



Policy Name	Anti-Fraud Policy
Policy Category	Governance
Policy Number	G31
Date to Management Committee	April 2025
Previous Review	February 2022
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Links to other Policies	S01 Conditions of Service, S18 Whistleblowing, G12 Gifts and Hospitality, S04 Code of Conduct for Staff, G01 Code of conduct for Committee Members, G29 Anti – Bribery Policy
Consultation	Staff, Committee
Summary of changes to the policy Addition of section 4 – examples of fraud Section 7 – update of prevention measures Section 9 – addition – duty to notify SHR Section 10 – addition of roles and responsibilities Addition of Appendix 1 – Fraud response plan	

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1. AIMS AND OBJECTIVES

The aim of an anti-fraud policy statement is to establish ground rules which clarify that fraud will not be tolerated and spell out the consequences of fraud. It also sets out the framework to ensure a fast and appropriate response to instances of alleged fraud. The overall objective is to limit the Association's exposure to fraud and to

minimise financial loss and the potential adverse affects on its image and reputation in the event of its occurrence.

2. SUMMARY OF POLICY

The Association will:

- ❖ Institute and maintain cost effective measures and procedures to deter fraud.
- ❖ Take firm and vigorous action where appropriate against any individual or group perpetrating fraud against the Association.
- ❖ Encourage employees to be vigilant and to report any suspicion of fraud, and provide suitable channels of communication and ensure sensitive information is treated appropriately.
- ❖ Rigorously investigate instances of alleged fraud and pursue perpetrators to seek restitution of any asset fraudulently obtained together with the recovery of costs.
- ❖ Assist the police and all other appropriate authorities in the investigation and prosecution of those suspected of fraud.

The detection, prevention and reporting of fraud is the responsibility of all Members and employees of Knowes Housing Association. The Association expects the following of Members and employees:

- ❖ To act with integrity at all times;
- ❖ To comply with the seven principles of public life;
- ❖ To adhere to the appropriate Code of Conduct;
- ❖ To comply with Standing Orders and Financial Regulations; and
- ❖ To raise concerns as soon as any impropriety is suspected.

3. ANTI-FRAUD STRATEGY

Knowes Housing Association's current arrangements are aimed at tackling fraud, corruption, theft, and breaches of regulations.

The arrangements can be categorised under the following main heads:

- i. culture
- ii. raising concerns
- iii. prevention (e.g. effective control systems)
- iv. detection and investigation
- v. training

They are supported by scrutiny of the Association's affairs by a range of bodies and individuals, including:

- i. Our internal auditor;
- ii. Our external auditor;
- iii. Scottish Housing Regulator
- iv. H M Revenue and Customs
- v. Association residents and businesses;

- vi. Service Users; and
- vii. Employees of the Association.

4. EXAMPLES OF FRAUD

4.1 The following list contains some examples of fraudulent acts which should set alarm bells ringing and which should be reported to the Director or Chairperson of the Management Committee. These may also be reported to the Scottish Housing Regulator if the individual is uncomfortable reporting the issue internally. These are to give you examples of the sort of behaviour which is unacceptable and which could have serious consequences:

4.2 Misappropriation of Assets

- Breach of bank mandates, theft of cash and cheques, misuse of the Association's bank card, use of 'dummy' bank accounts;
- Collusion with customers/suppliers;
- Sale of assets at artificially deflated or inflated prices;
- Knowingly submitting false expenses, mileage or other claims;
- Knowingly, or negligently, authorising false expenses, mileage or other claims;
- Misuse of any assets, including Information and Communication Technology (ICT) and/or
- Breach of ICT security (see the relevant ICT policies);
- Serious misuse of Flexi Time.

4.3 Corruption

- Conflicts of interest (e.g. external directorships; engaging in personal transactions which might affect the Association);
- Theft or unauthorised circulation/reproduction of confidential organisation documents or information, including financial information;
- Acceptance/payment of inducements/gifts/entertainment outside the relevant Co-operative policy.

4.4 Fraudulent Statements

- Manipulation of information to improve apparent performance;
- Interference with debtors, creditors, ledgers or other financial information.

4.5 Third Parties

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

4.5.2 Examples of fraud committed by third parties include:

- *Impersonation*

The fraudster will impersonate a member of staff from within the organisation, generally the senior officer. The fraudster will send an email requesting a payment be made that will appear to be a genuine request from that member of staff. The email or a subsequent email will provide the bank details that would see a transfer of funds being made to the fraudster's account.

- *Mandate Fraud*

The fraudster will make contact and request that payment details for a supplier or contractor be updated and will allow the payment being forwarded to the fraudster's bank account.

- *Fraudulent Cheques*

A false cheque drawn on the RSL's bank account being presented at a high street clearing bank. The false cheque could either have been created by the fraudster, be as a result of a cheque book that was issued by the bank to the RSL being intercepted, or it could be a genuine cheque but with a signatory who lacks the authority to sign cheques.

- *Overcharging or Double Billing by a Contractor*

These frauds occur when a contractor issues an invoice for work that has not yet been completed or where a customer is charged twice for the same product or service.

