



Banc Ceannais na hÉireann  
Central Bank of Ireland  
Eurosystem



Human  
Resources

# Fraud Management Policy and Procedure

**Applicable to:** All Employees

**Policy Owner:** Audit Committee

## Revision History

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## Approvals

This document requires the following approvals:

<b>Name</b>	<b>Title</b>	<b>Date</b>
		26 June 2014
		29 July 2014

## Distribution

This document has been distributed to the approvers listed above, plus;

<b>Name</b>	<b>Title</b>	<b>Date</b>
Unite Union		April 2014
T&G unions		April 2014

# FRAUD MANAGEMENT POLICY AND PROCEDURE

## FRAUD POLICY

### 1. Purpose of Fraud Policy

The Bank's *Fraud Policy* sets out the responsibility of employees and management in relation to reporting of fraud or suspected fraud within the Bank.<sup>1</sup> Though there is some overlap between this policy and the *Confidential Disclosures ('Whistleblowing') Policy*, it is important to note that the reportage of fraud is **mandatory**. However, a fraud and/or a suspected fraud can also be reported under the *Confidential Disclosures ('Whistleblowing') Policy*.

### 2. Scope of Fraud Policy

The *Fraud Policy* applies to any irregularity, or suspected irregularity, involving employees and where appropriate consultants, vendors, contractors, outside agencies doing business with the Bank or employees of such agencies, and/or any other parties having a business relationship with the Bank.

For the purposes of the policy, the term 'employee' includes individuals who work within the Bank such as external consultants, contractors, agency personnel, and Central Bank Commission members.

### 3. Definition of Fraud

Fraud can be broadly defined as an intentional act of deceit to obtain an unjust/illegal advantage. For the purposes of the policy, fraud shall include but is not limited to:

- Theft or misappropriation of assets owned or managed by the Bank;
- Submitting false claims for payments or reimbursement;
- Accepting or offering a bribe or accepting gifts or other favours under circumstances that might lead to the inference that the gift or favour was intended to influence an employee's decision-making while serving the Bank;

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<sup>1</sup> It does not set out the Bank's responsibilities in relation to the prevention, detection and reporting of fraud or suspected fraud within financial service providers that are regulated by the Bank.

- Blackmail or extortion;
- 'Off the books' accounting, or making false or fictitious entries;
- Knowingly creating and/or distributing false or misleading financial reports;
- Paying of excessive prices or fees where justification thereof is not documented;
- Violation of the Bank's procedures with the aim of personal gain or to the detriment of the Bank;
- Wilful negligence intended to cause damage to the material interest of the Bank; and
- A dishonourable or reckless or deliberate act against the interests of the Bank.

#### **4. Responsibility for the Prevention and Detection of Fraud**

All employees have a duty to guard against fraud. Employees are expected to identify processes and procedures that may be vulnerable to fraud and to draw such instances to the attention of management in their division.

Management have a particular responsibility to be familiar with and alert to the types of fraud that might occur in their area and to put in place effective controls to avoid such occurrences.

Management shall provide support to and work with the Internal Audit Division, other Divisions involved, and law enforcement agencies in the detection, reporting and investigation of dishonest or fraudulent activity, including the prosecution of offenders. Once fraud is detected, Heads of Divisions are responsible for taking appropriate corrective action to ensure adequate controls are put in place to prevent reoccurrence of improper activity. Managers shall be conscious that, given the widespread use of IT systems, and the separation of controls across divisions, fraud may come to light in Divisions other than those in which they are committed.

## **FRAUD PROCEDURE**

### **1. Reporting a Suspected Fraud**

Reporting fraud according to the following procedure is **mandatory** for any employee who suspects that a fraud has occurred. Persons who cover up, obstruct, or fail to report (or monitor) a fraud that they become aware of, or ought to have been aware of, may be considered to be an accessory after the fact and may be subject to the Bank's disciplinary code which could involve action up to and including dismissal. Persons who threaten retaliation against a person reporting a suspected fraud shall be subject to the disciplinary code which could include action up to and including dismissal or prosecution or both.

Great care must be taken in dealing with suspected dishonest or fraudulent activities to avoid:

- Alerting suspected individuals to an investigation underway;
- Treating employees unfairly; and
- Making statements that could lead to claims of false accusations or other charges.

Details of the incident, facts, suspicions or allegations should not be discussed with anyone inside or outside the Bank unless the Bank's investigating team specifically directs this. In particular, the matter should not be discussed with the individual suspected of fraud.

