

Section;	Finance and Resources
Policy name;	Anti-fraud and Bribery Policy & Detection Procedure
Policy Type;	Corporate
Executive responsible;	Chief Executive
Review by;	Deputy Chief Executive
Type of review;	Exception
Authority to amend;	Board
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Strategy;	
Associated risk;	Risk ID no.34 – Risk of employee fraud (combined risk score 6
Health & safety;	N/A
Equality & diversity;	N/A
VFM & benchmarking;	Policy to prevent loss of resources.

VERSION CONTROL			
Version Number	Sections Amended	Date of update	Approved by
1.1	/	September 2016	Board
1.2	Addition of fraud response plan. Clarification of significant fraud and investigations process	March 2018	Board

Background

Fraud, bribery and money laundering have gained more focus in the sector in recent years. The National Housing Federation has highlighted specific risks of money laundering to the sector, which could range from cannabis farms and human trafficking, to rent being paid by tenants using proceeds of crime. Hence, awareness of the Proceeds of Crime Act 2002, and the Money Laundering Regulations 2007, is crucial for RPs in order to design and implement adequate controls which limit risk exposure to the Association from such activity.

The Bribery Act 2010 (the Act) applies to all RPs, many of whom are still attempting to assess the impact that this legislation may have on their business. The Act, which came into force on 1st July 2011, has significant implications for all Associations in the UK as, in particular, it introduces:

- A new corporate offence of failure to prevent bribery (specifically relating to bribes being paid by, or on behalf of, the company in order to obtain a commercial advantage);
- Offences by bodies corporate relating to the offer / payment or request / receipt of bribes where committed with the consent or connivance of a 'senior officer'.

This means that an Association could face prosecution if bribes have been paid or received, or just the intent to accept or offer bribes is shown. Penalties for companies and individuals found guilty of an offence under the Act are not insignificant, and include unlimited fines and imprisonment for up to 10 years.

Who this Policy applies to

1.0 Key Objectives, background and definitions

The purpose of this policy is to outline Cornerstone's strategy for the prevention, detection, recording, reporting and investigation of fraud, corruption and bribery.

In law there is no specific offence of fraud. For the purposes of this policy statement it is defined as the use of deception with the intention of gaining an advantage, avoiding an obligation or causing loss to another party. For practical purposes fraud may include such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

Cornerstone defines 'significant' fraud as that involving directors, senior managers or multiple staff members or that with an actual or potential cumulative loss of over £2,000.

Cornerstone regards attempted fraud as seriously as accomplished fraud.

The Bribery Act 2010 came into effect on 1 July 2011. It creates the following offences:

- Active bribery: promising or giving a financial or other advantage.
- Passive bribery: agreeing to receive or accepting a financial or other advantage.
- Bribery of foreign public officials.
- The failure of commercial Associations to prevent bribery by an associated person (corporate offence).

The legislation applies to all organisations that carry out a 'business' and therefore applies to Cornerstone. Cornerstone, is accountable for bribes given to a third party with the intention of obtaining or retaining business for the Association or obtaining or retaining an advantage useful to the conduct of the business by their employees and associated persons, even if they had no knowledge of those actions. The company or corporate entity can invoke in its defence that it 'had in place adequate procedures, which would include this policy, designed to prevent persons associated with the company from undertaking such conduct'.

Who must comply with this policy?

This policy applies to all persons working for Cornerstone or on our behalf in any capacity, including employees at all levels, directors, tenant Board members, Board members, Performance Panel members, agency workers, seconded workers, volunteers, agents, contractors, external consultants, third-party representatives and business partners.

Under the Bribery Act 2010, bribery is defined as:

Giving, offering or promising a financial or other advantage in order to induce recipients to perform a relevant function or activity (broadly any public function, any business activity or activity in the course of employment) improperly.

It specifically includes receiving as well as giving a bribe as being an offence. The emphasis above is on inducing the recipient to act improperly and current guidance is that hospitality providing it is reasonable and proportionate will not be regarded as bribery.

2.0 Key Principles

2.1 Cornerstone will:

Follow up and record all reported incidences of fraud, bribery or alleged fraud or bribery. Pursue all those found to have committed 'significant' fraud or bribery and report the matter to the police. Cornerstone will report any suspicions of 'significant' fraud or attempted fraud to the Police.

Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct. Any non-employee who breaches this policy may have their contract terminated with immediate effect.

This policy does not form part of any employee's contract of employment and we may amend it at any time. It will be reviewed regularly.

Cornerstone expects all Board members and staff to act honestly and with integrity and comply fully with Cornerstone's Codes of Conduct, policies and procedures. This includes the obligations pertaining to gifts and hospitality and the responsibility to report any suspected fraud immediately.

3.0 Gifts and hospitality

Gifts and Hospitality Received

3.1 Employees may not solicit or accept any form of 'gift' or hospitality from any tenant, applicant, supplier, contractor or consultant with whom Cornerstone is dealing or could possibly be dealing, with the following exceptions;

Inexpensive gifts

Gifts of a value of less than £30 can generally be accepted if they are intended as a general thank you or as a goodwill gesture such as at Christmas. Any gift in excess of this should be returned to the donor explaining that it is Cornerstone's policy not to accept such gifts. There is a cumulative limit of £50 over any 12 month period from any one source to one employee.

