



# Prevention of Fraud and Anti-Bribery Policy

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**CALVAY HOUSING ASSOCIATION LTD**  
**Fraud Policy**

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## **1. INTRODUCTION**

- 1.1 Calvay Housing Association recognises the importance of protecting the organisation including its operations, its employees, suppliers, and its assets, tenants and residents against financial risks, operational breaches and unethical activities.
- 1.2 Losses due to fraud, theft or corrupt practices could have a direct effect on the level and quality of service provision. The Association plays an important role in the local area and any instances of fraud or corruption could be damaging for its reputation. It is wrong to assume therefore that actual financial losses are the only negative outcome of frauds. The full cost is usually much greater than the amount stolen, as the costs associated with correction may be material. Staff morale and the level of confidence of tenants, owners, partners, suppliers, our lenders and The Scottish Housing Regulator may decline as a result of fraud.
- 1.3 Calvay Housing Association has a responsibility to its tenants, owners, staff, partners, suppliers and other stakeholders in general to take all reasonable steps to prevent the occurrence of fraud. This policy sets out in more detail procedures for:
- fraud prevention and detection
  - the investigating and reporting of fraud
  - recording of fraud
  - responsibilities

Information is also provided on risk management, internal controls, management checks, staff training and the Bribery Act 2010.

- 1.4 This policy applies to all employees and to temporary workers, consultants, contractors, agents and subsidiaries acting on Calvay HA's behalf. Breaches of this policy are likely to constitute a serious disciplinary, contractual and or criminal action for the individual(s) concerned.

## **2. FRAUD DEFINITION AND EXAMPLES**

- 2.1 Fraud can be defined as any act actual or alleged willful dishonesty to gain individual or collective advantage. It is taken to include theft, deception, bribery, forgery, extortion, corruption, conspiracy, embezzlement, misappropriation, concealment of material facts and collusion. For practical purposes, fraud may be defined as the use of deception with the intention of obtaining advantage, avoiding an obligation or causing loss to another party.
- 2.2 Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place an employee in a vulnerable position. Even when offered and accepted in innocence, such gifts may be misconstrued by others. The offer, acceptance or refusal of gifts and hospitality should be in line with the Association's Entitlements, Payments and Benefits Policy and associated guidance. Some examples of fraud that may be perpetrated against the Association are:
- Theft of cash or other assets
  - False accounting and /or making fraudulent statements with a view to personal gain or gain for another

- Bribery and corruption – offering, giving, soliciting or accepting an inducement or reward that may influence the actions taken by the associations staff, for example in the procurement of goods or services.
- Claims for payment of works of maintenance that haven't been completed / don't exist / exaggerated / excessive.
- Claims for payment of supplies that have not been provided.
- Falsification of expenses and invoices
- Falsification of flexi sheets, annual leave cards, sick or special leave records
- Knowingly providing false information on job applications and requests for funding
- Alteration or falsification of records (computerised or manual)
- Failure to account for monies collected
- Tenancy Fraud-including false applications and illegal sub letting
- Acceptance of bribes for access to housing
- Payroll fraud
- Property sales fraud-including incorrect valuations/application of discount
- Development fraud-may include inflating land prices
- Housing benefit fraud
- Procurement fraud
- Bank mandate fraud
- Online fraud

The above list is not exhaustive.

### **3. FRAUD PREVENTION**

- 3.1 Calway Housing Association has established a system of internal controls, policies and procedures, in an effort to deter, prevent and detect fraud and corruption.
- 3.2 All new employees (including temporary and contract) are asked to provide details of any current unspent criminal offences in the Association's employment application form. The Association will verify details provided in the application form including references and educational checks and this will be in accordance with the Association's Disclosure Policy. A Disclosure Scotland Basic Disclosure check is carried out on all staff and staff must demonstrate their eligibility to work in the UK.
- 3.3 All suppliers and contractors must be in good standing and subject to screening by the Association in line with the Association's Procurement policy, Contractor Selection Policy and Procedures and Tendering Policy and Procedures.
- 3.4 All contractual agreements with the Association will contain the provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption.
- 3.5 All staff will receive fraud and corruption awareness training.
- 3.6 An anti-fraud culture shall be nurtured throughout the Association.

