

# Policy

Title: **Anti-Fraud Policy**

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A policy should be a short statement which describes in general terms or objectives what a service area's principles and key objectives are on a particular subject and should be no longer than a 2 pages in length. The aim of the policy is to give practical effect of the strategy it supports.

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## Introduction

Halton Housing Trust requires all employees at all times to act honestly and with integrity and to safeguard the public resources for which the Trust is responsible.

Fraud is an ever-present threat to these resources and hence must be a concern to all employees and persons employed in a similar capacity. Fraud may occur internally or externally and may be perpetrated by employees, consultants, suppliers, contractors or other partners, individually or in collusion with others.

The purpose of this document is to set out the responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

The Fraud Act 2006 categorised the offence of fraud under the following three sections.

1. Fraud by false representation (pretending to be somebody you're not, doing something you don't do, or selling something you haven't got)
2. Fraud by failing to disclose information failing to tell people the truth about what you're doing)
3. Fraud by abuse of position (abusing your position in order to defraud)

A person is guilty of fraud if they are in breach of any of the above categories.

Fraud and many of the offences referred to as fraud are also 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.

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. The definition also includes any use of the ICT system which is not in accordance with the Trust's Acceptable Use Policy.

## Aims / Objectives

The aims of the Trust's Anti-Fraud Policy are to:

- Develop and maintain effective controls to prevent fraud;
- Carry out vigorous and 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.

The Chief Executive carries overall responsibility for the prevention of fraud, and is liable to be called to account by the Board and the Housing Corporation for specific failures.

However, the above responsibilities fall directly on line management and may involve all employee of the Trust.

## **Performance Measures / Monitoring**

Any incidents of fraud will be recorded in the Trust's Fraud Register. This register will be maintained by the Governance Officer. The register will contain records of both attempted and detected frauds and the actions taken. The records will also indicate the systems involved, in order to assist in the prevention of any recurrences.

## **Scope**

The Trust acknowledges that this policy is just one of a number of measures that it needs to have in place to ensure that its financial affairs are managed properly, and that there are obvious links between this policy and the Trust's Whistleblowing Policy, the Employee Code of Conduct and the Board Members' Code of Conduct.

## **Responsibility**

The Director of Resources is responsible for the effective implementation of this policy.

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

- Identifying the risks to which systems, operations and procedures are exposed;
- Developing and maintaining effective controls to prevent and detect fraud; and
- Ensuring that controls are being complied with.

All employees, including managers, are responsible for:

- Acting with propriety in the use of the Trust'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 Director of Resources or any other Director or Chief Executive if they suspect or believe that there is evidence of irregular or improper behaviour or that a fraud may have been committed.

## **Service Standards**

Halton Housing Trust views fraud very seriously. All instances will be investigated rigorously and promptly and appropriate action will be taken.

## **Policy Statement**

The Trust will not accept any level of fraud or corruption. Consequently, any case reported or detected will be thoroughly investigated and dealt with appropriately. The Trust is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.

The Trust's Financial Regulations provide the framework for internal and financial control.

Internal control comprises the whole system of control and methods, both financial and otherwise, which are established to:

- safeguard the Trust's assets;
- ensure reliability of records;
- monitor adherence to policies and procedures.

The Trust's Internal Auditors will independently review, appraise and report on the soundness, adequacy and application of internal control within individual systems, and their Annual Opinion will feed in to the Statement on Internal Control."

All employees are expected to follow the laid down procedures for internal control, which will help to minimise the opportunities for fraud. Any failure to adhere to the Trust's Financial Regulations must be reported to the Director of Resources or, in his absence, the Director of Customer Services or Chief Executive.

The Trust's view is that fraud is unacceptable behaviour. Fraud is listed in the Trust's terms and conditions of employment as an example of gross misconduct. Acts of gross misconduct of this nature are likely to result in dismissal.

It is the responsibility of all employees to report immediately any act of attempted or detected fraud.

Employees need not have any reservations about making such reports. The Trust's Whistleblowing Policy clearly states that anyone raising legitimate concerns about breaches in conduct or procedures – including suspected or actual fraud – will not be penalised for raising these concerns.

The Trust has prepared a Fraud Response Plan (see Annex A), 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 Housing Corporation

## **Consultation arrangements**

All employees have been given the opportunity to comment on this policy. A copy has also been shared with the Trust's internal auditors.

## **Benchmark Analysis**

Any review undertaken will look to ensure that the policy continues to operate in line with best practice and that service improvements are made and implemented.

## **Regulatory or Legal Compliance**

Housing Corporation Circular 25/01 set out the Corporations expectations in regard to internal controls assurance. It introduced an obligation for housing association boards to conduct an annual review of the effectiveness of their systems of internal control and consolidated several existing reporting requirements on internal controls, including fraudulent activity.

