



Red Kite Group Anti Fraud Policy

1. Purpose

- The Purpose of this policy is to
 1. set out our position on tackling fraud and corruption (this policy uses the term *fraud* as a general term which includes corruption and fraud committed as a cyber-crime) and the procedures to be followed where fraud or attempted fraud is suspected or detected within Red Kite Community Housing Ltd and its subsidiaries (Red Kite Group);
 2. Ensure that board members, staff, involved and other residents and other persons are aware of the actions that need to be taken in the event of detected, attempted or suspected frauds;
 3. Assure stakeholders that Red Kite Group has a clear set of written guidelines which staff and others must follow;
 4. Give a commitment that every concern reported will be handled fairly and properly at every stage of the process.
- The Board has a responsibility for safeguarding the proper use of all of Red Kite Group's financial, property and other assets in order to provide the best possible service to its residents.
- This policy outlines how we will carry out our business transparently and fairly to ensure we meet our zero-tolerance approach towards fraud. In summary the Board will ensure that Red Kite Group
 - 1.1 Develops and maintains effective controls to prevent fraud;
 - 1.2 Carries out rigorous and prompt investigation of any allegation or suspicion of attempted or actual fraud;
 - 1.3 Takes appropriate legal and/or disciplinary action against perpetrators of fraud;
 - 1.4 Considers disciplinary action against staff where an investigation demonstrates that their failures have contributed to the fraud.
- The Policy highlights
 - Staff responsibilities regarding the prevention and detection of fraud or other irregularities; and
 - Procedures to be followed where a fraud or irregularity is detected or suspected.
- This Policy should be read alongside our Gifts and Hospitality Policy that clarifies when and what gift / hospitality is acceptable.

2. Policy Statement

- Fraud is a risk to our business. The impact of an event of fraud can be high. This can manifest itself in the following ways:
 - Financial – this could be the cost of the fraud plus fines from legal action.
 - Reputational – an event of fraud could lead to a serious reputational issue, which could have a negative impact on our relationship with our customers.

- Regulatory – an event could lead to regulatory intervention if the controls in place were found to be inadequate or not followed.
- Legal – fraud could lead to prosecution of staff (see section 3 above). We have a six-step approach (summarised in Appendix 3) to combating fraud that will be monitored through our Fraud Matrix (Appendix 2).

2..1 Commitment

- 1.1 Our Board are committed to us carrying out our business activity transparently and fairly and therefore operate a zero-tolerance policy towards fraud by our Board members, volunteers, employees, contractors, agents and other associated persons.
- 1.2 We are committed to working only with other organisations or individuals who are also committed to doing business in this way and who share our values and our approach to fraud.

2..2 Aware

- a. We require all Board members, volunteers, staff, suppliers, and contractors to familiarise themselves with and follow this policy and related processes throughout their relationship with us.
- b. We carry out regular briefing sessions with staff at key points. This includes during the induction process, refresher training or during policy / process changes.
- c. We regularly review our business environment to ensure we are aware of new risks.
- d. We receive regular fraud updates from our bank that highlight potential threats.
- e. We keep and regularly review a business-wide Fraud Matrix that details potential vulnerabilities and controls in place.

2..3 Mitigate

- We minimise fraud through understanding potential risks and putting appropriate controls in place for effective mitigation and detection.

2..4 Detect

- 1.1 We have clear processes in place to detect fraud and have a clear reporting process through the Company Secretary or the “Whistleblowing” Policy.
- 1.2 We review processes and IT capability regularly to ensure early detection of fraud.

2..5 Act

- 1.1 We will investigate all cases of alleged fraud.
- 1.2 We will take appropriate action against anyone found to have committed fraud. This potentially includes, for example, disciplinary action for staff and termination of contracts for contractors.
- 1.3 If reported to the Police, any internal action carried out by us will be agreed with them to ensure we do not compromise any investigation. (Normally however, these days an investigation by the Police will not normally follow as reporting is via Action Fraud. For that reason, usually, it will be appropriate to carry out an internal investigation immediately where fraud is detected or suspected).