### **4. FRAUD DETECTION**

- 4.1 The primary responsibility for detecting fraud lies with the Management Committee and the Management Team through the implementation, documentation and operation of effective systems of internal control. However, all staff have a responsibility to be aware of the potential for fraud and take the necessary steps to minimise the risk to the

Association. The Management Team should ensure staff in their areas of operation are familiar with the common types of fraud.

- 4.2 The Association is not advocating the creation of an overtly suspicious environment, but expects staff to be alert to the potential for fraud in areas where they operate.
- 4.3 The Association's internal auditors, through their evaluation of the control framework, also have a role to play in preventing and detecting fraud; however this is not the main remit of internal audit.

## **5. FRAUD INVESTIGATION AND REPORTING**

- 5.1 Staff will often be the first to notice the potential for, or actual, fraud. Staff suspicious of fraud should report their concerns to their Line Manager or the Director. This requirement to alert is not confined to suspicions about other members of staff, but includes any misgivings staff may have about contractors, suppliers etc. If for any reason it is felt reporting in this manner is inappropriate staff may report confidentially to the Chair of the Audit and Risk committee *or* contact our internal or external auditors directly.

The contact details for the auditors are:

Internal Auditor	Alexander Sloan
Contact Person	Philip Morrice ( <a href="mailto:philip@alexandersloan.co.uk">philip@alexandersloan.co.uk</a> )
External Auditor	French Duncan
Contact Person	Tony Sinclair ( <a href="mailto:t.sinclair@frenchduncan.co.uk">t.sinclair@frenchduncan.co.uk</a> )

- 5.2 Where it appears that the fraud may have involved the Director , the Chairperson should be notified immediately, who shall then contact both the internal and external auditors who will guide them accordingly.
- 5.3 Staff should not be dissuaded from reporting actual or suspected fraud as all cases will be treated in the strictest confidence. The Association is fully committed to supporting and protecting staff that raise legitimate concerns where possible. However the Association cannot guarantee anonymity and may have to provide, for example, witness statements to assist with the investigation.
- 5.4 Provided the allegations have been made lawfully, without malice and in the public interest, the employment position of the person will not be disadvantaged for reasons of making this allegation. The Association's Whistleblowing Policy contains further information on this.
- 5.5 Any action to prevent the reporting or any attempts at intimidation will be treated seriously and the Association will immediately report such action to the police.
- 5.6 Fraudulent or corrupt activity by a staff member is regarded as a breach of contract and where there are grounds for suspicion then suspension, pending the outcome of enquiries, is likely. Where there are grounds to suspect that criminal fraud has occurred the Association's policy in all such cases is to immediately advise the Police. The Police and Procurator Fiscal will be solely responsible for deciding whether a criminal investigation is required. In all cases the Association will co-operate fully with the Police and pursue prosecutions where possible.
- 5.7 The Association may start its own investigation while any Police investigation is on-going. The Association will follow its own disciplinary procedure if required.
- 5.8 Where dishonesty is detected then disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned. The Association's auditors or any other appointed independent investigator will be called in to carry out a fuller investigation and to provide independence in the investigation. In all cases the Association will co-operate fully with those carrying out the investigation.
- 5.9 Line managers should note that suspects have certain rights under the law and no action (such as interviewing staff) should be taken without prior legal or EVH consultation. Failure to follow established procedures in relation to investigating fraud and interviewing the staff involved can invalidate disciplinary action and compromise the success of any future investigation and/or prosecution.
- 5.10 Where the suspected fraud involves unknown parties and is estimated to be under £500 in value the Association will only report the matter to the Police if it is deemed appropriate to do so by the Director .
- 5.11 The Association will require that any staff member who is convicted of a fraudulent act whilst employed by the Association is required to inform the Director . The Association will take a view on whether or not the offence committed will result in the staff member being able to continue in their current post
- 5.12 The Management Committee must reflect on the nature of the fraud and raise a Notifiable Event with the SHR as appropriate.
- 5.13 A fraud response plan is attached at Appendix 1.

## **6. FRAUD REGISTER**

- 6.1 All frauds, suspected or actual, will be recorded in the Fraud Register, held by the Director. This will be reviewed six monthly by the Audit & Risk Committee.

