**Fraud Awareness for Regulated Firms**

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# Objective

1. To give trainees a background and understanding of applicable fraud    regulations through an appropriate training course
2. To help trainees understand the typical risks that firms face and the prevalence of fraud.
3. For them to be able to apply these concepts to their work through the use of case studies through an appropriate training course.
4. To assess their understanding and application of the rules via assessment

## Target Audience

Regular staff in regulated firms.  Could be call centres, city brokers, insurance brokers, secondary intermediaries (e.g. car dealers/supermarkets), mortgage brokers etc.

## Content

Module 1 Why is tackling fraud important?

Module 2            What is fraud?

Module 3 What are the key risks?

Module 4 Your role – standards of behaviour

Your role – Red Flags that could indicate fraud?

Your Role – What to do if you suspect fraud- do’s and don’ts

# Module 1 Why is it important to understand about fraud?

## Introduction

Fraud is committed against individuals, corporate and non-corporate bodies, and local and central government departments – but fraud is still mistakenly seen as a victimless crime.

The FSA recognises that fraud and associated organised crime activity is one of the main threats to firms and that the risk is growing rapidly.

In the first section of this course we will consider what the impacts of fraud are and why it is important to understand these risks.

## Impact of Fraud - Financial

Fraud poses a major risk to all private and public sector bodies.

It is estimated that fraud costs the UK economy as a whole £30bn each year.

This amounts to £621 for every adult in the country.

The key impact for individual companies is the financial impact of fraud where estimated losses to fraud are between 3-6% of their annual turnover.

## What would that mean for your firm?

If this level of loss occurred in your firm – how much would that mean they could be losing to fraud?

**Key challenge** – find out what your companies turnover or your department’s budget is and calculate the estimated losses to fraud using an estimated loss of 5%. For example for every £1m of turnover the estimated losses to fraud is £50,000

Consider what your organisation or department could do with that additional money and you quickly realise why it is important to reduce losses to fraud.

## New slide

What other considerations are there when understanding the importance of tackling fraud?

****

Take a few moments to consider what you think other considerations might be and then continue to compare your answers .

## FSA requirements

The Financial Services Authority’s Principles of Business SYSC 3.2.6 requires firms to take reasonable care to establish and maintain effective systems and controls for countering the risk that the firm might be used to further financial crime.

The overall expectation is that firms’ senior management should be proactive in taking responsibility for identifying and assessing fraud risk and the adequacy of existing controls, and ensure that, if necessary, appropriate additional controls are put in place.

The FSA expects a firm to consider the full implications of the fraud risks it faces, which may have wider effects on its reputation, its customers and the markets in which it operates.

**FSA Factsheet on Mortgage Fraud**

“All firms are at risk of being defrauded. We are taking tougher action on those firms who put their business at risk by not putting in place the appropriate level of systems and controls and leaving themselves open to being targeted for fraud.”

## FSA Key Findings

An FSA review of the high-level management of fraud risk across a number of firms concluded that:

* Firms that under-invested in anti-fraud systems, controls and processes suffered relatively high levels of fraud losses;
* The full implications of fraud i.e. impact on the reputation of the firm, its customers and the markets it operates in were not always considered when assessing the level of anti-fraud investment required.
* Fraud threats are very dynamic and firms therefore need to continue to invest in more effective systems and controls.
* Firms need to manage their responses to fraud to avoid being targeted as a ‘weak link’ in the sector.
* Small firms tended not to have considered fraud risk in a holistic way and incorrectly gained comfort from the low volumes of detected fraud they had experienced in the past.
* The impact of an individual fraud event can be more damaging to a small firm, and such firms can be at greater risk.

## Other requirements

There are other regulatory provisions which are impacted by how firms manage the risk of fraud.

FSA Business Principles 2 and 3 require firms to make an appropriate assessment of financial crime risks associated with customer data.

****The UK corporate governance code requires board members to maintain sound risk management and internal controls.

## Impact of Fraud – Non Financial

Fraud also undermines the reputation of an organisation and the confidence that others have in the business.

Fraud means that everyone pays more for goods and services, as well as higher taxes.

