1 Introduction

1.1 This document sets out Foundation Scotland's [FS] policy on fraud and its responsibilities for its prevention. It also refers to the Fraud Response Plan, which outlines the action to be taken if fraud is discovered or suspected.

2 Scope

2.1 The policy applies to trustees, co-opted committee members and employees. Anyone associated with FS who commits fraud, theft, or any other dishonesty, or who becomes aware of it and does not report it, will be subject to appropriate action. FS has related policies on Anti-Bribery and Anti-Money Laundering.

3 Abbreviations and Definitions

Abbreviations

- CEO – Chief Executive Officer
- CFOO – Chief Finance and Operations Officer
- LT – Leadership Team

Definitions

- Fraud. A deliberate intent to acquire money or goods dishonestly through the falsification of records or documents. The deliberate changing of financial statements or other records by either a member of the public, someone who works or volunteers for FS. Attempted fraud is treated as seriously as accomplished fraud.
- Theft. Dishonestly acquiring, using, or disposing of physical or intellectual property belonging to FS or its clients.
- Misuse of Equipment. Deliberately misusing materials or equipment belonging to FS. This includes the intentional misuse of computer time and resources.
- Abuse of Position. Exploiting a position of trust within FS.

4 Policy

FS's Culture

4.1 Trustees, employees, and volunteers are expected to lead by example in adhering to policies, procedures and best practice. Grant applicants and external organisations [such as suppliers and contractors] are expected to act with integrity and without intent to commit fraud against FS.

Specific Actions to Limit the Possibility of Fraud

4.2 Appointment of trustees

4.2.1 Every endeavour will be made by existing trustees to ensure that a potential trustee is bona fide and suitable to act in that role having regard to the requirements of this policy and any relevant legislation.

4.2.2 New trustees will be required to complete a Trustee Eligibility Form and an HMRC Fit and Proper Declaration. From time to time, existing trustees will be asked to renew these declarations. The Conflict of Interest Policy also includes the requirement for all trustees and employees to complete a Declaration of Interests annually.

4.3 Appointment of employees

4.3.1 Written references will be sought for all employees including confirmation of their honesty and integrity.

4.4 Acceptance or refusal of gifts

4.4.1 In agreeing the acceptance of any gift, endowment, or legacy, the CEO and relevant Team Head will ascertain if there is published or other credible evidence that:

- The proposed gift will not be made from a source that arises in whole or in part from an activity that is illegal, e.g., tax evasion or fraud.
- The proposed gift, or any of its conditions, will not require action that is illegal or fraudulent.

4.5 Financial Controls

4.5.1 The CFOO is responsible for establishing and maintaining the segregation of duties matrix which is reviewed by the Audit and Assurance Committee annually.

4.5.2 The Audit and Assurance Committee reviews the Charity Commission Internal Controls Checklist [CC8] annually against the systems and procedures in place in the Finance Function.

4.6 Grant assessment and distribution

4.6.1 The assessment process for applicants will seek to maximise the opportunity of deterring and detecting fraudulent applications in proportion with the financial value of grant.

4.6.2 The assessment policy will be reviewed from time to time, in relation to the issue of fraud, by the LT and updated as appropriate.

4.6.3 Payments are made by BACS with bank account details confirmed against a scanned original bank statement. A remittance is sent electronically to the intended recipient which also acts as a check that the bank account details are correct.

4.6.4 In the case of large grants, consideration will always be given to payments being made in instalments and only after the satisfactory completion of interim reports/milestones, etc.

4.6.5 The terms and conditions contained within the Financial Controls document will be followed to ensure good financial practice.

Fraud Response Plan

4.7 FS 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.
- Who to report to.
- How to secure the evidence.
- How to prevent losses.
- Who within FS will notify the police and investigate fraud.
- Who has responsibility for notifying stakeholders and dealing with external enquiries.

4.8 The following paragraphs summarise the actions to be taken following the discovery of fraud or suspected fraud.

Purpose of the Fraud Response Plan

4.9 The purpose of this plan is to ensure that timely and effective action is taken in the event of a fraud. The plan aims to help minimise losses and increase the chances of a successful investigation.

