

FRAUD POLICY

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Author	Head of Business Services
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Internal References	Scheme of Delegation Financial Standing Orders Whistleblowing Policy Entitlements Payments & Benefits Policy Board Member Expenses Policy Travel & Other Expenses Policy Adult Support & Protection Policy Managing Care Customers' Finances Procedure Recruitment Policy
External References	NHF Code of Governance External Auditors Internal Auditors
Comments	None

FRAUD POLICY

1. POLICY STATEMENT

- 1.1 Blackwood is committed to the highest standards of corporate governance and continues to strengthen its internal controls and policies. This process is facilitated by the Audit & Performance Committee in its role of reviewing the key risks inherent in the affairs of Blackwood. In drawing up this policy, Blackwood has adopted best practice principles from the Scottish Federation of Housing Associations (SFHA), Scottish Social Services Council (SSSC) and the National Housing Federation (NHF) Code of Governance.
- 1.2 In law there is no specific offence of fraud; however, 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 obligation or causing loss to another party.
- 1.3 This policy is for the protection of Blackwood employees, relief workers, Board members, customers and contractors and seeks to protect them from being victims of fraudulent activity.

2. PRINCIPLES AND SCOPE OF THE POLICY

- 2.1 The Board has ultimate responsibility for ensuring that Blackwood has a system of controls that is appropriate for the various business environments in which it operates. These controls are designed to give reasonable assurance about:
- 2.1.1 The reliability of any financial information that is published or is used within Blackwood.
- 2.1.2 The maintenance of proper accounting records and
- 2.1.3 The protection of Blackwood's assets against their unauthorised use or disposition.
- 2.2 It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable (and not absolute) assurance against material financial misstatement or loss. The key elements of these systems include ensuring that:
- There are formal policies and procedures (including the Financial Standing Orders and Scheme of Delegation) which allow the monitoring of controls and which seek to prevent the unauthorised use of Blackwood's assets.
 - Experienced employees, suitably qualified, are responsible for important business functions, and regular reviews of Personal Development Plans (PDPs) have been set up to maintain high standards of performance.

- Forecasts and budgets are prepared so that the Board and management team can monitor both the key business risks and financial objectives and also progress towards financial plans set for the year and the medium term.
- Regular management accounts are prepared which provide relevant, reliable and up to date financial information, and significant variances from budget are investigated as appropriate.
- All significant initiatives, major commitments and investment projects are subject to formal authorisation procedures as outlined in the approved Scheme of Delegation and Financial Standing Orders.
- The Board reviews reports (from the Executive Management Team (EMT), internal auditors and external auditors) to provide reasonable assurance that the control procedures are in place and are being followed: this includes a general review of the major risks facing Blackwood.
- Formal procedures have been established for instituting action needed to correct weaknesses identified in the above reports.
- All employees and Board Members understand there is a culture of high priority and strong internal financial control with a zero tolerance of non-compliance with these systems.
- All Board members must sign the Board Member Code of Conduct and all employees must sign the Employee Code of Conduct.

3. KEY OPERATIONAL FRAMEWORK

3.1 Blackwood's systems of internal controls are designed to minimise the risk of fraud occurring; however, no such systems can provide absolute protection against fraud.

3.2 The Scheme of Delegation outlines the key responsibilities for minimising the risk of fraud are that the:

- **CEO** - Prepare the Fraud Policy and ensure that both the policy and the associated procedures are implemented appropriately. policies and their associated procedures are implemented appropriately. In doing this it will ensure:
 - The development and maintenance of effective controls to prevent fraud
 - Vigorous and prompt investigations are carried out if fraud occurs
 - Appropriate legal and/or disciplinary action is taken against the perpetrators of fraud
 - Appropriate disciplinary action is taken where management failures have contributed to the commission of the fraud.
- **Audit & Performance Committee** – review the policy and recommend it to Board for approval. Committee will also receive reports on major instances of fraud & approve any necessary action plans.

- **Board** – will approve the policy and the Chair will annually sign off the Fraud Register

3.3 Managers in Blackwood are responsible for ensuring that an adequate system of internal control is implemented within their areas of responsibility, based upon agreed processes and policies and that such controls operate effectively. All employees are responsible for complying with these systems and controls as instructed.