It is therefore essential that firms manage the risk of fraud to prevent fraud losses and to run an ethical business. This course will ensure that all employees understand what fraud risks are faced by firms, and what their role is in managing that risk.

## Penalties for Fraud

Individuals who act fraudulently face:

* Up to 10 Years imprisonment;
* Regulatory action by the FSA (fines and bans from working in the regulated sector)
* Financial Penalties/Recovery under the Proceeds of Crime Act
* Disciplinary action by their relevant professional body
* Disciplinary action by their employer

In addition the FSA can impose unlimited fines and restrictions on work that can be undertaken by firms whose employees have acted fraudulently.

# Module 2 What is Fraud?

## Definition of Fraud

**Broad Definition**

Fraud has historically been defined as depriving someone of something by deceit. The term ‘fraud’ also encompasses offences such as: Bribery, Forgery, Conspiracy, False Accounting and Theft.

**Working Definition**

Many firms use a non-legal definition of fraud and a typical example is provided below:

****“An intentionally dishonest act including deliberate falsification of information commited by or against a company by management, employees, or third parties to obtain an advantage or to cause a loss.”

**Example Scenario**

Let’s look at a simple scenario in the workplace.

Natalie has to complete a daily timesheet. Every Tuesday she is the first person to arrive at the office.

She enters her time of arrival as 30 mins earlier than her actual time of arrival. By building up extra hours she can claim overtime payments.

Has Natalie committed fraud? Yes or No

Yes, Natalie has committed fraud by falsely claiming additional time in this way.

Lying about something is one way in which someone can commit fraud.

We will now consider key fraud offences as a way of understanding different ways in which fraud can be committed.

## Key Fraud Offences

‘Fraud’ offences committed prior to 15 January 2007 were generally prosecuted using various deception offences under the Theft Acts 1968 and 1978.

This created a legal problem because the Theft Act was too specific and prone to technical defence.

These old deception offences have now been replaced by the Fraud Act 2006 but are still applicable to acts/offences committed prior to 15 January 2007.

## Fraud Act 2006

Under the Fraud Act 2006 fraud can be committed in one of three main ways:

False Representation (Section 2 of the Fraud Act)

Failure to Disclose Information (Section 3 of the Fraud Act)

Abuse of Position (Section 4 of the Fraud Act)

The Fraud Act 2006 applies to offences committed on or after 15 January 2007.

Let us consider each of these offences in more detail.

## False Representation

False Representation involves lying about something using any means.

In relation to the offence of fraud by false representation, a person commits fraud if he dishonestly makes a false or misleading representation as to fact or law.

There must be an intention to make a gain for himself or another, or to cause loss to another, or to expose another to a risk of loss.

The representation need not be in writing, the offence also covers verbal misrepresentation, or misrepresentation through actions.

**Example 1**

Sam dishonestly adds an extra 10 miles to each mileage claim he submits to his employer and therefore receives reimbursement of expenses in excess of his entitlement.

**Example 2**

Sarah is a mortgage broker. She deliberately enters false information on a mortgage application form and submits the application based on information she knows to be false.

**Example 3**

Jim is a manager at an insurance brokers and is conducting an investigation which involves asking an employee named Jack a simple yes/no question. The truthful answer is ‘yes’. Instead of lying by saying ‘no’, Jack simply shakes his head instead. As a result Jim the manager assumes the shake of the head means ‘‘no’ and takes no further action. In responding in this way Jack has still committed an offence of False Representation as he has, through his actions (shaking his head), lied to Jim and has made a gain from that lie.

## Failure to Disclose

Failure to disclose involves not saying something when you have a legal duty to do so.

The offence of Fraud by failure to disclose information involves a legal duty to disclose that information: this duty is not specifically defined but may derive from law, an utmost good faith transaction, custom, or the terms of a contract.

**Example 4**

John fails to declare a previous conviction for theft when applying for a job at a supermarket, even though the application form clearly asks for the information. He does this knowing that if he were to declare the information it might impact on the supermarket’s decision to employ him.

**Example 5**

The directors of a company know their profits have been poor this year. They decide not to include a profit and loss sheet in the reported accounts to Companies House, hoping this will maintain the share price.

**Example 6**

A car dealer knows that the recorded mileage on a car is incorrect but fails to disclose this to potential buyers knowing that the lower recorded mileage means he can sell it for a higher price.

