



GROUP ANTI-FRAUD POLICY

POLICY IMPLEMENTATION CHECKLIST	
Policy Guardian:	Director of Finance and Governance
Author:	Director of Finance and Governance
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This document can also be provided in large print, braille, audio or other non-written format, and in a variety of languages.

1. Introduction and Scope

- 1.1 The Group, comprising Caledonia Housing Association and its' constitutional partner Cordale Housing Association, is committed to achieving the highest standards of openness, probity and accountability. It recognises the particular importance of this as it works to maintain its reputation and that of the housing association sector as a whole.
- 1.2 In pursuit of its aim to carry on a viable and sustainable business it takes appropriate actions to identify and guard against adverse financial and business risks. In this context, the Group is committed to reducing its risk of fraud to the lowest possible level.
- 1.3 This policy outlines the broad principles the Group will adopt in order to protect the organisation and the public funds it receives, its assets and its services against fraud. It is of relevance to Governing Body Members, staff, tenants and residents, members of the public, contractors, consultants and service providers. In particular it aims to emphasise the importance the Group places on deterring fraud, and the specific responsibilities on all members of staff to identify and report any suspicion of fraudulent activity.

2. Context and Definition

- 2.1 For the purpose of this policy fraud may be defined as “wrongful or criminal deception intended to result in financial or personal gain.” The Group identifies fraud as a distinct business problem and risk. It operates a separate Anti-Bribery Policy outlining its approach to dealing with this discrete, but often related issue.

3. Strategy and Principles

- 3.1 The Group recognises the potential for fraudulent activity taking place within or targeting any area of its business. At a strategic level, its response embraces identified good practice. The key elements of this involve:
 - developing and maintaining an anti-fraud culture;
 - creating a strong deterrent effect;
 - preventing fraud by designing weaknesses out of processes and systems;
 - detecting fraud, where it is not prevented;
 - investigating suspicions of fraud in an expert, fair and objective manner;
 - seeking to apply a range of sanctions where fraud is believed to be present; and
 - seeking redress and recovery of any losses that are incurred.
- 3.2 Central to this anti-fraud 'strategy' are a range of operational policies, systems and procedures that are designed to deter, and enable detection and reporting of fraud. In particular, this includes:
 - the Group Financial Regulations, Treasury Management, and Delegated Authority policies and the controls detailed therein;
 - the Group Standing Orders and other governance related Group policies, covering matters including Whistleblowing, Payments and Benefits and Conflict of Interest; and the associated management systems; and
 - service based policies, guidance and operating procedures covering tenancy related matters; repairs, maintenance and development activities; estates services; care and support services; and staff recruitment.

3.4 Established Internal Audit arrangements further support the detection of fraud, through testing the appropriateness, adequacy, effectiveness and robustness of relevant policies 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 control.

4. Roles and Responsibilities

Caledonia Housing Association Management Board

4.1 The Board is responsible for ensuring the Group:

- operates an anti-fraud culture;
- maintains effective risk management and internal control systems;
- has relevant policies and systems in place to deter, detect and report suspected fraudulent activity;
- maintains appropriate procedures that ensure reported incidents of suspected fraud are promptly and vigorously investigated; and effective sanctions and redress are applied in instances where fraud is detected.

4.2 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. In adhering to the published Code of Conduct 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.

Cordale Housing Association Management Committee

4.3 Cordale Housing Association Management Committee will ensure the responsibilities set out in 4.1 and 4.2 are fulfilled in their entirety.

Group Audit & Risk Management Committee

4.4 As detailed within its terms of reference, the Group Audit & Risk Management Committee's role extends across the Group and includes:

- monitoring and reviewing the effectiveness of internal, including financial, controls and risk management systems;
- reviewing internal audit reports;
- reviewing findings of external audit; and
- monitoring and reviewing the effectiveness of internal audit activities; and also in reviewing arrangements for whistleblowing and detection of fraud.

