

# NORTH VIEW Housing Association

North View is a registered Scottish charity – charity registration number SC032963

## POLICY

## FRAUD PREVENTION

All North View policies and publications can be made available on tape, in Braille, large print and community languages.

For further details please contact us on 0141 634 0555 or email us on [enquiries@nvha.org.uk](mailto:enquiries@nvha.org.uk).

Passed:-

**24<sup>th</sup> August 2022**

Review Date:-

**July 2025**

### 1.0 INTRODUCTION

- 1.1 North View Housing Association recognises the importance of protecting the organisation including its operations, employees, suppliers, assets, tenants and residents against financial risks, operational breaches and unethical activities.
- 1.2 Losses due to fraud, theft or corrupt practices would have a direct effect on the level and quality of service provision. It is wrong to assume, therefore, that actual financial losses are the only negative outcome of frauds. The full cost is usually much greater than the amount stolen, as the costs associated with correction can often be dramatic. Staff morale and the level of confidence of tenants, owners, partners, suppliers, lenders and the Scottish Housing Regulator may decline as a result.
- 1.3 The Association has a responsibility to its tenants, owners, staff and other stakeholders to take all reasonable steps to prevent the occurrence of fraud. This Policy sets out, in more detail, processes for:
- fraud prevention and detection; and
  - investigating and reporting of fraud.
- 1.4 The objectives of this Policy are to:
- encourage staff to be aware of the possibility of fraud;
  - bring suspected fraud to notice;
  - provide a framework for investigating and reporting fraud;
  - ensure both alleged and proven fraud is dealt with in a consistent and timely manner;
  - minimise the opportunity for fraud by Association staff or by external agencies and businesses (either acting alone or in conspiracy with Association staff).

### 2.0 Fraud and Fraud Prevention

#### 2.1 Definition & Examples



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- 2.1.1 Fraud can be defined as ‘any act of wilful dishonesty to gain individual or collective advantage’. It is taken to include theft, deception, bribery, forgery, extortion, corruption, conspiracy, embezzlement, misappropriation, concealment of material facts and collusion. For practical purposes, fraud is defined as the use of deception with the intention of obtaining advantage, avoiding an obligation or causing loss to another party.
- 2.1.2 Staff should be aware that gifts, including hospitality offered by contractors, suppliers and service providers, may place an employee in a vulnerable position. Even when offered and accepted in innocence, such gifts may be misconstrued by others. The offer, acceptance or refusal of gifts and hospitality should be in line with the Association’s Entitlements, Payments and Benefits Policy.
- 2.1.3 Some examples of fraud that may be perpetrated against the Association are:
- theft of cash or fixed assets;
  - false accounting and/or making fraudulent statements with a view to personal gain or gain for another;
  - bribery and corruption – offering, giving, soliciting or accepting an inducement or reward that may influence the actions taken by the Association’s staff (for example, in the procurement of goods or services);
  - claims for payment of works of maintenance that have not been completed/do not exist/exaggerated/excessive;
  - claims for payment of supplies that have not been provided;
  - falsification of expenses and invoices;
  - falsification of time off in lieu, annual leave, sick or special leave records;
  - knowingly providing false information on job applications and requests for funding;
  - alteration or falsification of records (computerised or manual);
  - failure to account for monies collected;
  - tenancy fraud.

The above list is not exhaustive.

## 2.2 **Fraud Prevention**

- 2.2.1 The Association has established a system of internal controls, policies and procedures in an effort to deter, prevent and detect fraud and corruption.



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- 2.2.2 All new employees (including temporary and contract) are asked to provide details of any current unspent criminal offences as part of the Associations recruitment process. The Association may verify details provided, including references and educational checks.
- 2.2.3 All suppliers and contractors must be in good standing and subject to screening by the Association.
- 2.2.4 All contractual agreements with the Association will contain the provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption.
- 2.2.5 All staff will receive fraud and corruption awareness training.
- 2.2.6 An anti-fraud culture of shall be nurtured throughout the Association.

### 3.0 Reporting & Investigating Fraud

- 3.1 Having proper and consistently applied procedures for reporting and investigating fraud will have an important part to play in preventing fraud. The Association has processes in place for the investigation and reporting of all suspected frauds. These are outlined in section 4 below. Details of such investigations will, by necessity, remain confidential, but the Association will ensure that the lessons learned from any incident are disseminated to the appropriate members of staff.

