



Dunbritton Housing Association Limited

Name of Policy	Anti-Bribery & Corruption Policy
Responsible Officer	Finance Manager
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Section	Finance
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SHR Standards	Standards 3 & 4

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1. Introduction

- 1.1. The Association condemn bribery in all its forms and fully support the aims of the Bribery Act 2010 introduced 1 July 2011 in seeking to prevent this activity. We will not offer or accept bribes. We will ensure that appropriate procedures are in place to discourage and prevent bribery, and the perception of bribery by any persons associated with the organisation.

2. Policy Statement

- 2.1. Purpose of this policy is to:

- Set out the Association's responsibilities, and the responsibilities of those working for us or associated with us, in observing and upholding our position on bribery and corruption
- Provide information and guidance to those working for us on how to recognise and deal with bribery and corruption issues

- 2.2. We are committed to the prevention, deterrence and detection of bribery and corruption and maintaining a culture in which this is never acceptable.

Our Principles are:

- To conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate
- To expect everyone that we do business with take a similar zero-tolerance approach to bribery and corruption
- To comply with all laws relevant to countering bribery and corruption
- To be clear that bribery and corruption are criminal offences and are punishable for individuals by up to ten years' imprisonment and an unlimited fine. If the Association is found to have taken part in corruption, we could face an unlimited fine, be excluded from tendering for contracts and face damage to our reputation. We therefore take our legal responsibilities very seriously and expect staff to do the same

- 2.3. Compliance with the Association's policy in relation to bribery and corruption is relevant to all contracts and relationships with the Association. If employees fail for any reason to follow the rules set out in this document this may result in disciplinary action being taken which could result in dismissal.

- 2.4. This policy is not meant to prohibit the practice of providing normal and appropriate hospitality that is proportionate and properly recorded in the gifts & hospitality register and adheres to the Entitlement Payments Benefit Policy.

3. What is bribery, corruption & fraud

3.1 Bribery

This is defined as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so. This could cover seeking to influence a decision maker by giving some kind of extra benefit to that decision maker rather than by what can legitimately be offered as part of a tender process.

3.2 Corruption

The misuse of entrusted power for personal gain, Corruption includes bribery and other forms of abuse of authority. Corruption is often 'off-book', meaning that there is little or no documentary evidence of it. This makes it difficult to detect as the corrupt employee/board member does not necessarily have to falsify records to remain undetected.

3.2 Fraud

Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. Wrongful or criminal deception intended to result in financial or personal gain. The gain achieved by the fraudster may not be a criminal offence.

4. Responsibility

4.1. Oversight is important in the effective prevention of fraud. This can take many forms both inside and outside the Association, under the overall responsibility of the governing body.

The Scottish Housing Regulator has issued three Regulatory Advice Notes on the subject of incidents of fraud, the advice note also draws attention to Regulatory standards 3.1, 3.2 and 4.3 “ *The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.*”
“*The governing body identifies risks that might prevent it from achieving the RSL’s purpose and has effective strategies and systems for risk management and mitigations, internal control and audit.*”

There is therefore a regulatory expectation that each RSL will have suitable controls in place for the effective prevention of fraud.

4.2. The Governing Body has ultimate responsibility to ensure that there is an effective system of internal control in place. The Association is required to produce a ‘Statement of Financial Control’ in their audited financial statements and it acknowledges the Governing Body’s responsibility for the Associations system of financial control including ensuring that there is reasonable assurance that this system safeguards the assets from unauthorised use of disposition.

With specific regard to fraud it is the responsibility of the governing body to evaluate senior management identification of fraud risks, implementation of anti-fraud measures and to project the correct tone, through good governance, so that management and staff are aware of the governing body's attitude to fraud prevention.

The Governing body should, as well as ensuring proper financial controls are in place, ensure that policies that assist in preventing fraud are in place (Code of Conduct, Procurement Policy Strategy).

