

Anti Fraud, Bribery and Corruption Policy

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Approved by: **Audit and Risk Committee**

1. Policy Statement

- 1.1. St Mungo's complies with applicable legislation, including the Fraud Act 2006, the Bribery Act 2010, Proceeds of Crime Act 2000 and the Terrorism Act 2000 and with other regulatory requirements and guidance including the National Housing Federation's Countering Fraud. Its Trustees are required under charity law to safeguard the assets of the charity.
- 1.2. St Mungo's is committed to conducting business fairly, openly and honestly and in accordance with the highest ethical and legal standards. The purpose of this policy is to set out St Mungo's approach to preventing, detecting, reporting and investigating fraud, bribery and corruption.
- 1.3. St Mungo's has a 'zero tolerance' policy towards fraud, bribery and corruption. This means that St Mungo's:
 - 1.1.1 does not accept any level of fraud, bribery or corruption within the organisation or by any other individual or organisation receiving St Mungo's funds or representing St Mungo's; and
 - 1.1.2 will always seek to take disciplinary and/or legal action against those found to have perpetrated, be involved in, or assisted with fraudulent or other improper activities in any of its operations.
- 1.4 St Mungo's is committed to developing an anti-fraud culture and keeping the opportunities for fraud, bribery and corruption to the absolute minimum.
- 1.5 St Mungo's requires all staff to act honestly and with integrity at all times and to safeguard the resources for which they are responsible.

2. Scope

- 2.1 This policy applies to St Mungo Community Housing Association (St Mungo's) and all separate legal entities owned and controlled by St Mungo's.
- 2.2 This policy is applicable to, and must be followed by Trustees, all staff including volunteers, consultants and contractors and other representatives conducting business on behalf of St Mungo's.
- 2.3 St Mungo's requires all those receiving St Mungo's funds or representing St Mungo's, including its suppliers, partners, contractors and agents, to act in accordance with this policy.
- 2.4 Incidences of fraud or theft involving clients should be reported through the Incident Reporting Procedure. A separate procedure is in place for handling client's money and valuables.

3. Diversity Implications

- 3.1 St Mungo's has adopted inclusion as one of its core values and seeks to integrate diversity and inclusion in all aspects of activity.
- 3.2 If this policy is required in another format, please contact the Leadership Admin Team.

4. Definitions

- 4.1 **A facilitation payment** is a type of bribe. An example is an unofficial payment or other advantage given to a public official to undertake or speed up the performance of their normal duties.
- 4.2 **Corruption** is the misuse of entrusted power for personal gain. This would include dishonest or fraudulent behaviour by those in positions of power, such as managers or government officials. It would include offering, giving and receiving bribes to influence the actions of someone in a position of power or influence, and the diversion of funds for private gain.
- 4.3 **A conflict of interest** is where an individual has private interests that may or actually do influence the decisions that they make as an employee or representative of an organisation.
- 4.4 **Fraud Response Plan** sets out responsibilities for investigating fraud, bribery and corruption, the procedures for investigating, action to be taken and external reporting.
- 4.6 A **third party** means an individual or organisation you meet during the course of your work and includes actual and potential customers, suppliers, agents, and government and public bodies, including their advisers, representatives and officials, politicians and political parties.

5. Types of financial crime

- 5.1 **Fraud** is knowingly making an untrue or misleading representation with the intention of making a gain for oneself or another or causing a loss, or risk of loss, to another. The Fraud Act 2006 sets out three ways by which fraud can be committed:
- Fraud by false representation. A representation is false if it is untrue or misleading, and the person making it knows that it is, or might be, untrue or misleading.
 - Fraud by failing to disclose information.
 - Fraud by abuse of position. This applies to those occupying a position in which they are expected to safeguard, or not to act against, the financial interests of another person.

In each case, the offence is to act dishonestly with the intention of making a gain for oneself or another or causing a loss, or risk of loss, to another. The criminal act is the attempt to deceive, and attempted fraud is therefore treated as seriously as accomplished fraud.

There are a wide variety of types of fraud that charities can experience, some examples relevant to the charity and housing association sector are set out in appendix 1.

- 5.2 **Theft** is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.
- 5.3 **Bribery** is giving or offering someone a financial or other advantage to encourage that person to perform their functions or activities improperly, or to reward someone for having already done so. Under the Bribery Act 2010 it is a criminal offence, punishable by up to 10 years imprisonment and/or a fine, to:
- Offer, promise or give a financial or other advantage to another person with the intention of inducing them to perform their functions improperly, or to reward them for having done so.
 - Request, agree to receive or accept a financial or other advantage as the reward for an improper function or activity.