4.6 Money Laundering

4.6.1 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.

5. CULTURE

The Association's culture is intended to foster honesty and integrity, and to support the seven principles of public life. These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Both Members and employees are expected to lead by example in adhering to regulations, procedures and practices.

Equally, members of the public, clients and external organisations (such as suppliers and contractors) are expected to act with integrity and without intent to commit fraud against the Association in any dealings they may have with the Association. As part of the culture the Association will provide clear routes by which concerns can be raised by both Members and employees, and by those outside the service. A whistle blowing policy is in place and the availability of this policy to staff, suppliers and other third parties has been communicated.

Senior management are expected to deal promptly, firmly and fairly with suspicions and allegations of fraud or corrupt practice.

6. RAISING CONCERNS

Members, employees and the general public are an important element in the Association's stance on fraud and corruption. They are encouraged to raise any

concerns they may have in respect of fraud and corruption. A number of different channels for communication are available, including line managers, auditors, senior officers, and Members.

The Association's whistleblowing policy gives further guidance on how to raise concerns and the support and safeguards available to those who do so. These safeguards offer a framework of protection against victimisation or dismissal and may include identity concealment and protection from harassment.

Members of the public may also use the Association's complaints procedure for this purpose where appropriate. Line managers are responsible for following-up any allegations of irregularity; it is their responsibility to inform the CEO of the Association immediately of such allegations and the results of their investigations.

The Association and its senior management are committed by this policy to deal firmly with any proven financial malpractice. Where, after a proper audit investigation carried out by or on behalf of the CEO, there is evidence that financial impropriety has occurred, the Association will normally expect the circumstances to be referred to the Police for advice, further investigation, and prosecution of the offender if considered appropriate by the Crown Prosecution Service.

Where the outcome of audit or Police investigation indicates improper conduct by an employee, the Association's Disciplinary Procedures will normally be applied by the senior managers of the service concerned. The recovery of defrauded funds is an essential part of the Association's strategy.

When it is found that fraud or corruption has occurred due to a breakdown in the Association's systems or procedures, senior managers, in consultation with the CEO, are responsible for ensuring that appropriate improvements in systems of control are implemented in accordance with audit recommendations.

7. PREVENTION

The Association has a series of comprehensive and inter-related policies and procedures to ensure proper conduct of its affairs, which comprise:

- i. Standing Orders;
- ii. Financial Regulations;
- iii. Treasury Management Policy
- iv. Code of Conduct for Members;
- v. Code of Conduct for Employees;
- vi. Financial Instructions and Procedures;
- vii. Complaints Procedures;
- viii. Disciplinary Procedure; and
- ix. IT Security Policy.
- x. Notifiable events policy
- xi. Cyber Essentials Accreditation

Internal Audit undertakes an annual programme of reviews which is closely aligned with the organisation's risk base, designed to provide the assurance over the

systems of internal control. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing the risk of fraud forms part of this process.

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Members are expected to adhere to and to operate within:

- i. Standing Orders and Financial Regulations
- ii. The Code of Conduct for Members

These matters are brought to the attention of elected Members following their election or as part of their declaration of acceptance of office. The Association has adopted a Code of Conduct for its elected Members and its independent Members and they are required upon appointment to the Association to sign an undertaking to comply with the Code of Conduct before they act as members of the Association and must also register their financial and other interests with the CEO within 28 days of appointment to the Association. It is the duty of the Member to notify the CEO of any changes to their original registration.

Employees are required to operate within the following guidelines:

- i. A key measure in the prevention of fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Written references for potential employees are obtained as part of the recruitment process, as well as evidence of qualifications and experience.
- ii. Employees, once recruited, are expected to adhere to the Association's Code of Conduct for Employees and to follow standards of conduct issued by their personal professional institute, where applicable.
- iii. Disciplinary Procedures for all categories of employee will be applied to deal with improper conduct.

The following internal control measures are also in force:

- i. The CEO has the responsibility to ensure the proper administration of the Association's financial affairs.
- ii. Operational systems and procedures will incorporate efficient and effective internal controls, both financial and non-financial. Senior staff are required to ensure that such controls, including those in a computerised environment, are properly maintained and documented. The existence and appropriateness of controls is independently monitored by Internal Audit and the Audit Committee.

8. DETECTION AND INVESTIGATION (also see Appendix 1)

The operation of preventive systems, particularly internal control systems within the Association, help to deter any fraudulent activity. However, such activity may nevertheless occur. It is often the alertness of elected Members, staff and the general public to the possibility of fraud and corruption that leads to detection of financial irregularity. In such a situation the Association has in place arrangements to enable any such information to be properly dealt with, investigation and detection to occur, and appropriate action to be taken.

The Financial Regulations require that the CEO be notified immediately of all financial or accounting irregularities or suspected irregularities or of any circumstances which may suggest the possibility of irregularities including those affecting cash, stores, property, remuneration or allowances. Reporting of suspected irregularities is essential as it: facilitates a proper investigation by experienced staff, and ensures the consistent treatment of information regarding fraud and corruption.