****

## Abuse of Position

Abuse of positioninvolves abusing a position of trust where there is an expectation to safeguard the financial interests of another person or organisation.

The offence of Fraud by abuse of position requires the person to be in a position in which they are expected to safeguard, or not act against, the financial interests of another person and they must abuse that position.

## Position of Trust

The following are examples of the types of relationship where someone could be in a position of trust:

a trustee the beneficiary of a will or Trust deed;

a director his company;

a professional occupies a position of trust towards their client;

an employee occupies a position of trust towards their employer

The abuse of position may be committed by omission or positive act.

Any internal fraud and corruption by an employee against their employer will fall within this category.

**Example 7**

Helen is a bank employee. She dishonestly accesses customer accounts and transfers money to other accounts under the control of her associates.

**Example 8**

Jim is an employee of a call centre. He dishonestly copies confidential personal data relating to clients and sells this to an associate.

**Example 9**

An insurance broker is holding clients’ money on account and dishonestly transfers some of this money into an account under his control. He uses that money for his own personal benefit. It should be noted that in this example the offence is complete even if the broker subsequently repays the money back into the client’s account. The broker has still made a gain from a dishonest act.

## Dishonesty

A single act of fraud may consist of one or more of the above offences.

In order to be guilty of fraud the person must be acting dishonestly. In other words the act must be regarded as dishonest by the ordinary ‘man in the street’, and the person committing the act must be aware that it would be so regarded.

## Gain or loss

There must also be an *intention* to cause either a gain to the person commiting the fraud, or a loss to the victim of the fraud. Even if no loss or gain actually takes place (because for example the fraud is thwarted) the offence is still complete taken place as long as the intention was there.

Making a *gain* includes wrongfully retaining something you already have.

Causing a *loss* includes precluding someone from obtaining what they ought to get.

## Other key Fraud Act Offences

The Fraud Act also creates new offences of:

Section 6 – possession of articles for use in fraud. This makes it a criminal offence for someone to have in their possession or under their control any article intended for use or in connection with fraud.

For example Jenny has a false reference from a previous employer which she intends to use to get a new job.

Section 7 - making or supplying articles for use in frauds. This makes it a criminal offence to make, supply, adapt or offer to supply any article knowing it is designed for use in fraud or intending to use it to commit or commission fraud.

In the reference example this would be the act of creating the false reference.

Section 9 - participating in fraudulent trading. This applies to businesses not carried out by corporate bodies or companies and therefore covers sole traders, partnerships, (and non-corporate bodies such as trusts) who trade with others knowing that they cannot pay their bills.

For example ‘Phoenix’ traders, here today, take your money, gone tomorrow, trading under a new name the next day.

Section 11 - obtaining services dishonestly. This makes it a criminal offence to obtain services by a dishonest act thus avoiding paying for those services in full or in part.

## Other Relevant Offences

**Section 933 of The Companies Act**

This is similar to the offence under Section 9 of the Fraud Act 2006 as set out earlier, but this provision applies to incorporated companies.

**The Enterprise Act 2002**

The above legislation covers ‘cartel’ offences and involves two or more people dishonestly agreeing to engage in:

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Price Fixing – agreeing prices with competitors

Market sharing – contractors agreeing to divide contracts between themselves

Limitation of production or supply - agreeing to limit availability of contractors to drive up price

Bid rigging – paying money to rivals to stay out of tenders

These are all potential frauds related to any form of tendering for contracts. These could also be regarded as offences under the UK Bribery Act 2010 (see next section).

## UK Bribery Act 2010

This is expected to come into force in sometime after April 2011. Bribery is the offering, giving, seeking, or acceptance of an inducement or reward in return for influence over decisions or actions. As well as making it a criminal offence to offer or accept bribes it also creates a new corporate offence of failing to prevent bribery.

## Computer Misuse Act 1990 - Section1

Makes it a criminal offence to cause a computer to perform any function with the intention of securing access to a program or data where access is unauthorised.

## Theft Act 1968 – Section 17 False Accounting

This makes it a criminal offence for someone who dishonestly with a view to making a gain or causing a loss, destroys, defaces, conceals, falsifies any document for use for an accounting purpose.