1.4 We will always seek to recover any financial losses.

1.5 We will report any fraudulent activity to the Audit and Risk Committee.

2..6 **Review**

- We review areas that are at risk of fraud through regular internal audits.
- We regularly review our processes to ensure they have appropriate controls.

3. **Training on this policy**

- Aspects of probity, including the Anti-Fraud Policy, will be included in all board members' and staff's induction training. All board members and staff will be required to receive, at minimum, biennial refresher training.
- Examples of positive anti-fraud initiatives and case studies will be shared regularly with staff to maintain awareness of the importance of the issue

4. **Definitions**

- **Fraud** – an act of deceit by theft, misuse of funds or other resources, or by more complicated crimes like misrepresentation, impersonation, false accounting, and the supply of false information. This includes fraud committed through cyber-crime (see section 4.2.3).

Examples of fraud include:

- 1..1 System issues – where an individual deliberately falsifies records or manipulates data in order to circumvent our internal controls e.g. deleting leave taken on annual leave approval forms
- 1..2 Financial issues – where a party has fraudulently obtained money from us e.g. false claims for travel expenses
- 1..3 Equipment issues – where our equipment is used for unauthorised personal use e.g. use of mobile phones for personal use

- **Corruption** – is a form of dishonest or unethical conduct by a person entrusted with a position of authority, often to acquire personal benefit. Corruption may include many activities including bribery and embezzlement
- **Bribery** – is the offering, giving, receiving, or soliciting of any item of value to influence the actions of someone in charge of a public or legal duty.

Examples of bribery include:

1. A contractor offering payment for their tender to be accepted
2. An applicant making a payment in order to be offered a home

- **Embezzlement** – is the theft or misappropriation of funds placed in one's trust or belonging to one's employer.

Examples of embezzlement:

1. Setting up false accounts and making payments to oneself
2. Not declaring cash payments for rent

3. Submitting false expense claims

- **Cyber-crime** - crime committed through the use of technology, this can include fraud and can be committed internally and externally.
- **Material Fraud** (for the purposes of reporting to the regulator) is defined as
 - 1..1 Any fraud committed by members of EMT or Board
 - 1..2 Fraud with a financial cost over £5,000

5. Responsibilities

- **The Board**
 - Overall responsibility for ensuring we operate in an environment that is free of fraud
 - Approving this policy and revisions to it
- **The Company Secretary**
 - 1.1.1. Maintaining the Fraud Register and ensuring that all fraud and potential fraud is entered into that register and reported to the Audit and Risk Committee (at each of its meetings whether there are new incidents of fraud or not)
 - 1.1.2. Ensuring that the Fraud Register is reported to each Audit and Risk Committee and annually to the Board at its first meeting after the end of the Financial year and to the Regulator no later than 30th September following the end of the financial year
 - 1.1.3. Leading the Fraud Response Plan (see appendix 1)
 - 1.1.4. Notifying the Police of fraud, where appropriate
 - 1.1.5. Notifying the regulator of any material fraud (see definition in section 4.3)
 - 1.1.6. Maintaining awareness of and compliance with this policy
 - 1.1.7. Ensuring the Fraud Matrix is regularly reviewed (appendix 2)
 - 1.1.8. If the Company Secretary is the alleged perpetrator or in some way involved, the responsibilities of the Company Secretary will be transferred to the Chief Executive
 - 1.1.9. If the Chief Executive or a Board member is the alleged perpetrator or in some way involved, the responsibilities of the Company Secretary will be transferred to the Chair of the Audit and Risk Committee
 - 1.1.10. If the Chair of the Audit and Risk Committee is the alleged perpetrator or in some way involved, the responsibilities of the Company Secretary will be transferred to the Chair of the Board
- **Audit and Risk Committee**
 - Regular monitoring of the operation and adequacy of this Policy
 - Reporting breaches to the Board
 - Approving a 3-year risk-based internal audit strategy

