

Fraud Control

Purpose

Bridge Housing Limited (BHL) is committed to establishing and maintaining an organisational culture that will ensure that effective fraud and corruption prevention is an integral part of our day to day operations.

Policy

BHL is entrusted by government, the community and its tenants to manage its services and assets efficiently, fairly, impartially and with integrity.

We have a reputation of delivering our services in an ethical and accountable manner. Fraud tarnishes our good name and reputation.

Every Board and staff member has responsibility to guard against and report instances of fraud and corruption.

BHL will not tolerate fraud or corruption within the organisation. Any fraud or corruption that is detected will be dealt with through BHL internal disciplinary procedure and reported to the relevant law enforcement agency.

Definitions

Term	Definition
Fraud	<i>Any dishonest activity causing actual or potential financial loss to BHL or any person, corporation or other entity connected with BHL and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit. The theft of property and/ or information belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud'. (definition of fraud from AS8001 – 2008 Fraud and Corruption Control)</i>
Corruption	<i>Any dishonest act in which a director, executive, manager, employee, volunteer or contractor acts contrary to the interests of BHL and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.</i> <i>The concept of 'corruption' can also involve corrupt conduct by BHL , or a person purporting to act on behalf of and in the interests of BHL, in order to secure some form of improper advantage for BHL either directly or indirectly. (The Independent Commission Against Corruption Act 1988 Section 8 provides a comprehensive definition of corrupt conduct.</i> <i>(definition of corruption from AS8001 – 2008 Fraud and Corruption Control)</i>

Term	Definition
<p>Conflict of Interest</p>	<p>BHL has adopted the definition of conflict of interest used by the Independent Commission against Corruption Managing Conflict of Interest in the Public Service (www.icac.nsw.gov.au):</p> <p><i>A conflict of interest involves a conflict between the public duty and private interests of a public official, in which the public official has private interests which could improperly influence the performance of their official duties and responsibilities.</i></p> <p><i>More specifically, conflicts of interest can be actual, perceived, or potential:</i></p> <ul style="list-style-type: none"> • Actual: involves a direct conflict between current duties and responsibilities and existing private interests • Perceived: conflict exists where it could be perceived, or appears, that private interests could improperly influence the performance of duties—whether or not this is in fact the case • Potential: arises where private interests could conflict with official duties <p><i>A conflict of interest can be pecuniary (involving financial gain or loss) or non-pecuniary (based on enmity or amity). A conflict of interest can arise from avoiding personal losses as well as gaining personal advantage, financial or otherwise.</i></p>
<p>Misconduct</p>	<p>Whilst fraud, corruption and conflict of interest are all considered by BHL to be elements of misconduct, we also acknowledge the risk of other forms of misconduct that would potentially have an impact on the assets, operations and reputation of BHL, but which may fall short of these specific definitions. These other forms of misconduct include:</p> <ul style="list-style-type: none"> • Breach of employment or other services contract (e.g. gross negligence causing financial loss to BHL) • Breach of duties of care under the <i>Corporations Act 2001</i> • Breach of the various Commonwealth and State Legislation relating to occupational health and safety, sexual and racial discrimination • Breach of BHL’s Code of Conduct and Ethics and breach of BHL’s various policies and procedures

Procedures

This procedure aims to put the following principles into practice:

- The prevention, detection and investigation of fraud
- The prosecution of offenders, including those involving routine or minor instances of fraud where appropriate
- The application of appropriate civil, administrative or disciplinary penalties
- The recovery of the proceeds of fraudulent activity
- The training of all employees in ethics, privacy and fraud awareness activities
- The specialised training of all employees involved in fraud control activities
- The external scrutiny of our fraud control activities

To do this we will establish a number of measures that together will constitute our fraud control strategies. We will clearly delineate the role of the person responsible for fraud control (our Fraud Control Officer). We will review the various policies and codes of practice we have that relate to fraud and the timelines we establish for carrying out our fraud management processes. We will undertake staff training for fraud awareness.

Roles and Responsibilities for Fraud Control at Bridge Housing

Role	Responsibilities
Fraud Control Officer	<p>The Fraud Control Officer is an employee who has primary responsibility for</p> <ul style="list-style-type: none"> overseeing the implementation and review of our Fraud Control Policy (this policy) and developing our Fraud Management Plan ensuring that this is well understood and actively upheld by staff at all levels of our organisation. <p>The Fraud Control Officer is the General Manager Finance and Corporate Services.</p>
BHL Board and Finance, Audit and Risk Committee (FRAC)	<p>Assess the risk of fraud occurring and implement the appropriate preventative measures. They do this with the direct support of the Fraud Control Officer, our external and internal auditors and all employees.</p>

Who Assesses Fraud Risk in BHL

The BHL Board through the Finance, Risk and Audit Committee (FRAC), the Chief Executive Officer (CEO), and executive management team have the ultimate responsibility (and report to the Board) to assess the risk of fraud occurring.