It is also an offence to produce or make use of an account which they know or suspect is false.

In the case of R v Manning an insurance cover note was held to be a document for an accounting purpose because it contained rates to be paid and dates to be paid on.

In the case of R v Sundhers the actual insurance claim form was deemed not to be held for an accounting purpose.

## Identity Documents Act 2006 (Section 6)

Makes it a criminal offence to have in your possession or control without reasonable excuse:

* A false ID;
* ID Improperly obtained;
* ID belonging to someone else; or
* Apparatus, articles or material designed for making false IDs.

# Module 3 – What are the key fraud risks?

## Introduction

As can be seen from the previous examples fraud offences can be committed in a number of different ways. Fraud is itself a ‘big business’ – we have organised criminal gangs committing fraud which will then be used to finance other crimes. However most of the fraud risks faced by firms are at a more local level. In this section we will explore what the key fraud risks are.

**The three main fraud categories**

We usually divide fraud into three main fraud categories:

Fraud by internal employees against their employer;

Fraud by external third parties e.g. Consultants, contractors or tenants against a firm; and

Collusive fraud where employees work with an external third party in order to commit fraud against their employer.

## Main Fraud Risks

There are really only a limited number of ways in which frauds are carried out. The main fraud risks faced by regulated firms are:

Theft of Information

Mortgage Fraud

Insurance Fraud

Cheque Fraud

Procurement Fraud

Theft of Assets

Clients lying about their personal circumstances

Business Associates and clients failing to disclose relevant facts

False Accounting

Bribery and Corruption

Affinity Fraud

We will now examine some of these in more detail:

**Theft of Information** occurs when for example an employee sells the personal details of clients to a criminal gang to enable them to commit identity fraud. Personal data has a high value to fraudsters.

**Bribery** One persistent threat is insider fraud, particularly the corruption of employees by organised criminals who often place their associates within firms or use various forms of coercion such as bribery, blackmail or the threat of violence in order to influence employees.

As a result, firms have had to improve their staff vetting procedures and a number of bodies such as CIFAS and APACS have developed staff fraud databases so that firms can share information on employees who have been dismissed on suspicion of fraud. This should make it much harder for individuals with a history of dishonesty to find employment in the financial sector.

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**Cheque Fraud** occurs when cheques are intercepted by a fraudster and altered to enable them to paid into their own account and/or for a different amount.

**Procurement Fraud** occurs when for example a contracted supplier makes a false declaration or withholds relevant information as part of their application for a contract.

Alternatively a contractor may supply substandard products and pass them off as products of a higher quality.

Contractors may collude with each other in the contract tendering process in order to drive up costs.

**Theft of Assets** includes the use of assets for personal gain or the misappropriation of the assets for example an employee makes a false or exaggerated claim for reimbursement of work expenses.

**Affinity fraud** refers to investment scams that target members of a group, such as community, religious, ethnic, elderly or professional groups. Examples include church congregations, members of old people’s clubs, and community groups.

Often the fraudster will claim to be a member of the group to gain people’s trust. Sometimes the fraudster will not be a member of the group but will sell the scam to a few prominent members in order to gain the trust of the others. Affinity fraud has increased with the growth of the internet, enabling easy identification and communication with members of a specific group through social networking websites, bulletin boards and chat rooms devoted to specific groups. Migrant groups are being specifically targeted.

## Other risks

Payroll – introduction of non-existent ‘ghost’ employees, unauthorised amendments to input data and making excessive timesheet claims.

Expenditure – wherever the firm makes payments to individuals or firms 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 firm’s suppliers.

Client Fraud – clients misrepresent personal circumstances to obtain services.

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.

Computer systems – introduction of unlicensed software, the introduction of viruses, the amendment of programs through hacking.

****

General Maintenance – Opportunity for collusion between staff and contractors.

Broker Specific Risks

* Misappropriation of client monies
* Failure to pass on premiums, refunds or claims
* Misrepresentation of customer details in order to get insurance or reduce premiums
* False cover notes
* False certificates of insurance
* Use of third parties to win business with risk of bribery and corruption

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## Case Studies

*Jen – we could include all of these by making them kind of optional someone could click on a two word heading from a diagram to go to the page with the full case study and then to return back.*

**Case Study One**

In early 2010 the Financial Services Authority (FSA) banned four individuals for failings in relation to insurance fraud. It has also imposed a fine of £50,000 on one individual.

