Fraud Protection Policy and Response Plan

Approved October 2023

Introduction

This Fraud Protection Policy has been developed by Corra Foundation (Corra) to outline its commitment to preventing, detecting, and responding to fraudulent activities relating to our organisation. This policy aims to establish clear guidelines and procedures to mitigate the risk of fraud and ensure the proper use of funds allocated for grants.

Definitions

Fraud: Any act of deception, misrepresentation, or dishonesty undertaken with the intent to obtain unauthorised benefits, funds, or resources, whether or not for personal gain. This includes the deliberate changing of financial statements or other records by either a member of the public or someone who works or volunteers for Corra. Attempted fraud is treated as seriously as accomplished fraud.

Grant: Financial assistance provided by Corra to organisations or communities.

Roles and Responsibilities

Board of Trustees: The Board of Trustees is responsible for overseeing the implementation and effectiveness of the fraud protection policy. They are responsible for establishing a culture of integrity and ethical behaviour within Corra.

Audit Committee: The Audit Committee provide oversight to senior management, helping to ensure a strong emphasis on fraud prevention and deterrence and encouraging a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee consider the potential for override of controls and inappropriate influence over the financial reporting process. Any cases of actual, suspected, or alleged fraud are reported to the Audit Committee by senior management.

Senior Management: Senior management is responsible for the implementation of effective internal controls, including segregation of duties, regular monitoring, ensuring suspected fraud is thoroughly investigated, reporting of suspected fraud, and taking appropriate disciplinary and legal action. Senior management is also responsible for ensuring that anti-fraud training is made available to Trustees and employees as required.

Management: Managers are responsible for preventing and detecting fraud by ensuring that an adequate system of internal controls exists within their areas of responsibility and that these controls operate effectively. 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 controls to prevent and detect fraud, and ensure compliance with controls.

Employees: All employees are responsible for acting honestly, ethically, and in accordance with this policy. Employees should alert their line manager immediately when they believe the opportunity for fraud exists because of poor procedures or lack of effective supervision. Every employee is responsible for immediately reporting details of any suspected or actual fraud or any suspicious acts or events to their line manager or the CEO. All employees should assist in any investigations by making all relevant information available and cooperating in interviews.

Prevention Measures

Grant Assessment: Grant applications undergo a thorough assessment process, including due diligence checks, financial assessments, and banking verifications. These processes seek to maximise the opportunity to deter and detect fraudulent applications.

Grant Approval: Approvals are always based on established criteria and guidelines. Grant approvals always involve more than one person.

Additional Due Diligence: Corra funds many small and unincorporated community groups. Corra reserves the right to take additional measures to verify that applicants are genuine. These measures may include:

- Carrying out face-to-face assessments onsite at the group's premises
- Asking referral agencies to verify the identity of the applicant.
- Requesting details for an independent referee.
- Asking to see official documents – for example, passport or driving licence.
- Using a digital verification solution.
- Verifying online presence, e.g. website, social media etc.

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

Segregation of Duties: Roles and responsibilities related to grant administration, financial management, and reporting are clearly defined and segregated to prevent any single individual from having excessive control or access.

Internal Controls: Effective internal controls are in place to safeguard the organisation's assets. This includes regular monitoring, periodic audits, and reconciliation of financial records.

Training and Awareness: Training sessions educate employees about fraud prevention, detection, and reporting procedures. Employees are made aware of the consequences of engaging in fraudulent activities.

Detection and Reporting

Reporting Mechanism: A confidential and anonymous reporting mechanism is in place to allow employees, stakeholders, and the public to report suspected fraudulent activities.

See www.corra.scot/contact-us/ for options or email fraud@corra.scot

Investigation: Any reported incidents of suspected fraud are promptly and thoroughly investigated by designated personnel. Investigations are conducted objectively, and appropriate action will be taken if fraud is substantiated.

Whistle-blower Protection: Corra is committed to protecting whistle-blowers from retaliation. Any employee who reports suspected fraud in good faith is protected from adverse actions.

Response and Consequences

Disciplinary Process: If fraudulent activity is confirmed, Corra would move to disciplinary process; this may include termination of employment, legal action, and recovery of misappropriated funds.

Legal Remedies: Corra reserves the right to pursue legal remedies to recover funds, seek restitution, and take necessary actions to hold responsible individuals accountable for fraudulent activities.

Review and Continuous Improvement

Periodic Review: This Fraud Protection Policy is reviewed every two years (and in between if necessary) to ensure its effectiveness and relevance. Updates and revisions are made as needed to address emerging fraud risks.

Monitoring and Auditing: Ongoing monitoring and auditing processes assess the implementation and effectiveness of fraud prevention measures.

Fraud Response Plan

Corra’s Fraud Response Plan acts as a checklist of actions and a guide to follow if fraud is suspected. It covers:

- Steps to be taken.
- To whom to report.
- How to secure the evidence.
- How to prevent losses.
- Who within Corra will notify the police and investigate fraud.
- Who has responsibility for notifying stakeholders and dealing with external enquiries.

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

Purpose of the Fraud Response Plan

This plan aims to ensure that timely and effective action is taken in the event of fraud or suspected fraud. The plan aims to help minimise losses and increase the chances of detection of any fraudulent activity.

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

- Prevent further loss.
- Establish and secure the evidence necessary for disciplinary and/or criminal 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 and 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 Corra will pursue all fraud cases vigorously, taking appropriate legal and disciplinary action in all instances where that is justified.

Action Following Detection

Initial notification: When employees suspect fraud has occurred, they must notify their line manager or the CEO immediately, or if not appropriate the Chair. Employees should not attempt to investigate the matter themselves.

Initial Enquiries: The CEO will delegate responsibility for conducting an initial investigation as soon as possible. If the fraud/ suspected fraud is external and does not involve a Trustee, employee or volunteer, the investigation may be carried out by a manager under the supervision of a member of the Senior Management Team. If the fraud/suspected fraud is internal, the workplace investigations procedure will be followed. The initial enquiry aims 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, may be instigated. The Audit Committee and Chair of the Board will be updated, and consideration given to notifying other relevant parties such as Corra's external auditors or insurers.

Protection of Evidence: 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:

- Ensure that all original evidence is secured as soon as possible.
- Be able to consistently account for the security of the evidence after it has been secured. For this purpose, all items of evidence should be 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.

All memoranda relating to the investigation must be disclosed to the defence in the event of formal proceedings, so it is essential to consider what information needs to be recorded. Care must be taken with phrases such as “discrepancy” and “irregularity” when what is meant is fraud or theft.

The CEO has ultimate responsibility, with progression of the case delegated to the appropriate level for investigation and progression of any actions.

Police Involvement: If there is evidence of potential fraud, the matter will be reported to Police Scotland. Consultation with the police at an early stage is beneficial, allowing the police to examine the evidence available at that time and decide whether there is sufficient evidence to support a criminal prosecution or if a police investigation is appropriate.

Learning from Experience: Following completion of the case, the senior manager involved should prepare a summary report on the outcome and learning for discussion with the CEO, circulating it to all other interested parties such as the Audit Committee, including the Office of the Scottish Charity Regulator. The CEO and senior management must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud.

By adhering to this Fraud Protection Policy, Corra aims to maintain the highest standards of integrity, protect its resources and ensure that grant funds are used for their intended purposes.