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## Fraud & Financial Irregularity Policy

Foresight North East Lincolnshire, (Foresight) aims to be an honest and ethical charity, seeking to conduct its business to the highest standards of integrity and objectivity. In order to protect its financial systems, resources, and assets, and the honesty and integrity of its staff, it is important that Foresight have an established policy in place to minimise the risk and impact of fraudulent or corrupt activity. This document sets out a framework for the investigation and resolution of allegations of financial irregularity made against employees of Foresight. Financial irregularity is taken to include in particular (but is not limited to):

**Fraud** : Intentional deception with intent to make a gain or to cause a loss, or to expose another to the risk of loss. It can be perpetrated for the benefit of or the detriment to Foresight, and can be committed by persons outside as well as inside Foresight.

The Fraud Act 2006 provides for a general criminal offence of fraud, with three ways of committing it: by false representation (with the intention of making a gain or causing a loss or risk to another); by failing to disclose information to another person where there is a legal duty to disclose such information; and by dishonestly abusing one's position. The Act also makes it an offence for any person, by any dishonest act, to obtain services for which payment is required, with the intent to avoid payment.

**Corruption** : The offering, giving, soliciting, or acceptance of an inducement or reward which may influence the action of any person.

To protect the excellent reputation and high standards of integrity of Foresight and its staff, Foresight will always prosecute suspected fraudsters whenever there is sufficient evidence to support a prosecution under the Fraud Act 2006.

All staff of Foresight are under a general obligation to ensure the proper use of finances, assets, and resources; in particular, if they have good reason to suspect any financial irregularity involving Foresight's finances, cash, stores, property or other assets, they should report their suspicions as prescribed below. Nonetheless, staff should bear in mind that an allegation of financial irregularity is serious and potentially defamatory, and could lead to the instigation of legal proceedings. It is in that context that this procedure contains provision for preliminary investigation of allegations, and lays stress on the principles of confidentiality. It also seeks to ensure that no-one making an allegation of financial irregularity is victimised for having made the allegation. However where any such allegation is found to have been made with malicious, mischievous, or otherwise reckless intentions disciplinary action in accordance with Foresight's disciplinary procedures will be recommended.

### 1. Introduction and Objectives

1.1. The Treasurer and Chairperson shall have overall responsibility for ensuring the integrity of any proceedings under this policy, and shall determine the procedure to be followed in cases of doubt. However, where an allegation is made to a senior officer of Foresight about the Treasurer or Chairperson or a member of staff for whom the Treasurer or Chairperson has a direct management responsibility, Foresight will appoint an external auditor to manage the proceedings. The Treasurer and Chairperson (or other appointed officer) may at any time seek legal advice on any aspect of the proceedings.

1.2. The primary objectives of this policy are to minimise the risk of any fraud occurring within Foresight, and to optimise the likelihood of its detection as soon as possible, leading to full investigation.

1.3. In order to achieve these aims and objectives Foresight primarily places emphasis upon measures to prevent fraud, through:

1.3.1. Establishing managerial, supervisory, and operational systems which incorporate adequate and effective internal controls designed to minimise the incidence of fraud, limit its impact, and ensure its prompt detection. This is covered by the use of Foresight's Financial Regulations Policy.

1.3.2. Developing and promoting an organisational culture which encourages the prevention of fraud by raising awareness of the need for high standards of personal conduct.

1.4. However, notwithstanding the above, Foresight recognises that no system of control is infallible: in order to support the above it is necessary also to have in place:

1.4.1. Clear written procedures to be followed by employees who have a suspicion of, or concern about: possible or actual fraud; corruption; or any other form of financial irregularity, within Foresight.

1.4.2. A Fraud Response Plan (produced separately) which acts as a management control document for those involved in investigating an allegation, in order to ensure that allegations and reports of financial irregularity are considered in a consistent, thorough, and objective manner.

## **2. Responsibility for the Prevention and Detection of Fraud**

2.1. Prevention should be the primary focus of any Anti-Fraud Policy, as minimising the risk of fraud occurring is likely to be far more effective than deterrence through investigation at a later stage. Effective prevention comes from the establishment and maintenance of: efficient financial management; an effective accounting system; consistent application of accounting procedures coupled with meaningful supervision; and good management practice.

2.2. Foresight's Financial Regulations state clearly that the Financial Treasure & Financial Officer has overall responsibility for:

- integrity of records, systems and source data
- exercising supervision and control of accounting arrangements and standards throughout Foresight;
- providing a financial management reports to govern and regulate the finances of Foresight
- Creation of cheques to pay authorised invoices with no authority to sign cheques

2.3. Measures adopted include the development of sound accounting systems and budgetary control procedures, regular monitoring of financial trends and the interpretation of financial statistics, defining consistent financial processes and procedures, the provision of financial regulations and other relevant advice and guidance, and the continuous presence of an effective internal audit function.

