Integrity Matters

Key Messages for Our Partners

Introduction

Overall context

We embrace the concept of Partnering and collaborative working, believing that an honest and collaborative approach will reap benefits in achieving a quality driven, value for money service.

It is our intention to enter into a long term relationship with our contractors and it is envisaged that undertaking this in a collaborative and partnered way will deliver success.

At the heart of this contract is the spirit of trust and fairness and specifically the concept of early warning. Seeing a problem develop and preventing it from arising in the first place is the antithesis of what we meet in traditional contracts.

Trusted Partners

Ensuring the integrity of our industry is in everyone’s interest. We want to work with our trusted partners to ensure that integrity is maintained.

In particular there is the risk of sub-contractors or other third parties committing fraud against our principal contractors, and those principal contractors inadvertently passing the effects of that fraud on to us as the client.

The majority of people working for you (staff and sub-contractors) are honest individuals. It is important that we engage with you and them (the honest majority), in order to effectively reduce the risk of fraud occurring. To this end it is important that you and the people you work with understand the risks, know how to spot the warning signs, and know what to do if fraud is suspected.

This document aims to help with that understanding. This should not be taken as a definitive guide for managing fraud risks and contractors are responsible for ensuring that they effectively manage the risk. This does not constitute legal advice and if in doubt contractors are advised to seek their own independent advice from a counter fraud specialist or specialist legal adviser.



What do we mean by fraud and what are the risks ?

There are a number of specific offences of Fraud including those under the Fraud Act 2006 and under the Theft Acts. For our purposes fraud means any intentional dishonest act committed to secure a gain, avoid an obligation, or cause a loss to another party. This includes (but not limited to): theft, corruption, conspiracy, embezzlement, deception, bribery, false accounting, computer mis-use, and extortion.

Particular fraud risks include (but not limited to) :

* Production of fraudulent timesheets ;
* Production of fraudulent invoices ;
* Payment of bribes (either cash or non-cash) to obtain work ;
* Submission of false performance data;
* Theft of materials;
* Leaking of confidential information;
* Illegal working;
* Product substitution e.g. reconditioned products represented as brand new ;
* Conflicts of Interest ;
* Short delivery of goods or services ;
* Over specification of goods or services

Further information is also available through the Metropolitan Police <http://www.met.police.uk/fraudalert/>.

**Self-Assessment Review**

Do you know the size of the fraud threat and types of fraud committed against your organisation ?

Do you know how much you are losing to fraud and from where ?

Do you have an information security policy ?

Do you know how your sub-contractors and third parties handle sensitive information ?

What are my responsibilities as a contractor ?

We require our staff, contractors and customers to act honestly and with integrity.

As a minimum we would expect you as a contractor to :

* Have a clear and communicated ethical statement making clear your commitment to conducting your business with integrity and honesty ;
* Actively manage and reduce the likelihood of fraud;
* Have mechanisms in place to allow for early reporting of suspicions of fraud by staff and sub-contractors, and
* Raise concerns with us at the earliest opportunity.

What can you do to help reduce the likelihood of fraud ?

Organisational Culture

A poor working environment provides a motive and rationalisation to commit fraud. Attitudes of management towards staff/sub-contractors; unreasonable financial targets; management saying one thing but doing another; senior managers being treated differently to other staff, all these factors can increase the risk of fraud.

Anti-fraud Culture

Creating an anti-fraud culture involves having a clear statement of ethical values and ensuring staff understand the standards of conduct required.

Having a written policy statement ensures that everyone understands their role in reducing the risk of fraud.

There is a link between sound ethical governance and good quality services.

Tone from the top is the key to influencing the way staff and contractors behave.

Two common risks affected by organisational culture are:

* the prevalence of non-cash incentives to gain advantage.
* altering of daywork sheets.

Gifts can range from free pens to all expenses paid holidays. There is a potential grey area regarding the point where an innocent gift becomes a bribe. Hospitality and networking can be seen as teambuilding events or normal custom and behaviour.

