



Fraud Procedure

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Summary of Changes

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All	Transferred to new format
References updated	Updated references to other Policies and Procedures
Appendix	Flowchart added as Appendix



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1.0 Introduction

This procedure details the operational measures that we will put in place to protect Ark funds and property from fraudulent activity, and to protect Ark employees, Board members, customers and contractors. This procedure supports our Fraud Policy G20.

1.1 Definition

Fraud can be defined as making a false pretence, knowing that it is false, with the (successful) intention of deceiving another person into acting in a way which they would not otherwise have acted. This includes deceiving someone into not acting e.g. not carrying out normal checks of transactions. Ways of carrying out fraud are infinite, and are not just financial; but examples include falsifying invoices to obtain payment, false documents to obtain goods, claiming for construction work or repairs not carried out, claiming false qualifications or concealing convictions in job applications, false expenses claims including claims for journeys not undertaken, computer fraud etc.

In practice, fraud may overlap with theft (appropriating or taking another's property with intent to deprive them of it permanently or temporarily) and embezzlement (deliberately appropriating for one's own use or purpose property entrusted to you by its owner). The precautions set out below are also designed to prevent theft and embezzlement.

Frauds, thefts and embezzlement may be carried out against Ark in relation to Ark property. They may also be carried out against people who use Ark services and tenants, who can be vulnerable people. This Procedure relates primarily to Ark property. Ark's systems and framework for supporting people who use our services and tenants to manage their own property is set out in our Support with Money Policy and Procedure (CS05 and CS05a) and our Trust Accounts and Access to Funds Procedure (CS05b). In all cases Ark staff should report any suspicions they may have, while respecting the autonomy of the people who use our services and tenants.

2.0 Operational Framework

Ark's system of internal controls is designed to minimise the risk of fraud occurring; however no such systems can provide absolute protection against fraud.

Each Manager of Ark is responsible for ensuring that an adequate system of internal control is implemented within their areas of responsibility and that such controls operate effectively. All staff are responsible for complying with these systems. Managers should assess the types of risk involved in the operations for which they are responsible; to review and test the control systems for which they are responsible regularly, to ensure that controls are being complied with, and to satisfy themselves that their systems continue to operate effectively.

Ark's internal auditors are available to offer advice and assistance on control issues as necessary. Contact information is available through the Head of Compliance and Improvement.

In terms of establishing and maintaining effective controls it is generally desirable that:

- There is a regular rotation of staff, where practical, particularly in key posts
- Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual
- Backlogs (eg in relation to transactions to be processed) are not allowed to accumulate)
- In designing any new system, consideration is given to building in safeguards against internal and external fraud

Those undertaking supervisory controls (e.g. review of payroll, petty cash reconciliation) fully understand the importance of these controls and evidence their compliance.

Line Managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted by a third party bringing it to Ark's attention.

Each employee of Ark has a duty to ensure that Ark's funds and assets, as well as those of people who use our services and tenants, are safeguarded. Staff should alert their line manager (or the next most senior person) where they believe the opportunity for fraud exists because of poor procedures or lack of effective oversight. In addition, it is the responsibility of each employee to report details immediately to their Line Manager (or the next most senior person) if they suspect that a fraud has been committed or see any suspicious acts or events. Employees must also assist in any investigations by making available all relevant information and by co-operating in interviews.

3.0 Claims by or on behalf of members of staff

Fraud requires the presence of three things:

- An asset which is of value to someone;
- The motivation to acquire the asset by fraud;
- The opportunity to do so.

Our approach to Organisational Development practice and internal controls should recognise the possibility that some people will seek to defraud Ark or our customers and that procedures and controls should seek to minimise the opportunity for fraud.

3.1 Recruitment

People who are likely to commit fraud may also be likely to falsify information given in applying for jobs. Our recruitment procedure includes checks on applicants aimed at verifying key information given. This includes Protection of Vulnerable Groups (PVG) Scheme membership for certain posts; Disclosure Scotland checks, checking information given about referees; seeking telephone confirmation of references; requiring originals of certificates; requiring explanation of any gaps in employment history; and any other specific checks which may be appropriate. All employees will be subject to stringent checks.

3.2 Induction

All employees will be made aware at the earliest opportunity of the policy and procedural framework within which they are required to operate. In particular, they will be advised, as relevant to their job role, of Ark's Code of Conduct, Disciplinary Policy, Financial Regulations, Expenses and Allowances Policy, Protection of Adults at Risk Policy, Whistleblowing Policy, and Entitlements, Payments, and Benefits Policy. They will be advised that failure to comply with these and other policies and procedures will be viewed seriously and may result in disciplinary action and ultimately dismissal.