The Director will have the responsibility of maintaining this register which will show the following information:

- Scope and circumstances arising; summary of what happened
- Action taken by the Association & Police
- Outcome
- Any control action required as a result of the fraud
- Estimate of Loss / Potential Loss
- Extent of / potential for recovery of loss
- Date reported to the Scottish Housing Regulator (all suspected or actual fraudulent activity is to be reported)

- 6.2 Should any loss through fraud be sustained by the Association, the Management Committee shall take all reasonable steps to recoup the loss if the loss is of a material amount. The loss may be recouped from the perpetrator of the fraud or through an insurance fidelity guarantee claim.

- 6.3 An extract of the Fraud Register is attached at Appendix 2.

## **7. RESPONSIBILITIES**

### **7.1 Management Committee**

The Management Committee is responsible for establishing adequate systems of internal control and for ensuring that these are regularly reviewed for effectiveness and compliance.

It is acknowledged that there can never be any 'absolute' guarantees that internal checks and systems and procedures established will always prevent fraud, corruption or malpractice occurring.

The Committee Code of Conduct notes that it is the responsibility of all committee members to report details of alleged, detected, suspected or attempted fraud, corruption and/or malpractice committed by any person.

### **7.2 Audit & Risk Committee**

The Audit & Risk Committee will hold meetings to coincide with the review of the internal audit reports. It will consider the report and its recommendations and decide what recommendations it will accept. The Management Team will be responsible for implementing the recommendations.

The external auditors Management Letter will also be considered by the Audit & Risk Committee for guidance with recommendations being made to the Management Committee who will reply to any points raised.

The Audit & Risk Sub Committee will meet four times during the year and will take a view on the adequacy of the Association's internal controls. The Audit & Risk Sub Committee will also review the Fraud Register on a six monthly basis.

### **7.3 Management Team**

The Management Team has a responsibility for preventing fraud through:

- identification of risks to which systems and procedures are exposed
- developing and maintaining effective internal controls to prevent fraud
- establishing an environment that promotes compliance with internal controls
- promoting fraud awareness amongst staff
- fostering an 'anti-fraud' culture
- ensuring that if a fraud or attempted fraud occurs a vigorous and prompt investigation takes place without regard to position held or length of service
- take appropriate disciplinary and legal action in all cases where justified
- reviewing systems and procedures to prevent similar frauds arising

## **8. RISK MANAGEMENT**

8.1 While the Management Team are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and take the necessary steps to minimise the risk to the Association.

8.2 Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically both at corporate and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.



- 8.3 Management also have a responsibility to familiarise themselves with common fraud techniques in areas for which they have control. This should include being alert to signs which indicate that fraud is taking place.

## **9. INTERNAL CONTROLS**

- 9.1 Internal controls are the key element in preventing fraud. They should be documented, communicated to all staff and the importance of compliance regularly reminded to staff. It is the responsibility of each line manager to ensure controls within their areas of responsibility have been documented and communicated and operate effectively.
- 9.2 Managers should assess the types of risk involved in the operations for which they are responsible; to review and test the control systems for which they are responsible regularly; to ensure that controls are being complied with; and to satisfy themselves that their systems continue to operate effectively.
- 9.3 Management should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance. It should be emphasised that the main remit of internal audit is to evaluate the effectiveness of the overall framework of internal control, with management being responsible for ensuring implementation and monitoring of the framework.
- 9.4 Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to line managers so that the need for the controls can be re-evaluated and amended as appropriate.

## **10. MANAGEMENT CHECKS**

- 10.1 The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are therefore essential. There are two benefits from implementing a culture of strong management controls:
- a deterrent effect when it is known that Management are actively involved in ensuring that procedures are followed, and
  - the results of the checks will allow Management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited and need to be reviewed.

## **11. CORPORATE GOVERNANCE**

- 11.1 The Scottish Housing Regulator (SHR) monitors the Association's adherence to corporate governance requirements through their publication of the annual Engagement Plans and also through more in depth and focused on-site inspections and, more so, desk top reviews of various statutory returns.
- 11.2 Development of best practice and recommendations arising from the publication of other inspection reports and statutory / advisory information published by the SHR will continue to be important in the development of an environment in which awareness of responsibility for fraud prevention and detection can flourish.