- 4.3 The Audit Committee has the responsibility for overseeing the system of internal control and gaining reasonable assurance that it mitigates fraud risk which is under their remit. This would cover liaising & working with the internal auditor and the Treasurer of the Association
- 4.4 Senior Management are responsible for the design and implementation of controls and for overseeing the activities of staff. In addition to this management are responsible for identifying areas of vulnerability and to take appropriate action. Management will also take the lead on fraud risk assessments.
- 4.5 All staff are responsible for the prevention and detection of fraud within their role. Staff should be made aware of the fraud risk within their role and are responsible for communication to management incidences of fraud, attempted fraud and new or changing fraud risks.
- 4.6 Internal auditors will plan and perform their work in such a way that there is a reasonable chance that a fraud will be detected. Internal auditors assist in the prevention of fraud by their presence and by the fact that they evaluate the adequacy and effectiveness of existing systems of fraud prevention. They may also assist management in the design of controls. Internal auditors can also be involved in fraud investigations.
- 4.7 External auditors have a responsibility to plan and perform their audit of the financial statements in such a way that they gain reasonable assurance that the accounts are free from material misstatement either caused by fraud or error. External auditors also have a duty of 'professional scepticism' – essentially, an auditor should doubt the information that they are given until they test it or it is corroborated.
- 4.8 Auditing standards require that the external auditor considers certain risks to be significant in all audits. These risks are the risk of management override controls and the risk of fraud and error in the revenue recognition. Auditing standards also require the audit team to discuss the risk of fraud and its impact on the accounts. However, it should be noted that the external auditor's responsibility with regard to fraud is framed by their overall responsibility to gain reasonable assurance that the financial statements are not material misstated. In other words, they are ultimately concerned with frauds that have a significant impact on the financial statements.

5. Fraud Prevention

5.1. Fraud prevention involves trying to discourage the commission of fraud and limit fraud exposure.

5.2. Key Elements of Fraud Prevention

- Strong Ethical Culture – This is supported by Codes of Conduct, Whistleblowing Policies and Ethical Standards.
- Effective and efficient internal controls
- Strong Control Environment – The overall attitude to rules and regulations and the culture of the association.

5.3 A strong control environment is essential in prevention of fraud. The Association's overall attitude, controls, risk management and regulation is heavily influenced by the governing body and senior management. Elements of a strong control environment include:

- Code of Conduct for staff and governing body
- Whistleblowing Policy
- Good quality Human Resource Policies
- Internal Audit
- Oversight by Audit Committee
- Risk Register

5.4 Effective and efficient controls should include good quality policies and procedures for business processes including appropriate authorisation limits, segregation of duties and regular changes of passwords and other security measures.

5.5 Another element of fraud prevention is staff training. New fraud schemes, particularly cyber frauds, develop every day. To ensure staff are aware of new fraud and existing frauds regular training sessions are required. On an ongoing basis it is important that information regarding new fraud schemes is passed to all relevant staff so that they are aware of the risks. Also the importance of testing all the systems and the importance when opening emails that have links within emails (fishing emails).

6. Fraud Detection

6.1 Fraud detection controls are designed to provide warnings or evidence that fraud may be occurring.

Key Elements of Fraud Detection:

- Providing ways for stakeholders to raise concerns – whistleblowing processes, background controls
- Financial Controls (rent and bank reconciliations)
- Review of journal entry adjustments to accounts

- Confidential surveys of staff, suppliers
- Exit interview can also be used to gather information on suspicions, perceived integrity Issues
- Performance appraisals

6.2 The principal detection control is the whistleblowing policy and procedure that ordinarily allows employees and others to raise concerns confidentially.

7. Fraud Response Plan – (Appendix 1)

7.1 Even a small fraud can be significant in terms of reputations, managerial and governing body time and staff morale. Therefore, it is important that when fraud does occur that it is dealt with in a way that minimises the impact on the organisation.

7.2 Each fraud will be different, so it is difficult to plan for every eventuality, however, it is possible to develop a plan similar to Business Continuity Plan. The approach is to have a series of checklist that sets out the initial actions that will be required and who is responsible for them.

7.3 The Plan should cover:

- Preventing further loss
- Ensuring that evidence is gathered quickly and not destroyed
- Consider what can be learned
- Implementing new controls
- Investigation
- Ensuring insurers, regulators and police are informed
- Dealing with the perpetrators (if known)
- Managing the media (if appropriate)

This will ensure that the fraud is dealt with as quickly as is practical and that no important tasks are omitted.