Collective gifts

There may be circumstances where a group of tenants or residents collect to buy a gift of greater value than indicated above or, makes a gift as a mark of collective appreciation.

Such gifts may be accepted with the approval of the Chief Executive and must be recorded in the Gifts/Hospitality Register.

Modest hospitality

By way of guideline, employees and members should decline to accept hospitality that Cornerstone, as a charitable Association, could not reasonably be expected to reciprocate.

All hospitality worth more than £30 must be declared to the Chief Executive in order that it can be recorded in the Gift/Hospitality Register. This includes cases where gifts and hospitality have been offered and declined.

3.2 Acceptance of any gift, reward or benefit in connection with employment duties outside the limits, or which is not declared to the Chief Executive, is not acceptable and could therefore be considered a serious offence.

3.3 No gift or loan of money of any value whatsoever may be accepted by an employee or board member. If money of any value is posted to or passed to an employee, it will be returned with a covering letter explaining why Cornerstone is unable to accept it.

3.4 Board members are subject to the same rules as employees, detailed above when acting on behalf of Cornerstone Housing.

Gifts and Hospitality Given

3.4 Gifts and hospitality given to other organisations or individuals will be reasonable and appropriate to the circumstances; be in furtherance of Cornerstone's objectives as a social landlord; and always take into account that Cornerstone is an Association funded by the rents of the tenants and public grants.

3.5 All gifts and hospitality worth more than £30 given to other organisations or individuals must be declared to the Chief Executive and entered in the Gift/Hospitality Register.

4.0 Responsibility for the prevention & detection of fraud and bribery

4.1 The Board is ultimately responsible for compliance with legislation and safeguarding Cornerstone's assets. Hence it is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

4.2 The Chief Executive has responsibility for ensuring proper systems of control, both risk assessment and risk management are established and maintained.

4.3 The day to day responsibility for the prevention and detection of fraud rests with the Executive Team who are responsible for:

- identifying the risks to which systems, operations and procedures are exposed;
- developing and maintaining effective controls to prevent and detect fraud and bribery

4.4 In the case of bribery, the boundaries between what is acceptable and what is not may be blurred. If any member of staff is unsure of the correct course of action at any time, they should discuss with the Chief Executive in the first instance.

5.0 Prevention of fraud and bribery

5.1 Cornerstone aims to minimise the occurrence of fraud and bribery through:

- the maintenance of an effective accounting system;
- the maintenance of an appropriate system of internal control (including authorisation controls and controls covering the segregation of duties);
- a clear policy on gifts and hospitality (above) which is communicated during staff inductions;
- clear procedures for tendering of major contracts;
- the requirement for staff and Board members to follow the appropriate Codes of Conduct; this includes guidance on conflicts of interest.
- monitoring relevant legal and best practice requirements and ensuring that operating procedures and conditions meet these requirements;
- the use of an independent internal audit function;
- the appointment of an Audit Committee with specific delegated authority to consider internal control, audit and risk management;
- annual disclosure of interests by all staff and Board members and during induction for new staff;
- establishment of an anti-fraud and bribery culture through management leading by example and training;
- informing tenants and staff what they should do if they suspect fraud or bribery; and
- Publicising Cornerstone's intent to pursue those caught either committing or attempting to commit fraud.

5.2 The adequacy and operation of the above control systems to minimise the risk of fraud and bribery shall be subject to independent review by Cornerstone's Internal Auditors.

6.0 Reporting fraud and bribery

6.1 Reporting procedure

6.1.1 The following sets out the actions that a member of staff or the Board should take should they have reasonable grounds for suspecting theft, fraud or other criminal action within Cornerstone.

- The incident or suspected incident should be reported immediately to the Chief Executive (or the Chair of the Audit Committee if it is believed that the Chief Executive is involved). It should not be discussed with other members of staff.
- The Chief Executive / Chair of the Audit Committee will determine along with the Company Secretary (unless implicated) whether the police are to be informed.
- Information relating to the alleged incident/activity should only be disclosed by the Chief Executive / Chair of the Audit Committee to those staff members involved in the investigation.
- Tenants will be encouraged to make Cornerstone aware of suspected fraud or bribery using the Complaints Procedure.

6.2 Protecting informants

6.2.1 Staff who act in reporting a discovered fraud or their suspicion of fraud or bribery may be worried that they will subsequently be victimised by their Colleagues or their Line Manager.

6.2.2 Cornerstone is committed to the principles of The Public Interest Disclosure Act 1998 and the Enterprise and Regulatory Reform Act 2013. We aim to encourage openness and will support staff who raise genuine concerns under this policy, even if they turn out to be mistaken. Staff will not suffer any detrimental treatment as a result of raising a genuine concern. If however, we conclude that an employee has made false allegations maliciously or with a view to personal gain, the employee may be subject to disciplinary action.