- **All Board members, volunteers, and staff**
 - Ensuring they work and are seen to work in an open, honest, and transparent manner that is free of fraud
 - Complying with anti-fraud controls and processes
- **Managers**
 - ❖ Reporting all cases of potential fraud, they identify Identifying areas at risk of potential fraud and putting in place effective controls to mitigate this risk
 - ❖ Monitoring and testing control systems to ensure they are robust and effective
- **External Audit**
 - 1.1 Giving assurance that the financial statements are free from material misstatement, whether caused by fraud or error
 - 1.2 Reporting suspected fraud to the Company Secretary unless
 - The Company Secretary is the alleged perpetrator, in which case the auditor will report to the Chief Executive.
 - The Chief Executive or a Board member is the alleged perpetrator, in which case the auditor will report to the Chair of the Audit and Risk Committee.
 - The Chair of the Audit and Risk Committee is the alleged perpetrator, in which case the auditor will report to the Chair of the Board.

6. Legal and regulatory framework

- The **Fraud Act 2006** makes provision for a general offence of fraud, broken down into three sections:
 - a. Fraud by false representation;
 - b. Fraud by failing to disclose information;
 - c. Fraud by abuse of position.
- The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.
- The **Bribery Act 2010** defines the criminal offence of bribery as being where financial advantage is offered, promised or given in exchange for improper performance of a function, and where the potential recipient requests, agrees or accepts such a financial advantage. In addition, a commercial organisation (which includes housing associations) is guilty of a criminal offence if it fails to prevent bribery. The Bribery Act introduces four offences:
 - 1.1 Offence of bribing another person.
 - 1.2 Offence of being bribed.
 - 1.3 Bribery of a foreign public official.
 - 1.4 Failure to prevent bribery (this is a corporate offence).

- The ***Prevention of Social Housing Fraud Act 2013*** is primarily intended to strengthen the powers of social landlords to tackle tenants who sublet the whole of their dwellings for a profit. It:
 - creates new criminal offences of unlawful subletting by assured and secure tenants in social housing;
 - gives local authorities powers to prosecute in cases of unlawful subletting;
 - enables courts to order the recovery of any profit made from unlawful subletting from tenants; and
 - provides that assured tenants who unlawfully sublet the whole of their dwelling cannot subsequently regain their security of tenure.
- Red Kite Group would work closely with the relevant local authority's Fraud Officer to secure any prosecution under this legislation.
- The ***Criminal Finance Act 2017*** makes a company liable if an 'associated person' (staff and Board Members) facilitates tax evasion when acting in that capacity. A defence is having reasonable processes in place to mitigate the potential fraud taking place.

7. Related Policies & Procedures

- We have controls in place to prevent fraud. These include:
 - Governance Regulations, Financial Regulation and Delegated Authorities
 - Staff terms and conditions, including contracts of employment
 - Board members' Code of Conduct
 - Staff and Volunteers Expenses Policy
 - Our Behaviour Charter
 - Gifts and Hospitality Policy
 - Declaration of Interest
 - Whistleblowing Policy
 - Contracts Standing Orders and procurement guidelines
 - Contractor Code of Conduct
 - Contract Management Procedure
 - Procurement templates and anti-bribery questionnaires
 - Purchase Ordering and payment authorisation payments
 - Tenancy Policy (covers Tenancy Fraud)

Appendices:

