Cloch Housing Association

Fraud, Bribery & Corruption Policy

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Consultation	
Need for Procedure	

Table of Contents

1. INTRODUCTION

1.1 Fraud is becoming an increasing problem and as the operational environment changes, the types of fraud are becoming more sophisticated. Cloch Housing Association, (referred to as the Association throughout the policy), recognises the importance of protecting its assets against financial risks, operational breaches, and unethical activities.

1.2 Fraud can be defined as “Wrongful or criminal deception intended to result in financial or personal gain” *(reference: Oxford English Dictionary)* and therefore requires deception and may have non-financial motives.

1.3 Losses due to fraud, theft or corrupt practices could have a direct impact on the level and quality of service provision. The Association plays an important role in the local area and any instance of fraud or corruption could be damaging from a reputational perspective. Financial loss is not the only negative outcome of fraud and may be the least significant impact as the full impact may affect reputation, staff morale and levels of confidence from tenants, partner organisations, suppliers, lenders, and the Scottish Housing Regulator.

1.4 The Scottish Housing Regulator expects Registered Social Landlords, (RSLs) to have robust procedures in place to minimise the risk of fraud, bribery, corruption, or misappropriation being successful, and to safeguard the assets of the organisation. The Scottish Housing Regulator’s Regulatory Standards 3.1 and 4.3 set out their expectation in relation to fraud:

- 3.1) The RSL has effective financial and treasury management controls and procedures to achieve the right balance between costs and outcomes. The Registered Social Landlord, (RSL), ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.

- 4.3) The governing body identifies risks that might prevent it from achieving the RSL purpose and has effective strategies and systems for risk management and mitigation, internal control, and audit.

1.5 The Association has a responsibility to the tenants, staff, partners, suppliers, and other stakeholders to take all reasonable steps to prevent the occurrence of fraud. This policy therefore sets out how the Association will prevent, detect, and respond to fraud, bribery, and corruption.

An effective approach to fraud and corruption will ensure that:

- Fraud, bribery, corruption, or misappropriation are deterred
- Public criticism is avoided
- Accountability is demonstrated and waste from these actions is avoided.

1.6 This policy sets out the responsibilities of the CEO, Directors, Managers, Staff and Governing Body Members regarding the prevention of fraud and the action to be taken where a fraud is suspected or detected. The Association requires that the CEO, Directors, Managers, Staff and Governing Body Members act honestly and with integrity at all times and to safeguard the resources for which they are responsible for. Fraud is an ever-present threat to these resources and therefore must be a concern to all.

2. POLICY STATEMENT

2.1 The Association is committed to the highest standards of probity, openness, and integrity in all their activities and expect that all Governing Body Members and Staff will abide by such standards at all times.

2.2 The Association will not tolerate fraud and bribery by its Employees, Governing Body Members, Contractors, Agents, and other associated persons. Breaches of this policy are likely to constitute a serious disciplinary, contractual, and/or criminal action for the individual(s) concerned. The Association will also be active in fraud prevention in the communities that they serve.

2.3 The Association will:

- Take firm and forceful action where appropriate against any individual or group committing a fraud against the Association
- Take firm and forceful action where appropriate against any individual or group offering or receiving a bribe or failing to prevent a bribe being paid on behalf of the Association or by an associated person
- Encourage employees to be watchful and to report any suspicion of fraud or bribery
- Thoroughly investigate instances of alleged fraud or bribery and pursue those committing fraud or bribery

- Seek restitution of any asset fraudulently obtained together with recovery of costs
- Assist the Police and other appropriate authorities in the investigation and prosecution of those suspected of fraud or bribery.

2.4 The Association will ensure that all concerns are properly investigated and Governing Body Members and Staff, (particularly those reporting their suspicions), are protected from reprisal and/or victimisation. Following proper investigation, it may be necessary to instigate disciplinary action, civil or court proceedings including steps to recover any losses incurred.