2.4. In addition to the internal control framework, Foresight also demands of all its employees high standards of personal conduct. The Financial Regulations make reference to the conduct expected of staff in handling Foresight funds and in their dealings with suppliers, e.g. Disclosure of Interest, Gifts and Hospitality, Personal Expense Claims.

## **3. Responsibility to Report a Suspected Fraud**

3.1. Effective preventative measures must, of necessity, rely upon the vigilance and awareness of those staff whose work incorporates internal control features. In accordance with the Financial Regulations, it is the duty of all staff to notify the Finance Officer, via their Head of Department if appropriate, of any known or suspected form of financial irregularity affecting Foresight's assets, finances, or other resources.

3.2. All notifications of suspected financial irregularity should be made in writing (in strict confidence) to the Treasurer, providing a brief description of the alleged irregularity, the estimated scale of or scope for loss, any evidence supporting the alleged irregularity, and details of the suspected perpetrator (the respondent).

3.3. Foresight recognises that it is potentially unpleasant and disruptive for a member of staff to make a complaint or allegation against a work colleague, supervisor or line manager. In contemplating whether a member of staff should report their suspicions, the following considerations are relevant:

- staff have a clear duty to report suspected irregularity without delay;
- staff have a duty to act reasonably and without malice;
- whilst in the early stages of investigation anonymity will be preserved, it may be necessary to reveal eventually the identity of staff making the original complaint;
- any complaint or allegation which is found to have been made in malice shall be deemed a serious disciplinary offence.

- 3.4. In recognition of the good faith in which staff may make an allegation of suspected financial irregularity, Foresight will protect and support an individual against harassment or victimisation.
- 3.5. Anonymous allegations rarely result in any formal investigation, as there is usually insufficient information provided to support taking action under this Policy. If an anonymous allegation is received, it will be considered, but there will be limits on how far the allegations can be meaningfully investigated. Provision of some method for contacting, in confidence, the person making the allegations should always be provided, to ensure that the allegations are subject to thorough investigation.
- 3.6. Foresight also has a duty of care to those under investigation, and shall safeguard their rights to a thorough, objective, fair, and expeditious investigation.
- 3.7. All allegations will be considered in confidence and, so far as is practicable, the preliminary or full investigation of an allegation shall be carried out in accordance with the principle of confidentiality, in order to protect the interests both of the initiator and the respondent. In particular, the Treasurer and those responsible for investigating an allegation shall take all reasonable measures to ensure that:
  1. the identity of the initiator is not disclosed to the respondent; and
  2. the identity of neither the initiator nor the respondent is disclosed to any third party within or outwith Foresight, except :-
    - as may be deemed necessary for the purposes of carrying out a full and fair investigation;
    - as action taken against an individual against whom an allegation has been confirmed;
    - as action taken against an individual who is found to have made a malicious or reckless allegation.
- 3.8. Similarly, any staff who may be aware of the allegations, or the status of the investigation, should not make any statements about the case - either orally or in writing - to any third party whilst the allegation is being investigated.

#### **4. Investigation Procedures**

- 4.1. Where a member of staff has reasonable grounds for suspecting fraud, corruption or other financial irregularity, they will notify immediately the Treasurer in the manner set out in Paragraph 3.2 above.
- 4.2. All notifications of financial irregularity will be recorded in a Fraud Report Log held by the Treasurer, who will provide immediately an acknowledgement to the originating member of staff ("the initiator") that the notification has been received, and will then discuss the matter with the Chairperson without delay.
- 4.3. The Treasurer will ascertain whether or not the suspicions aroused have any substance. He/ she will do this in consultation with the Chairperson and, if appropriate, the Head of the Department or Unit affected.
- 4.4. If as a result of these consultations it is clear to the Treasurer that any possible irregularity is of minimal effect and has arisen by accident, mistake, or incompetence rather than wilful intention, the Treasurer will keep a formal record of this conclusion, and of any action taken, in the Fraud Report Log. The Treasurer or Chairperson will inform the initiator of this decision.
- 4.5. In any other case the Treasurer or Chairperson will immediately ask the an appropriate manager to conduct a preliminary investigation. The Fraud Response Plan will be used to help determine mutually agreed terms of reference, in order to gather factual information and reach an initial view as to whether a full investigation is required. The nominated manager should report his/ her findings, conclusions, and any recommendations he may have at this initial stage to the Treasurer at the earliest opportunity, and certainly within five working days.
- 4.6. The Treasurer will have the initial responsibility for co-ordinating Foresight's response to the preliminary investigation report, as guided by the Fraud Response Plan. Where there is insufficient evidence available to warrant a full investigation, or the allegations made prove to have been reasonable but unfounded, or the actions appear to have been made by the respondent by mistake or incompetence rather than by wilful misconduct, the Treasurer will make a formal record of this conclusion, and of any action taken, in the Fraud Report Log.
- 4.7. Should the allegation prove to be unfounded and of malicious or reckless intent, the Treasurer will report the details to the appropriate Foresight Officer with a recommendation that disciplinary action be taken against the initiator. Malicious allegations of fraud could constitute gross misconduct.
- 4.8. Where there is a prima facie case for full investigation, the Treasurer will immediately brief and consult with the Chairperson - and the Chief Officer where it is likely that the extent of the fraud will require notification to the Police - and subsequently keep them informed of developments as appropriate.

