



# **Fraud Policy**

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## **INTRODUCTION AND POLICY**

This document contains *emda*'s policy on fraud.

*emda*'s policy on fraud is:

- **To take all allegations of fraud extremely seriously**
- **To investigate all allegations of fraud appropriately**
- **To maintain procedures for assessing the risk of fraud, notifying fraud, investigating it**
- **To educate staff and partners on fraud awareness and the relevant procedures**

*emda* expects staff and partners to act honestly and with integrity at all times, and will not tolerate fraudulent activity.

Following a report of suspected fraud *emda* will take the appropriate steps to investigate and deal with fraud in all cases, as set out in this Policy and the Procedural Guidance issued separately.

This policy is relevant to the *emda* Board, management and all *emda* staff, suppliers and contractors and organisations that *emda* funds or has an interest in.

## **1. Definitions of Fraud**

### **1.1 Definition**

For *emda's* purposes the term 'fraud' includes a number of different types of illegal activity. These include:

- Stealing/theft of money and/or goods
- Forgery – altering documents, signatures
- Embezzlement – taking resources, money
- Misuse or misappropriation of funds
- False accounting – giving incorrect information, untrue details or fake invoices for example
- Bribery/corruption – offering or accepting inducements that are aimed at influencing someone - awarding contracts in return for a personal payment for example
- Being under undue influence – failing to disclose an interest, failing to record hospitality or offers of gifts
- Extortion – obtaining favours by the use of threats
- Conspiracy, collusion and corruption – entering into agreements with others to carry out illegal activities
- Money laundering

All have the common element of taking personal gain when it is not moral or legal to do so.

These activities are contrary to all of the 'Nolan' principles of public life:

- Selflessness – taking decisions only in the public interest
- Integrity – having no financial or other obligation that might influence decisions
- Objectivity – making choices on merit only
- Accountability – being willing to be submitted to scrutiny
- Openness – giving reasons for actions, not hiding information
- Honesty – declaring private interests, resolving conflicts to protect the public interest
- Leadership – promoting the above principles by example

### **1.2 Possible consequences of fraud to *emda***

These include:

1. Loss of resources or property
2. Failure to obtain value for money and/or required outputs, failure to obtain the goods and services we have paid for with public money
3. Costs and disruption from investigation
4. Damage to *emda's* reputation and standing with partners and stakeholders
5. Adverse publicity

### **Possible Consequences of Fraud to the individual**

All cases where a suspicion of fraud has been raised will be dealt with appropriately in accordance with the Procedural Guidance<sup>1</sup>. Individuals involved in fraudulent activity may face the following consequences:

1. Most of the categories of fraud set out above are criminal offences, and if convicted, the perpetrator may be subject to the criminal punishment of fines, imprisonment and recovery of assets, through the Magistrates or Crown Court.
2. The commission of any fraudulent activity is a disciplinary matter for that employee, and the person involved will be subject to the Disciplinary Procedure in *emda's* Employee Handbook.
3. If the property obtained illegally belonged to *emda* it can be recovered through the Civil Courts, and the person involved (and their assets) can be subject to civil claims, injunctions and penalties.

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<sup>1</sup> This will be issued separately

## **2. Scope of Application of this Policy**

This Policy applies to the following groups of people:

### **1. *emda* employees**

As a public body we have a wide discretion in how we deal with a significant amount of public money. The temptation could exist in these circumstances to look for some personal advantage. Examples of this might take the form of:

- Accepting gifts; these could be seen as bribes or payment for favours
- Accepting hospitality: lunches, trips abroad etc
- Stealing *emda* equipment, property or money

The first two examples might in fact be perfectly innocent, but we have to be aware of how these look to the outside world. We have to be careful not only to do the right thing, but to be seen to be doing it as well.

### **2. Suppliers and Contractors**

Not everyone we deal with will have the same attitude to fraud that *emda* has, and in some areas the giving of gifts in return for contracts is considered to be standard business practice. *emda* emphasises that this is not acceptable and any member of staff offered such a gift is referred to the Employee Handbook guidance on gifts and hospitality.

In addition, suppliers and contractors who suggest fraudulent activity breach *emda*'s Procurement Code and should be warned that they risk sanctions.

### **3. Organisations that *emda* grant funds**

All grant funding is subject to an element of trust, and it is a serious matter for this trust to be broken. Not only might fraud cause problems in the funded body, but in some circumstances *emda* might be seen to be responsible for not taking proper care in monitoring them or controlling their activities.

### **4. Organisations that *emda* has an interest in**

This Policy also applies to the companies and other legal entities that *emda* has an interest in – these are listed in the Financial Memorandum.