2.5 All instances of actual or suspected fraud or bribery will be reported in detail to the Governing Body Members. Irrespective of any actual occurrence or not, Fraud, Bribery or Corruption will be a standing agenda item at least annually.

2.6 This policy and the associated procedures are designed to be consistent with the Association's people strategy and terms and conditions of employment, in particular all elements of the disciplinary procedures. In case of any inconsistency, the disciplinary procedures will be deemed to take precedence, unless advised to the contrary by the Police or other external investigating body.

2.7 This policy also extends to include fraud committed by third parties such as tenants, residents, contractors, and suppliers against other third parties such as local authorities, contractors, and suppliers.

3. DEFINITION OF FRAUD, BRIBERY AND CORRUPTION

3.1 **Fraud**

The term 'Fraud' can be used to describe a deliberate act to acquire, or attempt to acquire, the assets or property of others by deception, trickery, or dishonesty. In Scotland, criminal fraud is mainly dealt with under common law and a number of statutory offences.

3.2 **Bribery**

3.2.1 Bribery is a specific form of corruption which is subject to the Bribery Act 2010. Bribery, for the purposes of the Act includes offering, promising, or giving another person a financial or other advantage as an inducement or reward for performing their functions or activities improperly. Offences of bribery include giving and receiving bribes and the Act is designed to clamp down on the giving and receiving of bribes and to tighten up on management practices to ensure that businesses do not provide an environment within which instances of bribery can occur.

3.2.2 The rules are not designed to stop hospitality, business, entertainment, or promotional schemes designed to increase sales. Rather it is designed to make a criminal offence the payment of an inducement to an individual in the Association to influence their behaviour. Great care is therefore needed over the receipt of hospitality.

3.2.3 The Association is both a user and provider of services. On one hand, we are providing services to our tenants and employment to our workforce. On the other, we are the recipient of services from our associates and contractors who carry out a broad range of functions for us, ranging from the carrying out of high value construction contracts to supplying us with stationary. We offer opportunities to third parties to bid for and win contracts with us through our tendering processes. At the same time, sometimes we ourselves are the bidder – bidding against others for funding from a variety of sources. In this time of economic hardship, winning / retaining a contract for works or securing employment is more highly prized than ever and as a result competition is much fiercer. The threat of bribery or abuse of position is therefore a risk.

3.2.4 There are four bribery offences set out in the Act, (set out below). Where any one of these is committed by any person associated with the organisation, the organisation as a whole may also be held responsible. If this were to happen within the Association the effects would be catastrophic: the professional reputation of the organisation would be severely damaged and the character of everyone connected with the Association tarnished. Relationships with our funders and insurers would be affected and their trust in us, as well as the trust placed in us by our tenants, staff, and the Regulator, would be severely damaged. Our ability to carry out our business functions would be severely undermined. All of this would adversely impact, not only on the livelihoods of our staff and associates, but, critically, upon the day to day lives of our tenants, whose interests lie at the very core of our business.

The four bribery related offences are as follows:

(a) Bribing another person; under Section 1 of the Act, a person is guilty of this offence where that person "promises or gives a financial or other advantage to another person" to "induce a person to perform

improperly a relevant function or activity" or "to reward a person for the improper performance of such a function of or activity".

(b) Accepting a bribe: under Section 2 of the Act, a person is guilty of this offence where that person "requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly".

(PLEASE NOTE, an offence may still have been committed if a bribe is promised or requested or there is agreement to accept a bribe, even if that bribe is not then actually made and / or accepted).

(c) Bribing a foreign public official: under Section 6 of the Act a person is guilty of this offence where that person bribes a foreign public official and the person's intention is to influence that public foreign official in his/her capacity as a foreign public official" and to "obtain or retain…business" or "an advantage in the conduct of business".

(PLEASE NOTE, this is unlikely to be relevant in the context of our business, however, it is noted here as it is a relevant offence).