The key issue was the use of approximately £300,000 of client money to finance the creation of a new company. His actions meant that several hundred customers were put at risk of being uninsured because their premiums were misused.

The FSA advised that: "...Individuals holding a significant influence role such as that of director must act with integrity as well as with the skill, care and diligence necessary to manage effectively the businesses for which they are responsible.

The actions of these individuals came to light following information that the FSA received through its whistle blowing line.

**Case Study Two**

A mortgage broker was jailed after pleading guilty to obtaining property by deception in connection with mortgage fraud.

The broker submitted fraudulent mortgage applications in his own name, in his wife’s name, and in the name of a fictitious person, whose identity he created. The broker also made false and misleading statements to the FSA about his business arrangements, and he failed to disclose in his application for authorisation that he had been the subject of two County Court Judgments.

**Case Study Three**

In 2009 the Financial Services Authority (FSA) banned a mortgage adviser for knowingly submitting mortgage applications supported by inaccurate and misleading employment details for himself and on behalf of his customers.

In his capacity as principal, he also did not put in place adequate arrangements to control the firm and to counter the risk that it might be used to further financial crime.  He failed to:

* take reasonable steps to verify client information;
* ****implement adequate record keeping systems;
* monitor mortgage business transacted; and
* understand the regulatory requirements associated with regulated mortgage business.

**Case Study Four**

The Financial Services Authority (FSA) recently fined a private bank £350,000 for weaknesses in its systems and controls which allowed a senior employee to fraudulently transfer £1.4 million out of clients' accounts without permission.

The 13 fraudulent transactions were carried out between February 2002 and March 2005 using forged clients' signatures and instructions and by falsifying change of address documents.

During its investigation, the FSA found that the bank did not have an effective review process for transactions over £10,000 from clients' accounts. The bank's procedures were not clear about the role of senior management in checking large transfers prior to payment.

In addition a flaw in the bank's IT system allowed the employee to evade the normal processes. As a result basic authorisation and signatory checks were not carried out on internal cash transfers between different customer accounts.

**Case Study Five**

In 2006 the FSA fined a third party administrator of collective investment schemes, £300,000 for poor anti-fraud controls over client identities and accounts. The FSA found that the firm had inadequately considered the risks posed by fraud and had not maintained effective systems and controls to mitigate the risk of fraud. Those failures in controls contributed to a small number of significant actual and attempted frauds against the firm's customers. These frauds were facilitated by the firm’s staff colluding with the fraudsters.

In one instance a client's name and address had been changed and the sale of units was being processed without instructions from the client. The firm then found that the data for five other clients had been subject to unauthorised changes. Fraudulent requests for payments totalling £1,134,938 had been made but were stopped from going ahead by the firm.

The firm later discovered further actual and attempted frauds, including instructions for £417,321 being processed for 20 clients.

Actual fraudulent payments totalling £328,241 were made.

There were insufficient controls to ensure that changes to client data and instructions for payments were genuine or that payments were not made to accounts that were not controlled by clients.

**Case Study Six**

The Financial Services Authority (FSA) banned an individual for committing fraud. Between 2001 and 2006, the individual stole a total of £152,372 from his then employer and a number of its private clients in 37 separate transactions, and hid £145,000 in a dormant account that had been paid to his employer in error.

****He also transferred a personal trading loss into his firm’s account and stole trading profits, dealing commission and credit interest belonging to his employer. His role entailed making changes to data such as names, addresses, and account numbers on client accounts.

The FSA said:“(he) was a long standing employee of the firm who misused his senior position with the firm.  He exposed weaknesses in the firm’s systems and used them to his advantage. We expect people who work in the financial services industry to behave with honesty and integrity, yet (his) conduct was anything but.”

**Case Study Seven**

The Financial Services Authority (FSA) imposed one of its largest ever fines of £150,000 on a company director for insurance fraud. The Director failed to put in place insurance policies appropriately or, in some cases, at all, despite collecting payment from customers. He also knowingly forged documentation and correspondence potentially to mislead insurance companies.

