

## Fraud Policy

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### Introduction

1. The purpose of this statement is to give RCLC's policy on fraud and set out our responsibilities for its prevention. It also refers to the Fraud Response Plan, which outlines the action to be taken if a fraud is discovered or suspected.

2. RCLC requires staff at all times to act honestly and with integrity and to safeguard the resources for which they are responsible. Fraud is an ever-present threat to these resources and hence must be a concern of all members of staff.

### What is Fraud?

3. The term fraud is used to describe, but is not limited to, a whole range of activities such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Generally, however, fraud involves the intention to deceive a person or organisation in order to obtain an advantage, avoid an obligation or cause loss.

4. The term also includes the use of information technology equipment to manipulate programs or data dishonestly, the theft of IT equipment and software, and the intentional misuse of computer time and resources.

5. The term also includes accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials/funds to RCLC. (Exception: gifts with a value of less than £25.)

### RCLC's Attitude to Fraud

6. RCLC takes the most serious view of any attempt to commit fraud by members of staff, trustees, contractors, consultants, their employees and agents acting on behalf of RCLC, and others. Staff involved in impropriety of any kind will be subject to disciplinary action, including prosecution, if appropriate. RCLC treats attempted fraud as seriously as accomplished fraud.

### Responsibilities

7. The Centre Manager Uis responsible to the Trustees for:

- developing and maintaining effective controls to help prevent or detect fraud;

- carrying out vigorous and prompt investigations if fraud occurs;
- taking appropriate disciplinary and/or legal action against perpetrators of fraud;
- taking disciplinary action against managers where their failures have contributed to the commission of the fraud.

### **Staff Responsibilities**

8. Every member of staff:
- should ensure compliance with controls;
  - should ensure that agreed procedures are followed;
  - has a duty to ensure that public funds, RCLC's reputation and its assets are safeguarded;
  - should alert the Centre Manager or Chairman where they believe the opportunity for fraud exists because of poor procedures or lack of effective supervision;
  - has a responsibility to report details of (a) any suspected or actual fraud, or (b) any suspicious acts or events, to the Centre Manager or one of the Trustees.

### **Fraud Response Plan**

9. RCLC has prepared a fraud response plan which can act as a checklist of actions and a guide to follow in the event of fraud being suspected. It covers issues such as:
- actions to be taken in the first 48 hours,
  - who to report to,
  - how to secure the evidence,
  - how to prevent losses,
  - who within RCLC will notify the Police and investigate fraud, and
  - who has responsibility for notifying stakeholders and dealing with external enquiries.
10. A copy of the Fraud Response Plan is attached.

## **RCLC Fraud Response Plan**

### **Introduction**

1. RCLC's documented Fraud Policy makes it clear that the RCLC Board adopts a zero-tolerance approach to fraud and will not accept any level of fraud within the organization. It highlights that there will be a thorough investigation of all allegations or suspicions of fraud and robust action will be taken where fraud is proven.
2. Fraud may be considered to be the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. The term is used to describe acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.
3. The purpose of this Fraud Response Plan is to provide guidance to RCLC staff on the procedures that must be followed when any of the activities set out above is suspected or detected. The Centre Manager has primary responsibility for actioning this Fraud Response Plan and will keep the Chairman and Trustees apprised at all stages.

### **Discovery**

4. The Fraud Policy requires any employee discovering or suspecting a loss of any kind to inform the Centre Manager or Chairman who will keep the Trustees informed. Where the actions seem deliberate, the possibility of fraud should be considered.
5. There are three main ways in which a fraud may come to light:
  - discoveries by management, usually arising from management controls being broken or management suspicions;
  - routine systems or specific audit checks;
  - a "tip off" from a third party; either an internal member of staff or an external party.
6. Any initial report should be treated with utmost caution and discretion as apparently suspicious circumstances may turn out to have a reasonable explanation or the report could originate from a malicious source. On discovery of suspected fraud, it is essential that confidentiality is maintained at all times as the initial suspicions may be unfounded or the perpetrator(s) may be alerted.
7. The scope of suspected fraud might range from internal incidents (e.g. involving petty cash or employee claims for travelling and incidental expenses) to circumstances affecting third parties. A list of the most common types of fraud is included at Appendix A as an aid to recognizing fraud in its various guises.

### **Actions to be taken when suspicion arises**

8. If an employee has a suspicion that a fraud is being or has been committed or attempted, she must report the matter in confidence to the Centre Manager or Chairman without delay. The Centre Manager must in turn advise the

Chairman and a local discreet enquiry must be carried out to ascertain the facts. Prompt action in these circumstances is essential.

9. If the Centre Manager is unsure as to how best to conduct the discreet enquiry, she should seek the advice from the Chairman. The Chairman may decide at this point to nominate a Trustee to carry out the enquiry. The purpose of this initial enquiry is to confirm or repudiate the suspicions so that, if necessary, a formal investigation can be instigated. On no account should staff or line management contact the Police. The decision around when to involve the Police must be made by the Board of Trustees.

