

# ANTI-FRAUD POLICY

## 1. INTRODUCTION

- 1.1 The Association requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which the Association is responsible.
- 1.2 Fraud is an ever-present threat to these resources and hence must be a concern to all members of staff and persons employed in a similar capacity. Fraud may occur internally or externally and may be perpetrated by staff, Board members, Committee members, consultants, suppliers, residents, contractors or development partners, individually or in collusion with others. There is a separate Tenancy Fraud Policy which covers fraud perpetrated by tenants.
- 1.3 The purpose of this document is to set out staff responsibilities with regard to fraud prevention, what to do if you suspect fraud and the action that will be taken by management.
- 1.4 ISHA has zero tolerance for any type of fraud and will always consider reporting actual or suspected fraud to the Police

## 2. DEFINITIONS OF FRAUD

- 2.1 In law there is no specific offence of fraud and many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.
- 2.2 Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud

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### 3. ISHA DIRECTORS' RESPONSIBILITIES

3.1 Irrespective of the amount involved, all cases of attempted, suspected or proven fraud shall be reported to the Board and the Audit and Risk Committee on an annual basis. Where cases of a substantial, novel or unusual nature arise, these will be notified immediately to the Chair of the Audit and Risk Committee and Chair of the Board. The association must:

- Ensure it has suitable policies and practices in place to safeguard itself against fraud and theft;
- Ensure that it communicates its policy on fraud to staff;
- Prepare an annual report on fraud and theft;
- Expect periodic checks by Internal Audit on whether any new or suspected frauds have been detected.

3.2 The association will:

- Develop and maintain effective controls to prevent fraud;
- Prompt investigations if fraud occurs;
- Take appropriate legal and/or disciplinary action against perpetrators of fraud; and
- Take disciplinary action against managers and supervisors where their failures have contributed to the commissioning of fraud.
- Carry out a lessons learnt review after every fraud and consider how relevant controls could be improved'

3.3 The Chief Executive carries overall responsibility for the prevention of fraud, and is liable to be called to account by the Board and for specific failures. In the event of suspected fraud carried out by the Chief Executive, the Chair will oversee the investigation.

### 4. MANAGEMENT TEAM'S RESPONSIBILITIES

4.1 The Management Team (Heads of Service) is responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud as far as possible;
- Assessing the types of risk involved in the operations for which they are responsible;
- Reviewing the control systems for which they are responsible regularly;
- Ensuring that controls are being complied with and their systems continue to operate effectively;
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place

### 5. MANAGER RESPONSIBILITIES

5.1 The day-to-day responsibility for the prevention and detection of fraud rests with line managers who are responsible for:

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- Identifying the risks to which systems, operations and procedures are exposed
- Developing and maintaining effective controls to prevent and detect fraud
- Ensuring that controls are being complied with and
- Train staff and embed an anti-fraud culture.

5.2 The Finance Director is available to offer advice and assistance on control issues and managers are encouraged to make use of this service.

## 6. STAFF RESPONSIBILITIES

6.1 All staff have a responsibility for fraud prevention and detection. In particular, all staff are responsible for:

- Acting with propriety in the use of ISHA's' resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors, suppliers or customers
- Reporting details immediately to the Finance Director or the Chief Executive if they suspect or believe that there is evidence of irregular or improper behaviour or that a fraud may have been committed.

## 7. FRAUD RESPONSE PLAN

7.1 The Association has prepared a Fraud Response Plan (see Appendix 1), which should act as a checklist of actions and a guide to follow in the event that fraud is suspected. It covers:

- Notifying suspected fraud;
- The investigation process;
- Liaison with police and external audit;
- Initiation of recovery action;
- Reporting process;
- Communication with the Regulator of Social Housing (the Regulator)

## 8. DISCIPLINARY ACTION

8.1 Following appropriate investigations, the Chief Executive will determine whether to invoke action in accordance with established disciplinary procedures.

8.2 In the case of proven fraud, or suspected fraud of a serious nature, ISHA reserves the right to refer the matter to the police at the earliest possible juncture.

## 9. PERSONAL CONDUCT

9.1 As stewards of public funds all staff must have, and be seen to have, high standards of honesty, propriety and personal integrity. Staff are required to report any potential

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conflict of interest to their Director and the Chief Executive. Staff should not accept gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal judgement and integrity. Further guidance on all aspects of personal conduct and the acceptance of gifts and hospitality is contained in current procedures and, specifically, the association's Code of Conduct and Gifts, Benefits and Hospitality Policy.

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## APPENDIX 1 – FRAUD RESPONSE PLAN

### 1. INTRODUCTION

1.1. This fraud response plan provides a checklist of actions and a guide to follow in the event that fraud is suspected. It covers:

- Notifying suspected fraud;
- The investigation process;
- Liaison with police and external audit;
- Initiation of recovery action;

1.2 Reporting process: The purpose is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud, theft or other irregularity.

### 2. NOTIFYING SUSPECTED FRAUD

2.1 It is important that all staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The Public Interest Disclosure Act 1998 (the “Whistle-blowers Act”) provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels.