1. Detailed Fraud Response Plan
2. Flow-charted Fraud Response Plan
3. Fraud matrix (example)
4. Summary of our approach

Appendix 1: Detailed Fraud Response Plan

1. INDIVIDUAL RESPONSIBILITIES AND SYSTEMS OF CONTROL TO MITIGATE FRAUD

- 1.1 The day-to-day responsibility for the prevention and detection of fraud rests with managers who are, inter alia, responsible for:
1. Identifying the risks to which systems and procedures are exposed.
 2. Developing and maintaining effective controls to prevent and detect fraud.
 3. Ensuring that controls are being complied with.
- 1.2 Internal Audit is available to offer advice and assistance on control issues, and will periodically review the effectiveness of, and compliance with, internal controls. Managers are encouraged to make proactive use of this service.
- 1.3 Individual members of staff are responsible for:
- Acting with propriety in the use of Red Kite Group's resources and in the handling and use of funds, whether they are involved in payments or receipts of cash or cash equivalents, or in dealing with contractors, suppliers, or service users.
 - Adhering to all procedures designed to prevent and detect fraud including maintaining accurate records.
 - Reporting details immediately if they suspect or believe that there is evidence of irregular or improper behaviour of that a fraud has been committed. Failure to report knowledge or suspicion of irregular or improper behaviour may, according to the circumstance, be deemed to be collusion in this irregular or improper behaviour. The appropriate reporting mechanism is detailed in section 6.
- 1.4 Red Kite Group has management and financial systems in place that feature controls for preventing fraud. These controls include:
- Code of Governance, Probity Policies, financial regulations, and procedure guides;
 - supervisory checks e.g. countersigning documents;
 - management checks e.g. review of expenditure;
 - clearly defined written responsibilities and lines of reporting.
 - segregation of duties;
 - computerised control procedures which prevent one person carrying out a complete task;
 - physical security of assets and equipment;
 - budgets and approval procedures;
 - internal audit;
 - external audit.
- 1.5 The Company Secretary is responsible for ensuring that insurances are in place which will allow for the recovery of fraudulent loss as far as is possible and cost-effective.

2. REPORTING AN ALLEGED OR SUSPECTED FRAUD

- 2.1 If any member of staff suspects that an action may signify an actual, suspected or potential fraud, the concern must be reported immediately to their immediate line

manager.

- 2.2 If it is thought that management is involved, the member of staff should approach The Company Secretary. If it is thought that The Company Secretary is involved, the concern should be raised with the Chief Executive. If it is thought that the Chief Executive or a board member is involved, the member of staff should approach the Chair of the Board or Chair of the Audit & Assurance Committee. Red Kite Group will ensure that relevant contact details are readily accessible.
- 2.3 Board members, residents or other persons should raise their concerns with The Company Secretary or the Chief Executive or Chair of the Board or Chair of the Audit and Risk Committee.
- 2.4 The Chief Executive and Company Secretary will treat each case on its own merit when deciding whether it is material enough to be judged as a fraud and the proportionality of the response. However, the expectation is that every alleged or suspected fraud will be treated with the utmost seriousness and fully investigated. The person reporting the alleged fraud may be required to participate in meetings as part of the investigation process.
- 2.5 Any employee who behaves in any prejudiced way towards a colleague who has, in good faith, reported a fraud or suspected fraud may be guilty of serious misconduct and appropriate action will be taken.

3. RESPONDING TO AN ALLEGATION OR SUSPICION OF FRAUD

- 3.1 Upon receiving a concern/report of fraud, the manager should inform a member of the Senior Leadership Team immediately making available all the known facts. The Senior Leader must also notify The Company Secretary at the earliest opportunity or escalate the referral as at section 6.2).
- 3.2 For any allegation The Company Secretary will immediately alert the Chief Executive and Chair of the Board and/or Chair of the Audit and Risk Committee to any incident, act or situation and advise whether this does, or could, give rise to the risk of material reputational damage to the association.
- 3.3 If the Company Secretary believes the allegation or suspicion is material, or that there is evidence a fraud has occurred, has been attempted, or is likely to occur, or the allegation relates to a board member or member of the senior management team (s)he must report the matter promptly (normally within 24 hours) to the:
 - Chair and/or the Chair, Audit and Risk Committee (unless either is implicated);
 - internal auditors;
 - external auditors
 - association's principal regulator (currently the Regulator of Social Housing - RSH) where the alleged fraud is in excess of £5,000 equivalent in value, or where a board member or a member of the Senior Leadership Team is implicated regardless of monetary value. (This is no longer a specific regulatory requirement, but it is important to be open and transparent with the regulator on matters which may involve weaknesses in the systems of control).