When so notified, the CEO will instigate an investigation. The designated officer, Auditor or other advisor will:

- i. deal promptly with the matter
- ii. record evidence received
- iii. ensure the security and confidentiality of evidence
- iv. work closely with senior managers of the service concerned and other agencies, such as the Police and Courts to ensure that all issues are properly investigated and reported upon
- v. ensure maximum recoveries are made on behalf of the Association, and
- vi. assist the service managers to implement Association disciplinary procedures where considered appropriate (referral to the Police will not prohibit or restrict action under the Disciplinary Procedure).

9. NOTIFYING THE SCOTTISH HOUSING REGULATOR

The Association 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 the SHR guidance note.

10. ROLES AND RESPONSIBILITIES

10.1 Management Committee

10.1.1 The Management Committee is responsible for ensuring the Association:

- 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.

10.1.2 The Management Committee 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 Committee 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. Responsibilities include:

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

10.2 Chief Executive Officer

10.2.1 The CEO has the authority to invoke the provisions of the Fraud Response Plan (See Appendix 1). As part of this the CEO is responsible for:

- convening an initial meeting of the Fraud Response Group;
- appointing an Investigating Officer, where the Group decides that a fraud investigation is the appropriate course of action;
- informing the Chair that an incident of suspected fraud or attempted fraud has been reported, and is to be investigated;
- Ensuring Knowes is adequately insured against losses through fraud.

10.2.2 The CEO also has a particular role in relation to whistleblowing. This is defined within Knowes' Whistleblowing Policy.

10.3 Staff Members

10.3.1 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; and otherwise,
- acting with integrity and propriety, within the law, and in accordance with relevant policies, systems and procedures.

10.3.2 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.

11. TRAINING

An important contribution to the continuing success of an anti-fraud strategy, and its general credibility, lies in the effectiveness of programmed training, of both Members and employees, throughout the organisation.

This will be achieved through the development of both induction and refresher training for all personnel involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

The investigation of fraud and corruption rests with the CEO and the Internal Audit contractor. It is essential that there are an adequate number of trained employees able to undertake this work, and this requirement is reflected in the contractual arrangements for the provision of Internal Audit services.

12. CONCLUSION

The Association has in place a clear network of systems and procedures to prevent and detect fraud and corruption. These arrangements should keep pace with any future developments in techniques for preventing and detecting fraudulent activity.

To this end the Association maintains a continuous overview of such arrangements. Through the CEO it will ensure a regular review of Standing Orders, Financial Regulations, key control systems and audit arrangements is conducted.

13. EQUALITIES STATEMENT

“Knowes’ seek to embrace diversity, promote equal opportunities for all and eliminate any unlawful discrimination in all areas of our work.”

Through this policy, nobody will be discriminated against on grounds of Age, Disability, Gender Reassignment, Marriage, and Civil Partnership, Pregnancy & Maternity, Race, Religion or Belief, Sex, or Sexual Orientation.

14. POLICY REVIEW

The policy will be reviewed every 3 years or sooner if required.

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 Association's Anti Bribery Policy and 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 CEO should be alerted to the matter without delay. In the CEO's absence, the Head of Housing Services or Head of Property Services should be informed, and they will inform the Chair of the Management Committee.

2.2 The CEO (or in their absence, the HOHS or HOPS) shall, as soon as possible and normally within 24 hours, convene a meeting of the Fraud Response Group. CEO. This Group shall normally be made up from three of the following: the CEO. The Financial Advisor (FMD), HOPS and HOHS. The Group has the task of deciding on initial action to be taken.

2.3 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 Association;
- considering how to secure records/assets and prevent further loss;
- considering the membership of the Fraud Response Group. 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;
- consider informing the Police.

2.4 The CEO should advise the Chair of the 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 Group, 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 Group 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 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 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 CEO, in consultation with the Fraud Response Group and Chair of the 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. The Association will follow its Disciplinary Policy and Procedures 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 Fraud Response Group will decide whether there is a requirement to suspend the suspect(s). It will do so, with reference to Knowes' Disciplinary Policy and Procedure. 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 Associatio's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to Hawthorn. Any keys to premises, offices and furniture should be returned.

5.3 Tecnica should be instructed to withdraw, without delay, access permissions to the Association's computer systems. 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 Fraud Response Group 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 Association's assets. In consultation with the Fraud Response Group 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 Group 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 Director and dealt with in accordance with the Communications and Confidentiality 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. Knowes will normally expect to recover costs in addition to losses.

6.2 The Investigating Officer, in discussion with the CEO and or Financial Advisor should also decide whether any of the losses warrant a claim under the Associations insurance policy.

7. Investigation Report

7.1 On completion of a fraud investigation, the Investigating Officer will submit a written report to the Fraud Response Group. 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 the Management Committee. Where the fraud is significant, in terms of losses incurred, or particularly novel, unusual or complex, a special meeting of the Management Committee may be convened.

7.3 Knowes 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 the SHR guidance note.

8. Review of the Fraud Response Plan

8.1 As a minimum, the Plan will be reviewed every three years to ensure it is fit for purpose. It will also be reviewed after any fraud incident in order to identify any need for change