

Fraud, Corruption & Whistleblowing Framework

Document Author	John Hyland – Risk and Compliance Manager
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1. Introduction

1.1 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”.

1.2 This document only concerns itself with occupational fraud ie: fraud committed by Cottsway employees or Cottsway contractors in the course of their work.

1.3 In writing this policy we have taken into account the 2006 Fraud Act and the Criminal Finances Act 2017.

1.4 Occupational fraud falls into four main categories:

- Theft, the misappropriation or misuse of assets for personal benefit
- Bribery and corruption
- False accounting and / or making fraudulent statements with a view to personal gain or gain for another for example; falsely claiming overtime, travel and subsistence, sick leave or special leave (with or without pay)
- Externally perpetrated fraud against the organisation.

1.5 While the instances of fraud or corruption may not be very high within the sector, fraud can occur when least expected. When it does occur it can be disruptive to the daily activity, reputation and morale of the organisation and on occasions can be quite devastating. In line with most other organisations Cottsway has considered fraud and has a specific risk on the organisations Operational Risk Register.

1.6 The overall objective of this framework is to provide assurance to Board and its committee’s that the potential for fraud within the business is considered in an appropriate and effective manner which assists mitigation of the risk of fraud.

1.7 Where a member of staff suspects there to have been fraudulent activity and wishes to confidentially report such a matter (Also known as “whistleblowing”) then the same procedure as outlined at **Appendix 1** of this document should be followed and the Resources Director should be

informed in the first instance. Where the allegations concern the Resources Director then the Chief Executive should be notified.

1.8 A guide to assist the undertaking of fraud investigations is attached as **Appendix 2**.

1.9 An annual self-assessment supports this framework and is designed to help reduce the opportunity for fraud by department. This is attached at **Appendix 3**.

Supporting principles

1.10 Cottsway is committed to preventing fraud and corruption from occurring and to developing an anti-fraud culture. We will not tolerate fraud, impropriety or dishonesty and will investigate all instances of suspected fraud, impropriety or dishonest conduct by our staff or our clients and contractors. To aid achieve this:

- Our staff must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
- Undertake prompt and vigorous investigation if fraud occurs including review of systems and procedures to prevent similar frauds.
- Assist any appropriate agencies in any investigation and ensure appropriate disciplinary and legal action is taken in all cases where justified.
- Recover wrongfully obtained assets from fraudsters and encourage all employees to report any suspicion of fraud.
- Investigate whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures occur.
- We will undertake an annual fraud and corruption self-assessment aimed at identifying any weaknesses in our arrangements to prevent fraud occurring. The self-assessment will use a fraud risk assessment rating designed to identify any actions necessary. A copy of the risk assessment rating and the self-assessment is contained at **Appendix 3** of this framework.
- Record and report all discovered cases of fraud.
- Operate a zero tolerance to instances of fraud or corruption

2. Action to be taken in the event of discovery or suspicion of fraud

2.1 Cottsway has established arrangements for staff to report any concerns they may have without fear or prejudice or harassment (See flowchart at Appendix 1 of this Policy). This applies to concerns relating to fraud and to any other concerns within the context of the Public Interest Disclosure Act 1998, 2006 Fraud Act and the Criminal Finances Act 2017.

Reporting

2.2 Reporting of Fraud can be done anonymously and you should refer to the "Confidential Reporting" policy for ways to achieve this.

2.3 The Fraud Act 2006 (the Act) came into force on 15 January 2007 and applies to England and Wales. Under the Act, fraud can be committed by failing to disclose information to another person where someone was under a legal duty to do so and that it was done with dishonest intent.

2.3 Concerns which should be reported include, but are not limited to, any officer or staff of Cottsway or its contractors committing or attempting to commit:

- Any dishonest or fraudulent act;
- Falsification of expenses claims
- Forgery or alteration of documents or accounts;
- Misappropriation of funds, supplies or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiting from an official position;
- Disclosure of official activities or information for advantage;
- Accepting or seeking value from third parties by virtue of official position or duties; and
- Theft or misuse of property, facilities or services

2.4 Types of action by external organisations which should be reported as outlined in Section 3 of the Act include, but is not limited to;

- Being offered a bribe or inducement by a supplier
- Receiving fraudulent (rather than erroneous) invoices from a supplier
- Reported allegations of corruption or deception by a supplier

2.5 Cottsway has a requirement to report to our regulator on an annual basis, any instances of fraud or corruption which are discovered. This document sets out the guidance to senior staff in the event of fraud being discovered or suspected. Under the plan;