Clear rules are required to ensure staff understand what is and isn’t acceptable. The golden rule should be: if the perception is that the gift might have influenced a decision, then don’t offer/accept it.

Situations arise whereby staff had either witnessed extra hours or materials being added to sheets or had been asked to sign off altered sheets. This was explained by some staff as being an accepted practice as contractors exaggerate their hours knowing that the client will knock them down. The client is knocking down the hours, as they are aware that exaggeration is common therefore the situation becomes self-fulfilling and self-perpetuating. We need to cut through this cycle.

A similar situation can occur with inflated invoicing or claims for extra costs. On the flip side of this, clients may be finding spurious reasons to withhold payment from the contractor.

**Self-Assessment Review**

Do you have written anti-fraud policies and procedures in place ?

Are your policies and procedures communicated internally ?

Are your policies and procedures communicated externally to sub-contractors ?

Do your senior managers fully

brief their staff on the risks ?

Do you have a clear policy around conflicts of interest, gifts and hospitality ?

Do you have a clear values and ethics policy and is this communicated to staff and sub-contractors ?

Controls

Consideration should be given to continually reviewing controls and ensuring their effectiveness. Strengthening controls can aso prevent or reduce fraud.

**Self-Assessment Review**

Do you regularly review systems, processes and controls ?

Do you assess the effectiveness

of your internal controls ?

Do you have conflicts of interest/gifts and hospitality registers ?

Do you regularly review the above register ?

Preventing Fraud

Do you know who you are doing business with? It is important to minimise the risk of hiring people who lack appropriate values.

Background checks can identify criminal convictions, credit problems, false professional or educational qualifications etc.

Further information on preventing illegal working can be obtained from the UK Border Agency at <http://ukba.homeoffice.gov.uk/employers/preventingillegalworking/>.

A key aspect of preventing fraud is the ‘fraud proofing’ of new programmes and systems i.e. designing them to be inherently less vulnerable to fraud.

**Self-Assessment Review**

Do you assess new policies and processes for the risk of fraud ?

Do you conduct background checks on new staff/sub-contractors ?

Detecting Fraud

We want to promote proactive detection of fraud to discover fraud at its earliest stages.

It is important that staff understand what to do if they suspect fraud, and understand how they can be protected in making such disclosures.

It is also important that you discuss with your sub-contractors what arrangements are in place for their staff to raise concerns. Further information can be obtained from Public Concern at Work <http://www.pcaw.co.uk/>.

You should be alert to the possibility of fraud occurring and adopt ‘professional scepticism’. Professional scepticism means staff asking the same types of questions they would ask if it was their own personal money involved.

You should also ensure staff are aware of possible warning signs of fraud. Examples of fraud indicators include :

* Refusal to consider more than one sub contractor for work;
* Missing or altered supporting documentation ;
* Early or unexpected failure of a component, and
* End user complaints.

**Self-Assessment Review**

Do your staff know how to recognise possible fraud and what action to take ?

Do you use Information Technology to analyse data and look for unusual patterns of activity ?

Do you have a whistleblowing policy which is communicated to staff ?

Do your fraud reporting lines cater for suspicions of fraud at any level in the organisation, including director/board level?

What should you do if fraud is suspected ?

In the first instance you should raise any suspisions of fraud with your Account Manager. If for any reason this is not possible you should speak to one of our Directors, or any other senior member of our staff.

If our policy and procedures are working properly you should not need to contact an external agency to express concerns. In exceptional or urgent circumstances you might feel it best to contact an external agency, ie:- the police; or the Audit Commission.

What are we doing to manage the risk of fraud ?

We are committed to tackling fraud and any allegations will be dealt with in an appropriate and professional way. We are also committed to ensuring that opportunities for fraud are minimised, we have a fraud strategy in place to support that commitment.

In line with government policy we will seek to prosecute fraud and to recover assets that have been misappropriated through the criminal courts where appropriate.

We will utilise resources made available within the criminal and civil justice systems to tackle fraudulent activity that we suspect or identify.

Recent changes in legislation have more clearly defined the offence of fraud and the emphasis on tackling this type of crime has increased.

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