8. Risk Register

8.1 Risk Register should include:

- Area of risk
- Likelihood of that risk occurring
- Impact of that risk on the Association
- Control needed to minimise that risk
- Risk Owner – who is responsible

9. EQUALITY & DIVERSITY

- 9.1 As a service provider and employer we recognise the requirements of the Equality Act 2010, oppose any form of discrimination, and will treat all customers, internal and external, with dignity and respect. We recognise diversity and will ensure that all of our actions ensure accessibility and reduce barriers to employment and the services we provide.

10. REVIEW

- 10.1. This policy, related documents and supporting procedures will be reviewed in line with relevant legislation and best practice.

Fraud Response Plan

1 Purpose of the Fraud Response Plan

1.2 The purpose of the Fraud Response Plan (the "plan") is to ensure that effective and timely action is taken in the event of a fraud. The Plan aims to help minimise losses and increase the chances of a successful investigation.

1.3 The Plan defines authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. It acts as a checklist of actions and a guide to follow in the event of fraud being suspected. The Plan is designed to enable the Association to:

- Prevent further loss
- Establish and secure evidence necessary for either action
 - Criminal
 - Disciplinary
- Determine when to contact the police and establish lines of communication
- Assign responsibility for investigating the incident
- Minimise and recover losses
- Review the reasons for the incident, the measures taken to prevent recurrence and determine any action needed to strengthen future responses to fraud.

2. Responsibilities

2.1 The Association must undertake fraud investigations where there is suspected fraud and take appropriate legal and / or disciplinary action in all cases where that would be justified. Whether there is fraud (proven or suspected) the Association should make any necessary changes to systems and procedures to prevent similar frauds occurring in the future. The Association should establish systems for recording and subsequently monitoring all discovered cases of fraud (proven or suspected).

2.2 Responsibility for exercising disciplinary action rests with the line manager, CEO or Staffing Committee.

2.3 The CEO & Board of Management are responsible for establishing and maintaining a sound system of internal controls that support the achievement of the Associations policies, aims and objectives. The system of internal controls is designed to respond to and manage the whole range of risks that the Association faces. Managing fraud risk will be seen in the context of the management of this wider range of risks.

2.4 Overall responsibility lies with the Board of Management, for managing the risk of fraud however this has been delegated to Line Managers and the Associations Auditors.

2.5 Line Managers are responsible for

- Ensuring that an adequate system of internal controls exist within their areas of responsibility and that controls operate effectively
- Preventing and detecting fraud
- Assessing the types of risk involved in the operations for which they are responsible for
- Regularly reviewing and testing the control systems for which they are responsible
- Ensuring that controls are being complied with and their systems continue to operate effectively
- Implement new controls to reduce the risk of similar fraud occurring where frauds have taken place.

2.6 Auditors are responsible for

- Delivering an opinion to the CEO & Audit & Risk Committee on the adequacy of arrangements for managing the risk of fraud and ensuring that the Association promotes an anti-fraud culture.
- Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls appropriate with the extent of the potential exposure/risk in the various segments of the Associations operations.
- Assisting Management in conducting fraud investigations.

2.7 All staff are responsible for

- Acting with due diligence in the use of the Associations resources.
- Adhere to procedures when handling the funds whether they are involved with cash or payments systems, receipts or dealing with suppliers or customers.
- Being aware to the possibility that unusual events or transactions could be indicators of fraud.
- Reporting details immediately through the appropriate channel, if they suspect that a fraud has been committed or see any suspicious acts or events.
- Co-operating fully with whoever is conducting internal checks, reviews or fraud investigations.

3. Action Following Detection

3.1 When a member of staff suspects that a fraud has occurred, he/she notify their Line Manager or Internal Auditor immediately. Speed is essential and the initial report can be verbal but then should be followed with a written report addressed to the Line Manager, which could cover the following points

- The amount/value, if established.
- The position regarding recovery.
- The period over which the irregularity occurred, if known.
- The date of discovery and how the suspected fraud was discovered.
- Whether the person responsible has been identified.
- Whether any collusion with others is suspected.
- Details of any actions taken to date.