Consideration will also be given to reporting the matter to the police and Red Kite Group's insurers, once there is clear prima facie evidence of fraud.

- 3.4 The Company Secretary, in consultation with the Chair, Audit and Risk Committee, will decide on the initial investigation required to establish whether the allegation or suspicion is likely to be corroborated and, as such, whether it requires a full investigation.

The outcome of this initial investigation will be documented and summarised in the fraud register and be reported to the Chief Executive and Chair of the Board and/or Chair of the Audit and Risk Committee.

- 3.5 If appropriate a full investigation will be undertaken and reported to the Audit and Risk Committee. The Company Secretary, in consultation with the Chair, Audit and Risk Committee, will decide who is best placed to conduct a full investigation. This will depend on the circumstances of each case. Full consideration will be given to the potential employment law implications and those of the association's disciplinary policies and procedures to ensure that there is no conflict of interest.
- 3.6 Immediate line managers will not usually lead the investigation. External advisers e.g. lawyers, solicitors, forensic auditors will usually be used to advise and to investigate all allegations and suspicions against a board member or member of the senior leadership team. The investigation will be completed as soon as practicable and a provisional timetable will be agreed for any investigation. In order to carry out this investigation, it may be necessary to secure documentation and computer files.
- 3.7 Internal audit's role in relation to alleged or suspected frauds will be restricted to:
- investigating the causes of fraud, by reviewing the adequacy of existing systems of controls and procedures, and recommending improvements to prevent recurrence;
 - assisting the investigation with specialist knowledge, where required.
- 3.8 The investigators may need to conduct interviews with the individual or individuals suspected of perpetrating or witnessing the fraud. In normal circumstances, the Chief Executive will enable any such employees to be accompanied by a colleague or representative, but if it's considered necessary, Red Kite Group reserves the right to:
- suspend the employee pending further investigation; and/or
 - require the employee or witnesses to attend a meeting without notice, which may impact on their ability to arrange for a colleague or trade union representative to accompany them. (However, the employee will retain their right to be accompanied at the disciplinary hearing, should one be considered necessary).
- 3.9 Surveillance will not be undertaken without legal advice.
- 3.10 The Company Secretary will notify the Chief Executive and Chair of the Board and/or Chair of the Audit and Risk Committee of the outcome of the investigation and enter the details in the fraud register. The report of the investigation will be considered by the Audit and Risk Committee which will recommend appropriate actions to the Board.

4. FOLLOW-UP ACTION AND RECOVERY

- 4.1 Red Kite Group will expect any misappropriated funds or assets to be repaid or returned in full and will take all reasonable action to recover any assets that have been lost and take appropriate action against any board member, member of staff or other person who commits fraud or whose conduct allows fraud to be committed. The actions taken will be reported to and reviewed by the Audit and Risk Committee.
- 4.2 Under Red Kite Group's disciplinary policy and procedures for staff, committing a fraudulent act constitutes gross misconduct and will usually result in the individual concerned being dismissed. It will also be treated as a breach of the Code of Conduct and other probity standards for a board member and is likely to breach the contract criteria for a contractor or supplier.
- 4.3 Red Kite Group accepts that the member of staff or other person reporting the alleged

fraud will need to be assured that the matter has been properly addressed. Thus, subject to legal constraints and not jeopardising the investigation, that person will be informed of progress during the investigation and informed of the outcomes of any investigation.