6.2.3 While Cornerstone will endeavour to maintain an informant's anonymity this is not always possible. The informant will be advised in advance if anonymity is no longer possible. In addition, Cornerstone will generally encourage individuals to be identified where this will add validity to accusations or assist with further investigation. Further information can be gained in the Associations Confidential Reporting or Whistleblowing Policy.

6.2.4 In any case where an informant is victimised Cornerstone will take strong action against any individual found to be acting unfairly towards the informant in accordance with the Disciplinary Policy.

6.3 Recording

6.3.1 All instances of suspected or actual fraud or bribery must be recorded in the Fraud Register. The Fraud Register is maintained by the Chief Executive and shall include the following information: summary of fraudulent activity; action taken; outcome; estimate of loss; date reported to the Regulator of Social Housing or successive body (if required).

6.4 Notification to the Regulator of Social Housing (RSH)

6.4.1 All significant frauds will be reported to the RSH immediately. They should be informed of significant developments in any subsequent investigation.

7.0 Immediate response to fraud

7.1 If a major fraud, theft or instance of bribery is identified it is important that immediate action is taken to: minimise the risk of subsequent losses; improve the chance and scale of recoveries; reduce any adverse commercial effects; and demonstrate that Cornerstone retains control of its affairs in a crisis.

7.2 Potential actions may include: securing assets at risk both directly or notifying (for example) banks and other parties holding assets by withdrawing signing authorities and by removing suspects from positions of authority; securing accounting and other records, including those held on computer and taking backups of all relevant computer data; changing locks, passwords and access controls; and/or arrange the immediate suspension or removal of suspects from Cornerstone's premises.

7.3 The Chief Executive and Deputy Chief Executive are responsible for leading on the immediate response, unless they are deemed to be implicated in which case responsibility would pass to the Chair of the Board.

8.0 Suspected Cases of Fraud and Bribery

8.1 Investigation

8.1.1 Once records and assets have been secured it is necessary to carry out an investigation.

8.1.2 If the police decide to pursue the matter then Cornerstone will follow the police's investigation.

8.1.3 If the police decide not to pursue the matter but the fraud is deemed significant Cornerstone's Internal Auditors will ordinarily be called upon to investigate suspected frauds, as they are independent from management. The Internal Auditors shall: report on all fraud and bribery investigations to the Chief Executive and the Audit Committee; attend disciplinary hearings as witnesses and presenting evidence gathered; and liaise with external agencies such as the police, the Homes & Communities Agency and external auditors, as appropriate.

8.1.4 In all other cases the fraud will be investigated by the Chief Executive and Deputy Chief Executive.

8.2 Dealing with perpetrators

8.2.1 Staff will be managed in accordance with Cornerstone's Staff Disciplinary Procedure and Code of Conduct guidance.

8.2.2 Cornerstone will endeavour to recover any losses through Civil Proceedings.

9.0 Monitoring

9.1 Matters arising under this policy will be reported to the Board in a confidential section in the Chief Executive's report.

9.2 The Fraud Register will be available for inspection upon request at all Board and Audit Committee meetings.

10.0 Review

10.1 The policy will be reviewed every three years from the date of initial Board approval.

Other policies and key documents to be considered in association with this policy:

- Financial limits of authority
- Confidential Reporting
- Standing Orders
- Code of Conduct
- Disciplinary Policy
- Staff handbook

Appendix 1: Fraud Response plan

Immediately fraud is suspected it should be reported to CE (or chair of Audit and Risk Committee if CE implicated)

CE will inform chair of Audit and Risk Committee and the chair of the Board.

CE and DCE will meet to provide an initial response within 24 hours. They will document:

- Date of discovery
- How incident was discovered
- Name of employee(s) involved
- Any evidence (collection should be conducted without alerting the suspect)
- Details of others who are aware
- Details of 3rd party involvement

From this the CE/DCE will determine if there is a criminal case and whether it should be referred to the police. They will also consider whether there is a need to suspend staff and if any immediate action needs to be taken to prevent any further loss. They should consider withdrawing signing authority, making a backup computer data, changing locks or passwords. This should be done carefully to avoid raising suspicion or breaching confidentiality. Detailed and accurate records of the investigation must be kept.

If the case is not reported to the police for investigation but is significant (involves Directors, senior staff, multiple staff or amounts over £2,000) then the internal auditors will be asked to conduct a formal investigation.

If the fraud is not considered to be significant then it will be investigated by the Chief Executive and Deputy Chief Executive. They may involve other staff as required.

This Investigation will provide extensive documentation of all communications, interviews, documents and tests in order that a clear audit trail is recorded.

The investigators will report to the CE, DCE, Chair of the Board and Chair of the Audit and Risk Committee as appropriate– the report should include:

- Background
- Action taken
- Investigation process
- Facts and evidence
- Action taken where fraud was proven
- Action taken to recover losses
- Recommendations to reduce risks and minimise recurrences

Where the circumstances of the investigation allow the report should be completed within one month of the initial allegation.

Any losses of more than £2000 or involving a senior manager should be reported to the Regulator (RSH) and external auditors. Substantial losses should be reported to the insurers and banks as required.

Fraud response plan

