**Kingsridge Cleddans Housing Association**

**Fraud Prevention Policy March 2021**

**1.0Introduction**

1.1 Kingsridge Cleddans 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 would have a direct effect on the level and quality of service provision. 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 can often be dramatic. 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 Kingsridge Cleddans 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:

1. Fraud prevention and detection; and
2. The investigating and reporting of fraud.

1.4 The objectives of this policy are to:

1. Encourage staff to be aware of the possibility of fraud.
2. Bring suspected fraud to notice.
3. Provide a framework for investigating and reporting fraud.
4. Ensure both alleged and proven fraud is dealt with in a consistent and timely manner.
5. Minimise the opportunity for fraud by Association staff or by external agencies and businesses (either acting alone or in conspiracy with Association staff).

**2.0***.***Fraud and Fraud Prevention**

2.1 **Definition & Examples**

2.1.1 Fraud can be defined as ‘any act of wilful 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.

2.1.2 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 Associations Gifts and Hospitality policy.

2.1.3 Some examples of fraud that may be perpetrated against the Association are:

* Excessive / unjustified allowances paid after works of improvement.
* Theft of cash or fixed 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

The above list is not exhaustive.

* 1. **Fraud Prevention**

2.2.1 Kingsridge Cleddans Housing Association has established as system of internal controls, policies and procedures, in an effort to deter, prevent and detect fraud and corruption.

2.2.2 All new employees (including temporary and contract) are asked to provide details of any current unspent criminal offences as part of the Associations recruitment process. The Association may verify details provided including references and educational checks.

2.2.3 All suppliers and contractors must be in good standing and subject to screening by the Association.

2.2.4 All contractual agreements with the Association will contain the provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption.

2.2.5 All staff will receive fraud and corruption awareness training.

2.2.6 An anti-fraud culture of shall be nurtured throughout the Association.

**3.0 Reporting and Investigating Fraud**

3.1 Having proper and consistently applied procedures for reporting and investigating fraud will have an important part to play in preventing further fraud. The Association has procedures for investigating and reporting of all suspected frauds. These are outlined in section 4 below. Details of such investigations will by necessity remain confidential, but management will ensure that the lessons learned from each incident are disseminated to the appropriate members of staff.

**4.0. Fraud Detection and Reporting**

4.1 The primary responsibility for detecting fraud lies with the Director/Finance Manager 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 Director/Finance Manager should ensure staff are familiar with the common types of fraud.

4.2 The Associations 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.

4.3 Staff will often be the first to notice the potential for, or actual, fraud. Staff suspicious of fraud should report their concerns to the Director or a member of the Management Committee. This requirement to alert management 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 a member of the Association’s Management Committee ***or*** contact our internal or external auditors directly.

4.4 The contact details for the auditors are:

4.4.1 Quinn Internal Audit and Business Support Services 55 Lady Place Livingston EH54 6TB

Contact Person: Alex Cameron 0788 445 4793

Contact: alex@quinn-internal-audit.co.uk

4.4.2 Chiene + Tait: 116 Dundas Street, Edinburgh EH3 5DQ

Contact Person: Stuart Beattie 0131 558 5800

Contact stuart.beattie@chiene.co.uk

4.5 Where it appears that the fraud may have involved the Director or Finance, the Chairperson should be notified immediately, who shall then contact both the internal and external auditors who will guide them accordingly.

4.6 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.

4.7 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.

4.8 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.

4.9 Fraudulent or corrupt activity 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.

4.10 The Association may start its own investigation while any Police investigation is ongoing. The Association will follow its own disciplinary procedure if required.

4.11 Where dishonesty is detected then disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned. The Associations Auditors’ 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.

4.12 The Association will request that any staff member who is convicted of a fraudulent act whilst employed by the Association to inform the Director of the Association. 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. The Association will carry out a Risk Assessment of the position in line with recruitment best practice for the Employment of ex- offenders.

4.13 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.

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.

**5.0** **Fraud Register**

5.1 All frauds, suspected or actual, will be recorded in the Fraud Register, held by the Director. This will be reviewed by the Finance Manager and signed off by the Management Committee once a fraud (or suspected fraud) has been detected.

