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| **Author Name**  **Job Title** |  | | |
| **Reviewer Name**  **Job Title** | Director of Corporate Services | | |
| **Related Policies and Procedures** | Confidential Reporting (Whistleblowing) Policy  Disciplinary Policy  Fraud Response Plan | | |



## Contents

1. [Introduction/Policy Statement](#Intro)
2. [Aims and Objectives](#Aims)
3. [Policy Principles and Scope](#Principles)
4. [Definitions](#Definitions)
5. [Responsibilities](#Responsibilities)
6. [Police Involvement](#Police)
7. [When and Where Can Fraud Occur?](#Occur)
8. Identification of Fraud
9. [Concluding the investigation](#Identification)
10. [Reporting, Monitoring and Review](#Reporting)
11. [Implementation](#Implementation)
12. **Introduction/Policy Statement**

## 1.1 The Management Board has a responsibility to ensure that *[XYZ LTD INSERT COMPANY NAME]*’s funds are used in a proper manner. To this end it has instigated this policy document to clearly state that any fraud, bribery or corruption is unacceptable and to establish the procedures for reporting irregularities (fraud, bribery, corruption and malpractice be they actual or attempted). This policy should be read in conjunction with [XYZ LTD INSERT COMPANY NAME]’s Fraud Response Plan, which sets out the approach for investigating and responding to suspected incidences of fraud.

1. **Aims and Objectives**

2.1 [XYZ LTD INSERT COMPANY NAME] will not tolerate fraud, bribery or corruption of any nature and this policy, in conjunction with [XYZ LTD INSERT COMPANY NAME]’s Fraud Response Plan, sets out what is expected of staff and how incidences of fraud will be dealt with should they occur. This policy will be made known to all new staff on joining [XYZ LTD INSERT COMPANY NAME] and thereafter highlighted to all staff on an annual basis to ensure awareness is maintained.

1. **Policy Principles and Scope**

3.1 This policy applies to all [XYZ LTD INSERT COMPANY NAME] staff members including any voluntary staff, temporary staff and Board members.

1. **Definitions**

4.1 The term “fraud” is usually used to describe theft of assets, misuse of funds or by more complicated crimes such as false accounting or the supply of false information. Many of the offences referred to as fraud are covered by the Fraud Act 2006, The Bribery Act 2010, and the Theft Act 1968. The term is used to describe such acts as deception, bribery, forgery, corruption, extortion, theft, conspiracy, embezzlement, misappropriation of assets, false representations and concealment of material facts.

1. **Responsibilities**
   1. **The Role of the Management Board**

The Management Board is responsible for establishing and reviewing proper systems of internal control and risk management but has delegated the responsibility for the prevention, detection and investigation of fraud to [XYZ LTD INSERT COMPANY NAME]’s Chief Executive and the Managing Directors of the subsidiary organisations. Internal Audit (IA) contributes to the achievement of this responsibility by the identification of serious defects in internal control as part of their internal audit work, including the making of recommendations for management action to reduce such defects. However, this work does not remove or dilute the responsibility of the Management Board for the operation of internal controls and the identification, prevention and investigation of fraud.

* 1. **The Role of all Members of Staff**

The Management Board expects all staff to act in [XYZ LTD INSERT COMPANY NAME]’s best interests and behave honestly at all times.

[XYZ LTD INSERT COMPANY NAME] wants to make it easy for anyone who suspects fraud has taken place, or will take place, to come forward and “blow the whistle”. The member of staff may choose to discuss the matter initially with their line manager or if they prefer, they can speak in confidence to any member of the Management Team. [XYZ LTD INSERT COMPANY NAME]’s Confidential Reporting Policy provides further guidance for staff who wish to report any wrongdoing.

### No employee will speak to or write to members of the press, TV, Radio or to any other third party about a suspected fraud without the express authority of the Chief Executive.

