinary action and reinforces the required standards of conduct by identifying examples of misconduct and gross misconduct and setting out the available sanctions relating to them. Breaches of standards within or outside the BIG's employment that prevent the employee from continuing to do their job or seriously call into question the employee's fitness to continue in their job or where BIG's reputation and integrity has been damaged. Fraud and corruption fall within the definitions of gross misconduct and major offence.
15. The Financial Regulations and Operating Cost Financial Delegations sets out BIG's financial management framework and the authority and principles by which members of staff can commit BIG to financial liability.
16. Registers of interests, gifts and hospitality and related party transactions are in place and Board members and employees, where applicable, are required to comply with all related policies, procedures and disclosure requirements.

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## **Responsibilities**

17. The Board is responsible for overseeing the overall operation and effective management of BIG and that its affairs are managed in accordance with proper standards of financial conduct. The Board takes overall responsibility, with the Chair and the Accounting Officer, for ensuring that BIG has appropriate procedures for managing risk (and for preventing and detecting fraud and corruption). In all its duties the Board is required to ensure the observance of public service values as laid down in the Cabinet Office Code of Practice for Non Departmental Public Bodies, (NDPB's). All employees and Board members are responsible for their own conduct and for contributing towards the safeguarding of BIG's standards as detailed in their respective codes. In addition some employees and Board Members have specific roles that contribute to achieving BIG's anti-fraud and anti-corruption objectives.

The Resources Committee is responsible for overseeing the BIG's management and use of resources. Its duties include ensuring that BIG has appropriate and proper strategies and policies for the management of its resources and for approving financial regulations and delegated authority levels. The Committee are also responsible for staffing matters including codes.

The Audit and Risk Committee is responsible for matters relating to Internal Audit and the External Auditor, for risk management, and the Anti-Fraud and Anti-Corruption Strategy.

The Chief Executive is responsible for the day to day operations and management of the Fund and has been appointed as the Accounting Officer by the Permanent Secretary of the Department for Culture, Media and Sport. The Chief Executive has responsibility for maintaining a register of the interests of the Chair, Board members and staff and must ensure that arrangements are in place for dealing with any potential conflicts of interest.

The Accounting Officer is responsible to the Board for the economic, efficient and effective use and control of the Fund's share of the net proceeds of the National Lottery. The Accounting Officer is accountable to Parliament for ensuring that the

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Lottery money is distributed with due regularity and propriety. The Accounting Officer has statutory responsibility for ensuring that there is a high standard of financial management, including a sound system of internal control, that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity. Corporate control to minimise the opportunity for fraud and corruption is exercised mainly via delegations, segregation, financial instructions, accounting requirements, budgetary control, management control, and Internal Audit and other anti-fraud functions within BIG.

The Senior Management Team: Comprising of the Chief Executive, Director of Policy and Partnerships, Director of Finance and Corporate Services, Director of Operations, Director of Communications and Marketing, Director for Northern Ireland, Director for Scotland and Director for Wales, supports the Board and Chief Executive in the strategic management of the work of BIG. Its responsibilities include considering strategic issues relating to BIG's human resources, IT, external and internal communications and financial compliance and accountability and risk management.

All Directors and managers: Management is responsible for the effective operation of internal control including the prevention and detection of fraud and corruption.

The Director of Finance & Corporate Services is responsible for BIG's finance, facilities management functions (including property and strategic procurement), Human Resources and Information Technology (including the security policy and IT related material). The Director also has line management responsibility for Internal Audit. Resources are deployed to their greatest effect with due regard to the requirements of public accountability and the prevention and detection of fraud.

The Director of Operations is responsible for delivering grants for UK and England programmes through assessing applications and managing and monitoring awards. Delivery is supported through programme procedures and systems development, programme management with embedded anti-fraud measures. Key aspects of this include; fraud

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awareness training within the generic assessment and grant management courses; delivery of a public accountability/fraud awareness module within the Corporate Welcome Day for all new staff and maintaining and operating the MERLIN supported disputes system. A dispute is defined by the Department of Culture, Media and Sports as "any instance of a potential event of default where recovery action must be considered. These include; breach of obligation, misuse of grant, fraud, negligence and material misrepresentation.

Country Directors in Scotland, Wales and Northern Ireland have devolved accountability from the Chief Executive for day-to-day operations and management of the Fund in their Countries and the same responsibilities as the Director of Operations for assessing applications and managing and monitoring awards in their Countries.

The Director of Corporate Communications and Marketing: is responsible for maintaining the media crisis management strategy and the communications strategy.

The Internal Audit Service: The Accounting Officer is under a duty to ensure that an effective internal audit service for is in place. The Finance and Corporate Services Directorate's Internal Audit Service reviews the adequacy and effectiveness of internal control, and, amongst other things, seeks to identify serious defects that might permit the occurrence of fraud and corruption. This is supported by follow-up work to ensure compliance with agreed action plans. Internal Audit also has specific responsibilities for fraud and corruption investigations.