The Act also creates a corporate offence of failing to prevent bribery. This means that St Mungo's could be liable if someone offers a bribe on its behalf, including employees and third parties carrying out St Mungo's business.

5.4 **Money laundering** is the process of turning the proceeds of crime into property or money that can be accessed legitimately without arousing suspicion. Under the Proceeds of Crime Act 2002 it is an offence to conceal, arrange and acquire criminal property.

A key area of risk for charities in relation to money laundering is suspect donations, such as unusually large amounts, conditions or complex banking and transfer arrangements, or a donation which in reality is some kind of loan.

5.5 **False accounting** is defined under the Theft Act 1968 as where a person dishonestly, with a view to gain for himself or another or with intent to cause loss to another:

- destroys, defaces, conceals or falsifies any account or any record or document made or required for any accounting purpose; or
- in furnishing information for any purpose, produces or makes use of any account, or any such record or document as aforesaid, which to his knowledge is or may be misleading, false or deceptive in a material particular.

5.6 **Terrorist financing** is the raising, moving, storing and using of financial resources for the purposes of terrorism. The Terrorism Act 2000 make it an offence to raise, receive or provide money or other property for the purpose of terrorism.

6. Risk and Internal Control Systems

6.1 St Mungo's will seek to assess the nature and extent of its exposure to the risks of internal and external fraud, bribery and corruption. St Mungo's will review its risk assessment in light of information about actual or suspected instances of fraud, bribery and corruption.

6.2 St Mungo's will seek to put in place efficient and effective systems, procedures and internal controls to: encourage an anti-fraud culture; prevent and detect fraud, bribery and corruption; and reduce the risks to an acceptable level.

6.3 St Mungo's will seek to equip its staff with the skills, knowledge and expertise to manage its fraud risk effectively. It will provide adequate training to make staff aware of the risks of fraud, bribery and corruption, and of their responsibilities in preventing, detecting, and reporting it.

6.4 St Mungo's will make all those receiving St Mungo's funds or representing St Mungo's, including its suppliers, partners, contractors and agents aware of this policy.

6.5 St Mungo's will work with relevant stakeholders, including comparable organisations, relevant regulators and government organisations to tackle fraud.

6.6 St Mungo's will regularly review and evaluate the effectiveness of its systems, procedures and internal controls for managing the risk of fraud. It will do this through as risk management and assurance processes as well as audit arrangements.

7. Reporting - Internal

7.1 All staff must immediately report any suspected or actual instances of fraud, bribery or corruption. This includes offers to pay bribes, solicitation of bribes and demands to make facilitation payments. Failure to report could result in disciplinary action. Examples of fraud and bribery indicators are set in the appendices to this policy.

7.2 Reports should be made to your line manager or to the Company Secretary. If staff are not comfortable reporting their concerns to these people, the Whistleblowing Policy, that can be found on Mungo's Net, sets out who else staff can report to.

7.3 St Mungo's also requires all those receiving St Mungo's funds or representing St Mungo's, including its suppliers, partners, contractors and agents, to report to any suspected or actual instances of fraud, bribery or corruption involving St Mungo's assets or staff. Reports should be made to the Company Secretary.

- 7.4 St Mungo's will not penalise anyone for raising a concern in good faith, even if it turns out to be unfounded. Any member of staff who harasses or victimises someone for raising a concern in good faith will themselves be subject to disciplinary action.
- 7.5 St Mungo's will maintain a system for recording: all reports of actual or suspected fraud, bribery and corruption; the action taken; and the outcome of any investigation. It will use this information to inform its review of the risks and the effectiveness of its controls.
- 7.6 All losses as result of fraud or theft must be recorded in a register maintained by the Company Secretary and reported to the Audit and Risk Committee. Cases of fraud or theft that involve significant financial loss for St Mungo's must be reported to the Board.

8. Investigation

- 8.1 St Mungo's will take all reports of actual or suspected fraud, bribery and corruption seriously, and investigate proportionately and appropriately as set out in this policy and the Fraud Response Plan.
- 8.2 When a report alleging fraud or corruption is received an appropriate investigator will be appointed. St Mungo's may appoint external specialists to assist with the investigation such as forensic accountants or computer specialists. Legal advice may also be sought. Where evidence indicates that an allegation has substance the matter will be reported to the Police.
- 8.3 Staff who may have information regarding the matters under investigation will be required to co-operate with the investigation process, this may include attending interviews or providing documents, reports and / or other information.
- 8.4 In order to avoid committing any 'tipping off' offences, we may not legally be able to inform all concerned parties of the investigation. Interim safeguards may need to be put into place until the investigation is concluded.
- 8.5 St Mungo's may use covert surveillance as part of the investigation process. Covert surveillance means surveillance carried out in a manner calculated to ensure those subject to it are unaware that it is taking place. St Mungo's will comply with the Employment Practices Data Protection Code published by the Information Commissioner.
- 8.6 St Mungo's will always seek to take disciplinary and/or legal action against those found to have perpetrated or assisted with fraudulent or other improper activities in any of its operations. For staff, this may include dismissal and for Trustees, removal from office.
- 8.7 St Mungo's expects any misappropriated funds or assets to be repaid or returned in full and will initiate civil recovery if it is in the best interests of St Mungo's to do so.

