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| **Related Policies and Procedures** | Confidential Reporting (Whistleblowing) Policy  Disciplinary Policy  Anti Fraud and Corruption Policy | | |

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12. **Introduction/Policy Statement**

1.1 ABC’s Board will not tolerate fraud and expects all staff and Board members to behave in a fair and honest way when conducting ABC Ltd business. Anyone who commits fraud against the group will be subject to disciplinary, civil and criminal proceedings as appropriate. This applies equally to both internal conduct, and also externally in relation to ABCs suppliers, partners and other business associates.

1.2 The Management Board is committed to reducing the risk of fraud and corruption within ABC’s business. The Management Board’s policy in relation to fraud is that it is committed to taking prompt action to fully investigate and address any suspected cases, whether carried out by staff, members, suppliers or other partners

1. **Aims and Objectives**

2.1 This policy sets out exactly how ABC will respond to any incident or suspected incident of fraud and should be read in conjunction with the Association’s Anti-Fraud and Corruption Policy. All parties involved in the investigation of suspected incidences of fraud are required to follow this procedure.

2.2 This policy should enable ABC Ltd to;

* Minimise and recover losses; and prevent further loss;
* Establish and secure evidence necessary for criminal and disciplinary action;
* Notify the relevant Regulatory and Professional Bodies if the circumstances require this action
* Take appropriate action against those who have carried out acts of fraud
* Protect any member of staff who has “blown the whistle”;
* Review how the incident occurred, the control measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud
* Keep all relevant staff suitably informed about the incident and ABC Ltd’s response;
* Assign responsibility for investigating the incident;
* Establish circumstances in which external advisors should be involved; and
* Notify the police and establish lines of communication with them.

1. **Policy Principles and Scope**

3.1 This policy applies to all ABC Ltd staff members including any voluntary staff, temporary staff and Board members.

1. **Definitions**

4.1 The term “fraud” is usually used to describe depriving someone of something by deceit whether by theft of assets, misuse of funds or by more complicated crimes such as false accounting or the supply of false information. Under The Fraud Act 2006 there are three main fraud offences: Fraud by False Representation; Failure to Disclose Information, and Abuse of Position. The UK Bribery Act 2010 and the US Foreign and Corrupt Practices Act cover offences around Bribery and Corruption. There are other offences referred to as fraud covered by the Theft Acts 1968 and 1978. 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**

5.1 Detailed responsiblities in regards to the prevention and detection of Fraud are outlined in the Anti-Fraud and Corruption Policy. More generally it is the responsibility of all Board members and members of staff to be vigilant to possible fraudulent behaviour and to the possibilities of fraud and to draw attention to any irregularities.

5.1 Specific responsibilites in relation to the investigation of suspected fraud are outlined in the following paragraphs.

1. **Police Involvement**

## 6.1 Wherever there is a possibility of a criminal action having taken place, ABC Ltd will involve the police at the earliest opportunity. The MD’s and Internal Audit roles will then be to support the police by providing research and information on behalf of the company.

## 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. Initial Action**

7.1 All actual or suspected incidents should be reported without delay in accordance with the Organisation’s Whistleblowing Policy, who should, where possible within 24 hours, hold a meeting involving the following individuals:

* Chair of the relevant Management Board (If the Chair is unavailable, then the Chair of Audit Committee will act as deputy)
* Finance and IT Director
* Head of Human Resources (where a staff member is the alleged perpetrator)
  1. At this initial meeting, this lead group will decide on what action needs to

be taken. This will normally include:

* An investigation into the alleged fraud in accordance with the process outlined in the disciplinary policy (if the matter involves a member of staff or board member).

* An investigation led by Internal Audit to review the controls operating in the area where the suspected fraud took place to identify any break downs of controls in place and to identify additional controls required to prevent a repeat occurrence. A decision will be made if this can be conducted concurrently or whether this would impede the disciplinary investigation in which case the audit should occur immediately following the disciplinary investigation. A meeting should be arranged with the Leading Internal Audit Officer or appointed deputy as soon as is reasonably practicable to discuss arrangements for the audit.
* Further consideration should be given at this time whether to not to inform the Police (See para 6).

7.3 In the event that the alleged fraud has been perpetrated by the Managing

Director/Corporate Services Director, the incident should be immediately

reported to the Chair of the Management Board or the Chair of Audit Committee

in his/her absence. It must also be reported to the [relevant professional or regulatory body] in accordance with paragraph 7.5 below

7.4 The Chair of Audit Committee, CEO and Chair of the Management Board should be advised at the earliest stage of investigations that the process has started where the value of the suspected fraud exceeds £100,000.

7.5 The Professional Body/Regulator is to be advised of all frauds in excess of £5000 or its equivalent value, immediately upon discovery. If it is possible that the £5000 limit has been exceeded e.g. the alleged fraud may be smaller amounts but it might have occurred over a protracted period, the Professional Body/Regulator should be notified as a precaution. Any fraud or corrupt act perpetrated or attempted by a senior official of the group, no matter how low its value, must be reported to the Professional Body/Regulator immediately.