### **3. Responsibilities under this Policy**

Depending on an individual's responsibilities within *emda*, the Board and employees will have different roles to play in relation to identifying, reporting, investigating and dealing with fraud:

#### **3.1 All *emda* staff and Board Members**

- *emda* staff and Board Members are all subject to criminal and civil laws and the Nolan principles and are responsible for complying with them
- *emda* staff and Board Members are all responsible to *emda* (as employer or as members of the Board) to be aware of activities around them and to report suspicions of fraud, however minor

#### **3.2 Heads of Team**

- Heads of Team will ensure that their teams comply with the above duties
- Heads of Team are expected to be aware of how a team member might report suspicions of fraud
- Heads of Team are expected to follow the Procedural Guidance when a suspicion of fraud is reported to them
- Heads of Team will keep each team updated on changes in this Policy

#### **3.3 DOM and Executive Directors**

As in 3.1 and 3.2 but also

- To assess the types of fraud risk involved in their operations
- To ensure that adequate internal controls exist and operate effectively
- To review and test the fraud control systems regularly and ensure that this Policy is understood and followed

#### **3.4 Human Resources Director**

Parts of this Policy interact with HR policies in respect of codes of conduct for staff and disciplinary procedures. In particular the role of HR Director is:

- to ensure that HR policies tie in with the Fraud Policy and vice versa
- to monitor the investigation process for compliance with disciplinary procedures

#### **3.5 Executive Director of Corporate Services**

The Executive Director of Corporate Services has overall responsibility for managing the risk of fraud, which includes:

- Undertaking regular reviews of fraud risks and directing internal audit
- Maintaining an effective Fraud Policy
- Oversight of the Fraud Response Group
- Reporting to the Chief Executive
- Reporting to the Audit Committee and Board

- Reporting to Treasury DTI and National Audit Office when required
- Oversight of related HR and training issues
- Oversight of related legal issues

### **3.6 Fraud Response Group (FRG)**

This consists of:

- Human Resources Director
- Finance Director
- Legal Services Manager
- A non-Corporate Services DOM Director

#### **Preliminary work**

The FRG will:

- Receive reports of suspicion
- Determine what immediate action should be taken – particularly where emergency measures such as staff suspension, injunctions or early Police involvement is anticipated
- Plan the investigation and allocate personnel and resources for the work
- Notify the Corporate Services Director of the convening of the FRG, the nature of the report and the work plan
- Keep records of information obtained
- Report to the Executive Director of Corporate Services

The Group are responsible for following the Procedural Guidance once a suspicion of fraud is raised.

### **3.7 Reporting Conclusions**

The Executive Director of Corporate Services will decide on:

- Frequency and nature of reports made concerning the investigation and its conclusions to the Audit Committee
- Reporting lessons learnt and improving procedures
- Reporting back to the Discloser and/or the Designated Assessor

### **3.8 Deputy Chief Executive**

Takes the place of the Executive Director of Corporate Services when not available or when they would have conflict of interest in investigating on suspected fraud.

### **3.9 Chief Executive**

As Accounting Officer the Chief Executive is responsible for:

- establishing and maintaining a sound system of internal control
- identifying and managing financial risks

### **3.10 Audit Committee**

- Receive reports from FRG via concerning investigations and recommendations
- Consulted by Executive Director of Corporate Services when policies are introduced or altered
- Chairman of Audit Committee can receive disclosures under the Unethical Practices ('Whistleblowing') procedure

### **3.11 Auditors**

It is not the function of auditors to prevent fraud. The auditor's role is:

- To consider the risk of fraud and the policies and procedures in place to prevent and deal with it

### **3.12 Other bodies**

#### **The Police**

The Executive Director of Corporate Services has responsibility for requesting Police involvement, and for arranging liaison with *emda* staff during their investigations.

#### **Serious Fraud Office**

Where the case is of great concern or of public interest, the Corporate Services Director will consider making a report to the Serious Fraud Office.

#### **HM Treasury**

The Executive Director of Corporate Services has responsibility for making the required reports to the Treasury and DTI

#### **The Media**

The Executive Director of Corporate Services has responsibility for notifying the Policy and Communications Director of the investigation and agreeing an appropriate approach to the media during and after it.

## **4. Application of the Fraud Policy**

### **4.1 Report it**

Any suspicions of fraud should be reported as soon as possible.

### **4.2 Who to report it to**

1. The first person to consider reporting to is a line manager.
2. If this is not possible or appropriate then a report can be made to any member of the Fraud Response Group.
3. If there is a fear of harassment or victimisation resulting from making the report, the Whistleblowing procedure set out in the Procedural Guidance should be used.

### **4.3 On receipt of a fraud report**

- Treat the information as confidential
- Inform a member of the Fraud Response Group, the Executive Director of Corporate Services or the Deputy Chief Executive