(d) Failure to prevent bribery: under Section 7 of the Act, a commercial organisation ("C") is guilty of this offence where "a person...associated with C bribes another person intending…to obtain or retain business for C, or…to obtain or retain an advantage in the conduct of business for C".

3.2.5 The functions/activities listed below are relevant functions/activities, (for the purposes of the offences of bribing/being bribed), provided that the person performing the function/activity is expected to perform it in good faith or impartially or is in a position of trust by virtue of performing it.

- any function of a public nature
- any activity connected with a business
- any activity performed in the course of a person's employment
- any activity performed by or on behalf of a body of persons (whether corporate or unincorporated).

3.2.6 A relevant function or activity is performed “improperly” if it is performed in bad faith, not impartially, or the person performing the function or activity misuses their position of trust.

3.2.7 The bribery offences are criminal offences and dependent on the severity of the offence, are punishable by harsh penalties including unlimited fines and sentences of up to 10 years imprisonment. In some cases, both a fine and a prison sentence may be imposed. The CEO / Directors may also find themselves disqualified from office and the company may be banned from public procurement.

3.3 **Corruption**

Corruption is the offering, giving, soliciting or acceptance of an inducement of rewards which may influence the action of any person. It can include, for example, engaging in personal transactions which might affect the business where it is not disclosed. It can also include theft or unauthorised circulation/reproduction of confidential documents or information, including financial information.

3.4 **Money Laundering**

Money Laundering involves the concealment, conversion, disguise, and transfer of criminal property. Criminal Property is money or other property that represents a person's benefit from a criminal activity that you know, or suspect represents such a benefit. Money laundering should be considered as an activity to which this anti-fraud policy and associated procedures should apply.

3.5 **Cyber-crime**

3.5.1 The Computer Misuse Act 1990 is a law in the UK that makes illegal certain activities, such as hacking into other people's systems, misusing software, helping a person to gain access to protected files on someone else's computer or introducing malware into computer systems (viruses, Trojans, spyware etc.).

3.5.2 Cyber frauds are highest risk area for the Association, both in terms of the likelihood of an attempted fraud and the potential impact on the Association should the attempt be successful.

The following are the most common cyber frauds:

Ransomware

This relates to software designed to block access to a computer system until a sum of money is paid.

Botnet-related fraud

The majority of spam emails are sent by botnets. These emails include attempts to gain personal information for use in other fraudulent activity.

These include:

- Spam emails
- Phishing emails
- Attempts at Identity theft.

Phishing

The use of fake messages to entice the user into clicking on links and / or providing personal information. These websites or emails look like the real thing. These attempts at fraud may also be used to download malicious software.

Hacking

Breaking into a computer, network, or website in order to gain sensitive or personal information or for the purposes of extortion (e.g. ransomware). This would include a Distributed Denial of Service (DDoS) attack on a website where a website is bombarded with requests from a large number of different sources causing it to be inoperable.

Malware and Viruses

There are wide range of types of malicious software including ransomware, trojan horses, spyware, and adware. Many of these are using to gain access to personal or sensitive information or are used in extortion.

STRATEGY AND PRINCIPLES

4.1 The Association recognises the potential for fraudulent activity taking place within or targeting any area of the business. The Association has in place procedures covering prevention, detection and reporting of fraud or bribery, which are designed to reduce the likelihood of these events occurring. The Association also has in place procedures that will facilitate dealing with fraud, including the preservation and recovery of assets.

4.2 At a strategic level, the key elements of tackling this risk 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
- applying a range of sanctions where fraud is believed to be present
- seeking redress and recovery of any losses that are incurred
- providing relevant information and guidance to tenants and service users
- a fraud response plan.

4.3 Central to this anti-fraud strategy is 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 Financial Regulations & Procedures, Treasury Management Policy & procedures, the Business Continuity Policy & procedures, the Password Policy, Email & Internet Policy and ICT Strategy / IT Security section and the controls detailed within them
- the Standing Orders and other governance related policies, covering matters including Whistle Blowing, Code of Conduct, and Disclosure of Interest; and the associated management systems
- service based policies, guidance and operating procedures covering tenancy related matters, repairs, maintenance and development activities, staff recruitment and procurement.