## **12. STAFF TRAINING**

12.1 Staff often provide the best protection against fraud and corruption. It is important therefore that the policy on fraud prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

12.2 The recruitment of suitable staff is the first defense in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on relevant unspent convictions, written and verbal communication with referees and past employers and verification of Disclosure Scotland Basic Disclosure checks, educational and professional qualifications will be strictly adhered to.

12.3 Staff awareness of policy and procedures is fundamental to the effective operation of systems. Best practice includes:

- instruction and discussion on control and probity issues as part of staff induction;
- formal staff training on operational procedures;
- desktop instructions for specific tasks;
- publication of the policy on fraud and corruption; and
- regular staff notices regarding changes to control systems, policies and procedures.

## **13. BRIBERY ACT 2010**

13.1 The Bribery Act 2010 codifies the law relating to bribery and corruption.

Corruption is the misuse of office or power for private gain. Bribery is a form of corruption and means that it falls within the scope of this policy. Under the Bribery Act 2010 it is illegal to:

- Offer, promise to give or to pay a bribe
- Request, agree to receive or accept a bribe
- Bribe a foreign public official
- Fail to have adequate procedures in place to prevent bribery

The Bribery Act is one of the widest-ranging pieces of legislation in the field. It covers: bribery which occurs in the UK or abroad; any corrupt act by a UK business (or by a foreign country carrying on any part of its business here) whatever it occurs. A corrupt act committed abroad may well result in a prosecution in the UK. Nor does it matter whether the act is done directly or indirectly.

If the Association or anybody acting on the Association's behalf is found guilty of bribery – or even of failing to have adequate procedures in place to prevent bribery – they will be subject to large fines (£5,000 to unlimited). Any person guilty of bribery will be subject to fines and/or imprisonment (up to ten years).

Reference to the Bribery Act shall be contained in all relevant policies and contracts with suppliers.

## **14. POLICY REVIEW**

This policy will be subject to review at least every 5 years.

## **APPENDIX 1**

### **Fraud Response Plan**

#### **1. Introduction**

1.1 The purpose of this Plan is to outline the steps to be followed in the event of a suspected fraud. It provides a consistent framework for investigating and reporting fraud by defining authority levels, responsibilities for action and lines of reporting. This Plan should be read in conjunction with Association's Fraud Policy and Whistleblowing Policy.

#### **2. Initiating Action**

2.1 Suspicion of fraud may be captured through a number of means. This includes internal audit work, external audit, or incidences of whistleblowing. In all cases the Director should be alerted to the matter without delay. In the Director's absence, another member of the Management Team should be informed, and they will inform the Chair of the Management Committee. In the case where the Director is suspected, the Chair must be advised immediately.

2.2 The Director (or in their absence, another member of the Management Team) shall, as soon as possible and normally within 24 hours, convene a meeting of the Fraud Response Group. This Group shall normally comprise the Director, Finance Consultant and Chair of the Management Committee. The Group has the task of deciding on initial action to be taken. This action will normally involve:

- engaging the internal auditor to act as Investigating Officer and undertake an investigation;
- informing external auditors of the matter, and agreeing arrangements for keeping the external auditors informed about the work of the Group;
- considering how to secure records/assets and prevent further loss;
- considering the membership of the Fraud Response Group, and the need to involve other members of the Management Team. This will typically be determined by the area of business where the alleged or suspected fraud has taken place;
- seeking expert legal advice from the Association's solicitors, as required;
- confirming responsibilities and arrangements for submitting relevant regulatory notifications;
- confirming requirements and arrangements for notifying funders.

2.3 The Director should advise the Chair of the Management Committee as soon as an investigation under this procedure has been initiated.

#### **3. Preliminary Investigations**

3.1 The Investigating Officer must conduct an initial information gathering exercise to enable the circumstances to be investigated rigorously, confidentially and without undue delay. They should thereafter report their initial findings to the Fraud Response Group, any interim conclusions and provide an action plan to guide the full investigation if this is the recommended course of action.

3.2 The Fraud Response Group will consider the Investigating Officer's report, but the information will not be disclosed or discussed with anyone else who does not have a legitimate need to know. In cases where an individual is suspected of fraud, which a subsequent investigation does not substantiate, every effort must be made to minimise potential damage to the individual's reputation.

