

FRAUD POLICY

INTRODUCTION

Tayside Contracts has a duty to its stakeholders to take all responsible steps to prevent fraud occurring, whether perpetrated by employees, contractors, suppliers, other organisations or members of the public.

Tayside Contracts will maintain robust control mechanisms to both prevent and detect fraud. All managers have a responsibility for maintaining documented control systems and must ensure that they and their staff are complying fully with procedures and controls. The effectiveness of controls will be subject to periodical review by Tayside Contracts' Internal Auditors.

All employees have a responsibility to protect the assets and reputation of the organisation and are expected to be alert to the potential for fraud. Managers should brief all relevant employees on the common types of fraud perpetrated in their areas of responsibility.

Confidential mechanisms have been established to allow employees to report suspected frauds to management. All reported suspicions will initially be investigated by the Fraud Investigation Group, the members of which are detailed later in this policy.

Tayside Contracts' procedure for fraud prevention, detection and investigation is set out below.

PROCEDURE FOR FRAUD PREVENTION, DETECTION AND INVESTIGATION

Introduction

The objectives of the procedure are to:

- encourage employees to be aware of fraud;
- bring suspected fraud to the attention of management;
- provide a framework response plan for investigating and reporting fraud; and
- ensure both alleged and proven fraud are dealt with in a consistent and timely manner.

Tayside Contracts has a unique role to play in the community and any instances of fraud or corruption may be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices can have a direct effect on jobs and the level and quality of service provision. Vigilance is essential since all employees are responsible for ensuring that the best possible service is provided by Tayside Contracts and that value for money is secured from public funds.

Successful fraud prevention involves creating an environment which inhibits fraud. Taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses, but also helps deter frauds.

Fraud Prevention

Fraud can be defined as 'any act of wilful dishonesty to gain individual or collective advantage'. It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party. Fraud can be perpetrated against employees, suppliers or the public.

Employees should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place employees in a vulnerable position. Further information can be found in the Hospitality and Gifts Policy.

Management Responsibility and Risk Management

The prime responsibility for preventing fraud lies with management through:

- identifying risks to which systems and procedures are exposed;
- designing, implementing, documenting and operating of internal controls;
- establishing an environment that promotes compliance with internal controls;
- promoting fraud awareness amongst employees; and
- fostering an 'anti-fraud' culture.

However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all employees to be aware of fraud and to take the necessary steps to minimise the risk to Tayside Contracts.

Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically both at organisational and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.

Internal Controls

Internal controls are the key element in preventing fraud. They include both financial and non-financial controls, for example annual leave records, and those that are in place to safeguard the misuse of Tayside Contracts assets, including computer systems. The financial regulations are one example of these controls. Tayside Contracts' financial and other non-financial procedures are the definitive guide and are available to all employees. It is the responsibility of management to ensure that controls in their area of responsibility have been documented and communicated.

In order to set a good example, managers should ensure they are complying with all controls and that this is visible to their staff. The emphasis should be on creating a culture of honesty and fraud detection, not increasing the volume of detailed operational and supervisory checks and controls, unnecessarily.

Management Checks

The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential. The benefits of implementing a culture of strong management controls:

- a deterrent effect when it is known that management is actively involved in ensuring that procedures are followed, and
- the results of the checks will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

Management should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control, with management ensuring implementation and monitoring of the framework.

Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to management so that the need for the controls can be re-evaluated.

Employees/Training

Employees provide the best protection against fraud and corruption. It is important, therefore, that this policy on fraud prevention and investigation is fully communicated to all relevant employees. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

The recruitment of suitable employees is Tayside Contracts' first defence in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on criminal records, communication with referees and past employers and verification of educational and professional qualifications will assist in this approach.

Employee awareness of policy and procedures is fundamental to the effective operation of systems. Tayside Contracts will comply with best practice, including:

- publication of Tayside Contracts policy on fraud, corruption and impropriety including easy access to it for all employees;
- instruction in and discussion of control and probity issues as part of employee's induction;
- formal employee's training on operational procedures;
- desktop instructions for specific tasks; and
- notices to employees regarding changes to Financial Regulations and financial procedures.

Fraud Detection

The primary responsibility for detecting fraud lies with management through the implementation, documentation and operation of effective systems of internal control. Tayside Contracts' Internal

Auditors through their evaluation of the control framework also have a role to play in preventing and detecting fraud.

Properly and consistently applied procedures for reporting and investigating fraud play an important part in preventing further fraud. Tayside Contracts expects that reported suspicions will be investigated. Tayside Contracts' fraud response plan set out in the next section and in Appendix 1 must be implemented where fraud is suspected.