3.3 Work Practices

We have to be able to place trust and confidence in our employees. To do otherwise would undermine our values, and would be impractical. Our procedures must nevertheless recognise that not everyone will prove trustworthy, and must offer safeguards against trust being abused. At the same time, we are aware that certain behaviours are sometimes

associated with fraud – for example reluctance to take holidays, regularly seeking to work at unusual times when other staff are not in attendance, resistance to delegation, or demonstrating behaviour which may indicate problems with addiction such as drink and drugs or gambling, or sudden increases in expenditure. In these circumstances, it is the responsibility of the Line Manager to inform Organisational Development staff of the increased possibility of something being amiss and to consider whether further investigation is required. Fraud may involve collaboration, and sometimes this involves asking other staff to do favours or bypass normal procedures without them being fully aware of what is happening. We will ensure that all staff are aware of the requirement to report promptly any attempt to get them to bypass normal procedures, or requests that are not the normal practice and where there may be some grounds for suspicion.

Any changes to suppliers' or customers' banking details will be independently verified.

3.4 Petty Cash

The processes for managing petty cash at the Priory are outlined in Ark's Expenditure by Cash, Cheques and Credit Cards Procedure (F02c).

A separate Service Cashbook Completion procedure (CS20a) sets out how petty cash should be managed at Care and Support services. This procedure ensures that a limited number of staff has access to petty cash.

3.5 Expenses Approval

Ark's Expenses and Allowances Policy (H32) outlines the principles, framework and limitations related to claiming expenses. This policy ensures that Ark Board Members, employees, volunteers and customers will be properly reimbursed for travel and expenses incurred while conducting business on behalf of Ark.

3.6 Personal Relationships at Work

Ark's Personal Relationships at Work Policy (HR14) provides for disclosure of relationships between Board members, customers, contractors, and employees must report promptly if they suspect that there is a potentially inappropriate relationship.

3.7 Finance

Finance procedures must follow principles of separation of duties, proper authorisation of transactions, and independent monitoring and checking of transactions. The Financial Regulations Policy (F01) sets out how these principles are applied.

We will minimise the use of cash, cheques and credit cards. Wherever possible, transactions will be made direct to supplier and customer bank accounts which have been established according to our procedures.

The use of Ark credit cards is limited to authorised employees and must only be used by the cardholder, or with permission of the card holder. A record is kept of all purchases made on the card and each month these purchases are reviewed and independently verified by the Finance Team. Ark's Expenditure by Cash, Cheques and Credit Cards Procedure (F02c) details the processes for the use of credit cards.

3.8 Consultants, Suppliers and Contractors

Ark's Procurement Policy (F02), and associated procedures set out how Ark will obtain the services of Consultants, Suppliers and Contractors. Standard procedures are set out in Ark's Incurring and Authorising Expenditure Procedure (F02b) concerning checks before establishing accounts and making payments, and apply here.

3.9 Computer Fraud

All individuals who Ark authorises to use its systems are made aware of the best practice guidance set out in Ark's Computer System Security, Email and Internet Policy and ICT Systems Security Procedure (G15 and G15a), and of the consequences of breaching them. The guidance provided by this policy and procedure is designed to support against potential unauthorised access to Ark controlled data and systems.

3.10 Procurement Fraud

Ark's Procurement Policy (F02), and the policies and procedures relating to specific activities which support it, set out the overall framework for the procurement process in Ark. As well as the relevant financial checks such as invoice checking referred to elsewhere, this system also includes processes for ensuring that there is follow up with contractors (and tenants) to ensure that works have been completed satisfactorily, goods/ materials have been delivered etc.

4.0 Detection

Detection of fraud or attempted fraud relies on a combination of alertness and routine checks. Staff involved in financial transactions or procurement transactions in particular need to be wary of unusual aspects of transactions – apparent urgency, request for payment out with normal procedures, changing any aspect of payment details or addressing, duplicate invoices, invoices which appear inconsistent with normal business practice in any respect, and so on. It must be emphasised to all employees that checking and questioning transactions is required behaviour, not obstruction or unhelpfulness. Employees will be made aware of their responsibilities under the Whistleblowing Policy (HR15).

External and internal audit will take account of the possibility of fraud, and will be weighted towards areas of greatest risk. These facilities are not however a complete means of detection.

Ark's SLT will conduct additional checks. These will include an annual review of consultants and contractors; spot audit of activity areas identified from time to time; and review of any unusual activity or behaviour identified

5.0 Investigation

The principles to be followed in investigating fraud are that the investigation must be speedy, and confidential. The immediate aims of the investigation are to establish whether there is on the face of it sufficient evidence to report any allegation made to the police, and to those individuals and organisations (such as the Scottish Housing Regulator) who need to know. Further aims will be to prevent further losses, and to establish and secure evidence necessary for disciplinary and criminal action. Further, but less immediate aims may be to seek to recover losses, to take action against those responsible, to review the reasons for the incident and any improvements required in control or other procedures and to minimise reputational damage to Ark.

Police Scotland is responsible for investigating allegations of fraud in Scotland, and in all cases as soon as the relevant Ark officer is satisfied that any allegation or event may on the face of it constitute a fraud, they will ensure that the allegation or event is reported to Police Scotland. In all such situations, any subsequent or further investigation undertaken by Ark officers will be agreed in advance with Police Scotland.