- Incidents will be logged in a Fraud Register, which contains details of allegations, investigations and conclusions;
- Frauds and allegations of fraud will be investigated by an independently appointed person and/or a suitably qualified senior member of staff independent of the area under suspicion;
- Investigations will be carried out following the template at **Appendix 2** to this document. Although this is a guideline to investigations it is not intended to restrict, limit or direct any investigative lines of enquiry and as such is only to be used as a guidance tool.
- Fraud may be considered as gross misconduct and may be dealt with under the disciplinary policy and procedures.
- Progress on investigations will be reported to Audit & Risk Committee and / or Board as necessary.

3. Roles and Responsibilities

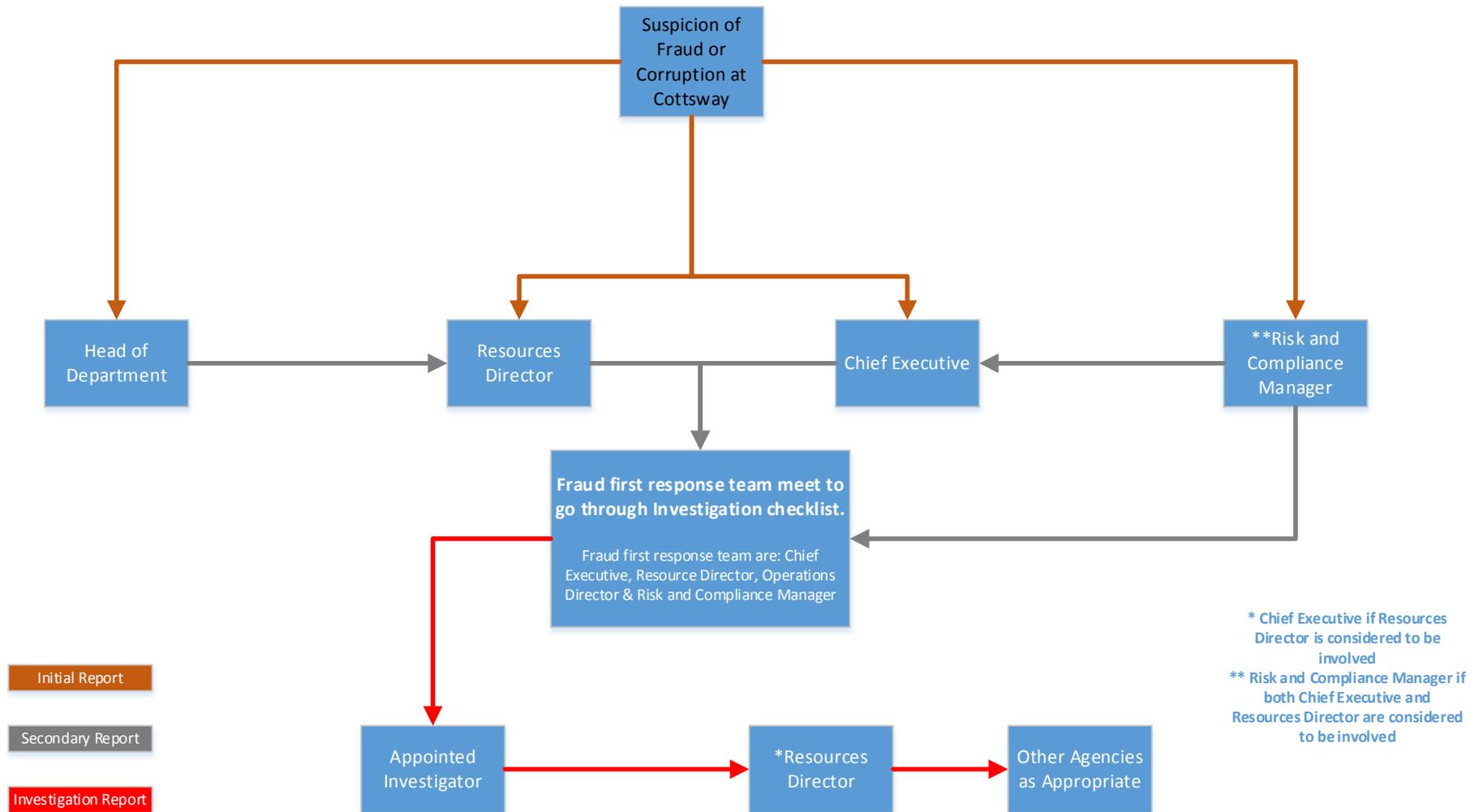
Title	Responsibilities
<p>The Executive</p>	<p>Responsible to the Board for establishing an open and honest culture within Cottsway. Also responsible for supporting an internal control system designed to counter the risks faced by the organisation and are accountable for the adequacy and effectiveness of these arrangements. Also responsible for making arrangements for investigating allegations of fraud which include the appointment of a suitably qualified senior member of staff (Accounting Officer) to lead the investigation. Responsible for receiving the report of the investigating officer and considering appropriate response</p> <p>Responsible for reporting outcomes back to the Board through the Audit & Risk Committee at the earliest opportunity</p>
<p>Resources Director</p>	<p>Responsible for assisting the accounting officer and the Board member for Finance to develop and maintain effective controls against fraud. Also responsible for enforcing anti-fraud policies including:</p> <ul style="list-style-type: none"> • Instigating disciplinary and legal action (Both civil and criminal) against the perpetrators of fraud • Taking disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud • Providing confidential advice to staff who suspect a member of staff of fraud
<p>Appointed Investigator (Note: This may be an internal or externally appointed person)</p>	<p>Responsible for investigating allegations of fraud including:</p> <ul style="list-style-type: none"> • Carrying out thorough investigation if fraud is suspected with the support of internal/external audit where necessary • Gathering evidence, taking statements and writing reports on suspected frauds: • Liaising with the Resources Director, Chief Executive and Chair of Board as appropriate and where investigations conclude that a fraud has taken place • Identifying any weaknesses which contributed to the fraud and if necessary, making recommendations for remedial action <p>In order to carry out these duties, the appointed investigator will have unrestricted access to the Chair of the Board, Chief Executive, Resources Director, Operations Director as well as the Internal and External auditors and Cottsway's appointed legal advisors.</p>
<p>Corporate Leadership Team</p>	<p>Responsible for being the first line of defence against fraud. They should be alert to the possibility that unusual events may be symptoms of fraud or attempted fraud and that fraud may be highlighted as a result of management checks or be brought to attention by a third party. They are specifically responsible for:</p> <ul style="list-style-type: none"> • Being aware of potential for fraud • Ensuring that adequate system of internal controls exist within their area of responsibility, appropriate to