The CEO will encourage the use of a variety of techniques to assess various risk factors for fraud. These will include managing:

Accounting risks: The need to assess attitudes to the application of accounting standards, and to ensure that correct procedures are followed in the case of third parties involved in the assessment of the organisation's performance e.g. auditors and government departments.

Personal risks: The need to assess risks in an environment where there is an autocratic management style, unusual behaviour, expensive lifestyles, untaken holidays, poor quality staff, low morale or high staff turnover.

Cultural risks: The need to be aware of the risks in a culture that requires results at any cost or has a poor commitment to internal controls and demands unquestioning obedience from staff.

Structural risks: The need to understand that fraud is made easier when there are complex organisational and corporate structures and when remote locations are poorly supervised.

Business risks: The need to be alert to the risks that arise when business strategies are poor, profits exceed industry norms, the organisation has a poor corporate reputation or when it is facing liquidity problems.

Fraud Awareness

Fraud control is the responsibility of everyone in the organisation. It is important that all employees have a general awareness of fraud and corruption and how he or she should respond if this type of activity is detected or suspected.

BHL management will regularly communicate a clear definition of the types of action, particularly those that are specific to our business, that constitute fraudulent or corrupt practice, the fraud detection measures that are in place and an unequivocal statement that fraudulent and corrupt practices will not be tolerated.

An awareness of the risk of fraud control techniques and our attitude to control of fraud will be fostered by strategies that:

- Ensure all employees receive training in our Code of Conduct at induction and throughout the period of their employment
- Ensure all employees receive regular fraud awareness training appropriate to their level of responsibility
- Ensure updates and changes to fraud related policies, procedures and the Code of Conduct are effectively communicated to all employees
- Ensure all staff are aware of the alternative ways in which they can report allegations or concerns regarding fraud or unethical conduct, through our Whistleblower Policy
- Encourage staff to report any suspected incidence of fraud
- Promote fraud awareness and standards of conduct through regular meetings, staff newsletters or other internal publications, and through the overt, ongoing commitment demonstrated by senior management in all aspects of their relationships

It is our aim that Directors, management, employees and volunteers are aware of and understand this policy. It is also our aim that external parties that we deal with on a regular basis are aware that we take fraud and corruption seriously and have this policy in place.

Fraud and Corruption – some examples

The following are some examples of fraud within a community housing context:

- Accepting bribes or favours to gain access to housing, alternative housing or better housing
- Accepting bribes or favours to buy or lease properties
- Misappropriation of tenant rents and charges
- Unauthorised use of organisational assets and/or information
- Stealing organisational assets and/or information
- Falsifying time sheets or expenses
- Conspiring with others to win or obtain a tender
- Running a private business in working hours
- Sending false or duplicate invoices
- Sending invoices for work not done or completed

Further examples of Fraud and Corruption are listed at Appendix 1

Warning Signs of Possible Fraud

The following examples are indicators of systemic problems which may result in fraud:

- Conflicts of interest not declared
- Undue secrecy and lack of transparency in transactions and processes
- Staff who do not take holidays for extended periods
- Missing documentation or unauthorised alterations to documentation
- Unusual, unexpected or unexplained large transactions
- Anonymous complaints or rumours from reputable sources
- Policies and procedures not followed

Managing the Risk

Whilst no organisation can ever be immune from fraud and corruption BHL has in place the following controls to minimise and manage the risk:

- Clear guidelines on managing conflicts of interest
- Ensures that all Board members, staff (and volunteers) understand and sign the Code of Conduct and Ethics on an annual basis which outlines their responsibility to operate with the highest level of probity
- Clear guidelines on donations and gifts
- Corporate Governance and Finance and Audit Committees in place that identify areas of risk and implement controls to manage that risk, through an internal audit program
- Development of a risk register (as part of the Risk Management Plan) which clearly identifies potential fraud and corruption risks

See list at Appendix 2

Regular Assessment of Fraud Risks

BHL will carry out a comprehensive Fraud Risk Assessment every two years and develop a cycle of annual internal audits carried out by independent external auditors.

The CEO will provide the findings of the assessment to the Board at the first Board meeting after its completion and similarly to the next staff meeting.