#### **4. Involving the Police**

- 4.1 Where preliminary investigations establish that there are reasonable grounds to suspect that fraud has taken place, it is Association policy to pass details directly to the police, normally without undue delay and prior to any further internal investigation. The Director will notify the Chair of the Committee of this action.
- 4.2 The police will lead any further investigations from this stage. All employees are required to co-operate fully with police enquiries in this regard. The Director will establish and maintain appropriate lines of communication with the police.
- 4.3 The provisions of this Plan apply in full in cases where external frauds, perpetrated by third parties, are identified or suspected and there is any suspicion of collusion of staff members.
- 4.4 In all other cases of suspected external fraud the Director, in consultation with the Fraud Response Group and Chair of the Committee shall normally report the matter to the police without delay.
- 4.5 The Association will follow its Disciplinary Policy and Procedures in dealing with of any member of staff who has committed fraud; and will normally pursue the prosecution of any such individual.

#### **5. Subsequent Investigations**

- 5.1 Where preliminary investigations provide reasonable grounds for suspecting a member or members of staff of fraud, the Fraud Response Group will decide whether there is a requirement to suspend the suspect(s). It will do so, with reference to the Association's Disciplinary Policy and Procedure. 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 legal action.
- 5.2 In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the Association's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the Association. Any keys to premises, offices and furniture should be returned.
- 5.3 The Association's IT Consultants should be instructed to withdraw, without delay, access permissions to the Association's computer systems. The suspect(s) should be requested to hand over all IT and communications equipment provided to them by the Association, including laptops, mobile telephones and other devices.
- 5.4 If no suspension takes place following preliminary investigations, the Fraud Response Group should review this at subsequent stages of the ensuing investigation.
- 5.5 The Investigating Officer shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the employee may have had opportunities to misappropriate Association assets. In consultation with the Fraud Response Group they will also determine whether there is a need to collect additional information in order to provide an appropriate level of evidence.
- 5.6 Dependent on the nature of the suspected fraud, the investigation may require technical expertise that the Investigating Officer does not possess. In these circumstances, the

Fraud Response Group has responsibility for the appointment of external specialists to lead or contribute to the investigation.

- 5.7 Any requests for information from the press or other external agency concerning any fraud investigation must be referred to the Director Under no circumstances should the Investigating Officer or any other employee provide statements or information to the press or external agencies.

## **6. Recovery of Losses**

- 6.1 The Investigating Officer shall ensure that the amount of any loss is quantified wherever possible. Repayment of losses will be sought in all cases. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The Association will normally expect to recover costs in addition to losses.
- 6.2 The Investigating Officer, in discussion with the Director and or Finance Consultant should also decide whether any of the losses warrant a claim under any current insurance policy. Action to recover losses via insurance will normally only be taken as a last resort.

## **7. Investigation Report**

- 7.1 On completion of a fraud investigation, the Investigating Officer will submit a written report to the Fraud Response Group. If a fraud has been established, the report shall contain:
- a description of the incident, the people involved, and the means of perpetrating the fraud;
  - the measures taken to prevent a recurrence;
  - quantification of losses;
  - progress with recovery action;
  - progress with disciplinary action;
  - progress with criminal action;
  - actions taken to prevent and detect similar incidents.
- 7.2 The report will normally be submitted to the next meeting of the Audit and Risk Committee. Where the fraud is significant, in terms of losses incurred, or particularly novel, unusual or complex, a special meeting of the Audit and Risk Committee may be convened. The Audit and Risk Committee will report fully to the next meeting of Management Committee on matters considered and relevant management responses. This will include details of lessons learned or recommendations to improve controls.

## **8. Review of the Fraud Response Plan**

- 8.1 As a minimum, the Plan will be reviewed every three years to ensure fitness for purpose. It will also be reviewed after any fraud incident in order to identify any need for change

APPENDIX 2

CALVAY HOUSING ASSOCIATION FRAUD  
REGISTER

1. Please provide a summary of the actual / suspected fraud

2. Please state the action taken by:

2.1 The Association

2.2 The Police

3. Please state the outcome of the detected / suspected fraud

4. Please state any control action required as a result of the fraud / suspected fraud

5. If financial loss has incurred please state how much this loss / estimated loss or potential loss was and the action taken to recover it.

Date reviewed by the Audit and Risk Committee

Signature - Chair of Audit and Risk Committee

Date:

Signature - Director:

Date:

Date reported to The Scottish Housing Regulator as a Notifiable Event (where applicable):