10. If a situation arises where an employee suspecting fraud feels unable for whatever reason to raise a suspicion with the Centre Manager, she should raise the concern with the Chairman.

11. If the initial enquiry suggests that a fraud has been attempted or perpetrated, then the Centre Manager immediately take steps to prevent the possible destruction of evidence and ensure that all original documentation is preserved in a safe place for further investigation. If the removal of documentation would impair the efficient operation of work, arrangements should be made to have copies available for continued use. The safe retention of original documents is essential for potential future legal action.

12. The Centre Manager will convene a meeting of the Trustees as possible to discuss how to proceed.

13. The Chairman will review the findings of the initial enquiry and, where appropriate, in conjunction with the Trustees will decide whether to:

- discontinue the investigation if initial suspicions are not confirmed, or
- continue with a full investigation

14. The Trustees will determine whether suspension of the suspect is appropriate given the specific circumstances of the case and if so, will arrange for this to be carried out.

15. When the Trustees are satisfied that the suspicion appears well founded or there is no other obvious explanation for the irregularity, they should seek advice from the Charity Commission and, if appropriate, the police. They should also consider whether adequate resources remain available within the Centre to carry on operations.

### **Interviewing**

16. Fraud investigation is a specialist area of expertise and staff tasked with carrying out an investigation should have appropriate experience and training. For the purposes of criminal proceedings, the admissibility of evidence is governed by the Police and Criminal Evidence (NI) Order 1989 (PACE).

Documentary evidence must be properly recorded. It must be numbered and include an accurate description of when and where it was obtained as well as by and from whom. In criminal actions, evidence on or obtained from electronic media must have an accompanying document to confirm its accuracy.

17. In any investigation, there may be a need to interview staff, suspects or other persons involved. Interviewing is a specialist skill that is usually best carried out by or supported by the appropriate professionals.

18. When fraud is suspected, the need to interview can be for the purpose of disciplinary and/or criminal proceedings. When disciplinary action is necessary, interviews are usually carried out by the appropriate line manager in conjunction with a representative from the Human Resources directorate. In these circumstances it is essential that specialist personnel advice is sought on the appropriate disciplinary procedures before interviewing takes place. The potential involvement of the Police in any investigation does not negate the need to ensure that the appropriate disciplinary procedures have been followed.

19. When criminality is suspected, interviewing of suspects must not be carried out by the Trustees or RCLC staff but must be left to the Police. If the conditions of the Police and Criminal Evidence (NI) Order 1989 (PACE) are not complied with, evidence will not be admissible in Court.

#### **Findings of the Full Investigation**

20. The Chairman and Trustees will determine whether any members of staff should be subject to disciplinary action as a result of the findings of the investigation and will initiate any such action.

#### **Recovery of Loss**

21. Preventing further loss and recovery of any losses incurred are the primary objectives of any fraud investigation. The Chairman shall ensure that in all fraud investigations, the amount of any loss shall be quantified. Repayment of losses should be sought in all cases.

22. Where the loss is substantial, legal advice should be obtained without delay on the potential to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained on the prospects for recovering losses through the civil court, should the suspect refuse to repay the loss. The Trustees should seek to recover costs in addition to any losses.

#### **Acting on Lessons Learned from the Investigation**

23. The Chairman shall discuss with the Centre Manager and Trustees, the effect of any system weaknesses identified by the investigation.

24. The Centre Manager is responsible for ensuring that the appropriate changes in procedures and working practices to address any system weaknesses identified by the investigation are made promptly by the relevant members of staff. If appropriate, these changes may be set out in an action plan identifying the staff involved and specifying the relevant completion dates.

25. Where relevant, the Chairman may initiate a follow-up examination of the relevant areas to ensure the revised procedures are operating effectively.

## Public Relations

26. The Chairman or an appointed Trustee will co-ordinate any public relations work arising from the findings of the investigation.

## Appendix A

### EXAMPLES OF COMMON METHODS AND TYPES OF FRAUD

- Payment for work not performed
- Forged endorsements
- Altering amounts and details on documents
- Collusive bidding
- Overcharging
- Writing off recoverable assets or debts
- Unauthorised transactions
- Selling information
- Altering records
- Cheques made out to false persons
- False persons on payroll
- Theft of official purchasing authorities such as order books
- Unrecorded transactions
- Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- Cash stolen
- Supplies not recorded at all
- False official identification used
- Damaging or destroying documentation
- Using copies of records and receipts
- Using imaging and desktop publishing technology to produce apparent original invoices
- Charging incorrect amounts with amounts stolen
- Delayed terminations from payroll
- Bribes
- Over claiming expenses
- Skimming odd pence and rounding
- Running a private business with official assets
- Using facsimile signatures
- False compensation and insurance claims

Date Approved by Board 23.04.2013

Review Date Apr 2016

Signed on behalf of the  
Board of Trustees

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Dated

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