Potential or suspected fraud must be reported immediately to the Chief Executive or in the event that the Chief Executive is unavailable, another Ark Director. The Chief Executive, or relevant Director, will ensure that the Police are informed. If it is considered possible that the person to whom the fraud should be reported may be involved, then the report should instead be made to the Chair of the Board or Chair of the Audit Sub-Committee. Once a report of potential fraud has been received, immediate steps must be taken to determine how the investigation will be dealt with in order to achieve the principles set out above. This will likely involve the appointment of an investigating officer or team, which can be staff or otherwise. It may be appropriate to refer to the Whistleblowing Policy (HR15), see section 7.

Where a member of staff is suspected of fraud, they should normally be suspended. The suspension should be unannounced. They should be allowed to remove personal possessions only, and must be escorted from Ark's premises, at no time being unaccompanied. They must be required to return keys, identification and ICT equipment such as mobile phones, laptops or netbooks. Their access to ICT must be disabled as soon as is practicable. Consideration should be given to changing access codes or locks. Ark's response to the issue should not be disproportionate, but it should be borne in mind that, by its nature, fraud is likely to involve things which are not immediately apparent.

Any further investigation will be conducted in accordance with Ark's Disciplinary Policy and Procedure, and subject to agreement with Police Scotland. The investigating manager will usually have authority to interview relevant persons, and where necessary review administrative and computerised records. Relevant persons will be advised of their requirement to co-operate, and that failure to co-operate immediately and fully will result in immediate suspension and consideration of disciplinary action in respect of gross misconduct. They will not be advised of the nature of the investigation, except if it is considered that it would assist the investigation to do so.

Some employees, where relevant, will be required to provide continuing support to the investigation, without being made aware of the detail of what is under investigation, for example finance, ICT or Organisational Development staff. All those involved in leading or supporting an investigation will be required to maintain appropriate confidentiality.

In cases involving employees, Ark's Disciplinary Procedure will be followed. However, it will be necessary to ensure that internal investigations do not undermine or impede any external investigations being undertaken by statutory agencies. It may be appropriate to suspend the member of staff concerned while these investigations take place. Advice should always be sought from the Organisational Development team (and Police Scotland as appropriate) before proceeding.

In cases involving care staff, the Scottish Social Services Council, Care Inspectorate and relevant Local Authority will be contacted by the appropriate Manager from Ark where necessary.

6.0 Communication

The overriding principle for communicating information about actual or attempted fraud is that information should be conveyed promptly to those who have a need to know, and not more widely. The Chief Executive must be informed as soon as possible on all cases and should be consulted on how the investigation is to be handled and be kept updated throughout. It is at the discretion of the Chief Executive as to when the Chair of the Board and Chair of Audit Committee should be informed in an instance where there is a risk to Ark. Police Scotland will be informed. Fraud, or the investigation of fraud, will constitute a Notifiable Event, and as such the Scottish Housing Regulator should be advised by the Chief Executive. The SSSC and Care Inspectorate should also be advised where appropriate. All other regulators should be advised as appropriate. Auditors, and our insurers, should also be advised at an early stage. These notifications will usually need to take place before it is firmly established whether fraud may have occurred. Board Members should be informed that an investigation is in hand.

Employees are likely to become aware that an investigation is under way, and may want to know about it. Only those with a requirement to know will be advised about the investigation; curiosity is not a need to know. It is possible that an investigation may find that fraud has not occurred, and it is important that any staff member suspended is able to return to work without others being aware of unproven allegations.

In the event of any enquiries from out with Ark, including the press, these will be referred to the Chief Executive, who will decide in conjunction with the investigating officer what is disclosed. Any discussions with the media will be channelled through the Chief Executive. The consideration here will be to avoid prejudicing any criminal or disciplinary action; to maintain Ark's reputation; and to be able to demonstrate that appropriate action has been taken.

Where appropriate the Chief Executive will report to the Board of Management including where it is a notifiable event.

A Fraud Register will be maintained by Ark and reviewed and signed by the Chair of the Audit Sub-Committee on a regular basis.

7.0 Whistleblowing

Ark's Policy on Whistleblowing (HR15) may be the appropriate way of raising a concern regarding fraud when a Board member or employees are otherwise unsure of how to make a report.

The Whistleblowing Policy (HR15) especially refers to ARK employees referring concerns in relation to financial malpractice, impropriety or fraud to ARK senior management.

ARK's Whistleblowing Policy (HR15) can be found on the General Drive.

8.0 Timescales

Potential or suspected fraud should be reported within 24 hours to the CEO or another Ark Director.

On receipt of the report the CEO or relevant Director will complete the notifications outlined in Appendix 1 within two working days.

The CEO and relevant Director will agree with the investigating manager an appropriate timescale for their investigation taking in to account the range and scope of the investigation as well as any guidance from Police Scotland. The investigating manager will inform the CEO and relevant Director of any changes to this timescale.

On receipt of the investigation outcome the CEO and relevant Director will meet to agree a communication plan, identify actions required, identify learning and update Fraud Register with outcome within one working week. Any extension to the time beyond one working week to be agreed between the CEO and the relevant Director.

9.0 Implementation and Review

9.1 Implementation

The Chief Executive is responsible for ensuring that this procedure is implemented by all staff concerned.

9.2 Review

The Chief Executive will ensure that this procedure is reviewed at least every three years.

Appendix 1 Flowchart