2.2 ISHA is committed to the highest possible standards of openness, probity and accountability. In line with that commitment the [Confidential Reporting \(Whistleblowing\) Policy and Procedure](#) has been developed. The aim of the document is to encourage staff to assist the association in tackling fraud, corruption, and other malpractices within the organisation and in setting standards of ethical conduct.

2.3 In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager or the Head of Service / Management Team member in their department. If such action would be inappropriate, your concerns should be reported upwards to one of the following persons:

- Director of Department (or equivalent);
- Chief Executive.

2.4 Additionally, all concerns must be reported to the Finance Director. Except where there is suspicion that the Finance Director is the perpetrator or involved in the fraud.

2.5 Every effort will be made to protect an informant’s anonymity if requested. However, the Association will always encourage individuals to be identified to add more validity to

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the accusations and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information. Legal advice may be sought for guidance.

### 3. THE INVESTIGATION PROCESS

- 3.1 Suspected fraud must be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both the Association and the suspected individual(s). Suspicion must not be seen as guilt to be proven.
- 3.2 The investigation process will vary according to the circumstances of each case and will be determined by the Chief Executive in consultation with the Finance Director, and the relevant Director.
- 3.3 An “Investigating Officer” will be appointed to take charge of the investigation on a day-to-day basis. This will normally be the Finance Director or, exceptionally, another independent manager. The investigating Officer should always come from a different department from that in which the suspected fraud took place.
- 3.4 The Investigating Officer will appoint an investigating team. This will normally comprise staff from within the Finance Department but may be supplemented with other resources from within the Association or from outside.
- 3.5 Where initial investigations reveal that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. The Chief Executive and/or departmental director, in consultation with the Human Resources Manager and the Investigating Officer, will take this decision. Suspension should not be regarded as disciplinary action nor should it imply guilt. The process will follow the guidelines set out in ISHA’s’ Terms and Conditions of Service relating to such action.
- 3.6 It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed. The investigating team will therefore take immediate steps to secure physical assets, including computers, company mobile phones and any records thereon, and all other potentially evidential documents. They will also ensure, in consultation with management, that appropriate controls are introduced to prevent further loss.
- 3.7 The Investigating Officer will ensure that a detailed record of the investigation is maintained. This should include a chronological file recording details of all telephone

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conversations, discussions, meetings and interviews (with whom, who else was present and who said what), details of documents reviewed, tests and analyses undertaken, the results and their significance. Everything should be recorded, irrespective of the apparent significance at the time.

3.8 The findings of the investigation will be reported to the Chief Executive and the Human Resources Manager who will determine, in consultation with the Investigating Officer, what further action (if any) should be taken.

#### **4. LIAISON WITH POLICE AND EXTERNAL AUDIT**

4.1 The police generally welcome early notification of suspected fraud, particularly that of a serious or complex nature. Some frauds will lend themselves to automatic reporting to the police (such as theft by a third party). For more complex frauds the Chief Executive, following consultation with the Human Resources Manager and the Investigating Officer will decide if and when to contact the police. The Finance Director will report suspected frauds to the external auditors at an appropriate time.

4.2 All staff will co-operate fully with any police or external audit enquiries, which may have to take precedence over any internal investigation or disciplinary process. However, wherever possible, teams will co-ordinate their enquiries to maximise the effective and efficient use of resources and information.

#### **5. INITIATION OF RECOVERY ACTION**

5.1 The Association will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud.

#### **6. REPORTING PROCESS**

6.1 Throughout any investigation, the Investigating Officer will keep the Chief Executive, and Human Resources Manager unless inappropriate to do so, informed of progress and any developments. These reports may be verbal or in writing.

6.2 On completion of the investigation, the Investigating Officer will prepare a full written report setting out:

- Background as to how the investigation arose
- What action was taken in response to the allegations
- The conduct of the investigation

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- The facts that came to light and the evidence in support
- Action taken against any party where the allegations were proved
- Action taken to recover any losses
- Recommendations and/or action taken by management to reduce further exposure and to minimise any recurrence.

6.3 The Investigating Officer shall submit the written report to the person with the overall responsibility of dealing with the reported case (the Chief Executive or Chair of the Board – see 3.3 above) within 10 working days of the completion of the investigation. The outcome of the investigation shall be submitted by the Chief Executive or the Chair of the Board to the next Audit and Risk Committee meeting after the receipt of the report.

6.4 In order to provide a deterrent to other staff, a brief and anonymised summary of the circumstances will be communicated via staff meetings.

## 7. COMMUNICATION WITH THE REGULATOR

7.1 The Regulator of Social Housing (RSH) requires:

- submission of an annual report on any losses from fraudulent activity and
- ISHA communicates in a timely manner with the RSH on material issues that relate to non-compliance or potential non-compliance with Regulatory Standards

Therefore, ISHA will report any suspected substantial fraud (which are not a breach of regulation) to the Regulator once the initial facts have been established and will always report frauds or suspected frauds which could be a breach of Regulatory Standards. The Chief Executive is responsible for preparation and submission of fraud reports to the Regulator.

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