Circular 25/01 was replaced by Circular 07/07. This circular requires that as part of its system of internal control, the board must have a clear and well-communicated strategy and policy which defines fraud, and covers the prevention and detection of fraud within the association, and how it is reported both internally and externally, together with its expectations on the recovery of assets.

## **KLOE's affected**

There is no specific KLOE that relates to this policy. However the Prospects for Improvement KLOE refers to effective leadership and its role in creating a climate of openness, transparency and mutual respect.

## **Links to Strategies, Procedures and Associated Documents**

- Financial Regulations and Standing Orders
- Whistleblowing Policy
- Employee Code of Conduct
- Board Members' Code of Conduct.
- ICT Acceptable Use Policy

## **Equality and Diversity Considerations**

The Trust will undertake to complete an Equality Impact Assessment (EIA) for this policy. Any changes required to be made to the policy following the assessment will be incorporated accordingly.

## **Business Impact**

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

Notwithstanding this, and following appropriate investigations, the Chief Executive will determine whether to invoke action in accordance with established disciplinary procedures.

As stewards of public funds all employees must have, and be seen to have, high standards of honesty, propriety and personal integrity. Employees are required to report any potential conflict of interest to their Executive Director or the Chief Executive.

Employees who receive gifts and/or hospitality should not place themselves under any obligation that might influence or be perceived to influence their future decisions or conduct.

Employees should not accept cash or personal gifts with a significant monetary value under any circumstances. Gifts of a nominal nature, e.g. pens, can be accepted.

However, all gifts should be recorded in the Trust's Hospitality Register which will be maintained by the Director of Resources. Employees should also be aware of the Housing Corporation's guidance this area, as contained in Good Practice Note 3 'Maintaining Standards of Probity' and supplementary guidance.

If accepting hospitality employees must ensure that it is appropriate and not excessive. Employees should be careful that the receipt of any hospitality cannot be construed as a way of exerting improper influence over themselves or the Trust. As a general rule, employees should not accept hospitality which the Trust would not reciprocate in similar circumstances.

Offers of hospitality should also be recorded in the Trust's Hospitality Register. The Register should record whether the hospitality was accepted or declined, and if accepted, why this was the case. Hospitality supplied on behalf of the Trust should also be recorded in the Register.

If employees have any doubt about any hospitality that has been offered, it should be declined or the employee should seek advice from the Director of Resources. When declining hospitality this should be done courteously, drawing the attention of the person making the offer to the Code of Conduct.

## **Self Assessment Compliance Statement (SACS) Considerations**

It is not envisaged that this policy will have any impact on the SACs document or that any changes/amendments will be required.

## **ANNEX A: FRAUD RESPONSE PLAN**

### **1. Introduction**

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;
- Reporting process;
- Communication with the Housing Corporation.

Its 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**

It is important that all employees 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.

In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager. If such action would be inappropriate, your concerns should be reported upwards to one of the following persons:

- Head of Department (or equivalent);
- Executive Director;
- Chief Executive;
- Chair of Audit, Performance & Quality Committee;
- Internal Audit.

Additionally, all concerns must be reported to the Director of Resources.

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

### **3. The Investigation Process**

Suspected fraud must be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both the Trust and the suspected individual(s). Suspicion must not be seen as guilt to be proven.

The investigation process will vary according to the circumstances of each case and will be determined by the Chief Executive in consultation with the Director of Resources and the appropriate Head of Department. An "Investigating Officer" will be appointed to take

charge of the investigation on a day-to-day basis. This will normally be the Director of Resources or, exceptionally, another independent manager.

The Investigating Officer will appoint an investigating team. This will normally comprise employees from within the Finance Department but may be supplemented with other resources from within the Trust or from outside.

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. This decision will be taken by the Chief Executive, in consultation with the Head of Human Resources and the Investigating Officer.

Suspension should not be regarded as disciplinary action nor should it imply guilt. The process will follow the guidelines set out in the Trust's Terms and Conditions of Service relating to such action.

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 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.

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 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.

All interviews will be conducted in a fair and proper manner. Where there is a possibility of subsequent criminal action, the police will be consulted and interviews may be conducted under caution in compliance with the Police and Criminal Evidence Act (PACE), which governs the admissibility of evidence in criminal proceedings.

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

#### **4. Liaison with Police & External Audit**

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 Director of Resources, Head of Human Resources and the Investigating Officer will decide if and when to contact the police. The Chief Executive will report suspected frauds to the Chair of the Audit, Performance and Quality Committee and Chair of the Board and the external auditors at an appropriate time.

All employees 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**

The Trust 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**

Any incidents of fraud will be recorded in the Trust's Fraud Register. This register will be maintained by the Governance Officer. The register will contain records of both actual, attempted and suspected frauds and the actions taken. The records will also indicate the systems involved, in order to assist in the prevention of any recurrences.

Throughout any investigation, the Investigating Officer will keep the Chief Executive, Director of Resources and Head of Human Resources informed of progress and any developments. These reports may be verbal or in writing.