### 4.0 Fraud Detection and Reporting

- 4.1 The primary responsibility for detecting fraud lies with Senior Staff through the implementation, documentation and operation of effective systems of internal control. All staff have, however, a responsibility to be aware of the potential for fraud and take the necessary steps to minimise the risk to the Association. Senior Staff should ensure that the staff in their areas of operation are familiar with the common types of fraud.
- 4.2 The Association's Internal Auditors, through their evaluation of the control frameworks in place, also have a role to play in preventing and detecting fraud. Similarly, through the annual examination of the financial statements, the External Auditor also identifies any audit and accounting issues and assesses the effectiveness of internal controls.



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- 4.3 Staff will often be the first to notice the potential for, or actual, fraud. Staff suspicious of fraud should report their concerns to their line manager, Director or a member of the Management Committee. This requirement to alert is not confined to suspicions about other members of staff, but includes any misgivings staff may have about contractors, suppliers etc. If for any reason it is felt that reporting in this manner is inappropriate, staff may report confidentially to a member of the Association's Management Committee **or** contact the Internal or External Auditors directly.
- 4.4 Where it appears that the fraud may have involved the Director or Finance staff, the Chairperson should be notified immediately, who shall then contact both the Internal and External Auditors who will guide them accordingly.
- 4.5 Staff should not be dissuaded from reporting actual or suspected fraud as all cases will be treated in the strictest confidence. The Association is fully committed to supporting and protecting staff who raise legitimate concerns where possible. The Association cannot, however, guarantee anonymity and may have to provide, for example, witness statements to assist with the investigation.
- 4.6 Provided the allegations have been made lawfully, without malice and in the public interest, the employment position of the person will not be disadvantaged for reasons of making this allegation.
- 4.7 Any action to prevent reporting or any attempts at intimidation will be treated seriously and the Association will immediately report such action to Police Scotland.
- 4.8 Fraudulent or corrupt activity is regarded as a breach of contract and where there are grounds for suspicion then suspension, pending the outcome of enquiries, is likely. Where there are grounds to suspect that criminal fraud has occurred the Association's policy in all such cases is to immediately advise Police Scotland. The Police and Procurator Fiscal will be solely responsible for deciding whether a criminal investigation is required. In all cases, the Association will co-operate fully with the Police and pursue prosecutions where possible.
- 4.9 The Association may start its own investigation while any Police investigation is ongoing. The Association will follow its own disciplinary procedure if required.
- 4.10 Where dishonesty is detected, disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned. The Associations Auditors' will be



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called in to carry out a fuller investigation and to provide independence in the investigation. In all cases, the Association will co-operate fully with those carrying out the investigation.

- 4.11 The Association will request that any staff member who is convicted of a fraudulent act whilst employed by the Association to inform the Director of the Association. The Association will take a view on whether or not the offence committed will result in the staff member being able to continue in their current post. The Association will carry out a Risk Assessment of the position in line with recruitment best practice for the employment of ex-offenders.
- 4.12 Line managers should note that suspects have certain rights under the law and no action (such as interviewing staff) should be taken without prior legal or Employers in Voluntary Housing (EVH) consultation. Failure to follow established procedures in relation to investigating fraud and interviewing staff involved can invalidate disciplinary action and compromise the success of any future investigation and/or prosecution.
- 4.13 Where the suspected fraud involves unknown parties and is estimated to be under £500 in value, the Association will only report the matter to the Police if it is deemed appropriate to do so by the Director.

## 5.0 Fraud Register

- 5.1 All frauds, suspected or actual, will be recorded in the Fraud Register, held by the Director. This will be reviewed by the finance service provider and signed off by the Management Committee once a fraud (or suspected fraud) has been detected.

The Director will have the responsibility of maintaining this register, which will record the following information:

- a summary of what has happened;
- action taken by the Association and Police Scotland;
- outcome;
- any control action required as a result of the fraud;
- estimate of loss/potential loss;
- potential for recovery of loss;
- date reported to the Scottish Housing Regulator (all suspected or actual fraudulent activity is to be reported as a Notifiable Event).