# Module 4 - Your Role

**Standards of Behaviour (What is Expected of Me?)**

You are expected to act with integrity and honesty and to protect the assets and reputation of the firm as well as the wider market you work in.

**Golden Rule**

If there is sufficient doubt in your mind as to whether your action would be regarded as acceptable – don’t do it.

You should consider any personal interests or relationships that could cause a conflict of interest with the business decisions you are required to take. Remember perception is everything.

## Types of Control

Controls are things which have been put in place to help reduce the risk of fraud.

For example if you submit an expenses claim then this will usually have to be authorised by a manager before it can be paid. This type of control is a supervisory control.

In the above example the claim will then usually have to be passed to another person or department to actually put the claim on the payment system. This type of control is called separation of duty.

Supervisory controls and separation of duties are two of the most common type of control and are generally there to stop unauthorised payments being issued.

Other types of control include: asset registers, budgetary and financial controls, audit trails, and spot checks by managers.

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## Fraud Red Flags

No single factor indicates fraud but it is useful to know those characteristics which may indicate deception or dishonesty. The following factors are traits which have been observed in people who have committed fraud. It is therefore useful to consider these in the context of helping people identify possible fraudulent acts.

* Unexplained wealth/living beyond one’s means

A person whose lifestyle is not commensurate with their income

* Refusal to take holidays

many frauds are discovered when the corrupt individual is off work either sick or on annual leave and someone else is covering their job.

* Adversarial attitude to auditors
* Entertains or is entertained lavishly by suppliers
* Poor attitude to record keeping and procedures or constantly complains
* Unwillingness to release control
* Staff under stress and always ‘busy’ without obvious workload

The following could also be indicators of fraud:

* New staff resigning quickly from a team – Are they being bullied? Have they been asked to do something unethical and voting with their feet?
* Missing and / or altered documents. Fraudsters commonly use fake documentation to fool brokers and lenders. Be alert to suspected fraudulent documentation including P60s,passports, driving licences and utility bills.
  + Best Practice - Always ask to see original documentation. Cross reference and question documentation you receive. For example does the information on a bank statement contradict other information held?
  + Find out why a lender has declined an application rather than simply placing it elsewhere. Declined applications can be due to a lender receiving fraudulent information.

This could be simply due to error but could also be a deliberate attempt to conceal or misrepresent information

It should be stressed that although these characteristics are common aspects of dishonest behaviour, some may also be exhibited by individuals who are **not** dishonest or involved in fraud in any way.

Consider the full picture. Is there a collection of these characteristics? Is there the opportunity or inclination to benefit from dishonesty?

## Whistleblowing

If you have concerns that fraud is being committed then you are encouraged to raise your concerns. This is known as ‘whistleblowing.

****People often worry about raising concerns as they do not wish to be seen as a troublemaker. It is important that staff feel able to raise concerns without any fear of it affecting their career.

The Public Interest Disclosure Act 1998 (PIDA) protects staff who report the wrongdoing of their colleagues. You will generally be protected provided that you make a disclosure in good faith, reasonably believe that the information and any allegation contained in it are substantially true, and do not act for personal gain or malice.

PIDA applies to all staff including contractors and temporary workers.

A disclosure will be protected if, in the reasonable belief of the individual making it, it tends to show that one or more of the following has occurred, is occurring or is likely to occur:

• a criminal offence

• a failure to comply with a legal obligation

• a miscarriage of justice

• the endangering of an individual’s health and safety

• damage to the environment

• deliberate concealment of information relating to any of the above.

When making a report

**Do**:

* Consider the grounds for your concerns
* Report the matter promptly if you feel your concerns are justified
* Report the concerns through the appropriate channels
* Feel assured that your concerns will be properly investigated

**Don’t**:

* Do nothing
* Try to investigate the matter yourself
* Approach any individuals to which the concern relates directly
* Convey suspicions to anyone other than through the correct channels

**Who do I report suspected fraud to**

Hopefully your firm will have a nominated person (or people) who you can raise concerns internally.