The Head of Internal Audit is the designated contact for external complaints of suspected fraud and irregularity. The Head of Internal Audit reports at least annually to the Accounting Officer, Senior Management Team and the Audit and Risk Committee on the adequacy, effectiveness and reliability of BIG's internal control system. These reports include details of any instances of fraud, corruption or financial irregularities. The Head of Internal Audit is responsible for reporting immediately all cases of suspected or actual fraud to DCMS after first alerting the Accounting Officer and for providing DCMS with a periodic update on the progress of any

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fraud investigations. The Head of Internal Audit is also responsible for providing DCMS with an annual Fraud Return, in accordance with the current Financial Directions.

The Internal Audit Department is responsible for anti-fraud activity in relation to external organisations and advises on the content of disputes management training to staff in the Operations Department. Where an employee is implicated and/or under investigation it is the responsibility of the Head of Internal Audit in consultation with the Deputy Director HR to co-ordinate investigations, and the employing Department will invoke the relevant provisions of the Employees' Disciplinary and Dismissal Policy. In the case of a Board Member, the Head of Internal Audit is responsible for co-ordinating investigations in consultation with the Accounting Officer, and the latter will invoke the relevant provisions of the Members' Code of Conduct.

The Deputy Director Legal Services and Governance provides legal advice on fraud and corruption cases and takes forward any action needed against individuals or organisations.

All Staff have a responsibility for reporting details immediately to their line manager if they suspect that a fraud or irregularity has been committed or see any suspicious acts or events.

### **Deterrence**

18. Deterrence is achieved when potential perpetrators of fraud and corruption consider that the risks of being caught, punished and any gains removed outweigh the perceived benefits arising from their criminal actions. BIG seeks to deter potential perpetrators from targeting its grant making programmes and finances and aims to do this through a good anti-fraud and anti-corruption reputation generated by:

- a) a strong anti-fraud and anti-corruption culture involving Board Members, employees, and stakeholders;
- b) clearly communicated policies on prosecution and disciplinary action;



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- c) effective systems and actions on prevention, detection, investigation, sanctions and restitution;
- d) appropriate declarations on relevant Big Lottery Fund documents (particularly application forms) concerning data matching and verification requirements;
- e) Positive and regular publicity to exploit the deterrent effect of hotlines and whistleblowing and to report all successful prosecutions unless there are clear grounds not to publicise; and
- f) The requirements for staff and Board Members to register and declare interests, gifts and hospitality and related party transactions.

### **Prevention**

19. Directors and managers are responsible for establishing, maintaining and operating relevant and effective detective controls aimed at identifying fraud and corruption. Effective top-level management and financial control supported by appropriate risk management and effective detailed controls will maximise the detection of fraud and corruption. Effective controls also include good audit trails and strict referral criteria where indicators of fraud or corruption are identified.
20. Fraud awareness training for staff is considered critical. Fraud awareness training is provided to all new staff as part of a public accountability/fraud awareness module within the Corporate Welcome Day. A Fraud Awareness training programme is delivered to all grant making staff across the UK and fraud awareness is emphasised within generic assessment and grant management courses.
21. Internal Audit carries out transaction testing on BIG's financial and non-financial systems and grant making programmes across Directorates and the UK and has regard to the possibility of fraud and corruption.
22. The Operations Directorate carries out local compliance audits that review applications and live grant files and legacy programmes. These reviews

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help to ensure adherence to agreed procedures and identify any significant breaches or indicators of fraud and corruption relevant to the BIG's programmes and processes. The Directorate is also responsible for delivering the fraud awareness training to grant staff mentioned above in paragraph 20.

23. BIG is committed to data matching across its own systems for the purposes of the detection of fraud and corruption and seeks to encourage and participate in data matching initiatives involving other public bodies, (such as those mentioned above in paragraph 9). Effective liaison and information sharing arrangements are also encouraged and maintained with other agencies in order to help detection and investigation.
24. Staff are an important element in combating fraud and corruption and are encouraged and expected to raise any concerns where they are related to BIG's activity. BIG's Whistleblowing Policy sets out how employees should raise concerns and how they will be dealt with. Board Members should report suspected fraud and corruption to the Head of Internal Audit, who will consult with the Accounting Officer.
25. Award Partners and External Delegates are expected to operate similar whistleblowing procedures for their own staff.
26. Senior Management have a responsibility for issuing guidelines on suspected fraud, corruption and financial irregularity to inform managers what they should and should not do when they become aware of the possibility of fraud or corruption and in particular the requirements for confidentiality and the preservation of evidence.
27. Senior Management are responsible for ensuring that appropriate measures such as hotlines and other contact points are developed and in place in order to maximise the detection of fraud and corruption via information received from BIG's employees, Board Members and the general public.

