

FIN002 - Anti-Fraud Policy

MONITORING FORM	
Department	Finance
Department Director	Finance
This policy is applicable to	All employees and Board members
Author	Finance Manager
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Internal /external consultees (if required).	

1. INTRODUCTION

- 1.1 Weslo is committed to achieving the highest standards of openness, probity and accountability and recognises the importance of this as it works to maintain its reputation and that of the wider housing sector.
- 1.2 This Anti-Fraud Policy is intended to support the development of a culture which raises the awareness of the risks and consequences of fraud. Appropriate actions will be taken to identify and guard against any adverse financial and business risks with a view to reducing its risk of fraud to the lowest possible level.
- 1.3 This policy provides a definition of fraud and outlines the board principles Weslo will adopt in order to protect itself, any public monies it receives, its assets and its services against fraud.

2. SCOPE

- 2.1 This policy is relevant to Board Members, staff, tenants, customers, members of the public, contractors, consultants and service providers and it aims to put emphasis on the importance of deterring fraud. It provides details on the responsibilities placed on staff to identify and report any suspicion of fraudulent activity.
- 2.2 Cyber fraud is where information technology equipment or data has been used to manipulate programmes 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. Theft or fraudulent use of computer time and resources, including unauthorised personal browsing on the internet, is included in this definition. Weslo has an ICT Code of Conduct which all employees should sign up to on an annual basis. This reflects the expectations that Weslo has for the correct use of its IT hardware and software. There are detailed policies and procedures for other elements that build towards a secure IT infrastructure (e.g. password policy, access restrictions, external access via VPN, spam filtering and firewall). The ICT Manager is working to build a Cyber Security management system with the external validation of "Cyber Essentials" certification.
- 2.3 Tenancy fraud occurs when a property let by Weslo is occupied by someone who is either not legally entitled to be there or has obtained use of the property fraudulently. Common examples include application fraud, key selling fraud, subletting fraud and succession fraud. These instances of fraud are detailed in policies maintained by the Housing Manager and included within the Tenancy Management Policy and the Allocations Policy.
- 2.4 Procurement Fraud can happen when the tender process has not been followed so that fraud can be committed, or when there is bid rigging. It can also happen when there are payment claims for goods or services that were not delivered or were inferior to what was specified in the order. The Weslo

Procurement Strategy and contract management procedures are in place to ensure procurement fraud does not take place.

- 2.5 Bribery means a financial or other enticement or reward for action which is illegal, unethical, a breach of trust or improper in any way. Bribes can take the form of money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or any other advantage or benefit. Bribery includes offering, promising, giving, accepting or seeking a bribe. Corruption is the abuse of entrusted power or position for private gain. The Finance Manager maintains a separate policy for Anti-Bribery and Corruption. In addition the Human Resources Director maintains a separate policy for Gifts and Hospitality.

3. CONTEXT AND DEFINITION

- 3.1 The Fraud Act 2006 defines fraud as: **““Loss” which includes a loss by not getting what one might get, as well as a loss by parting with what one has. A person is guilty of an offence if he has in his possession or under his control any article for use in the course of or in connection with any fraud”**.
- 3.2 Fraud is used to describe acts such 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.

4. STRATEGY AND PRINCIPLES

- 4.1 Weslo recognises the potential for fraudulent activity to take place within the business or targeting an area of the business. Its responses to the threat of fraud is to embrace recognised good practice and adhere to an anti-fraud culture through the following:
- A zero tolerance approach to fraud;
 - Ensure any allegation of fraud, anonymous or otherwise will be investigated;
 - Have a consistent approach when dealing with cases without regard to the position held or the length of service;
 - Give consideration as to whether there have been failures in supervision;
 - Prevent fraud by eliminating weaknesses out of policies, processes and systems;
 - Detect fraud where it cannot be prevented;
 - Pursue recovery for any losses incurred, if necessary through civil action;
 - Creating a strong deterrent effect;
 - All frauds will be reported to the police.
- 4.2 Central to the anti-fraud strategy are a range of operational policies, systems and procedures that are designed to deter, and enable the detection of fraud. Key documents to this aim include:

- Financial Procedures, Treasury Management and Board Delegations and all the controls that are contained therein;
 - Articles of Association and other governance related policies, policies around whistleblowing, gifts and hospitality, staff benefits, notifiable events, conflicts of interest and any associated management systems;
 - Service based policies, guidance and operating procedures covering tenancy related matters; repairs, maintenance and development activities; estates services and staff recruitment.
- 4.3 There is a commitment to maintaining an honest and open environment within Weslo and a commitment to eliminate any fraud. Rigorous investigations will be undertaken if there are any such cases. This is done by monitoring the existence of and adherence to the Fraud Response Process (Appendix 1).
- 4.4 If any staff or Board member has reasonable suspicions of fraud they need to report them as outlined in the Fraud Response Process. It is therefore also policy, which will be rigorously enforced, that no employee will suffer in any way as a result of reporting reasonably held suspicions. For these purposes, reasonably held suspicions shall mean any suspicions other than those which are raised maliciously and found to be groundless. The business will deal with all incidents in accordance with the Public Interest Disclosure Act which protects whistleblowers from detrimental treatment by their employer.
- 4.5 Established Internal Audit arrangements further support the detection of fraud, through testing the appropriateness, adequacy, effectiveness and robustness of relevant policies, processes and systems. Similarly, through the annual examination of the financial statements, the External Auditor identifies any audit and accounting issues and assesses the effectiveness of internal controls.