4.4 Prevention of fraud, corruption and bribery is assisted by the following controls:

- Approach to social media / communications
- A clear and detailed fraud risk assessment
- Clear statements of the role, responsibility, and limits of each post in the relevant job description
- Thorough recruitment processes, including references from previous employers and Disclosure Scotland checks
- Effective financial controls, including segregation of duties, control of signatories and custody of valuable assets, as documented in the Financial Regulations and supporting policy and procedure documents
- Robust ICT network security and ICT access controls, including to banking, cash collection, payroll, HR, purchasing and repair systems, and controls within systems on users' ability to create and record transactions
- Internal and external audit and oversight of all these controls
- Insurance policies are also in place to mitigate the impact of fraud, e.g. cyber-crime insurance
- Training on fraud prevention, in particular cyber frauds.

4.5 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.

4.6 Fraud can have a considerable impact on our tenants and service users. The Association will use newsletters and other communications to provide information and guidance on fraud prevention and known fraud activity in the local area.

5. ROLES AND RESPONSIBILITIES

5.1 Board

The Board is responsible for ensuring that the Association:

- monitors and reviews the effectiveness of internal, including financial, controls and risk management systems
- reviews internal audit reports
- reviews findings of external audit
- monitors and reviews the effectiveness of internal audit activities; and also reviews arrangements for whistle blowing and the detection of fraud
- 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.

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 governing body 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 CEO

The CEO is responsible for:

- Undertaking regular reviews of the fraud risks associated with each of the key organisational objectives
- Establishing an effective Fraud Response Plan, in proportion to the level of risk identified
- Establishing appropriate mechanisms for:
    - Reporting fraud issues
    - Reporting significant incidents of fraud or attempted fraud to the Board
- Making sure that staff are aware of the policy
- Ensuring appropriate training is made available to staff
- Ensuring appropriate action is taken to minimise the risk of previous fraud occurring in the future.

The CEO has the authority to invoke the provisions of the Fraud Response Plan, (see appendix 1). As part of this they are responsible for:

- Convening an initial meeting of the Leadership Team and appointing an Investigating Officer, where the Leadership Team decides that a fraud investigation is the appropriate course of action and informing the Chair of the Board that an incident of suspected fraud or attempted fraud has been reported and is to be investigated.

5.3 The Leadership Team

The Senior Leadership Team is responsible for:

- Ensuring that an adequate system of internal control exists within their area of responsibility and that the controls operative effectively
- Preventing and detect 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.

5.4 **Staff Members**

5.4.1 In most situations, employees will be the first to see or suspect serious misconduct and 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
- acting with integrity and propriety, within the law, and in accordance with relevant policies, systems, and procedures.

5.4.2 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.

6. REPORTING SUSPICIONS

6.1 If you believe or suspect that a breach of this Policy has taken place or may occur in the future – for example if a contractor offers you something in return for business – you must notify the CEO or Chairperson immediately.

6.2 You must tell the CEO or Chairperson if someone tries to involve you in fraud, suspect that this may happen in the future or if you think you are a victim of another form of unlawful activity.

6.3 You must tell the CEO or Chairperson if you have any concerns or suspicions that any of your colleagues may be involved in fraud or corruption at the earliest opportunity.

6.4 Concerns about a Governing Body Member or Senior Manager must be raised with the CEO, and concerns about the CEO with the Chair of the Board. Concerns may be raised personally or confidentially as described in the Whistle Blowing policy.

6.5 The Association encourages openness and will support you if you raise genuine concerns, (even if they later turn out to be mistaken). The Association wants to ensure no one suffers detrimental treatment, (including disciplinary action or dismissal, threats, bullying etc.), because of such reporting or because of a refusal to become involved in fraud. If you feel you have suffered such treatment contact the CEO or Chairperson immediately.