4.10 The plan defines authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. The plan acts as a checklist of actions and a guide to follow in the event of fraud being suspected. The plan is designed to:

- Prevent further loss
- Establish and secure evidence necessary for criminal and/or disciplinary action
- Determine when and how to contact the police and establish lines of communication
- Assign responsibility for investigating the incident
- Minimise and recover losses
- Review the reasons for the incident, the measures taken to prevent a recurrence, and determine any action needed to strengthen future responses to fraud
- Keep all personnel with a need to know suitably informed about the incident as the investigation develops
- Help promote an anti-fraud culture by making it clear to employees and others that FS will pursue all cases of fraud vigorously taking appropriate legal and/or disciplinary action in all cases where that is justified

Action Following Detection

4.11 When any employee suspects that a fraud has occurred, they must notify the CEO as soon as possible and if the matter does not relate to an employee, trustee or co-opted committee member, update RiskMate with the following information. They should not attempt to investigate the matter themselves.

- The amount/value, if established.
- The position regarding recovery.
- The period over which the irregularity occurred, if known.
- The date of discovery and how the suspected fraud was discovered.

- The type of irregularity and what led to it.
- Whether the person responsible has been identified.
- Whether any collusion with others is suspected.
- Details of any actions taken to date.
- Any other information or comments which might be useful.

Initial Enquiries

4.12 The CEO and CFOO will carry out an initial investigation as soon as reasonably possible. The purpose of the initial enquiry is to confirm or repudiate, as far as possible, the suspicions that have arisen so that, if necessary, disciplinary action including further and more detailed investigation [under internal disciplinary procedures and/or the police] may be instigated.

Protection of Evidence

4.13 If the initial examination confirms the suspicion that a fraud has been perpetrated, then to prevent the loss of evidence which may subsequently prove essential for disciplinary action or prosecution, management should:

- Take steps to ensure that all original evidence is secured as soon as possible.
- Be able to account for the security of the evidence at all times after it has been secured. For this purpose, all items of evidence should be individually numbered and descriptively labelled.
- Not alter or amend the evidence in any way.
- Keep a note of when they came into possession of the evidence. This will be useful later if proceedings take place.
- Remember that all memoranda relating to the investigation must be disclosed to the defence in the event of formal proceedings and so it is important to carefully consider what information needs to be recorded. Care must be taken with phrases such as “discrepancy” and “irregularity” when what is really meant is fraud or theft.

4.14 The CEO has full responsibility for progressing the case and whilst they can, and should, call on the assistance of various sources of help at all stages [technical assistance, personnel, external audit, solicitors, etc.], ultimate responsibility and accountability in progressing the case should remain with them.

Police Involvement

4.15 If there is clear evidence of fraud, then the matter will be reported to the police. Consultation with the police at an early stage is beneficial allowing the police to examine the evidence available at that time and make decisions on whether there is sufficient evidence to support a criminal prosecution or if a police investigation is appropriate.

Learning from Experience

4.16 Following completion of the case, the CEO should prepare a summary report on the outcome and lessons learned circulating it to all other interested parties, including the Office of the Scottish Charity Regulator. The CEO must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud.

5 Roles and Responsibilities

5.1 The CEO and CFOO are responsible for:

- Developing and maintaining effective controls to help prevent or detect fraud - CFOO
- Carrying out vigorous and prompt investigations if fraud occurs – CEO and CFOO
- Taking appropriate disciplinary and/or legal action against perpetrators of fraud - CEO
- Taking disciplinary action against managers where their failures have contributed to the commission of the fraud - CEO
- Ensuring that anti-fraud training is made available to trustees, employees and volunteers as required - CFOO

5.2 Line Managers' Responsibilities

- Line Managers are responsible for the prevention and detection of fraud by ensuring that an adequate system of internal controls exists within their areas of responsibility, and these controls operate effectively. As a result, there is a need for all managers to:
- Identify and assess the risks involved in the operations for which they are responsible.
- Develop and maintain effective controls to prevent and detect fraud.
- Ensure compliance with controls.
- Ensure that agreed procedures are followed.

5.3 Employee Responsibilities:

- Has a duty to ensure that public funds, FS reputation and its assets are safeguarded.
- Should alert their line manager immediately where they believe the opportunity for fraud exists because of poor procedures or lack of effective supervision.
- Has a responsibility to immediately report details of:
    - Any suspected or actual fraud, or
    - Any suspicious acts or events, to their line manager, or the CEO.
    - Assist in any investigations by making available all relevant information and by co-operating in interviews.

6 Training

- There is no associated training with this Policy however this policy is required reading for all staff and there are Learning Management courses on Anti-Money Laundering and Bribery.

7 References

- Charity Commission Internal Controls Checklist

8 Review

8.1 This policy is reviewed, approved, and endorsed by the Board of trustees. It is updated when required by legislation, to ensure that it reflects statutory responsibilities, government guidance and best practice for FS or every 36 months whichever is the soonest.

9 Document Properties

Title	Anti-Fraud Policy		
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