Chief Executive

4.5 The Chief Executive has the authority to invoke the provisions of the Fraud Response Plan. (See Section 6.) As part of this the Chief Executive is responsible for:

- convening an initial meeting of the Fraud Response Team;
- appointing an Investigating Officer, where the Fraud Response Team decides that a fraud investigation is the appropriate course of action; and

- informing the Chair of the Audit & Risk Management Committee that an incident of suspected fraud or attempted fraud has been reported, and is to be investigated.

The Chief Executive also has a particular role in relation to whistleblowing. This is defined within the Group Whistleblowing Policy.

Executive Management Team (EMT)

4.6 EMT has collective responsibility for:

- developing and maintaining effective policies, procedures and control systems for deterring, detecting and reporting fraud; and ensuring these are both working effectively, and periodically reviewed in accordance with good practice;
- ensuring the Governing Bodies 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 Group's 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; and
- ensuring the notification requirements of regulators are met.

4.7 Individual members of EMT, primarily including the Chief Executive Director of Finance and Governance and Director of People have roles in relation to the Fraud Response Team as detailed in the Fraud Response Plan.

4.8 The Director of Finance and Governance also has a particular role in relation to whistleblowing. This is defined within the Group Whistleblowing Policy.

Staff Members

4.9 In adhering to the published Code of Conduct all staff members are responsible for:

- being vigilant to possible indicators of fraud or attempted fraud, within their respective areas of work;
- 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, systems and procedures.

4.10 Similarly, staff members should report to their line manager any areas of weakness they identify in procedures or systems; or suggested ways of reducing the possibility of fraud.

5. Reporting

- 5.1 The Group Whistleblowing Policy enables staff, Governing Body Members, or any other person to raise concerns relating to conduct which they believe to be improper, illegal or immoral. Notwithstanding this, the Chief Executive should be informed of all suspected or detected fraud at the earliest opportunity. Where suspicions or allegations of fraud relate to the Chief Executive, the separate Group policy on Handling Serious Complaints against the Chief Executive should be referred to for guidance on the appropriate process.
- 5.2 The Group acknowledges the requirement to report fraud, the investigation of fraud and instances of whistleblowing to the Scottish Housing Regulator (SHR) as a Notifiable Event. It shall report to SHR without delay, in accordance with SHR statutory guidance and the Group policy on Notifiable Events.
- 5.3 The Group notes that where SHR is notified and makes regulatory enquiries, SHR will report to the Office of the Scottish Charity Regulator (OSCR), in accordance with legal provisions (The Charities and Trustee Investment (Scotland) Act 2005) and the associated Memorandum of Understanding between OSCR and SHR. In addition to this, auditors have a statutory duty to report matters of “material significance” to OSCR. This includes “matters suggesting dishonesty or fraud involving a significant loss of, or a major risk to, charitable funds or assets.”
- 5.4 Dependent on the nature of the fraud or suspected fraud, it may be appropriate or necessary to report to other regulatory bodies. In particular, the Group acknowledges the requirement to notify the Care Inspectorate where there is an allegation of misconduct relating to its care services.

Monitoring

- 5.5 As part of its governance systems, the Group maintains various registers to record certain types of activity. Its Fraud, Whistleblowing and Notifiable Events Registers are of relevance to this policy and will be maintained accordingly. The individual Fraud Registers held by Caledonia Housing Association and the two constitutional partners will be subject to a six monthly review by their respective governing bodies Chair.
- 5.6 Governing Body Chairs will sign their respective Fraud Register on an annual basis to verify completion. The Chief Executive will also counter sign each register. The status of all Fraud Registers will be reported to the Group Audit & Risk Management Committee.

6. Fraud Response Plan

- 6.1 The Group is committed to the rigorous investigation of any suspected fraud. It has in place a Fraud Response Plan, which the Chief Executive can invoke on receipt of an allegation or the identification of suspected fraud. This Plan provides a consistent framework for investigating and reporting fraud, and is contained within **Appendix 1** to this policy.
- 6.2 Fraudulent activity constitutes gross misconduct and where fraud is detected, the disciplinary procedures operated by Caledonia Housing Association (or if applicable, by the constitutional partners) will be instigated. Where there is direct evidence of fraud, the police shall be informed. The Group will co-operate fully with the police and pursue prosecutions where advised that this is feasible. The Group acknowledges that the decision to initiate criminal prosecution rests with the police in conjunction with the Crown Office and Procurator Fiscal Service.