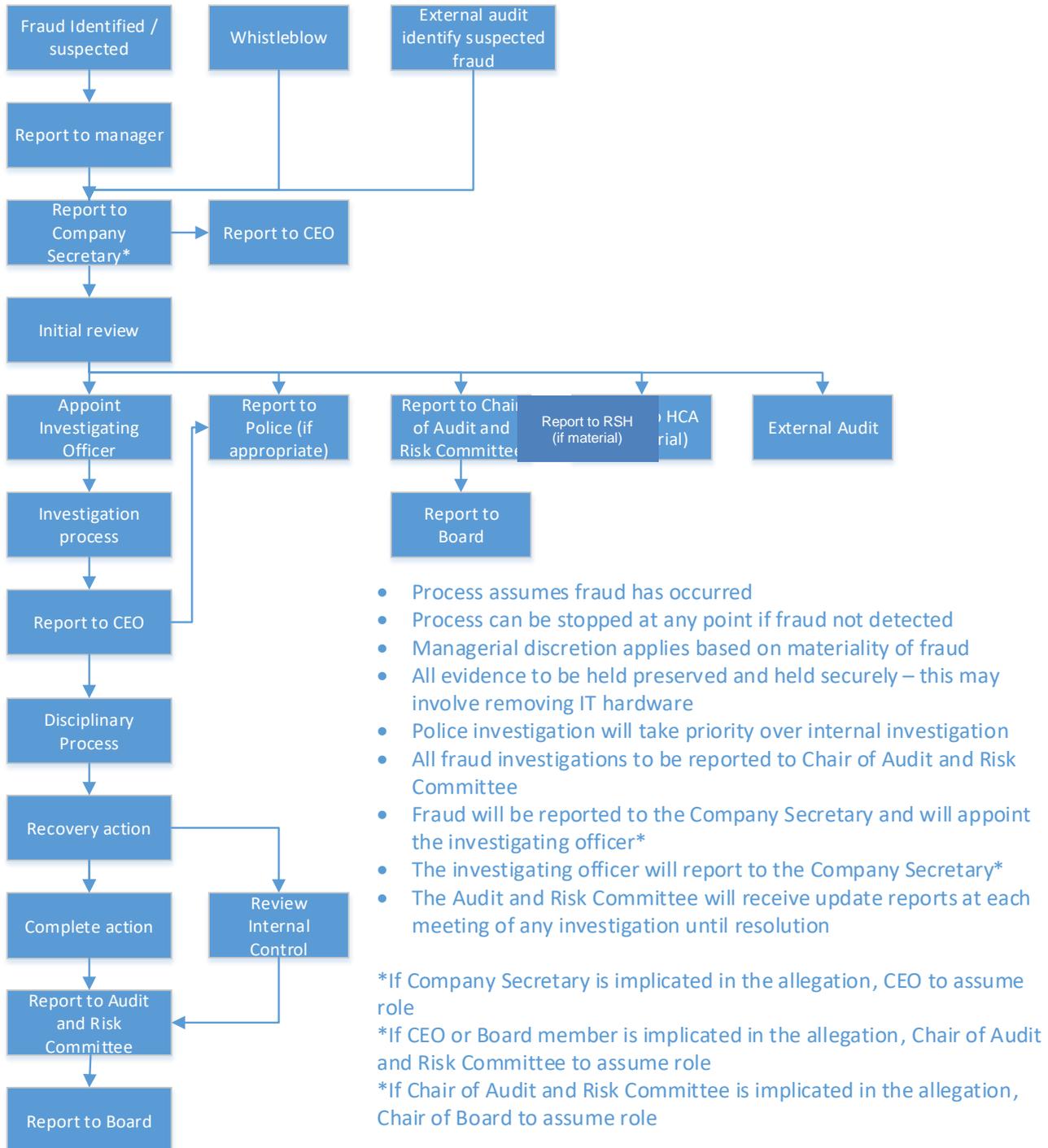
5. TAKING THE CONCERN FURTHER

5.1 This policy is intended to provide board members, staff and others with a process within Red Kite Group to raise allegations of suspicion about fraud. Red Kite Group hopes this person(s) will be satisfied with any action taken. Any concerns about Red Kite Group's response should be raised, in the first instance, with the Chair of the Board or Chair of the Audit and Risk Committee if (s)he has not previously been involved in the process. The reporting of any alleged or suspected fraud to the Chair of the Board will be the final stage of the association's internal process.

5.2 Beyond this, concerns may be raised with Red Kite Group's principal regulator (currently the Regulator of Social Housing). Advice may also be sought from:

- Red Kite Group's internal auditors;
- Red Kite Group's external auditors.