SCOTTISH HOUSING REGULATOR (SHR)

7.1 The Association acknowledge the requirement to report fraud, the investigation of fraud and instances of whistle blowing to the Scottish Housing Regulator (SHR) as a Notifiable Event. It shall report to SHR without delay, in accordance with the SHR guidance note.

7.2 The Association 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.

7.3 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."

8. INVESTIGATION OF FRAUD, BRIBERY OR CORRUPTION

8.1 The Association is committed to the rigorous investigation of any suspected fraud. It has in place a Fraud Response Plan, which the CEO 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.

8.2 A breach of the Policy by an employee will be treated as a disciplinary matter under the contract of employment and appropriate sanctions applied, which may include instant dismissal. An investigation into any allegation of such a breach made against an employee will be conducted in accordance with the disciplinary procedures contained in the conditions of employment.

8.3 A breach of the Policy by a governing body member will be treated as a breach of the duties and obligations to the Association. An investigation into any allegation of such a breach made against a board member will be conducted in accordance with the Association's relevant policies for such investigations and an appropriate sanction may be applied in accordance with the Association's Committee Members Code of Conduct, Standing Orders and the Rules of the Association. This may lead to the removal of the member from the Board.

8.4 Where it is discovered that a fraud has taken place, it will make a full disclosure of this to the Serious Fraud Office or Police Scotland and co-operate fully in any investigation carried out by these agencies. The Association acknowledges that the decision to initiate criminal prosecution rests with the Police in conjunction with the Crown Office and Procurator Fiscal Service.

9. FRAUD RISK ASSESSMENT

9.1 The Association will carry out a fraud risk assessment as part of the risk management process.

9.2 The assessment will consider the fraud schemes that the Association may be vulnerable to and the existing controls in place to mitigate the identified risks.

9.3 The assessment will identify any improvements in controls that are required to respond to fraud risks and all identified risks will have an individual or group responsible for managing it.

10. REGISTER OF FRAUDS

10.1 The Association will maintain a Register of Frauds which will record:

- the date of entry in the Register
- a description of the alleged, detected, attempted fraud, corruption and/ or malpractice reported
- the action taken, by whom and when
- the outcome of the investigations and actions taken and the decisions made
- a page for the Chair or Vice-Chair of the Board to initial following annual inspection.

The Finance, IT & Corporate Services Team will maintain this Register.

11. TRAINING

11.1 The Association through its Internal Plans / Business Plans are committed to training and developing staff and governing body members to their full potential in order to deliver a high quality of service in all areas of its business.

11.2 The Board induction programme includes an overview of this policy, including responsibilities for the promotion and delivery of openness and confidentiality as relevant to their job descriptions. Governing body members will receive updates on these issues and specific training as required.

11.3 Regular training will be given on fraud prevention and cyber-frauds in particular to both Staff and Board Members.

EQUALITIES AND DIVERSITY

12.1 This Policy will be implemented in line with our Equalities Policy and is subject to an Equality Impact Assessment to assess the likely or actual effects of the policy to our customers in respect of their disability, age, gender, race, religion/belief, sexual orientation or gender identity to ensure equal and fair access for all.

13. MONITORING AND REPORTING

13.1 The Association will use appeals, complaints, comments, or suggestions from users of this policy to monitor its effectiveness. These will also be used to prompt a review of the policy where necessary.

14. REVIEW

14.1 This Policy will be approved by the Board or relevant Sub-Committee. It will be reviewed every three years unless amendment is prompted by a change in legislation, or monitoring and reporting reveals that a change in policy is required sooner.

15. DISTRIBUTION

15.1 This Policy will be made available to every employee and board member and will be made freely available to any tenant or interested party.