FRAUD RESPONSE PLAN

Introduction

Management and employees are likely to have little experience in dealing with fraud and when suspected cases arise, may be unsure of the appropriate action to take. The objectives of a response plan are:

- to provide a documented framework to which Tayside Contracts can refer in the event that fraud is suspected or reported; and
- to ensure that in the event of fraud, timely and effective action is taken to prevent further losses, identify fraudsters, safeguard evidence, minimise publicity, reduce adverse effects on the business and to learn lessons.

The Fraud Response Plan (including a checklist for the Fraud Investigation Group) is detailed in Appendix 1. A fraud investigation checklist for employees is included in Appendix 2.

Reporting Fraud

All actual or suspected incidents of fraud should be reported without delay to the Head of Financial Services or other member of the Fraud Investigation Group. The members are:

- Head of Financial Services
- HR Manager
- IT Manager

When employees report suspected fraud it is important that their suspicions are treated seriously and that all details provided by the reporting employee are recorded accurately and in a timely manner. They should be repeated to the reporting employee to confirm understanding.

It is essential that employees are put at ease, since the decision to report the suspected fraud may be traumatic for the individual concerned. Employees (or others) reporting fraud should be assured that all information will be dealt with in the strictest confidence and that their anonymity will be preserved if requested, unless that is incompatible with a full and fair investigation. Regardless of the direction any future internal or Police investigation may take, the anonymity of any 'whistleblower' must be guaranteed during the initial investigation.

Having recorded the details of the individual case, the Head of Financial Services should, within 24 hours, hold a meeting of the Fraud Investigation Group to decide on the initial response. At this stage the management should also take whatever steps are necessary to prevent further losses eg by changing procedures or suspending payments – without compromising the quality of evidence or alerting the fraudsters.

The Fraud Investigation Group will thereafter follow the procedures in Appendix 1.

POLICY VIOLATIONS

Failure by employees to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with Tayside Contracts' Disciplinary Procedure. Furthermore, employees could also be subject to criminal investigation.

RELATED POLICIES

The Fraud Policy links to the following policies, which can be found on the intranet, from your manager or from the HR Admin Team:

- Anti-Bribery and Anti-Corruption Policy
- Anti-Money Laundering Policy
- Employee Charter
- Whistleblowing(Confidential Disclosure of Information) Policy
- Hospitality and Gifts Policy
- Disciplinary Policy
- Employee Code of Conduct
- Recruitment and Selection Policy
- Performance at Work

POLICY REVIEW

The Fraud Policy will be reviewed every 5 years, or earlier, if new legislation requires an amendment.

Should you have any queries or require further clarification regarding any aspects concerning Fraud in this policy, please contact Wendy Grant, Head of Financial Services on 01382 834013 or wendy.grant@tayside-contracts.co.uk

Should you have any queries or require further clarification regarding any employment aspects of this policy or related policies please contact, HR Services on 01382 812721 or employment.policies@tayside-contracts.co.uk

If you would like this document translated into another language or in another format such as audio or large print then please contact Angie Thompson, Equalities and Communications Manager on 01382 834165 or angie.thompson@tayside-contracts.co.uk

Appendix 1

Fraud Response Plan

Initial Enquiry

On receiving the details of the suspected fraud, the Fraud Investigation Group should undertake as limited review as necessary to establish whether further action needs to be taken. This may be an investigation, either led by the Head of Financial Services or by Internal Audit. The decision by the group to initiate a special investigation shall constitute authority to Internal Audit to use time provided in the internal audit plan for contingency time or to switch internal audit resources from planned audits.

If this initial investigation suggests that suspicions are confirmed, the group will decide which body is best placed to undertake further investigative work and the Head of Financial Services will inform the Managing Director, the Convenor of the Tayside Contracts Joint Committee (or the Vice Convenor if Convenor not available), the Proper Officer and the external and internal audit partner and Police Scotland, as appropriate.

Prevention of Further Loss

Where the initial investigation provides reasonable grounds for suspecting a member or employees of fraud, the Fraud Investigation Group will need to decide how to prevent further loss.

Fraudulent or corrupt activity can be regarded as misconduct or gross misconduct and where there are reasonable grounds for suspicion then suspension, of the employee(s) involved is likely, pending the outcome of the investigation.

It may be necessary to plan the timing of suspension to prevent the employee(s) from destroying or removing evidence that may be needed to support disciplinary or criminal action. The employee(s) should be supervised at all times before leaving Tayside Contracts' premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the organisation. Any security passes and keys to premises, offices and furniture should be returned.

Advice should be obtained on the best means of denying access to Tayside Contracts while suspects remain suspended (for example by changing locks and informing security employees not to admit the individuals to any part of the premises). Similarly, access permissions to Tayside Contracts' computer systems should be withdrawn without delay.

Internal audit should consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate Tayside Contracts' assets.