5. ROLES AND RESPONSIBILITIES

5.1 The Weslo Housing Management Board

- 5.1.1 The Board is responsible for ensuring there is a robust and up to date Anti-Fraud Policy in place and that this policy and its related procedures are regularly reviewed and kept fit for purpose. The Finance Director monitors this and updates the Board on any investigations.
- 5.1.2 The Board members are responsible for following the Weslo Board Members Handbook (inc Code of Conduct).
- 5.1.3 The Board is also responsible for ensuring it conducts its own affairs in accordance with the Scottish Housing Regulator's regulatory standards of governance and financial management, and recognised principles of good governance. Individual Board Members are responsible for reporting any suspicions of fraud or attempted fraud they encounter, and otherwise acting with integrity and propriety, within the law, and in accordance with relevant policies and procedures.

5.2 The Executive Team

5.2.1 The Executive Team are responsible for:

- Developing and maintaining effective policies, procedures and control systems for deterring, detecting and reporting fraud. Ensuring these are working effectively, and are periodically reviewed in accordance with good practice;
- Reported incidents of suspected fraud are promptly and vigorously investigated; and effective sanctions and redress are applied in instances where fraud is detected;
- Ensuring staff have up to date and accurate information on regulatory requirements in relation to governance and financial management, governance good practice and expected standards of conduct;
- Fostering a culture of honesty and openness amongst all staff, and ensuring staff are aware of expectations relating to their professional conduct and the requirements of this policy;
- Ensuring all staff have the required level of knowledge and understanding of the range of policies, procedures and systems that are relevant to the Anti-fraud strategy;
- Implementing any relevant operational anti-fraud measures, including segregation of duties;
- Ensuring staff receive appropriate training that enables them to identify suspected fraud;
- Ensuring the notification requirements of regulators are met;
- Effective risk management and internal control system are in place;

5.3 The Finance Director

5.3.1 In addition to the responsibilities listed above, the Finance Director is the first point of contact when reporting a fraud or a suspected fraud.

5.3.2 The Finance Director is responsible for ensuring the Fraud Response Process (Appendix 1) is used and followed when a fraud has occurred or there is a suspicion that a fraud has occurred.

5.3.3 Ensuring that the Fraud Response Process is up to date and fit for purpose is the responsibility of the Finance Director.

5.4 Operational / Line Managers

5.4.1 The responsibility for the prevention and detection of fraud rests primarily with operational / line managers. Therefore, there is a need for all line managers to:

- Assess the types of risk involved in the operations for which they are responsible;
- Develop systems of internal control to minimise the risk of fraud;
- Ensure controls are being consistently applied; this will include testing the controls and maintaining a record of all such tests;
- Satisfy themselves that their systems continue to operate effectively;

- Provide assurances on their internal control systems;
- Raise fraud awareness amongst staff including knowledge of the Anti-Fraud Policy;
- Ensure that the Finance Director is informed when a fraud has occurred or is suspected;
- Implement new controls to reduce the risk of similar fraud occurring where frauds have taken place.

5.4.2 The ICT Manager is responsible for the process for cyber fraud and maintains a disaster recovery plan.

5.4.3 The Housing Manager is responsible for the process for tenancy fraud and maintains a tenancy anti-fraud plan.

5.4.4 Line managers must ensure that the opportunities for staff to commit fraud are minimised. In establishing and maintaining effective controls, it is desirable that:

- Where practical, there is rotation of staff;
- Where possible, there is separation of duties so that control of a key function does not rest with one individual;
- Backlogs are not allowed to accumulate;
- Staff are adequately trained and have available to them relevant documented procedures.

5.4.5 As regards the personal conduct of staff, line managers should:

- Ensure that Staff under their management have read and understood the content of the Staff Handbook and the Induction Policy.
- Ensure that Staff under their management have read and understood the content of the ICT Code of Conduct;
- Encourage Staff to make internal disclosure of behaviour that could be deemed as negligent or inappropriate ;
- Ensure that Staff under their management are aware of the rules relating to confidentiality of information;
- Ensure that Staff under their management have been aware that fraudulent behaviour is wrong and are aware of the consequences of involvement in fraudulent activity;
- Ensure Tender Evaluation Panellist Conflict of Interest Declaration forms are signed for all Staff and external consultants assessing tender returns;
- Ensure that bidders have completed the Declaration, Conflict of Interest Statement and Certificate to Tender and signed as part of any tender return;
- Ensure that all Staff record all gifts and hospitality received within the Register of Gifts and Hospitality in the required format;
- Regular reinforcement of the rule relating to personal conduct.

5.4.6 When dealing with a suspected fraud, line managers, in consultation with the Executive Team and the Investigating Officer, will examine the necessity to suspend the member of staff to ensure that all original documentation is preserved in a safe place for further investigation.

