



ANTI FRAUD POLICY

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Executive Summary:
<p>RBH has a zero tolerance in relation to any form of fraud or malpractice. Fraud is any wrong or criminal act intended to result in personal gain for the perpetrator or another party with which they are associated. There are a number of ways in which this can be done. The policy provides examples and guidance on what you should do if you suspect or become aware of any fraudulent act.</p>

Policy Grouping/Directorate(s)	Resources	
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Notes:		

1 Introduction

- 1.1 Rochdale Boroughwide Housing (RBH) has a commitment to high legal, ethical and moral standards. All colleagues are expected to share this commitment. This policy is established to facilitate the development of procedures, which will aid in the investigation of fraud or related offences.

2 Context

- 2.1 RBH is committed to countering all types of fraud. This includes procedures covering the creation of an anti-fraud and corruption culture; deterrence, prevention and detection of such activities; investigation of suspicions which arise; the application of appropriate sanctions; and the seeking of redress in respect of monies obtained by fraudulent or corrupt activities.
- 2.2 The Board already has controls in place that reduce the likelihood of fraud. These include financial limits and policies, documented procedures, and documented systems of internal control and risk assessment. RBH also carries out regular audits and has a whistleblowing hotline so that cases can be detected after the event. In addition, the Board is committed to ensuring that a risk (and fraud) awareness culture exists across the organisation.
- 2.3 **All Board members, colleagues, tenants, contractors and suppliers should be in no doubt that RBH as an organisation has a zero-tolerance approach to any fraudulent activity.**

3 Aims & Objectives

- 3.1 This policy applies to all Board members, colleagues, involved tenants and residents, consultants, suppliers, contractors, outside agencies doing business with colleagues of such agencies, and/or any other parties with a business relationship with RBH.
- 3.2 Fraud in relation to unlawful sub-letting and occupancy is dealt with under the Tenancy Fraud Policy.
- 3.3 The policy fits with the mutual values of RBH:
Responsibility - We take responsibility for ensuring we comply with all legislation
Equity - This policy will help ensure everyone is treated fairly - from people applying for properties to contractors who we deal with.

4 Policy Statement

- 4.1 Fraud is a criminal and civil law violation and can be defined as simply the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.

4.2 The 2006 Act introduces the following three ways in which fraud can be committed:

Fraud by False Presentation (a section 2 offence) - Lying about something using any means, e.g. by words or actions, running a fake website etc.

Fraud by Failing to Disclose (a section 3 offence) - Not saying something when you have legal duty to do so, e.g. not declaring information on an application for insurance.

Fraud by Abuse of a Position of Trust (a section 4 offence) - Abusing a position where there is an expectation to safeguard the financial interests of another person or organisation, e.g. insider employee fraud.

4.3 The Act also makes the following an offence:

Possession of Articles Intended for the use in Fraud (a section 6 offence) - Applies anywhere, and includes any article found, e.g. cloned credit cards, software, electronic data.

Making or Supplying Articles for use in Fraud (a section 7 offence) - The individual must know or intend the article to be used to commit or facilitate fraud.

Fraudulent Business Carried Out by a Sole Trader (a section 9 offence)- Now includes individuals, partnerships or trusts.

Obtaining Services Dishonestly (a section 11 offence) - E.g. using a stolen credit card on the internet.

4.4 All these offences occur where the act or omission is committed dishonestly, and with the intent to cause gain or loss. Crucially, as long as there is intent, the gain or loss does not have to succeed.

Appendix two highlights some ways fraud can be detected.

4.5 **Developing an anti fraud culture**

4.5.1 RBH is committed to creating a strong anti-fraud culture and embraces the following six principles:

Proportionality - RBH has procedures in place to prevent fraud by persons associated with it. These are proportionate to the risks faced by RBH and to the nature, scale and complexity of our activities. They are also clear, practical, accessible, effectively implemented and enforced.

Top Level Commitment - The Chief Executive and Directors are committed to preventing fraud by persons associated with it. They foster a culture within the society in which fraud is never acceptable and have a zero tolerance of any fraudulent activity.

Risk Assessment - The nature and extent of RBH's exposure to potential risks of fraud is periodically assessed and a Fraud Risk Register is maintained.

Due Diligence - RBH takes a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the society, in order to mitigate identified risks.

Communication (Including Training) - RBH seeks to ensure that its fraud and corruption prevention policies and procedures are embedded and understood throughout the society through internal and external communication, including

training that is proportionate to the risks it faces. This will be tailored to the risks faced but will be undertaken by all colleagues at least every 3 years.