At this stage, Tayside Contracts should decide if external parties including Police Scotland are to be involved. Delays in contacting Police Scotland may prejudice future enquiries and alerting them immediately is important since they will be able to advise Tayside Contracts on how best to proceed and the most effective methods to gather evidence.

Conducting a Fraud Enquiry

Once it is agreed that there is sufficient evidence to justify a fuller investigation, the Fraud Investigation Group should meet with Police Scotland, where appropriate, to decide who is best placed to undertake the further investigation. Should it be decided that an internal investigation is appropriate, either in tandem with a Police investigation, or on its own, it is important that it is undertaken by individuals with experience in fraud investigations. This is most likely to be the Internal Auditors, supported as necessary by Tayside Contracts employees who may have the specialist knowledge required.

For internal investigations, the Fraud Investigation Group should agree the following:

- detailed remit and scope for the investigation; for example, is it to confirm that there is sufficient evidence to support the allegations, to gather evidence for Police Scotland, or does Tayside Contracts wish to quantify the total potential loss;
- who should undertake the investigation;
- reporting procedures and deadlines; and
- a programme of regular meetings.

There is a clear requirement to record all details fully, accurately and in a manner that is accessible. Police Scotland should be able to advise on an appropriate recording format. Developing a simple form to log all events and contacts made will provide a quick summary, ease the recording process and provide documented support for any future enquiries or possible prosecution.

Recovery of Losses

It is important that any losses incurred by Tayside Contracts are fully and accurately recorded and that costs are correctly apportioned. In addition to the direct cost of losses attributable to fraud, all costs associated with enquiries should be recorded. These will be required under loss reporting procedures and may also be required by the courts if the decision to prosecute is taken and in determining any assessment of costs or compensation and insurance recoveries.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the employee'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.

Employment Issues

A member of Human Resources is on the Fraud Investigation Group as further investigations may have employment law and disciplinary repercussions. Human Resources has a role to play in ensuring confidentiality and protecting individuals who report fraud.

Reporting During the Investigation

The Fraud Investigation Group should provide a confidential report to the Managing Director, the Convenor of Tayside Contracts Joint Committee, the Proper Officer and the external and internal audit partner, as appropriate:

- quantification of losses
- progress with recovery action
- progress with disciplinary investigation
- progress with criminal action
- estimate of resources required to conclude the investigation
- actions taken to prevent and detect similar incidents.

Any variation from the approved fraud response plan, together with reasons for the variation, should be reported promptly to the Managing Director who will decide who else to advise.

Concluding an Investigation

At the end of a case, irrespective of the outcome, it is important that the progress of the investigation is reviewed to see what lessons can be learned and to assess the effectiveness of the action taken. Such reviews will help identify any weaknesses in internal control that initially led to the fraud and should highlight any deficiencies in these systems for reporting and investigating, enable more effective future enquiries and precipitate changes to internal procedures designed to prevent reoccurrence.

On completion of the investigation, a written report should be submitted to the Joint Committee for consideration and discussion containing:

- a description of the incident, including the value of any loss and the means of perpetrating the fraud;
- the measures taken to prevent a recurrence; and
- any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken.

This report will normally be prepared by the Head of Financial Services or Internal Audit.

Checklist for the Fraud Investigation Group

The following is a checklist of points for consideration following the reporting of an alleged fraud to a member of the Fraud Investigation Group:

- Convene a meeting of the Group to consider the allegation.
- Conduct an initial investigation to establish the substance of the allegation.
- Consider legal implications.
- If substantiated, the Head of Financial Services should inform the Managing Director, the Convenor of Tayside Contracts Joint Committee, the Proper Officer, and the external and internal audit partner, as appropriate.
- Agree if further investigation is required and who will undertake it.
- Agree a remit, and establish scope and reporting deadlines for the investigation.
- Ensure the investigating team has adequate resources, including secure storage.
- Prepare for interviews thoroughly.
- Ensure existing disciplinary procedures are followed.
- Secure any evidence.
- Assume the worst-case scenario in terms of losses and employees involved.
- If not already requested to undertake the investigation, inform Police Scotland.
- Hold regular progress meetings at which progress and agreed action are documented.
- Identify all internal and external sources of information and evidence.

Appendix 2

Checklist for Manager/Supervisor when advised by employees of alleged fraud

The following is a checklist of points for consideration after the reporting of an alleged fraud to you:

- Do not rush in – consider all options and plan the approach.
- Establish the facts without alerting anyone.
- Maintain confidentiality.
- Make an immediate note of everything reported. Confirm accuracy of the notes with whoever is reporting the details to ensure clear understanding.
- Take steps to minimise any immediate further losses.
- Secure any evidence.
- Inform Head of Financial Services or other member of the Fraud Investigation Group.