You may also wish to approach Public Concern at Work for confidential and independent advice. They can be contacted at: [whistle@pcaw.co.uk](mailto:whistle@pcaw.co.uk)  www.pcaw.co.uk

Where it is not possible to raise concerns internally then you can disclose to an appropriate regulator such as the FSA.

The FSA has a reporting line for reporting brokers **–** [**fcc@fsa.gov.uk**](mailto:fcc@fsa.gov.uk)

**Your role Summary**

In summary therefore you are expected to:

* Act with propriety in the use of official resources and the handling of company funds.
* Be alert to the possibility that unusual events or transactions could be indicators of fraud.
* Report details immediately through appropriate channels if fraud is suspected.
* ****Cooperate fully with whoever is conducting internal checks or reviews or fraud investigations

**Other Roles and Responsibilities**

**The Audit Committee**

Audit Committees are responsible for advising on the content of the Fraud response plan and fraud strategy.

**The Board**

The Board are responsible for establishing and maintaining robust risk management and internal control systems. These systems are designed to manage a whole range of risks, including fraud

Operational responsibility for tackling fraud rests collectively with all members of the Executive Group. The investigation of fraud is delegated to appropriate staff or external specialists. The Executive Group generally remain collectively responsible for appropriate oversight of the investigation and redress elements. Reporting arrangements fall within the remit of the company secretary and Chief Executive as appropriate.

**Internal Audit**

Whilst it is not the primary role of internal audit to detect fraud, it is often a role people associate with the function. Internal audit has no legal responsibility for fraud but it is required to provide independent assurance on the effectiveness of the processes put in place to manage the risk of fraud.

**Directors**

Directors are responsible for ensuring robust systems of risk management and internal controls exist within assigned areas of responsibility.

Directors will also be responsible for ensuring cases are properly referred, investigated and reported.

Additional responsibilities for ensuring weaknesses are properly addressed rest at this level when an exposure to fraud is discovered.

**Questions**

1. Enhancing your CV or job application form by falsely claiming to have a degree qualification is an example of what type of fraud offence?

**False Representation**

Failure To Disclose Information

Abuse of Position

False Disclosure

Theft

1. A customer attempts to cash a falsified cheque at the bank counter. The cashier is suspicious and doesn't handover any money, instead she raises the alarm. Given that the attempt to obtain the money has failed, has the customer committed fraud under the Fraud Act 2006?

**Yes**

No

1. Which of the following are examples of the offence of Abuse of Position under Section 4 of The Fraud Act 2006

A client misrepresents their personal circumstances in order to gain access to a service or benefit

A broker uses money from a client's account for their own benefit

A contractor submits a false invoice claiming for work that hasn't actually been done

You fail to mention a pre-existing medical condition when applying for life insurance

1. The Fraud Act 2006 came into force on what date?
2. 15 February 2006
3. 1 January 2006
4. **15 January 2007**
5. 15 January 2006
6. What type of fraud is described as the offering, giving, seeking, or acceptance of an inducement f or reward in return for influence over decisions or actions
7. **Bribery**
8. False Accounting
9. Obtaining Services Dishonetly
10. Fraudulent business carried out by sole trader
11. According to Official Estimates what is the cost of fraud to the UK Economy.
12. £30 million
13. **£30 Billion**
14. £14 Billion
15. £3 Billion
16. Which of the following pieces of legislation sets out the key fraud offences
17. The Theft Act 1968
18. **The Fraud Act 2006**
19. The UK Anti-terrorism, Crime and Security Act 2001
20. ****The Bribery Act
21. Under-declaring income on your tax return would be an example of which type of offence?
22. Failure to Disclose
23. **False Representation**
24. Abuse of Position
25. False Accounting
26. Omitting items from your tax return would be an example of which type of offence?
27. **Failure to Disclose**
28. False Representation
29. Abuse of Position
30. False Accounting
31. Internal corruption by an employee will usually fall within which category of offence.
32. Failure to Disclose
33. False Representation
34. Abuse of Position
35. **Bribery**
36. Which of the following are key principles in ethical behaviour:
37. **Integrity**
38. Loyalty
39. Selflessness
40. Equality
41. A key element of the fraud offences under the Fraud Act is:
42. Deception
43. Theft
44. **Dishonesty**
45. Bribery