	<p>the risk involved and those controls are properly operated and complied with</p> <ul style="list-style-type: none"> • Reviewing and testing control systems to satisfy themselves that systems continue to operate effectively. <p>Responsible for informing their Director (or CEO) if there are indications that an external organisation (such as contractors) may be trying to defraud (or has defrauded) Cottsway or its staff carrying out their duties</p> <p>Responsible for informing their Director (or CEO) if they suspect their staff may be involved in fraudulent activity, impropriety or dishonest conduct.</p>
Staff	<p>Staff must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties. Staff are responsible for:</p> <ul style="list-style-type: none"> • Acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers. • Reporting details of any suspected fraud, impropriety or other dishonest activity immediately to their line manager or the responsible manager. Additional guidance on how to report concerns can be found in the “Confidential Reporting” policy. • Assisting in the investigation of any suspected fraud

Flowchart for Fraud and Corruption Referrals

Appendix 1

The Resources Director for Cottsway will be responsible for arranging all investigations into allegations of fraud, unless the subject of the allegation in which case the Chief Executive will take responsibility. Should both Chief Executive and Resources Director be considered to be involved first line of reporting should be to the Risk and Compliance Manager.



Investigation Process

Introduction.

In any instance of fraud there will be certain key elements of the investigation process which needs to be considered in order to prevent further loss and more importantly, in order to ensure that the organisation recovers identified losses. This guidance is intended to provide direction for investigating officers / teams.

Key Elements of the investigation.