Fraud can be detected at any level within the Bank, and the following will apply in the reporting of suspected internal fraud:

- An employee or other person who suspects that fraudulent activity is taking place should, in the first instance, report the matter to their line manager;
- If an employee does not feel comfortable raising a matter with their line manager – due to the nature of the concern, its seriousness, or for some other reason – they can raise it immediately with a [Senior Auditor and/or a member of the management team in the Internal Audit Division](#) (a dedicated email address [XXXXXXXX@centralbank.ie](mailto:XXXXXXXX@centralbank.ie) – which is hosted by the Internal Audit Division - is also available for this purpose);
- In certain cases, it may be more appropriate to raise the matter with someone more senior (e.g. a member of the Operations/Audit Committee), perhaps because of the seriousness or sensitivity of the matters concerned. If an employee wishes to speak to a Director or higher grade in confidence, they should raise this with a Senior Auditor or a member of

the Internal Audit management team at the outset so that they can make appropriate arrangements in this regard.

- Concerns may be reported verbally or in writing. Where a concern is raised verbally the following steps are to be taken by the employee raising the concern to ensure that the concern raised is acknowledged by the recipient as received in the manner intended by the employee. These steps are to ensure that the recipient is clear that what is intended as a concern about suspected fraud is not construed by the recipient as a passing or casual comment.

1. The employee raising the concern sends a written communication to the recipient.

The written communication confirms:

- a. the fact that a concern about suspected fraud was raised (details of the suspected fraud need not be included, just the fact that a concern is raised);
  - b. that a written acknowledgement from the recipient to the employee is required.
2. The recipient responds with a written communication acknowledging receipt of the concern.
- Once a report of suspected fraud is made to a supervisor/manager, that person is required to pass that information promptly to his/her Head of Division or directly to the Head of Internal Audit;
  - A Head of Division, Director or member of the Operations/Audit Committee on receipt of a report of a suspected fraud are required, in turn, to report the matter promptly to the Head of Internal Audit.

## **2. Procedure for the Investigation of Alleged Fraud**

No investigation of a suspected fraud should take place until the Head of Internal Audit has been informed. The Head of Internal Audit, in turn, will determine who best to inform i.e. the Governor, the Chair of the Audit Committee, the Deputy Governors, the Chief Operations Officer, Human Resources Director and the Head of Security. Internal Audit must investigate all instances of suspected frauds reported to them.

The Head of Internal Audit (except in any case involving his or her division) will take the lead when fraud investigations are being conducted. This will involve data collection, analysis and intervention, including the review of internal controls. In circumstances where the investigation requires the use of technical expertise, which Internal Audit may not possess, external specialists (subject to the approval of the Governor or Deputy Governors) may be appointed to lead (if the case involves Internal Audit) or to contribute to the investigation.

The Head of Internal Audit will conduct an initial investigation to gather factual information and reach a preliminary view as to whether further action is required. They will report the findings, conclusions and any recommendations to the Governor, the Chair of the Audit Committee and to other interested parties such as the Deputy Governors, the Chief Operations Officer, Human Resources Director and the Head of Security.

Employees who are under investigation shall be entitled to have an employee or another appropriate individual present during the course of any interview that is conducted in connection with the alleged fraud or related dishonest activity, with a view to defending their case.

Each case will be considered individually in accordance with the expert advice available, and priority will be given to minimise losses (both monetary and otherwise) to the Bank.

Where the Head of Internal Audit report provides reasonable grounds for suspecting an employee or employees of fraud or a dishonest activity, the Governor in consultation with the Human Resources Director, the Head of Internal Audit, and other relevant Bank officers, will decide if any actions are necessary to deal with the situation and/or prevent further loss. This may require the suspension with or without pay of the employee(s) (which will take place in accordance with Disciplinary Procedures) and/or a decision as to whether further investigation is required.

Where further investigation is required the Governor and the Chair of the Audit Committee in consultation with the Head of Internal Audit and other relevant Bank officers will determine the format and nature of the investigation.

The Chief Operations Officer will notify the Bank's insurance brokers at an early stage to ensure that insurance matters are dealt with promptly and properly. In certain cases it may be necessary to involve the Head of the General Secretariat Division as he/she will be responsible for dealing with any enquiries from the press and other media on the matter.

The Audit Committee will, at an appropriate time, consider the results of the investigation and assess whether there is a weakness in the Bank's internal control, which needs to be addressed. The Audit Committee, following consultation with the relevant divisions(s), will report on the outcome to the Commission.

### **3. References for Employees Disciplined or Prosecuted for Fraud**

Where there is a request for a reference for an employee who has been disciplined or prosecuted for fraud or dishonesty, the Human Resources Division shall prepare any reply to such a request having regard to the Bank's policies and employment law.

### **4. Review of Fraud Policy**

The *Fraud Policy* will be reviewed at least every three years by the Audit Committee.