- 4.9. The Chairperson will, in consultation with the Treasurer and the Staffing Committee (and, if necessary, on the advice of Foresight's legal representatives), determine what further investigative action (if any) is necessary. Whenever and wherever the circumstances allow, the investigation will be referred to the Police at the earliest opportunity, in order to pursue criminal proceedings. Consideration will also be given as to whether internal disciplinary action is required, and whether civil proceedings should also be pursued, in order to protect Foresight's interests. Each case will be considered on its own merits and in accordance with the expert advice obtained, with a view to minimising the losses (both monetary and otherwise) to, and protecting the reputation of, Foresight and its staff.
- 4.10. Where a full internal investigation is required the Chairperson will appoint a Fraud Investigation Panel, normally consisting of the Treasurer (as Chair), the Staffing Committee Member, Finance Officer, Chief Officer and if appropriate, the relevant Head of the affected Department. (For smaller investigations, the Chairperson may choose to appoint directly an Investigation Officer) This Panel will meet without delay, in order to consider:
- the appointment of an Investigation Officer;
  - the objectives and strategy of the investigation, with particular consideration given to restricting the scale of loss and maximising recovery of assets;
  - the make up of the investigation team (to include, where necessary, staff from backgrounds appropriate to the nature of the investigation - especially where computerised records are involved, or interviews under Police and Criminal Evidence Act (PACE) conditions may be required;
  - instruction for any immediate action required at the point of discovery, especially as regards the protection of evidence;
  - the need to use other external advisers, such as the solicitor or insurers;
  - the need to complete the full investigation with all due speed, though without compromising a comprehensive and thorough examination of the evidence available;
  - the need to safeguard the rights of any staff involved in, or affected by, the investigation;
  - the need to protect the initiator from harassment or victimisation for reporting their suspicions;
  - the need to protect the rights of the respondent, particularly as regards providing an opportunity at the appropriate time to comment on the allegations made;
  - the need to minimise disruption to operational activities and routines.
- 4.11. The Investigation Officer will report on progress to the Fraud Investigation Panel on at least a weekly basis during the investigation.

## **5. Investigation Reporting Procedures**

- 5.1. On completion of the investigation, the Investigation Officer will produce a written report for the Fraud Investigation Panel (or the Chairperson directly, for smaller investigations). Once approved, the Panel Chair will submit the Report to the Treasurer and the Staffing Committee, together with the Panel's recommendations for future action. The report will include the following:
- a conclusion as to whether the allegations of fraud, corruption or other financial irregularity have any substance;
  - the comments of the respondent in respect of the allegations made;
  - the nature and extent of the irregularity;
  - its effects upon Foresight;
  - who was involved (including those staff and/or management whose failure to exercise appropriate supervision or control may have contributed to the fraud);
  - internal control weaknesses which may have allowed the irregularity to occur, with recommendations to improve those systems of control.
- 5.2. Following consultation with the Fraud Investigation Panel, the Chairperson will provide an Executive Summary of the principal findings and conclusions to the Treasurer, Chief Officer and Staffing Committee for consideration, including whether:
- Foresight should proceed with legal action through criminal or civil actions;
  - Foresight should recommend disciplinary action in accordance with its disciplinary procedures against any member(s) of staff or student(s), where upheld allegations of fraud could constitute gross misconduct.
  - any action is necessary to prevent or detect further fraud, corruption or other potentially similar irregularities elsewhere in Foresight.
- 5.3. Any legal proceedings or other related actions will be conducted or directed by the Chairperson. Any disciplinary action taken will be in accordance with Foresight's disciplinary procedures. Where the fraud or irregularity is of sufficient seriousness chairperson will make a full report to the External Audit, and the Chairperson will notify the relevant grant makers/contract holders.

- 5.4. The Treasurer will record in the Fraud Report Log the detail, and actions taken, in respect of any notified incident, whether reported to the Police, funders or not. The Fraud Report Log will be available for inspection by the Internal and External Auditors at any time.
- 5.5. If any of the office-holders named in this document have a direct management responsibility for the area under investigation, or are otherwise implicated in the suspected irregularity, they will have no involvement in the procedures. In such cases their role will be taken by another senior officer of Foresight.