Monitoring and Review - Procedures designed to prevent fraud are monitored and reviewed and improvements are made where necessary.

4.6 **Requirements of Colleagues and RBH**

4.6.1 Individuals can be found to be criminally liable for failing to report corrupt activity where it is known or suspected. This could result in serious criminal charges and/or sanctions being imposed on RBH and/or its colleagues.

4.6.2 It is therefore important that policies and procedures exist to establish internal reporting arrangements and ensure compliance with the guidance and the law. RBH's Whistle-blowing Policy is designed to protect individuals when making a disclosure from any fear of victimisation or harassment.

Conflicts of interest - Colleagues, members and board members may have outside interests and relationships of various kinds including those of a business, financial, private or personal nature. Colleagues, members and board members should ensure that those interests do not result in a conflict between their interest and those of the society. Any such conflict should be avoided and declared via the declaration of interest form in the Code of Conduct. Further guidance on conflicts of interest is included within the Code of Conduct.

Whistleblowing - Colleagues are an important element in our stance on any form of corruption. All colleagues are positively encouraged to raise any concerns that they may have on these issues where they are associated with RBH's activity. All such concerns will be treated in confidence, wherever possible, and properly investigated.

4.6.3 If an employee has reason to suspect a colleague, contractor or other person of fraud or an offence against RBH or an infringement of RBH rules, they have a responsibility to inform their manager or raise this directly with the Head of Legal and Compliance or via the whistleblowing process. In the first instance they should raise their concerns verbally, however, this can also be done confidentially if preferred.

Appendix three shows how to report fraud.

4.6.4 If an employee is concerned that their involvement in itself could amount to a prohibited act under the guidance, i.e. that further actions could make them complicit in the illegal act being undertaken, then they will need consent from the National Crime Agency (NCA) to take any further part in the transaction. They should, therefore, make it clear whether there are any such issues and the deadlines when reporting the issue and all such cases should be reported to the Head of Legal and Compliance without delay so that they can liaise with NCA to obtain this authority. Examples could include a pending right to buy completion date or processing a bank transfer or refund.

Investigation - The overt investigation of all actual or suspected instances of fraud and the prosecution of offenders provides an effective deterrent. Therefore, all known or suspected incidences of fraud will be thoroughly and impartially investigated.

Managers or colleagues should NOT seek to initiate enquiries or investigations, and once reported they must NOT make any further enquiries into the matter themselves.

4.7 Seeking Financial Redress

4.7.1 The recovery of losses will always be considered in cases of fraud or corruption that are investigated by the society where a loss is identified. As a rule, recovery of the loss caused by the perpetrator will always be sought. The decisions must be taken in the light of the particular circumstances of each case. Financial redress allows resources that are lost to fraud and corruption to be returned for use as intended.

4.7.2 In cases of serious fraud and corruption, it is recommended that parallel sanctions are applied. For example: disciplinary action relating to the status of the employee; use of civil law to recover lost funds, use of criminal law to apply an appropriate criminal penalty upon the individual(s).

Appendix four lays out how RBH may seek redress.

5 Monitoring

5.1 The policy will be monitored by the Audit Committee and Board who will receive notification of all reported or identified instances of fraud and attempted fraud.

6 Review

6.1 All RBH strategies, policies, service standards and procedures are reviewed on a regular basis to ensure that they are 'fit for purpose' and comply with all relevant legislation and statutory regulations.

This policy will go through the full policy approval process every 3 years and will undergo a desktop review annually. This is to ensure that it is fit for purpose and complies with all relevant and statutory regulations.

7 Links with Other RBH Documents

7.1 This policy links to the following policies and strategies:

- Anti Bribery Policy
- Anti Money Laundering Policy
- Tenancy Fraud Policy
- Fraud Response Plan
- Risk Management Policy

Appendix one – How fraud happens

A fraudster will not stand out from the crowd and the average fraudster will have no prior convictions or charges – in fact their trustworthiness and ability to manipulate others and blend in is their greatest asset. The one common theme in relation to all fraudsters is that they were trusted.

The fraud triangle

In order to perpetrate fraud three key elements are required and this is referred to as the fraud triangle.



Opportunity - is the means by which the individual will defraud the organisation. In this stage the individual sees a clear course of action by which they can abuse their position. In practice this could be an unlocked cupboard, a non-existent or unenforced process.

Rationalisation - is a cognitive stage and requires the fraudster to be able to justify the crime in a way that is acceptable to their internal moral compass. Most fraudsters are first-time criminals and do not see themselves as criminals, but rather a victim of circumstance.