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).

5.2 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.

5.3 An extract of the Fraud Register is attached – **Appendix 1.**

**6.0 Responsibilities**

6.1 *Director and Finance Manager*

The responsibility for preventing fraud lies with the Director and Finance Manager through:

1. Identification of risks to which systems and procedures are exposed.
2. Developing and maintaining effective internal controls to prevent fraud.
3. Establishing an environment that promotes compliance with internal controls.
4. Promoting fraud awareness amongst staff.
5. Fostering an ‘anti-fraud’ culture.
6. Ensuring that if a fraud occurs a vigorous and prompt investigation takes placewithout regard to position held or length of service.
7. Take appropriate disciplinary and legal action in all cases where justified.
8. Reviewing systems and procedures to prevent similar frauds arising.

6.2 *Management Committee & All Staff*

The prime responsibility for preventing fraud lies with all staff. The Management Committee will receive notification if any suspected or actual fraudulent activity has taken place. The minute of said meeting will also identify any weakness in internal controls and what action has been taken to address any weaknesses discovered.

**7.0 Risk Management**

7.1 Although the Director and Finance Manager 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.

7.2 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.

7.3 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.

**8.0 Internal Controls**

8.1 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 the Director, Finance Manger and Housing Manager to ensure controls within their areas of responsibility have been documented and communicated and operate effectively. The Association’s Financial Regulations and Detailed Financial Procedures are just that – however they are not the definitive record of the systems of internal control.

8.2 The Director, Finance Manager and Housing Manager 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.

8.3 The Director and Finance Manager 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.

8.4 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 departmental managers so that the need for the controls can be re-evaluated and amended.

**9.0 Management Checks**

9.1 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:

1. a deterrent effect when it is known that Management are actively involved in ensuring that procedures are followed, and
2. 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.

**10.0 Corporate Governance**

10.1 The Scottish Housing Regulator monitors the Associations adherence to corporate governance requirements through their publication of the annual Regulatory Statement and also through more in depth and focused on-site inspections and, more so, desk top reviews of various statutory returns.

10.2 Development of best practice and recommendations arising from the publication of other inspection reports and Governance Matters publications, will continue to be important in the development of an environment in which awareness of responsibility for fraud prevention and detection can flourish.

**11.0 Staff Training**

11.1 Staff 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.

11.2 The recruitment of suitable staff is the first defence 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 andpast employers and verification of educational and professional qualifications will be strictly adhered to.

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

1. Instruction and discussion on control and probity issues as part of staff induction.
2. Formal staff training on operational procedures.
3. Desktop instructions for specific tasks.
4. Publication of the policy on fraud and corruption; and
5. Regular staff notices regarding changes to control systems, policies and procedures.

**12.0** **Other Related Policies**

Whistleblowing Policy

Staff Code of Conduct & Declarations of Interest

Financial Regulations & Procedures

Risk Management Policy

Governing Body Code of Conduct

Gifts & Hospitality Policy

Corporate Procurement Policy

Disclosure of interest policy

Expenses Policy

Model Entitlements and Benefits Policy

Allocations Policy

**13.0** **Policy Review**

This policy will be subject to review at leastevery 3 years. It may be reviewed sooner than this if any legislative changes trigger a review, or if any fraudulent act is identified and reported.

**Policy Review Consultation Process**

**Approved by the Management Committee on 30th March 2021.**

**Date of Next Review. March 2024**

**Declaration**

**Signed**……………………………………. **Date** …………………………

I ……………………………………………(print name) have read and understood the aforementioned policy and accept the expectations and obligations contained therein.

Clarification and guidance as required, on any aspect of the policy, has been sought and obtained from the Director.

**Appendix 1**

**1.0 Please provide a summary of the actual / suspected fraud.**

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**2.0 Please state the action taken by:**

**2.1 The Association**

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**2.2 The Police**

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

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

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

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**Signature Director:**

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**Date:**

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**Date reported to The Scottish Housing Regulator (where applicable):**

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