3.4 Also, as part of the Board Assurance Framework, members of the Senior Management Team (SMT) will identify risks to systems and controls within the Operational Risk registers, and any planned action to mitigate those risks will also be recorded. Managers should assess the types of risk involved in the operations for which they are responsible to:

- Regularly review and test the control systems for which they are responsible
- Ensure that controls are being complied with
- Satisfy themselves that their systems continue to operate effectively.

3.5 In terms of establishing and maintaining effective controls, it is generally desirable that:

- There is a regular rotation of employees, where practical, particularly in key posts, to ensure a fresh, alert approach to duties
- Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual
- Backlogs are not allowed to accumulate
- In designing any new system, consideration is given to building in safeguards against internal and external fraud
- Those undertaking supervisory controls (e.g. review of payroll, petty cash reconciliation) fully understand the importance of these controls and evidence their compliance.

3.6 Managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud.

3.7 Each employee of Blackwood has a duty to ensure that funds and assets for Blackwood and our customers are safeguarded. Employees should alert their manager (or the next most senior person) where they believe the opportunity for fraud exists because of poor procedures or lack of effective oversight.

3.8 In addition, it is the responsibility of each employee to report details immediately to their manager (or the next most senior person) if they suspect that a fraud has been committed or see any suspicious acts or events.

3.9 Employees must also assist in any investigations by making available all relevant information and by co-operating in interviews.

3.10 ***Third Party Control***

3.10.1 Fraud may also be highlighted by a third party bringing it to Blackwood's attention. Blackwood uses internal auditors who are available to offer advice and assistance on control issues as necessary. Blackwood also uses External Auditors each year to audit Blackwood's financial controls and to support the compilation of the

Statutory accounts – the External Auditor may also offer advice and assistance on control issues as required.

4. **PREVENTION**

4.1 Fraud requires the presence of three things:

- an asset which is of value to someone;
- the motivation to acquire the asset by fraud;
- and the opportunity to do so.

Our approach to HR practice and internal controls recognises the possibility that some people will seek to defraud Blackwood, or our customers and that procedures and controls should seek to minimise the opportunity for fraud. Ensuring we recruit employees who uphold the Blackwood Values of Taking Responsibility, Having Respect and Understanding, Keeping our Promises and Being Open and Honest, also seeks to minimise that risk.

4.2 **Recruitment**

4.2.1 People who are likely to commit fraud may also be likely to falsify information given in applying for jobs. Our Recruitment Policy and procedures include checks on applicants aimed at verifying key information given. This will include:

- Protection of Vulnerable Groups (PVG) Scheme membership for certain posts
- Confirmation of other Registration information such as SSSC
- Completion of Declaration of Interest and Fit & Proper Persons forms by Senior Management Team and Board members (as per the Entitlements, Payments and Benefits Policy)
- Checking references
- Requiring original versions of certificates
- Requiring explanation of any gaps in employment history

and any other specific checks which may be appropriate. All employees will be subject to stringent checks and any falsification of documents may result in disciplinary action or termination of employment.

4.2 **Induction**

4.2.1 All employees will be reminded of the Values that Blackwood requires to be upheld (see section 4.1) and they will also be made aware at the earliest opportunity of the policy and procedural framework within which they are required to operate. In particular, they will be advised of Blackwood's policies in respect of the:

- Employee Code of Conduct
- Disciplinary Procedures
- Financial Standing Orders
- Travel and Other Expenses Policy
- Adult Support and Protection Policy
- Whistleblowing Policy
- Entitlements Payments & Benefits Policy

4.2.2 They will be advised that failure to comply with these and other policies and procedures will be viewed seriously and may result in disciplinary action and ultimately dismissal.

4.3 **Work Practices**

4.3.1 Blackwood must be able to place trust and confidence in employees. To do otherwise would both be impractical and would undermine the culture we wish to promote. Our procedures must nevertheless recognise that not everyone will prove trustworthy and must offer safeguards against trust being abused.

4.3.2 At the same time, we are aware that certain behaviours are sometimes associated with fraud – for example regularly seeking to work at unusual times when other employees are not in attendance, resistance to delegation, or demonstrating behaviour which may indicate problems with addiction such as alcohol and drugs.