5.5 Staff Responsibilities

5.5.1 Every member of staff has a duty to ensure that Weslo's assets are safeguarded whether they are involved with cash or payments systems, receipts, stocks or dealing with suppliers or contractors. Staff must have a high standard of personal integrity.

5.5.2 Staff should:

- Alert their line manager where they believe the opportunity of fraud exists because of poor procedures or lack of effective supervision;
- Report details immediately to their line manager or next most senior person if they suspect that a fraud has been committed or see suspicious acts or events;
- Assist in any investigations by making available relevant information and by co-operating in interviews;
- Inform management of any outside interest which might impinge on their discharge of duties – through the annual staff declaration system;
- Inform Corporate Services of any gifts, hospitality or benefits of any kind received from a third party as detailed within the 'Conditions of Service and Staff Rules'.
- Where Cyber Fraud is suspected, staff are requested to immediately stop and report any unusual activity to a member of the ICT department.

6. EQUALITY & DIVERSITY

6.1 This Policy will always be carried out in accordance with Weslo's Policy of Equality & Diversity which aims to promote diversity, fairness, social justice and equality of opportunity by adopting and promoting fair policies and procedures.

7. PUBLICISING & AVAILABILITY

7.1 This policy is available on the Weslo website, to Board and staff members and any other key stakeholders. Copies are available free of charge. A summary of this policy can be made available in other formats and languages.

8. MONITORING & REPORTING

8.1 This policy will be reviewed regularly to ensure compliance with applicable legislative changes, changes within the business and best practice.

9. OTHER RELEVANT POLICIES AND PROCEDURES

9.1 This Policy relates to:

- Investigation Procedure
- ICT Code of Conduct
- Anti-Bribery and Corruption Policy
- Declarations of Interest
- Whistleblowing Policy
- Cyber Security Management System
- Allocations Policy
- Tenancy Management Policy
- Notifiable Events Policy
- Procurement Strategy
- Board Members Code of Conduct
- Supplier Management Procedures
- ICT Disaster Recovery Plan
- Gifts and Hospitality Policy

And these must be read in conjunction with this Policy.

APPENDIX 1

FRAUD RESPONSE PROCESS

1. Introduction

- 1.1 The purpose of the Fraud Response Process 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 Process should be used in conjunction with the Anti-Fraud Policy, the Investigation Procedure and the Whistleblowing Policy.
- 1.2 In the event that fraud is suspected the following processes need to be followed through:
- Notifying suspected fraud;
 - The investigation process;
 - Liaison with police, internal and external audit;
 - Initiation of recovery action;
 - Reporting process.

The details of these processes are in the sections which follow.

2. Notifying Suspected Frauds

- 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. Weslo's Whistleblowing Policy provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels.
- 2.2 In the first instance, any suspicion of fraud, theft or other irregularity should be reported to the Finance Director as a matter of urgency. If such action would be inappropriate, concerns should be reported upwards to one of the following persons; Director, Chief Executive, Board Member.
- 2.3 Every effort will be made to protect an informant's anonymity if requested. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

3. The Investigation Process

- 3.1 The investigation process will vary according to the circumstances of each case and will be determined by the Finance Director. An 'Investigating Officer' will be appointed to take charge of the investigation on a day to day basis. This investigation will follow the guidelines detailed in the Investigation Procedure.
- 3.2 If it is decided that an investigation will take in relation to an alleged fraud the Finance Director will ensure that:
- Regulatory Standards are followed and The Scottish Housing Regulator is informed.

- The correct process for informing the Scottish Housing Regulator for a 'notifiable event' is followed.
- The Board are informed that an investigation is to be undertaken and the Scottish Housing Regulator has been informed regarding the notifiable event.

3.3 The findings of the investigation will be reported to the Finance Director who will determine, in consultation with the Executive Team and the Investigating Officer, what further action (if any) should be taken.

4. Liaison with Police and Internal / 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). The Finance Director will report suspected frauds to the internal / external auditors at an appropriate time.

4.2 All staff must co-operate fully with any police or internal / 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 Appropriate steps including legal action will be taken 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 Finance Director informed of progress and any developments. If the investigation is long or complex, interim reports may be made to the Executive Team. 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;
- 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 A copy of the above report will be submitted to the Executive Team and the Board.

- 6.4 A copy of the report will be included within the Fraud Register. This register is reviewed regularly by the Finance Director and is open to regulatory inspection. The external auditors review this register as part of their normal audit work.
- 6.5 In order to provide a deterrent to other staff, a brief and anonymised summary of the circumstances will be discussed at team meetings.

7. Lessons Learned

- 7.1 Where a fraud has occurred, management must make any necessary changes to policies, processes and systems to ensure that similar frauds will not occur. Weslo's internal auditors can offer advice and assistance on matters relating to internal control, if considered appropriate.

8. Review of Fraud Response Process

- 8.1 As a minimum the Fraud Response Process will be reviewed every two years to ensure it is fit for purpose. It should also be reviewed after any instance of fraud or incident in order to identify any need for change.