6.3 Similarly, where it is determined that an allegation of fraud has been made maliciously, the Group may pursue disciplinary and or legal action against the perpetrator(s).

6.3 It should be noted that suspects have certain legal rights and no action (such as interviewing staff) should be taken without prior consultation with the Chief Executive. Failure to follow appropriate procedures can invalidate disciplinary action and compromise the success of any investigation and or prosecution.

7. Policy Review

7.1 This policy will be subject to review every three years or sooner if it is affected by legislative or other significant changes.

8. Key Related Policies

- Group Financial Regulations
- Group Anti-Bribery
- Group Conflict of Interest
- Group Delegated Authority
- Group Treasury Management
- Group Notifiable Events
- Group Serious Complaint Against the Chief Executive
- Group Standing Orders
- Group Whistleblowing
- Group Governing Body Members Code of Conduct
- Group Staff Code of Conduct

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 the Group Anti-Fraud Policy and Group 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 Chief Executive should be alerted to the matter without delay. In the Chief Executive's absence, another member of the Executive Management Team should be informed, and they will inform the Chair of the Audit & Risk Management Committee.

2.2 The Chief Executive (or in their absence, another member of the Executive Management Team) shall, as soon as possible and normally within 24 hours, convene a meeting of the Fraud Response Team. This Team shall normally comprise the Chief Executive, Director of Finance and Governance and Director of People. The Team 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 Team;
- considering how to secure records/assets and prevent further loss;
- considering the membership of the Fraud Response Team, and the need to involve other members of the Executive 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 Group's solicitors, as required;
- confirming responsibilities and arrangements for submitting relevant regulatory notifications;
- confirming requirements and arrangements for notifying lenders and other funders.

2.3 The Chief Executive should advise the Chair of the Audit & Risk 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 Team, 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 Team 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 the Group's policy to pass details directly to the police, normally without undue delay and prior to any further internal investigation. The Chief Executive will notify the Chair of the Audit & Risk Management 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 Chief Executive 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 Chief Executive, in consultation with the Fraud Response Team and Chair of the Audit & Risk Management Committee shall normally report the matter to the police without delay.
- 4.5 A major objective in any fraud investigation will be the punishment of any perpetrator, to act as a deterrent to other potential perpetrators. Caledonia Housing Association will follow the Disciplinary Policy and Procedures in dealing with 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 Team will decide whether there is a requirement to suspend the suspect(s). It will do so with reference to the Disciplinary Policy and Procedures. 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 Group's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the Group. Any keys to premises, offices and furniture should be returned.
- 5.3 The Fraud Response Team should arrange for the withdrawal, without delay, of access permissions to the Group's computer systems. The suspect(s) should be requested to hand over all IT and communications equipment provided to them by the Group, including laptops, mobile telephones and other devices.
- 5.4 If no suspension takes place following preliminary investigations, the Fraud Response Team 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 the Group's assets. In consultation with the Fraud Response Team 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 Team has responsibility for the appointment of external specialists to lead or contribute to the investigation.

Access to Information

5.7 Any requests for information from the press or other external agency concerning any fraud investigation must be referred to the Chief Executive and dealt with in accordance with the Group Media Handling Procedure and Group Freedom of Information Policy. 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 Group will normally expect to recover costs in addition to losses.

6.2 The Investigating Officer, in discussion with the Fraud Response Team should also decide whether any of the losses warrant a claim under any Group insurance policy. Action to recover losses via insurance will normally be taken only 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 Team. 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 Audit & Risk Management Committee. Where the fraud is significant, in terms of losses incurred, or particularly novel, unusual or complex, a special meeting of the Audit & Risk Management Committee may be convened. Audit & Risk Management Committee will report fully to the next meeting of Management Board and, where appropriate, to Cordale's Management Committee, on matters considered and relevant management responses.

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.