### **Investigation**

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28. BIG has established a Fraud Response Plan (Appendix B) which sets out the action to be taken when fraud or corruption is suspected.
29. Internal Audit carries out BIG's internal enquiries into alleged or suspected fraud and corruption (subject to the investigations carried out by the Investigation Team). The Head of Internal Audit is responsible for ensuring that trained members of staff undertake investigations in accordance with legislation, regulations and codes so as to ensure that actions are not prejudicial to the outcome of a case, and to preserve the rights of the individuals. The advice of the Deputy Director (Human Resources) will be sought at the outset of all internal enquiries into alleged or suspected fraud and corruption.
30. The Head of Internal Audit will liaise as necessary with the police and, in consultation with the Accounting Officer, will formally refer criminal cases to the police for investigation. All such liaison and referrals shall be conducted in accordance with the protocol for partnership working between the police and the public sector partners. The Sponsoring Department and other external agencies will be involved as necessary.
31. The Employees' Disciplinary and Dismissal policy will be invoked where appropriate and Directors, in consultation with the Deputy Director (Human Resources) and the Head of Internal Audit, may suspend an employee from work pending the conclusion of a case.
32. Failings in internal control will be reported to Directors with recommendations for remedial actions in order that appropriate preventative measures can be implemented where possible to avoid the recurrence of similar incidences. The Audit & Risk Committee will also be informed of failings in internal control and the recommendations for remedial actions via the Head of Internal Audit's progress report. Serious breaches will also be reported to the Board.

### **Sanctions**

33. BIG will seek the prosecution of suspected offenders. However, the ultimate decision for criminal cases referred to the police rests with the

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Crown Prosecution Service who will prosecute where there is both a realistic prospect of conviction and it is in the public interest.

34. The police may decide to caution an offender in accordance with Home Office guidelines. This is subject to admission of the offence and the agreement to be cautioned. The police caution is not a criminal record but the caution record is held for three years and details will be given to a Court when passing sentence for a similar offence.
35. BIG will protect the use of public funds by always addressing instances of suspected fraud and, usually, instances of irremediable and substantive breach of its terms and conditions as follows:
- (a) In matters where fraud is an issue but it is unlikely that there will be a criminal investigation, then civil action will be taken.
  - (b) Where there has been an irremediable and substantive breach of the terms and conditions of grant then civil action will be taken.
  - (c) In cases of minor or inadvertent breaches BIG reserves the right to take such action as is considered fit.
  - (d) In cases of fraud the need to create a deterrent by seeking recovery will be the prime consideration.
36. Action under the Employees' Disciplinary and Dismissal policy will be invoked in all cases of employee fraud, corruption, misappropriation or misuse of the BIG's assets or services. Theft, attempted theft, falsification of a document for gain or advantage, or to obtain a grant without proper entitlement, or other dishonesty, are all examples of gross misconduct that will be dealt with as major offences under the Employees' Disciplinary and Dismissal policy. The outcome of the disciplinary process may be summary dismissal without notice for gross misconduct. The timing of disciplinary action will have regard to ongoing police investigations and prosecution and the Head of Internal Audit will advise on the most appropriate timing.

### **Restitution**

37. The recovery of BIG's losses arising from fraud and corruption will be maximised in order:

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- (a) To deter offenders and others from defrauding BIG or committing related acts of corruption.
  - (b) To minimise the residual financial impact on BIG
38. In cases of non-fraud the BIG will consider proportionality, the actions of the organisation's trustees, BIG's actions to date and the likelihood of recovery. In cases of either minor or inadvertent breaches BIG will consider in addition what value there might be to pursuing recovery. In all cases the amount BIG will seek to recover will depend upon the nature of the breach and the degree of project delivery to date.
39. If civil proceedings are commenced this will be done with a view to obtaining a judgement against the defendant(s). If successful, such a judgement is a matter of public record and as such will enable BIG to consider ensuring repayment by, for example, garnisheeing wages, levying distress upon personal but non-essential chattels, freezing bank accounts, placing a charging order on property or applying for a winding up order. Where and when appropriate BIG will also apply to Companies House to strike off directors.

### **Assurance**

40. BIG's anti-fraud and anti-corruption work and its results are subject to regular review by the National Audit Office, DCMS, HM Treasury and BIG will use these internal and external validations to ensure that it maintains the highest possible standards and results in respect of its anti-fraud and anti-corruption responsibilities. The complaints process also forms an important part of the external validation process.
41. A number of internal assurances are provided to the Accounting Officer timed to support the Statement of Internal Control. The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives and this Strategy forms a main element of the BIG's control framework.

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**APPENDIX A**

**THE NOLAN PRINCIPLES FOR PUBLIC LIFE**

The Nolan Committee was set up by the Government in 1994 to consider standards of conduct in areas of public life. The Committee defined seven principles for public life, which gave a clear statement of the behaviour expected of elected and appointed members, employees and volunteers.

**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, awarding contracts, 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 actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

**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.

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