4.3.3 In these circumstances, it is the responsibility of the manager to inform the HR Team of the increased possibility of something being amiss and then consideration will be given to whether further investigation is required. Fraud may involve collaboration, and sometimes this involves asking other employees to do favours or bypass normal procedures without them being fully aware of what is happening. Managers will ensure that as part of induction training, all employees are aware of the requirement to report promptly any attempt to get them to bypass normal procedures, or requests that are not the normal practice and where there may be some grounds for suspicion.

4.3.4 Any changes to suppliers' or customers' banking details will be independently verified.

4.4 **Petty Cash**

4.4.1 A separate procedure sets out how petty cash should be managed. This procedure ensures that a limited number of employees have access to petty cash.

4.5 **Expenses Approval**

4.5.1 Our Board Member Expenses Policy and a separate employee expenses policy "Travel and Other Expenses Policy" outlines the principle, framework and limitations related to claiming expenses. These policies ensure that Board members, employees, volunteers and customers of Blackwood will be properly reimbursed for travel and expenses incurred while conducting business on behalf of Blackwood.

4.6 **Declarations of Interest**

4.6.1 A Declaration of Interest procedure (which is part of the Entitlements, Payments and Benefits Policy) is in place to disclose relationships between Board members, customers, contractors and employees. Employees must report promptly if they have an interest to declare or if they suspect that there is a potentially inappropriate relationship for another employee.

4.7 **Transactions with care customers**

4.7.1 Fraud can take place when an employee enters an authorised transaction with a care customer. An example of this could be when an employee receives money

from a care customer to purchase groceries. There is the potential for both the employee to be accused of fraud by the customer or for the employee to defraud the customer. To avoid this, employees should follow the "Management of Care Customers' Finances Procedure".

4.8 **Finance**

4.8.1 Blackwood's Finance procedures follow principles of separation of duties, proper authorisation of transactions, and independent monitoring and checking of transactions. Financial Standing Orders set out how these principles are applied.

4.8.2 Blackwood's aim is to minimise the use of cash, cheques, faster payments and credit cards. Wherever possible, transactions will be made direct to supplier and customer bank accounts which have been established according to our procedures. Whenever a new supplier account is established, it will be subject to detailed review of all transactions within the first year.

4.8.3 The use of Blackwood credit cards should be managed in accordance with the Financial Standing Orders.

4.9 **Consultants, Suppliers and contractors**

4.9.1 A separate procedure as part of the Procurement of Works, Services and Supplies Policy sets out how the approved supplier list will operate. Where it is proposed to use a consultant or contractor not already approved, this may only be done with the approval of a member of SMT. Standard procedures are set out in the Financial Standing Orders concerning checks on creditors before establishing accounts and making payments and apply here.

5. **DETECTION**

5.1 Detection of fraud or attempted fraud relies on a combination of alertness and routine checks. Employees involved in financial transactions need to be wary of unusual aspects of transactions – apparent urgency, request for payment out with normal procedures, changing any aspect of payment details or addressing, duplicate invoices, invoices which appear inconsistent with normal business practice in any respect, and so on. It must be emphasised to all employees that checking and questioning transactions is required behaviour, not obstruction or unhelpfulness.

5.2 External and internal audit plans will take account of the possibility of fraud and will be weighted towards areas of greatest risk. These facilities are not however a complete means of detection.

6. **INVESTIGATION**

6.1 The principles to be followed in investigating fraud are that the investigation must be speedy, and confidential. The immediate aims of the investigation are to prevent further losses, to establish and secure evidence necessary for disciplinary and criminal action, and to advise those individuals and organisations who need to know. Further, but less immediate aims are to seek to recover losses, to take action against those responsible, to review the reasons for the incident and any improvements required in control or other procedures and to minimise reputational damage to Blackwood.