## The Role of the Managing Director (MD)

### The MD is responsible for responding to any incidences of suspected fraud within their specific subsidiary and for informing other relevant parties such as the Chief Executive, Management Board (subsidiary and Group), Audit Committee, and The Tenant Services Authority, internal audit or the Police as appropriate. The Director of Corporate Services will undertake this role for any incidences of suspected fraud involving staff directly employed by [XYZ LTD INSERT COMPANY NAME] itself.

[XYZ LTD INSERT COMPANY NAME]’s Fraud Response Plan sets out how [XYZ LTD INSERT COMPANY NAME] will deal with suspected fraud at all stages of an investigation.

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Although the MD/Corporate Services Director shall retain overall responsibility for any investigation, the actual conduct of the investigation may be delegated to Internal Audit.

## The Role of the Audit Committee

The Group Audit Committee (GAC) will assist in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the level of risk to the business. GAC will ensure that management has reviewed its risk exposures and identified the possibility of fraud as a business risk; and will assist the Managing Director/Corporate Services Director where necessary in conducting fraud investigations.

### At every meeting of the Audit Committee, the Managing Director/Corporate Services Director will report on all on-going and completed fraud investigations since the previous meeting. Details of these will be minuted and referred to the Management Board (Subsidiary and Group) for review. Any serious fraud (i.e. involving sums in excess of £5,000 and/or senior staff) will be reported directly to the Management Board and to the appropriate Authority.

### The record of incidents of fraud must be kept permanently and be open for inspection by the Board and the Appropriate Authority and be reported on in the Management’s annual review.

### [XYZ LTD INSERT COMPANY NAME] is required to take the action necessary to recover any monies or assets which have been lost and to take appropriate action against staff or Board members who perpetrate fraud and any person whose conduct allows fraud to be perpetrated. The action taken will usually involve prosecution.

* 1. **The Role of Internal Audit**

Internal Audit services are currently carried out by ABC. Their role is to review the general control environment within [XYZ LTD INSERT COMPANY NAME] and recommend improvements on the basis of current best practice and recent legislation.

Internal Audit will also take the lead in investigating any incidences of fraud under the direction of the Managing Director/Corporate Services Director. Internal audit will within their audit programme carry out a review every 3 years of areas of potential fraud and the controls in place to prevent it.

1. **Police Involvement**

## 6.1 Wherever there is a possibility of a criminal action having taken place, [XYZ LTD INSERT COMPANY NAME] will involve the police at the earliest opportunity. The MD’s/CSD’s and IA’s roles will then be to support the police by providing research and information on behalf of the organisation.

## 6.2 If criminal action is suspected, the police must be involved before the suspect is interviewed or any covert action is taken which may alert suspects and precipitate the destruction or removal of evidence. This includes action to stop a loss or tighten controls.

## 7. When and Where Can Fraud, Bribery and Corruption Occur?

7.1 In order to mitigate against fraud it is important to identify when and where such fraud may occur. This provides focus on the highest risk areas to ensure adequate controls are then put in place.

* 1. The most common areas where fraud may occur are
* **Income** – wherever the group receives income there is the possibility of fraud occurring by retention of cash.
* **Payroll** – by introducing non-existent employees, unauthorised amendments to input data and making excessive timesheet claims.
* **Expenditure** – wherever the group makes payments to individuals or organisations there is the possibility of fraud occurring by the raising of false invoices, raising false expense claims and/or by diverting cash either temporarily or permanently.
* **Contract fraud** may arise through accepting late tenders or where tender records are falsified or manipulated.
* **The non-disclosure of personal interests** e.g. in regards to the group’s suppliers.
* **Deliveries and Supplies** e.g. misappropriation of supplies, acceptance of short deliveries, ordering of items for personal use and excessive quantities purchased due to supplier inducements.
* **Financial Systems –** production of payments, receipts and financial information
* **Computer systems** – e.g. introduction of unlicensed software, the introduction of viruses, the amendment of programs and through hacking.
* **Assets** – the use of the assets for personal gain or the misappropriation of the assets.
* **Dilapidated Stock -** Generation of payments through the work of third parties provides an opportunity for collusion.
* **General Maintenance –** Opportunity for collusion between staff and contractors.
* **False Accounting –** opportunity to claim grant funding above what is legally permitted.