1. **Fraud First Response Team (FFRT)**. The Fraud First Response team will be made up of the Chief Executive, Director Resource, Director Operations and the Risk and Compliance Manager. Should any of the individuals on the team be suspected of being involved then the Board Chair will be included at this first phase. This team will assess the information relating to the fraud and will consider who the appropriate investigating officer will be. (Note: this could be internal or external). Speed is of the essence in most cases of fraud so this meeting and decision should take place as soon as practical but **no later** than 8 working hours after fraud has been suspected or identified. The FFRT will make the decision relating to how and when the Board is to be informed.
2. **Proportionality**. When considering which organisations may need to be involved in helping investigate the fraud the amounts of loss should be considered very carefully before involving legal representatives (solicitors) or police. The cost of engagement of legal representation is very likely to run into thousands of pounds so a decision should be taken at the very outset regarding the amount of loss, likelihood of recovery and cost of investigation.
3. **Legal Privilege**. If the amounts are sufficient to warrant involvement of solicitors then legal privilege should be considered and possibly sought in the first instance **before** involvement of the police. This will help protect the organisation against recovery of the assets becoming subject of Proceeds of Crime which is then retained by law enforcement agencies and requires further (and potentially lengthy) legal process to regain losses. Legal Privilege can only be put in place by solicitor's application through court.
4. **Information Flow**. The FFRT will agree a central point where all information will be handled through. Consideration must be given to capturing electronic data on a searchable platform to aid the speed of the investigation.
5. **Investigation Phase**. The investigating officer will be expected to follow all appropriate lines of enquiry and undertake interviews with appropriate staff members. Below is a suggested guide as to how this could happen.

- a. Immediately suspend the individual(s) concerned on terms (ie: no contact with other staff, suppliers etc.)
- b. Remove access to company mobile phones and laptops
- c. Remove access to all company systems including email.
- d. Recover through IT all email folders and archive folders
- e. If necessary, search the individual before they leave the building to ensure they are not taking any evidence with them.
- f. Consider what IT the individual(s) may have at home for access to our systems.
- g. Cut access to the organisations banking facilities if necessary
- h. Mirror image their computers and investigate the "slack" space on hard drives for evidence of any fraudulent activity. This will require specialist intervention.
- i. Capturing and using electronic data. There are some established "Do's and Don'ts" when capturing electronic data.

You Can;

- i. Review personal emails
- ii. Listen to recorded calls
- iii. Make secret recordings within your own premises
- iv. Review mobile phone data and text messages
- v. Use mobile phone data to triangulate locations

You Cannot; 1. Intercept calls, 2. Use listening devices in other premises

- j. Begin the internal interview process. Remember the interview process is evidence building so begin with people not involved (or suspected of being involved) in the fraudulent activity. Ask about behaviours of the suspect(s) and if any noticeable incidents occurred and if so who with. This is an information gathering phase and is intended to help formulate the questioning of the suspect(s). It is good practice to use the "funnel" or "Christmas Tree" techniques by starting questioning with those furthest away from the fraud in order to "learn" about behaviours and collaborators.
- k. Begin background / lifestyle checks on the individual(s) involved using tools such as Experian. This will include looking at social media, phone analysis and potentially forensic accounting.
- l. When interviewing the suspect(s) you can record the interviews.

6. **Reporting.** Once the investigation has been completed the FFRT will reconvene to consider the conclusions and determine the next steps. These will include the preventative measures required to prevent further instances like this occurring. This may not be appropriate if solicitors and police are involved as these decisions will be taken out of your hands. The FFRT will however need to determine communications to Board, Stakeholders, Regulators and Staff.

Rating	Significance	Definition	Action Required
1	Very Low	Provides no apparent opportunity for fraudulent activity	None
3	Low	Provides a low level of opportunity for fraudulent activity	None – but be aware of any weak spots
5	Moderate	Provides a moderate opportunity for fraudulent activity	Strategy for improvement
7	High	Provides a high opportunity for fraudulent activity	Immediate strategy for improvement
9	Very High	Creates a very high exposure to fraud	Priority strategy for improvement

Example of how to use this table:

1. Read the description under the heading “Inherent Risk – What could go wrong”.
2. Read the description under the heading “Recommended control measure”.
3. Ask yourself if there are adequate control measures in place to prevent fraud and answer “Yes”, “No” or “Partial”.
4. Then, using the table above give the line a score as to how important you see significance of the potential for fraud in the area you are looking at.
5. Write the number down in the last column “Risk assessment rating”
6. Add up your total score into the Sum box and then divide the total by the number of risks you have identified. See example below.

Cottsway's Overall Fraud and corruption risk

Department	Assessment Made	Control measure in place (yes/no)	Risk Assessment Rating
✚ Development	October 2016	Yes	3.0
✚ Finance	October 2016	Yes	3.3
✚ Housing	October 2016	Yes	3.0
✚ HR	October 2016	Yes	3.5
✚ IT	October 2016	Yes	2.5
✚ Property Services	October 2016	Yes	3.0
Sum of risk assessment ratings (a)			18.3
Companywide average fraud and corruption risk (b)			3.05