Pressure - is the motivation behind the crime and is the stage over which we can have least control or knowledge. A longstanding and trusted employee can run up a debt, have a change in circumstances such as a divorce or experience other factors which can bring to bear acute financial pressures which they are unable to deal with.

Appendix two – detecting Fraud

There are a number of ways in which a fraud can be detected but the majority of fraud is identified through routine management and whistleblowing. Being aware of the key fraud indicators, having a robust plan and strong anti-fraud culture, and the acting upon suspicions will help identify the majority of fraudulent activities.

Some of the key indicators include:

- 1. Missing Documents** - It isn't uncommon for documents to go missing in the workplace. After all, accidents do happen. However, if this becomes a frequent occurrence, a fraudulent act could be the cause. This is especially the case where the missing documents have a financial element.
- 2. Complaints** - It's easy to write off complaints, but complaints are one of the best ways to identify fraud. If colleagues are complaining about something, don't take it lightly. Dig further into the situation to identify the cause of the complaint and what else could be behind it.
- 3. Excess Purchases** - Fake payees can be used to convert funds. Be aware of excessive purchases as they could be covering a possible payoff.
- 4. Inventory Shortages** - Internal shrinkage and product loss happens. However, excessive shrinkage could be an indicator of a whole host of fraudulent activities.
- 5. Duplicate Payments** - Duplicate payments in many cases are not fraud-related. However, if a duplicate payment is accidentally made by a company, it is possible for an employee to forge an endorsement.
- 6. Rounded-Amount Invoices** - Fraudsters will often create invoices with rounded amounts. If you don't see any pennies, it may be a sign that you need to look into that invoice further.
- 7. Abnormal Invoice Volume** - Rapid invoice volume increases may be due to a legitimate increase in business but is also may point to fraudulent behaviour. Monitoring vendor invoice volume and being aware of spikes is a good way to spot abnormal behaviour.
- 8. Invoices Just Under Approval Amounts** - Some colleagues may be aware of the threshold for management approval and create an invoice just below that approval level. For example, if the approval level is £5,000 and you get an invoice for £4,999, you may want to do a bit more research on that invoice.
- 9. Pressure to pay** - If you receive a request to make an urgent payment and threatening severe consequences if payment is not made, this could be fraudulent. Fraudsters will try to ratchet up the pressure so that the normal checks are ignored. A common practice is to pretend to be the Chief Executive using a cloned email address.
- 10. Key person dependency** - A common theme with a number of frauds is key person dependency. Someone who has been in post for years and is the only person that knows that system or process.

Appendix three – reporting suspected Fraud

The report must include as much detail as possible, for example: -

- Full details of the people involved (including yourself, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
- Full details of the nature of their/your involvement.
- The types of fraudulent activity involved. The Head of Legal and Compliance can help identify this.
- The dates of such activities, including whether the transactions have happened, are ongoing or are imminent.
- Where they took place.
- How they were undertaken.
- The (likely) amount of money/assets involved.

Appendix four – Procedure for seeking financial redress

Actions which may be taken when considering seeking redress include:

- No further action
- Penalty charges
- Criminal investigation
- Civil recovery
- Disciplinary action
- Confiscation order under Proceeds of Crime Act (POCA)
- Recovery sought from ongoing salary payments or pensions.

In some cases (taking into consideration all the facts of a case), it may be that the society decides that no further recovery action is taken.

Criminal investigations are primarily used for dealing with any criminal activity. The main purpose is to determine if activity was undertaken with criminal intent. Following such an investigation, it may be necessary to bring this activity to the attention of the criminal courts (Magistrates' court and Crown court). Depending on the extent of the loss and the proceedings in the case, it may be suitable for the recovery of losses to be considered under POCA.

The civil recovery route is also available to the society if this is cost-effective and/or desirable for deterrence purposes. This could involve a number of options such as applying through the Small Claims Court and/or recovery through debt collection agencies.

The appropriate senior manager, in conjunction with the People & Culture department, will be responsible for initiating any necessary disciplinary action in accordance with the society's Discipline, Grievance and Capability policy. Arrangements may be made to recover losses via payroll if the subject is still employed by the society. In all cases, current legislation will be complied with.

Action to recover losses will be commenced as soon as practicable after the loss has been identified. Given the various options open to the Society, it may be necessary for various departments to liaise about the most appropriate option.

In order to provide assurance that the policy is adhered to, the Head of Legal and Compliance will maintain a record highlighting when recovery action was required and issued and when the action was taken. This will be reviewed and updated upon the conclusion of each case.