



## **FRAUD POLICY AND PROCEDURES**

### **POLICY**

Sussex Neighbourhood House is committed to preventing fraud in the workplace. All employees, tutors, volunteers and participants must share in this commitment. The Committee of Management and employees especially must be aware of the circumstances, or 'red flags', which lead to fraud and must ensure appropriate internal controls are operating to minimise the House's exposure to fraudulent activities. For the purpose of this statement, fraud and intentional waste are referred to as 'fraud'. Where a fraud is alleged appropriate processes are to be developed and implemented to investigate and resolve the allegation.

### **DEFINITIONS**

For the purpose of this policy, fraud refers to theft, intentional waste or abuse of funds, property or time. Specific examples of fraud include but are not limited to:

- Theft of funds
- Theft or unauthorised removal of records, property or the property of other persons (to include the property of the Committee of Management, employees, tutors, volunteers, participants, and visitors)
- Unauthorised use or misuse of property or records
- Serious abuse of time such as unauthorised time away from work or excessive use of time for personal business
- Falsification of records
- Wilful destruction or damage of records, assets or the property of other persons (to include the property of the Committee of Management, employees, tutors, volunteers, participants, and visitors)
- Neglecting or subverting job responsibilities in exchange for an actual or promised reward

*Funds* – Cash, cheques, or other negotiable items.

*Property* – Any tangible item owned by the House or other.

### **BACKGROUND**

Studies have shown that 'red flags' of fraud within an organisation were ignored by the organisation in almost 50% of the frauds reported. Downsizing and repositioning of an organisation increases the risk of fraud. Poorly written procedures or poorly enforced internal controls allow the most fraud to occur.

Fraud may occur as a result of:

- Poor internal controls
- Management override of internal controls
- Collusion between employees and third parties
- Poor and non-existent organisational ethical standards
- Lack of control over staff by their manager

The most frequently cited 'red flags' of fraud are:

- Changes in an employee's lifestyle, spending habits or behaviour
- Poorly written or poorly enforced internal controls, procedures, policies or security

- Irregular/unexplained variances in financial information
- Failure to take action on results of internal/external audits or reviews
- Unusually high expenses or purchases
- Frequent complaints from participants
- Missing files
- Ignored comments concerning possible fraud

Perpetrators of fraud typically live beyond their reasonably available means. Other indicators of fraud include the borrowing of small amounts of money from co-workers, collectors or creditors, falsifying records, refusing to leave custody of records during the day, working excessive overtime, refusing annual leave, and excessively rewriting records under the guise of neatness.

## **CODE OF PRACTICE**

- Adherence to all organisational procedures, especially those concerning documentation and authorisation of transaction
- Physical security over assets such as locking doors and restricting access to certain areas
- Proper training of employees
- Active Risk Management Committee
- Independent review and monitoring of tasks
- Separation of duties so that no one employee is responsible for a transaction from start to finish
- Clear lines of authority
- Conflict of interest statements that are enforced
- Rotation of duties in positions more susceptible to fraud
- Ensuring that employees take regular leave
- Regular independent audits of areas susceptible to fraud

## **RESPONSIBILITIES**

Any employee of Sussex Neighbourhood House who has knowledge of an occurrence of fraud, or has reason to suspect that a fraud has occurred, must immediately notify the Manager. If the employee has reason to believe that the Manager may be involved, the employee will immediately notify the Chairperson of the Committee of Management. Every employee must co-operate with investigations pursuant to this procedure in accordance with the House's Policies and Procedures. The employee will not discuss the matter with anyone other than the Manager, the Committee of Management, the Auditor and the Police.

## **PROCEDURES**

The purpose of this procedure is to define what constitutes fraud, and to outline rules and procedures which must be followed by all employees of Sussex Neighbourhood House when fraud is suspected.

### **Record Security**

A successful audit / investigation can only be performed if the documentation relating to an alleged fraud is available for review in its original form. Therefore, once a suspected fraud is reported, the Committee of Management and the Manager of Sussex Neighbourhood House will take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not limited to, removing the records and placing them in a secure location, limiting access to the location where records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until an auditor obtains the records to begin the audit investigation.

## **Contacts / Protocols**

After an initial review and a determination that the suspected fraud warrants additional investigation, the Committee of Management and the Manager will notify an auditor to investigate the allegations. An internal audit will co-ordinate the investigation with the police and will report its investigative findings as described below.

## **Personal Actions**

If a suspicion of fraud is substantiated by the audit investigation, disciplinary action will be taken in line with Sussex Neighbourhood House's Policies and Procedures. A false and vindictive allegation of fraud is a violation of this procedure. All violations of this procedure, including violations of the confidentiality provisions, will result in disciplinary actions up to and including termination.

## **Confidentiality**

All participants in a fraud investigation will keep the details and results of the investigation confidential except as expressly provided in this procedure. However, the auditor may discuss the investigation with any person if such discussion would further the investigation.

## **Retaliation**

It is a violation of this procedure for any individual to be discriminated against for reporting fraud or for co-operating, giving evidence, or participating in an investigation. Employees of Sussex Neighbourhood House seeking to disclose a suspected fraud are covered under the Whistleblowers Protection Act, which covers the disclosure of suspected fraudulent acts. (See Act - end of section 10).

## **Media Issues**

If the media becomes aware of a fraud investigation, the alleged fraud and investigation will only be discussed by the Chairperson of the Sussex Neighbourhood House Committee of Management and the Manager.

## **DISPOSTION OF INVESTIGATION**

At the conclusion of the investigation, the auditor will document the results in a confidential report to the Sussex Neighbourhood House Committee of Management with a copy to the Manager. If the report documents that criminal offences may have occurred, the police will be notified and copies will also be sent to the police. In all cases where a fraud has been committed, the police are to be called in to undertake any action they consider appropriate.

If the fraud has resulted in a loss for Sussex Neighbourhood House, the auditor will report such a loss to the Manager who may seek restitution for any property loss through an insurance claim.

Upon completion of the audit investigation and all legal and personnel actions, records will be returned by the auditor to the Committee of Management.

A review of relevant policies, procedures and internal controls applicable to the area where the fraud occurred will be undertaken to assess whether these can be revised and strengthened.