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5.2 Should any loss through fraud be sustained by the Association, the Management Committee shall take all reasonable steps to recoup the loss if this is of a material amount. The loss may be recouped from the perpetrator of the fraud or through a fidelity guarantee insurance claim.

5.3 An extract of the Fraud Register is attached at Appendix 1.

## 6.0 Responsibilities

### 6.1 Senior Staff

The responsibility for preventing fraud lies with Senior Staff through:

- identification of risks to which systems and procedures are exposed;
- developing and maintaining effective internal controls to prevent fraud;
- establishing an environment that promotes compliance with internal controls;
- promoting fraud awareness amongst staff;
- fostering an 'anti-fraud' culture;
- ensuring that if a fraud occurs a vigorous and prompt investigation takes place without regard to position held or length of service;
- take appropriate disciplinary and legal action in all cases where justified;
- reviewing systems and procedures to prevent similar frauds arising.

### 6.2 Management Committee & All Staff

The prime responsibility for preventing fraud lies with all staff. The Management Committee will receive notification if any suspected or actual fraudulent activity has taken place. The minute of said meeting will also aim to identify any weakness in internal controls and what action has been taken to address any weaknesses discovered.

## 7.0 Risk Management

7.1 While Senior Staff are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and take the necessary steps to minimise the risk to the Association.

7.2 Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically, both at corporate and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement controls to minimise the risks.



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7.3 Senior Staff also have a responsibility to familiarise themselves with common fraud techniques in areas for which they have control. This should include being alert to signs which indicate that fraud is taking place.

#### 8.0 Internal Controls

8.1 Internal controls are key in preventing fraud. They should be documented and communicated to all staff and the importance of compliance regularly reminded to staff. It is the responsibility of each departmental manager to ensure controls within their areas of responsibility have been documented and communicated and operate effectively. The Association's Financial Regulations and Financial Procedures are important documents, although they do not provide a definitive record of the systems of internal control.

8.2 Senior Staff should assess the types of risk involved in the operations for which they are responsible, review and test the control systems for which they are responsible to ensure that controls are being complied with and to satisfy themselves that their systems continue to operate effectively.

8.3 Senior Staff should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance.

8.4 Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to departmental managers so that the need for the controls can be re-evaluated and amended.

#### 9.0 Management Checks

9.1 The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by Senior Staff to ensure that procedures are being followed are, therefore, essential. There are two benefits from implementing a culture of strong management controls:

- a deterrent effect when it is known that processes are in place for ensuring that procedures are being followed; and
- the results of the checks will allow Senior Staff to identify any operational areas where controls are not being uniformly applied and investigate whether systems need to be reviewed.



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#### 10.0 Corporate Governance

- 10.1 The Association will ensure and evidence compliance with the Scottish Housing Regulator's Standards of Governance and Financial Management through the Annual Assurance Statement.

#### 11.0 Staff Training

- 11.1 Staff provide the best protection against fraud and corruption. It is important, therefore, that the policy on fraud prevention and investigation is fully communicated to all staff.
- 11.2 The recruitment of suitable staff is the first defence in preventing fraud. Best practice recruitment policies such as detailed application forms, including a statement on relevant unspent convictions, written and verbal communication with referees and past employers and verification of educational and professional qualifications will be strictly adhered to.
- 11.3 Staff awareness of policy and procedures is fundamental to the effective operation of systems. Best practice includes:
- instruction and discussion on control and probity issues as part of staff induction;
  - formal staff training on operational procedures;
  - desktop instructions for specific tasks;
  - publication of the Fraud Prevention Policy; and
  - any changes to control systems, policies and procedures are communicated to staff.

#### 12.0 Policy Review

- 12.1 This policy will be subject to review at least every 3 years.

#### **reviews and amendments:**



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## APPENDIX 1: FRAUD REGISTER PRO FORMA

### 1.0 Please provide a summary of the actual/suspected fraud.

### 2.0 Please state the action taken by:

#### 2.1 The Association

#### 2.2 Police Scotland



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**Please state the outcome of the detected/suspected fraud:**

**Please state any control action required as a result of the fraud/suspected fraud:**

**If financial loss has incurred, please state how much this loss/estimated loss or potential loss was and the action taken to recover it:**



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**Signature Director:**

**Date:**

**Date reported to The Scottish Housing Regulator:**



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