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.

The report will be reported to and reviewed by the Audit, Performance and Quality Committee.

In order to provide a deterrent to other employees a brief and anonymised summary of the circumstances will be published on ShareIt.

## **7. Communication with the Housing Corporation**

Once it has been established that actual or attempted fraudulent activity has taken place, it should be reported promptly to the Housing Corporation, together with the action proposed or taken, as follows:

- for small associations with fewer than 1,000 dwellings, all incidents individually involving amounts over £1,000 or equivalent in value;
- for associations with 1,000 or more dwellings, all incidents individually involving amounts over £5,000 or equivalent in value;
- for all associations, any incident involving or implicating board members, irrespective of the monetary or equivalent value; or
- for all associations, any incident involving or implicating senior management, again irrespective of the monetary or equivalent value.

Reports should be made at the earliest reasonable opportunity to the Regulation Account Manager, and include details of the actual or attempted fraud and actions taken or to be taken.

The Housing Corporation will respond to all notified fraud incidents on a case-by-case basis, as well as to allegations of fraud. The response will vary according to a number of factors, including the way in which the Corporation is made aware of it, how far it has been progressed, its materiality and what action, if any, the association has already taken or is taking.

Any single loss of £25,000 or more will be referred to the Housing Corporation's Supervision Team and to the Corporation's Board. The Corporation is required to report losses involving public money to Communities and Local Government, and will take action to recover any public money found to have been fraudulently claimed from the Housing Corporation.

The Corporation may require an association to commission an investigation into a committed fraud, usually by independent consultants, which should conclude with recommendations for any necessary improvements in internal controls, reporting or delegated authorities.

The Director of Resources is responsible for preparation and submission of fraud reports to the Housing Corporation.

## ANNEX B: DOs & DON'Ts

DO	DON'T
Make a note of your concerns	Be afraid of raising your concerns
<p>Record all relevant details, such as the nature of your concern, the names of parties you believe to be involved, details of any telephone or other conversations with names dates and times and any witnesses.</p> <p>Notes do not need to be overly formal, but should be timed, signed and dated.</p> <p>Timeliness is most important.</p> <p>The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened.</p>	<p>The Public Interest Disclosure Act provides protection for employees who raise reasonably held concerns through the appropriate channels – whistle blowing.</p> <p>You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially.</p>
Retain any evidence you may have	Convey your concerns to anyone other than authorised persons
The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective investigation.	There may be a perfectly reasonable explanation for the events that give rise to your suspicion. Spreading unsubstantiated concerns may harm innocent persons.
Report your suspicions promptly	Approach the person you suspect or try to investigate the matter yourself
<p>In the first instance, report your suspicions to your line manager. If this action would be inappropriate, further guidance on disclosure can be found in the Fraud Response Plan and Halton Housing Trust's Whistle-blowing Policy.</p> <p>Additionally, all concerns must be reported to the Director of Resources</p>	There are special rules relating to the gathering of evidence for use in criminal cases. Any attempt to gather evidence by persons who are unfamiliar with these rules may destroy the case.

## Appendix 1 : Definitions

**Theft** - Dishonestly appropriating the property of another with the intention of permanently depriving them of it (Theft Act 1968). This may include the removal or misuse of funds, assets of cash

**False Accounting** - Dishonestly destroying, defacing, concealing, or falsifying any account, record, or document required for any accounting purpose, with a view to personal gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive (Theft Act 1968)

**Bribery and Corruption** - The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the Trust, its Board members or officers (Prevention of Corrupt Practices Act 1889 and 1916)

**Deception** - Obtaining property or pecuniary advantage by deception (Sections 15 and 16 of the Theft Act 1968 (and obtaining services or evading liability by deception (Sections 1 and 2 of the Theft Act 1978)

**Extortion** - obtaining something by illegal threats: the crime of obtaining something such as money or information from somebody by using force, threats, or other unacceptable methods

**Conspiracy** - collusion of two or more people in an offence.

**Embezzlement** - the wrongful taking and using of property by a person who has been entrusted with it

**Forgery** - in criminal Law, fraudulently altering a written document or seal with the intent of injuring the interests of another person or of fraudulently obtaining governmental revenue.

**Misappropriation** - take or use dishonestly, to take something especially money dishonestly or in order to use it for an improper or illegal purpose.

**False representations of material past or present facts** - known by the wrongdoer to be false, and made with the intent to defraud a victim into passing title in property to the wrongdoer

**Concealment of material fact** – concealment of a fact that would be important to a reasonable person in deciding whether to engage or not to engage in a particular transaction; an important fact as distinguished from some unimportant or trivial detail

**Collusion** - The term “collusion” in the context of reporting fraud is used to cover any case in which someone incites, instigates, aids and abets, or attempts to commit any of the crimes listed above