Appendix 2 – Fraud Response Plan



Appendix 3 – Fraud Matrix (example)

Fraud type	Fraud issue	Mitigation	Likelihood	Impact	Review
Bribery	Contractor offering inducement to win contract	Procurement process	Low	Medium	
Fraud	False expense claims from staff	Claims signed off by manager	Low	Low	
Embezzlement	False invoice processed staff	Process in place	Low	High	
Fraud	Supplier presenting false invoice	All invoices matched with purchase orders	Low	Medium	
Fraud	Cyber-fraud (to divert money to fraudsters)	Processes for change of accounts, training and IT safeguards strengthened following fraud in 2019	Low	Potentially High	

Appendix 4 – Summary of our approach

We have a six-step approach to combating fraud

Commitment We have a clear zero tolerance approach to fraud

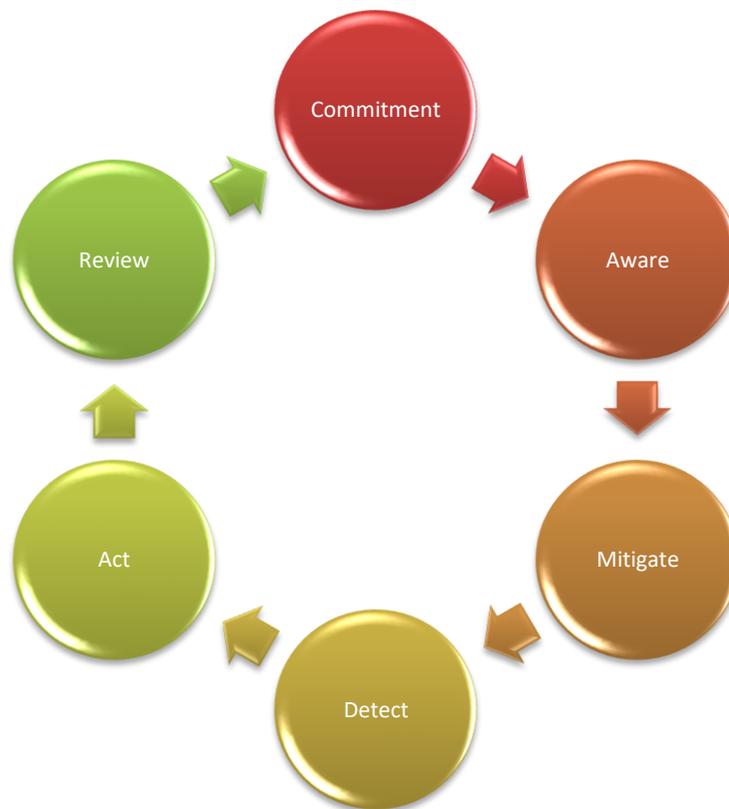
Aware We are aware of where fraud can take place

Mitigate We mitigate fraud through having robust controls and awareness

Detect We have a range of methods to ensure we detect fraud

Act We will take appropriate decisive action if and when fraud occurs

Review We review and audit our processes to ensure they are fit for purpose



Staff roles listed in the **Competency Standards section** must be acquainted with contents of this document and have had documented instructions and training on its use. Authority to amend can only be undertaken by the **Process owner** with the relevant **Delegated approvals**.

For information on interpretations and instructions staff should contact the **Subject Matter expert** or **Process owner** and under no circumstances should any deviation be permitted without prior approval as above.

Document Controls			
Version:	4	Effective date:	16/12/2020
Subject Matter expert drafter:	Company Secretary	Process owner:	Company Secretary
Related Pod	Governance	Related Policy	Whistle Blowing (see Sect 7 full list)
Review period	24 months	Next review due by:	16/12/2022
Delegated approvals			
The 3 lines of defence have been checked within the framework and are valid			<input type="checkbox"/> Yes
Approved by EMT		Approved Date:	16 th December 2020
Approved by Board/ Committee/RRT	BOARD approved minute 16.12.2020	Approved Date:	16 th December 2020