- 6.2 Potential or suspected fraud must be reported immediately to the Chief Executive or any member of EMT. The relevant manager will ensure that the police are informed where appropriate. If it is considered possible that the person to whom the fraud should be reported may be involved, then the report should instead be made to the Chair of the Board or Chair of Audit & Performance Committee.
- 6.3 Once a report of potential fraud has been received, immediate steps must be taken to determine how the investigation will be dealt with in order to achieve the principles set out above. This will involve the appointment of an investigating officer or team, which can be employees, or someone independently appointed. It may be appropriate to refer to the Whistleblowing Policy, as explained below.
- 6.4 Where a member of staff is suspected of fraud, they should normally be suspended. The suspension should be unannounced. They should be allowed to remove personal possessions only, and must be escorted from Blackwood's premises, at no time being unaccompanied. They must be required to return keys, identification and ICT equipment such as mobile phones, laptops or netbooks. Their access to ICT must be disabled as soon as is practicable. Consideration should be given to changing access codes or locks. Our response to the issue should not be disproportionate, but it should be borne in mind that by its nature, fraud is likely to involve things which are not immediately apparent.
- 6.5 The investigation will be conducted under the provisions of the Financial Standing Orders and the Employee Code of Conduct, which give the Chief Executive or his/her representative immediate and unannounced access to all Blackwood premises and employees, and which require all employees to produce and account for immediately any goods, equipment or information required. Any employee questioning the conduct of the investigation will be advised of their requirement to co-operate, and that failure to co-operate immediately and fully will result in immediate suspension and consideration of disciplinary action in respect of gross misconduct. They will not be advised of the nature of the investigation, except if it is considered that it would assist the investigation to do so.
- 6.5 Some employees, where relevant, will be required to provide continuing support to the investigation, without being made aware of the detail of what is under investigation, for example Finance, Business Solutions or HR employees. All those involved in leading or supporting an investigation will be required to maintain appropriate confidentiality.
- 6.6 In investigating suspected fraud, consideration should be given to the likelihood that Blackwood will wish to pursue a criminal prosecution. This may affect how evidence is gathered, for example to preserve fingerprints or capturing ICT evidence in a way which is admissible in court. External advice may be required, whether from the police or others.
- 6.7 In cases involving employees, Blackwood's Disciplinary Procedure will be followed. However, care must be taken to ensure that internal investigations do not undermine or impede any external investigations being undertaken by statutory agencies. It may be appropriate to suspend the employee concerned while these investigations take place. Advice should always be sought from the Human Resources team before proceeding. In cases involving care employees, the Scottish Social Services Council (SSSC) will be contacted by the appropriate Manager from Blackwood. The decision will be recorded in the employees

personnel file and where appropriate communicated to the appropriate commissioning authority.

7. COMMUNICATION

- 7.1 The overriding principle for communicating information about actual or attempted fraud is that information should be conveyed promptly to those who have a need to know, and not more widely.
- 7.2 The Chief Executive must be informed as soon as possible on all cases and should be consulted on how the investigation is to be handled and be kept updated throughout. It is at the discretion of the Chief Executive as to when the Chair of the Board and Chair of Audit & Performance Committee should be informed in an instance where there is a risk to Blackwood. The Scottish Housing Regulator (SHR) should be advised where this constitutes a Notifiable Event, and this will be carried out by the Governance & Assurance Manager. The SSSC and other regulators should also be advised where appropriate.
- 7.3 External auditors and our insurers should also be advised at an early stage. These notifications will usually need to take place before it is firmly established whether fraud may have occurred. Where we believe that a criminal offence has taken place, we will refer the matter to the police.
- 7.4 Employees are likely to become aware that an investigation is under way and may want to know about it. Only those with a requirement to know will be advised about the investigation. It is possible that an investigation may find that fraud has not occurred, and it is important that any employee suspended is able to return to work without others being aware of unproven allegations.
- 7.5 In the event of any enquiries from out with Blackwood, including the press, the Chief Executive, or other member of EMT in conjunction with the investigating officer will decide what is disclosed. Any discussions with the media should be channelled through the Marketing Manager. The consideration here will be to avoid prejudicing any criminal or disciplinary action, to maintain Blackwood's reputation, and to be able to demonstrate that appropriate action has been taken.
- 7.6 Where appropriate the Chief Executive will report the fraud to the Audit & Performance Committee / Board.
- 7.7 All instances of fraud are included in the Fraud Register which is maintained by Business Services and signed off by the Chair of Blackwood on an annual basis.

8. WHISTLEBLOWING

- 8.1 Blackwood's Policy on Whistleblowing may be the appropriate way of raising a concern regarding fraud when a Board member or employees are otherwise unsure of how to make a report.
- 8.2 The Whistleblowing Policy especially refers to situations where a Board member or an employee is not in a position to start disciplinary action, perhaps because they are not in a position of line management, and when the grievance procedure does not seem the right way to raise something.

9. **REVIEW**

9.1 The Policy will be reviewed every three years or earlier if required.