- Any other information or comments which might be useful
- 3.2 Before completing the report above it may be necessary for the line manager to undertake an initial enquiry to ascertain the facts. **Prompt action is essential.** The purpose of the initial enquiry is to confirm or negate, as far as possible the suspicions that have arisen so that if necessary. Further and more detailed investigation may be initiated, which may lead to disciplinary action.
4. Consultation and Reporting within the Association
- 4.1 On verbal or written notification of a possible fraud the Line Manager must contact the Finance Manager (FM), Corporate Services Manager (CSM) & Chief Executive Officer (CEO) in cases where the loss is potentially significant. Depending on the nature of the fraud this could be a notifiable event and may lead to adverse publicity.
- 4.2 CSM will maintain a Fraud & Error register of all reported suspicions, including those dismissed as minor or otherwise not investigated. The register will contain details of actions taken and conclusions reached, and this will be checked and signed by the Associations Treasurer and will be presented to the Audit & Risk Committee.
- 4.3 Where a member of staff is to be interviewed or potentially disciplined, The CSM will advise those involved in the investigation in matters of employment law and the Associations policy and other procedural matters (such as disciplinary & grievance procedure) as necessary.
5. Investigation/Further Action
- 5.1 If it appears that no criminal act has taken place, an internal investigation will be undertaken to:
- Determine the facts
 - Consider what, if any, action should be taken against those involved
 - Consider what may be done to recover any loss incurred and
 - Identify any system weakness and look at how internal controls could be improved to prevent a recurrence.

Following investigation, the Association will take legal and/or disciplinary action in all cases where it is considered appropriate. There will be consistent handling of cases without regard to position or length of service of the perpetrator.

- 5.2 Where an investigation involves a member of staff and it is determined that no criminal act has taken place the FM will liaise with the CSM and appropriate line manager to determine which of the following has occurred and therefore whether, under the circumstances, disciplinary action is appropriate:
- Gross misconduct (i.e. acting dishonestly but without criminal intent)
 - Negligence or error of judgement was seen to be exercised; or

- Nothing untoward occurred and therefore there is no case to answer.
- 5.3 Where, after having sought legal advice the CEO/Audit & Risk Committee can decide to pursue civil action in order to recover any losses. This will be passed to the Associations legal advisors for action.
 - 5.4 Where initial investigations point to the likelihood of a criminal act having taken place, the (CEO, FM & CSM) will immediately contact the police and the Associations legal advisers. The police advice will be followed in taking forward the investigation.
 - 5.5 The investigation will also consider if there has been any failure of supervision. If this has occurred, appropriate disciplinary action may be taken.
6. Recovery of Losses
 - 6.1 The recovery of losses should be a major objective of any fraud investigation. Therefore, the quantification of losses is important. Repayment of losses should be sought in all cases. Where necessary, external advisors can be involved, or legal advice should be sought on the most effective actions to secure recovery of losses.
 7. Managers' Duty of Care
 - 7.1 Managers conducting initial enquiries must be conscious that internal disciplinary action and/or criminal prosecution may result. If such action is later taken, It should be noted the member of staff concerned has the right to representation and may have the right to remain silent. Therefore, care is required from the outset in conducting enquiries and interviews.
 - 7.2 In addition, in order to protect the Association from further loss and destruction of evidence, it may be necessary to suspend the member of staff concerned immediately the allegation has been made or following the submission of the Managers initial verbal report. Advice should be taken from the CSM and/or EVH before proceeding.
 8. Protection of Evidence
 - 8.1 If the initial examination confirms the suspicion that a fraud has been perpetrated, then to prevent the loss of evidence which may subsequently prove essential for disciplinary action or persecution, Head of Investigation should
 - Take steps to ensure that all original evidence is secured as soon as possible
 - Be able to account for the security of the evidence at all times after it has been secured, including keeping a record of its movement and signatures of all persons to whom the evidence has been transferred. For this purpose all items of evidence should be individually numbered and descriptively labelled.
 - Do not alter or amend the evidence in any way
 - Keep a note of when investigators came into possession of the evidence.

- All memoranda/notes relating to the investigation must be disclosed to the defence in the event of formal proceedings and so it is important to carefully consider what information needs to be recorded.
9. Head of Investigation
 - 9.1 CEO of the Association will nominate in writing the person to lead the Investigation on a case by case basis depending on the gravity of issues and potential losses involved. The Auditor should be involved with the investigation and reports that go to the Audit & Risk Committee.
 10. Learning Outcome
 - 10.1 Following completion of the investigation the appropriate Manager should prepare a summary report for the CEO on the outcome and lessons learned and actions to be taken and implemented. This report will be circulated to all relevant parties. Managers must take appropriate action and improve internal controls.