16. RELATED POLICIES

- Standing Orders
- Entitlements, Payments & Benefits
- Expenses Policy
- Procurement Policy
- Risk Management Strategy

- Complaints Handling Procedure
- Donations & Sponsorship Policy
- Disclosure of Interest Policy
- ICT Acceptable Use Policy
- Notifiable Events
- Financial Regulations and Procedures
- Treasury Management & Borrowing Policy
- ICT Disaster Recovery Policy
- IT Strategy Delivery Policy
- ICT Password Policy
- Whistle Blowing Policy
- Codes of Conduct (Staff and Board Members) and ancillary policies
- Dealing with Breaches of the Code of Conduct
- Terms and Conditions of Employment
- Recruitment & Selection Policy
- Reactive Repairs Policy
- Rechargeable Repairs Policy
- Procurement Policy
- Allocations Policy
- Equality & Diversity Policy
- Rules of the Association

APPENDIX 1 - FRAUD RESPONSE PLAN

1. Introduction

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 Association's Fraud, Bribery and Corruption 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 whistle blowing. In all cases the CEO should be alerted to the matter without delay. In the CEO's absence, another member of the Leadership Team should be informed, and they will inform the Chair of the Board.

The CEO may delegate to the Manager or Directors as they judge appropriate.

2.2 The CEO (or in their absence, another member of Leadership Team) shall, as soon as possible and normally within 24 hours, convene a meeting of the Leadership Team (LT). The LT has the task of deciding on initial action to be taken. This action will normally involve:

- inform the insurance company, in line with the Associations cyber-crime policy and keep them informed with impact and actions being taken
- 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 Association
- considering how to secure records/assets and prevent further loss
- considering the need to involve other members of the Leadership 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 Association's solicitors, as required
- confirming responsibilities and arrangements for submitting relevant regulatory notifications
- confirming requirements and arrangements for notifying funders.

2.3 The CEO should advise the Chair of the Board 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 LT, any interim conclusions and provide an action plan to guide the full investigation if this is the recommended course of action.

3.2 The LT 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 Association's policy to pass details directly to the Police, normally without undue delay and prior to any further internal investigation. The CEO will notify the Chair of the Board 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 CEO 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 ~~Director~~ CEO, in consultation with the LT and Chair of the Board 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. The Association will follow its Terms and Conditions of Employment policy in dealing with of 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 LT will decide whether there is a requirement to suspend the suspect(s). It will do so, with reference to the Association's Terms and Conditions of Employment. 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 premises. They should be allowed to collect personal property under supervision but should not be able to remove any property belonging to the Association. Any keys to premises, offices and furniture should be returned.

5.3 Access permissions to computer systems should be withdrawn immediately. The suspect(s) should be requested to hand over all IT and communications equipment provided to them by the Association, including laptops, mobile telephones, and other devices.

5.4 If no suspension takes place following preliminary investigations, the LT 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 Association's assets. In consultation with the LT, 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 LT has responsibility for the appointment of external specialists to lead or contribute to the investigation.

5.7 Any requests for information from the press or other external agency concerning any fraud investigation must be referred to the CEO and dealt with in accordance with the 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 Association will normally expect to recover costs in addition to losses.

6.2 The Investigating Officer, in discussion with the CEO and or Finance Director should also decide whether any of the losses warrant a claim under any insurance policy. Action to recover losses via insurance will normally only be taken as a last resort.

6.3 More generally, during the recovery period the Leadership Team and Investigation Officer should also discuss and consider the impact on staff morale and support required, lessons learned, risk mitigation re: reputational damage, etc, in addition to focussing on the recovery of losses and recommendations should form part of the investigation report, (see below).

7. Investigation Report

7.1 On completion of a fraud investigation, the Investigating Officer will submit a written report to the LT. 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
- support plan for staff impacted but not directly involved
- action required to minimise risk associated with reputational damage
- reflection and lessons learned.

7.2 The report will normally be submitted to the next meeting of the Board. Where the fraud is significant, in terms of losses incurred, or particularly novel, unusual, or complex, a special meeting of the Board may be convened.

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 / feedback from an internal audit review in order to identify improvements / any need for change.