7.3 The following list is not exhaustive but indicates some instances when fraud, bribery and corruption is more likely to occur, therefore increased vigilance/control measures should be in place;

* At particularly busy times or just before, during or after holiday
* Periods when only skeleton staff are on duty and they may not have time to carry out all the usual checks and controls
* Prior to or during a major business reorganisation and/or redundancy programme if staff think they will be adversely affected
* If a job holder changes and the new job holder is not fully aware of his or her new role
* If a member of staff has been the subject of a disciplinary hearing and been disciplined
* If a member of staff operates very independently and/or remotely and there are not frequent checks carried out of his or her activities and/or working patterns.
* Frauds often occur over a period of years and reliance on performance against budget or previous years will not in these circumstances highlight potential fraud

7.4In addition to the above, there are certain sets of circumstances that could also raise suspicions that fraud may be occurring. Presence of these factors do not suggest definitively that fraud is occurring but it would not be unreasonable to check what lay behind such changes/circumstances.

* If a member of staff never takes holidays or works extensively outside of normal office hours
* Sudden changes in the lifestyle of staff, Board members or suppliers such as expensive new cars, holidays, second homes, etc. or where there is no change in lifestyle despite things like a partner losing his or her job or becoming seriously ill.
* Irrational or inconsistent behaviour by staff, Board members or suppliers such as heavy drinking, secrecy or overtime working
* If a new member of staff brings with him or her previous colleagues and/or suppliers

**8.** **Identification of Fraud**

Fraud may come to light in a variety of ways but the most common are;

* The Line Manager suspects fraud may have taken place. He or she should immediately inform the MD/CSD and the investigation should proceed as described in [XYZ LTD INSERT COMPANY NAME]’s Fraud Response Plan.
* An external source suspects a fraud may have taken place either by an employee or by a resident. From wherever such information comes the suspicion should be passed to the MD/CSD at the earliest opportunity.
* An employee suspects a fraud may have taken place either by an employee or by a customer. The employee should refer to [XYZ LTD INSERT COMPANY NAME]’s Confidential Reporting (Whistleblowing) Policy immediately and take action accordingly
* An anonymous suspicion is received from a totally unknown source. The suspicion should be passed to the MD/CSD at the earliest opportunity.
* During an audit review, Internal Audit may become aware of a suspected fraud. IA should immediately inform the MD/CSD and the investigation should proceed as set out in [XYZ LTD INSERT COMPANY NAME]’s Fraud Response Plan.

1. **Concluding the investigation**

9.1 It is important that staff in the areas that have been investigated are debriefed and informed of the outcome of the investigation/audit.

9.2 Should it be found that malicious intent was at play those involved could be subject to disciplinary proceedings.

1. **Reporting, Monitoring and Review**

10.1After an incidence of fraud all procedures should be reviewed to ensure that measures contained in this and associated policies are fit for purpose. Reviews to this policy will be subject to approval by the Executive Team and the [XYZ LTD INSERT COMPANY NAME] Board of Management where appropriate.

10.2 A full report should be made to the relevant Board and Audit Committee outlining the circumstances of the fraud, the losses and recoveries, and the actions taken to ensure that any procedural gaps have been analysed and rectified through revised procedures.

1. **Implementation**

11.1 **Fraud Awareness Training** The implementation of an effective anti-fraud culture is dependent on all members of staff being aware of this policy, and response to fraud allegations. This can be achieved through the delivery of fraud awareness training. [XYZ LTD INSERT COMPANY NAME] will aim to provide regular training, via its corporate training programme, for all staff, managers, customers and suppliers in relation to Fraud Awareness and the Whistleblowing Policy.

11.2 **Induction** All staff will be made aware of the requirements of the Anti-Fraud and Whistleblowing policies as part of the induction process. Staff will be required as part of the induction process to sign to confirm that they have been made aware and will comply with this and other relevant [XYZ LTD INSERT COMPANY NAME] policies.