9. External Reporting of Fraud and Losses

- 9.1 St Mungo's will ensure that its obligations to report fraud, bribery and corruption to third parties are fully met. Detailed provisions relating to the parties that suspected or actual fraud, bribery or corruption must be reported to; the nature and timing of the disclosure required; and who is responsible for making the report, are set out in the Fraud Response Plan.
- 9.2 Where applicable under the Proceeds of Crime Act 2000, St Mungo's will report an act which may be money laundering to the National Crime Agency at the earliest opportunity and submit a request for consent if this is required.
- 9.3 St Mungo's will provide the Regulator of Social Housing with an annual report on any losses from fraudulent activity. Any fraud involving or implicating trustees or senior managers will be reported to the Regulator.

- 9.4 St Mungo's will report all cases of actual or alleged fraud or money laundering to the Charity Commission under their Serious Incidents reporting regime. Serious incidents involving theft of St Mungo's money or assets will also be reported.
- 9.5 Depending on the circumstances, St Mungo's may be required to report to other relevant bodies such as the Care Quality Commission, the local authority, the Department of Work and Pensions in the case of housing benefit fraud.
- 9.6 Consideration will be given to reporting incidents to Action Fraud and other relevant agencies to support the wider fight against crime.

10. Specific risk mitigation measures

- 10.1 To manage the exposure to bribery and corruption, trustees and staff must comply with St Mungo's requirements for receiving and offering gifts and set out in the Probity Policy.
- 10.2 All expense claims relating to hospitality, gifts or expenses incurred to third parties must be submitted in accordance with St Mungo's Expenses policy.
- 10.3 All accounts, invoices, memoranda and other documents relating to dealings with third parties must be prepared with strict accuracy and completeness. Accounts must not be kept 'off-book' to facilitate or conceal improper payments.
- 10.4 Conflicts of interest are known to increase the risk of fraud. Therefore, all staff who have an interest in an actual or potential supplier (whether personally, or through family members, close friends or associates) must declare that conflict of interest to the Company Secretary.
- 10.5 Trustees and staff must comply with St Mungo's requirements for carrying out proper due diligence on those individuals and organisations that give money to receive money from or work closely with St Mungo's.

11. Responsibilities

- 11.1 Trustees have a legal duty to safeguard St Mungo's money and assets and to act prudently. They must make sure that there are proper financial controls and procedures in place to help prevent financial abuse of St Mungo's funds. When dealing with incidents of fraud and crime they must ensure that they act responsibly and in the interests of the charity.
- 11.2 The Audit and Risk Committee has delegated responsibility for reviewing the procedures for detecting fraud and receiving reports on any matters of whistle blowing or alleged, attempted or actual fraudulent activity. Also, for reviewing the systems and controls for the prevention of bribery and receiving reports on non-compliance. The Company Secretary will provide an annual update to the Audit and Risk Committee at its June meeting.
- 11.3 The Company Secretary is responsible for recording all instances of actual or suspected fraud, bribery and corruption, ensuring that they are investigated proportionately and appropriately, and reported to external parties. The Company Secretary is also responsible for providing advice and training to staff on preventing, detecting and investigating fraud.
- 11.4 Executive Directors are responsible for ensuring that their staff within their Directorate are aware of and support this policy and that all incidents of fraud, bribery or corruption are reported, managed and investigated in line with this policy. They should liaise with and support the Company Secretary in doing this.
- 11.5 Managers receiving reports of fraud, bribery and corruption are responsible for reporting them to the Company Secretary, and agreeing with them how the case will be managed and who will be responsible for investigation.

11.6 All staff are responsible for complying with this policy and notifying their manager or the Company Secretary as soon as possible, if they believe or suspect that a conflict with this policy has occurred or may occur in the future.

12. Relevant Documents, Policies and Procedures

12.1. Probity Policy

12.2. Staff Code of Conduct

12.3. Know your Funder Policy

Appendix 1 – Examples of fraud

The following are examples of fraud that are relevant to St Mungo's.