**8. Prevention of Further Loss**

### 8.1 Where initial investigation provides reasonable grounds for suspecting a

### member(s) of staff of fraud, the lead group will need to decide how

### to prevent further loss. This may require suspension of the individual (s)which

### should be conducted in accordance with the disciplinary policy. It may be

### necessary to plan the timing of suspension to prevent the suspect(s) from

### destroying or removing evidence that may be needed to support disciplinary or criminal action. In these circumstances, the suspect(s) should be approached unannounced. To this end it is advisable to restrict discussion of and involvement in the investigation to only those people who have to be involved.

8.2 The suspect(s) should be supervised at all times before leaving

ABCs premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to

ABC Ltd. Any security passes and keys to premises, offices and furniture should be returned and any access cards suspended.

8.3 The lead group should consider the best means of denying access to

ABC Ltd premises while the suspect(s) remain suspended (for example by

changing key codes and informing staff not to admit the individuals to any part

of the premises). Similarly, the Head of IT (or his/her deputy) should be

instructed to immediately withdraw access to ABC Ltd’s systems and

network.

8.4 Internal Audit shall consider whether it is necessary to investigate

systems other than that which has given rise to suspicion, through which the

suspect may have had opportunities to misappropriate ABC assets. It may be appropriate to conduct data analysis to identify suspicious transactions.

**9. Collecting and Securing Evidence**

## 9.1 Wherever possible it is vital to obtain a written report from all witnesses.

## It is best practice for an experienced member of staff such as from HR to take a

## chronological record using the witness’s own words, although it is essential that

## the witness is happy to sign the statement as a true record. It is better to get the

## experienced member of staff to write the statement as this helps to keep the

## statement to relevant facts.

9.2 If physical evidence is obtained it is very important that a log is maintained stating where and when the evidence was obtained. It is good practice to tag the evidence with a reference number and record this number in the log.

9.3 The MD/CSD is responsible for deciding whether the suspect should be interviewed and may take legal advice before such a decision is taken**. If criminal action is suspected it is essential to consult the police before the witness is interviewed.** Compliance with the requirements of the Police and Criminal Evidence Act (1984) (PACE) determines whether evidence is permissible in criminal proceedings. Even in cases where criminal action is not suspected, it is best practice to adopt the requirements of PACE.

**10. Recovery of Losses**

10.1 Recovering any losses is a primary objective for ABC Ltd.

10.2 Internal Audit and the Managing Director/CSD will quantify any loss.

10.3 Where a significant loss has occurred, legal advice should be obtained, without delay, about the options available to recover the loss. This should include the need to freeze the suspect’s assets through court action, pending the outcome of investigations.

10.4 Where a perpetrator refuses to repay ABC Ltd, legal advice should be sought in respect of recovering losses through the civil court.

10.5 ABC Ltd will seek to obtain any costs associated with recovering a loss.

10.6 The possibility of recovering the loss through insurance should be investigated and wherever the MD/CSD deems it appropriate the insurance company should be informed at the earliest opportunity. If in doubt, inform the insurance company.

**11. Reporting**

11.1 The Managing Director and Internal Audit will provide regular confidential updates to the Chair of Audit Committee and the Chair of the Management Board. The Group chair will also be informed and the Group Board updated at the next available meeting.

* 1. Updates shall provide the following information;
* Circumstances surrounding the case
* Amount of the loss
* Progress on recovery, disciplinary and criminal action being taken
* Action being taken to prevent a reoccurrence
  1. Once a case has been concluded, a full report will be submitted to Audit Committee and Management Board.
  2. The MD/Group Chief Executive will advise the Professional Body/Regulator of any action taken.

**12. Concluding the Investigation**

## 12.1 The eventual outcome of the investigation will depend on whether a criminal act has taken place or not.

## 12.2 If a criminal act is suspected of having taken place, any action taken by the group with regard to the suspect will have to be taken with due regard to ABC’s Disciplinary Policy and the advice of the Police and legal advisors.

## If no criminal act is suspected of having taken place but the suspect is deemed to have committed an irregularity within the scope of the Organisation’s rules, the Organisation’s Disciplinary Policy will be used to determine what further action to take and how to take it.

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

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

**13.** [**Monitoring and Review**](#Review)

## At the earliest opportunity either during or after the investigation, but

## without prejudicing the outcome of the investigation, the lessons learnt on ways to improve the internal controls should be implemented.

13.2After 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 Audit Committee and the ABC Ltd Board of Management where appropriate.

13.3 A full report should be made to the Finance 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.

**14. Implementation**

14.1 The Managing Directors, Corporate Services Director, Head of Human Resources and any other nominated member of staff will be trained in the collection of evidence and the interviewing of suspects in accordance with the Police and Criminal Evidence Act (1984).

14.2 Staff will be made aware through the training and induction outlined in the Anti-Fraud policy how to raise concerns in relation to suspected fraud (i.e. whistleblowing procedures).