All staff must immediately report any suspected or actual instances of fraud to an appropriate manager or to the Company Secretary.

Staff who are not comfortable reporting their concerns to these people, the Whistleblowing Policy sets out who else staff can report to.

Income related fraud occurs when people within or connected to a charity attempt to divert funds for personal use or other non-charity purposes. Examples include:

- intercepted postal donations and cheques being paid into personal accounts.
- skimming money from charitable fundraising collections
- fraudulent Gift Aid claims
- false accounting

Expenditure related fraud includes:

- claiming non-existent, over-inflated or inappropriate expenses or overtime
- misusing charity credit and debit cards or internet banking for personal expenditure
- creating false invoices, purchase orders and supplier identities in order to obtain payment for goods and services that have not been supplied.
- submitting, or conspiring to submit, false applications from real or fictional individuals for grants or other charitable benefits.
- awarding a contract, or preferential terms, to a supplier in return for payments, personal discounts, commission or other benefits
- creating non-existent beneficiaries or employees for directing payments, or use of a beneficiary identity for personal benefit
- misrepresenting timesheet information

Property fraud includes personal use of charity assets such as mobile phones, computers vehicles etc or use of use of the charity's databases for personal profit. The theft of personal information might also have implications under the Data Protection Act.

Procurement fraud may include the under provision or over charging of goods or services, or where contractors know that they don't have the capacity to provide the service procured.

Fraudulent fundraising includes misrepresenting to the public or other donors the destination of funds, or the amount going to a named charity.

Tenancy fraud involves the illegal subletting of rented properties, meaning that a home is not being occupied by the tenant it has been allocated to. This may also involve housing benefit fraud if the claimant is receiving benefit for a property which they are not resident in.

Corporate identity fraud occurs when a bogus company is set up or a genuine company's details are used without authorisation, to facilitate unlawful activity.

Mandate fraud where fraudsters purport to represent contactors and seek to change payee bank account details so that monies are fraudulently misdirected.

Phishing fraud where fraudsters purport to represent staff members or contractors in order to obtain sensitive information, or to arrange payments or change payee bank account details.

Appendix 2 – Bribery Red Flags

St Mungo's depends on its staff, trustees and volunteers to remain vigilant in preventing, detecting and reporting bribery. Any concerns must be reported to their line manager or the Company Secretary as soon as possible. Issues that should be reported include:

- any suspected or actual attempts at bribery.
- concerns that other employees or associated persons may be being bribed.
- concerns that other employees or associated persons may be bribing third parties.
- concerns that a third party engages in, or has been accused of engaging in, improper business practices.
- learning that a third party has a reputation for paying bribes or requiring that bribes are paid to them.
- a third party insists on receiving a commission or fee payment before committing to sign up to a contract with St Mungo's or carrying out a government function or process for St Mungo's.
- a third-party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made.
- a third party requests an unexpected additional fee or commission to "facilitate" a service.
- a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services.
- a third-party request that you provide employment or some other advantage to a friend or relative; or
- you are offered an unusually generous gift or offered lavish hospitality by a third party.

Appendix 3. Know Your Funder Policy (Available separately on Mungo's Net)

The overwhelming majority of individuals and organisations who donate to St Mungo's do so from the very best of motives and we are hugely grateful to them irrespective of the size of their donation. This policy describes the rare instances where an actual or potential donation may give rise to serious doubts about its acceptability and sets out what action we should take in these circumstances. It is not intended, however, to cast any doubt on the motivations of the vast majority of those who generously support our work.

- This policy has been developed as guidance to assess the risk at the beginning of the funder relationship and to protect against any regulatory and operational risks that may occur from our relationship with funders.
- St Mungo's reputation is one of its most valuable assets. Our Fundraising relies upon its trustworthiness, reliability, integrity and goodwill and the value of a strong reputation simply cannot be underestimated. Public image influences partnership proposals and contract wins, campaigning efforts and volunteer numbers, donation levels and the willingness of others to fundraise on our behalf.
- The Charity Commission recommends that when receiving donations of £5,000 or over that the identity of funders must be known for what are considered "substantial" donations.
- St Mungo's will not routinely apply the due diligence checks to donations below £5000, but is likely to consider making limited checks for donations between £1,000 & £5,000.
- This policy will provide information to all fundraising staff (including agency staff) and volunteers on the importance of 'knowing your funder' in order to ensure that the appropriate, preventative procedures are in place to mitigate against the risk of misappropriation, money laundering or other kinds of financial abuse in order to ensure due diligence and to support the hard work that our fundraising teams undertake in order to accomplish our core mission.
- This policy should be read in conjunction with the Declining Donations Policy.