The Fraud Risk Assessment will include a review of:

- Information technology and information security
- Electronic commerce, electronic service delivery and internet transactions
- Outsourced functions
- Grants and other payments, benefits or programs
- Tendering processes, and purchasing and contract management
- Services provided to the community
- Revenue collection
- Use of credit cards
- Travel allowance and other common allowances
- Salaries
- Property and other physical assets, including physical security

Disclosing or Reporting Fraud or Corrupt Conduct

Any person who suspects corrupt conduct should report it to their senior manager or Fraud Control Officer so that it can be fully investigated. This can be done in person, in writing or by email. All reports will be kept confidential.

Any person can also report suspected corrupt conduct to Your-Call, an independent company contracted by Bridge Housing to manage instances of whistleblowing. This policy is to be read in conjunction with the Whistleblower Policy. The Whistleblower Policy protects employees and volunteers rights when they report suspected fraud and corruption.

The appropriate person will vary depending on the nature of the conduct and persons believed to be involved.

If the suspected fraud or corrupt conduct involves: one or more staff members then it should be reported to both the CEO and/or Chairperson.

Where appropriate and as advised by the Board the matter should also be reported to the Office of the Registrar of Community Housing, under BHL's Notifiable Incident to the Registrar Policy and as required under the *Regulatory Code to the Housing Regulation 2009*.

Investigating Possible Fraud or Corrupt Conduct

In the event that fraud is detected, reported or suspected an investigation will be conducted by appropriately skilled and experienced personnel who are independent of the section in which the alleged fraud has occurred.

This independent party may include:

- An external law enforcement agency
- A manager or other senior person
- An external consultant operating under the direction of an independent senior person within the organisation.

The investigation should comply with all relevant legislation. Adequate records must be made of all investigations. These records are to be kept in accordance with legal, best practice and privacy management guidelines.

Investigations need to be handled discreetly. Information should be shared on a 'need to know' basis only and all people questioned should be reminded of their responsibilities to maintain confidentiality.

Any investigation will be handled with a view that a person who is alleged to have committed fraud: will be presumed innocent until proven guilty and will have a right to respond to allegations made against them.

An investigation may potentially involve the following investigative activities and within the authority of the investigating entity:

- Interviewing of relevant witnesses, both internal and external, including obtaining statements where appropriate
- Reviewing and collating of documentary evidence
- Forensic examination of computer systems¹⁵
- Examination of telephone records
- Enquiries with banks and other financial institutions
- Enquiries with other third parties
- Data search and seizure
- Expert witness and specialist testimony
- Tracing funds, assets and or goods
- Preparing briefs of evidence
- Liaison with the police or other law enforcement or regulatory agencies
- Interviewing persons suspected of involvement in fraud and corruption
- Report preparation

Any investigation into improper conduct will be subject to an appropriate level of supervision having regard to the seriousness of the matter under investigation.

Allegations investigated and found to be due to corrupt conduct or fraud may lead to:

- Dismissal of a Board or staff member
- Loss of home if a tenant
- Cancellation of contract if a contractor

Depending on the nature of the fraud or corrupt conduct it may also lead to reporting to the police and police prosecution.

Post the Investigation

In each instance where fraud is detected the CEO and the Fraud Control Officer should reassess the adequacy of the internal controls (particularly those directly impacting on the fraud incident and potentially allowing it to occur), and amend and improve controls where necessary.

Where improvements are required, these should be implemented as soon as possible and any amendments to internal controls should be effectively communicated to personnel appropriate to their level of responsibility and position description.

Related Policies and Reference to Regulatory Standards

- Code of Conduct
- Code of Ethics
- Whistleblower Policy
- Internal Audit Policy
- Gift Policy
- Notifiable Incident to Registrar
- Contractor Code of Conduct

Regulatory Standards

- 5.1 Fraud and Corruption
- 5.2 Code of Conduct

Appendix 1

There are basically two categories of fraud:

- Fraud which results in the loss of funds
- Fraud which results in the misuse of assets or the loss of an advantage

Within the BHL's working environment there are a number of areas where potential frauds could occur. We have grouped these under three headings, and have identified further examples of fraud which may be possible within organisations.

Fraud which Results in the Loss of Funds

Fraud Involving People outside BHL

- Invoices for goods and services not received
- Invoices from the organisation's maintenance contractor for services not performed
- Repairs to computers, or software support which are unnecessary
- Provision of goods and services by friends or family of staff
- Tenders being awarded to people who have inside information about other bids or assessment criteria
- Purchases being made from friends or family businesses at non-commercial prices
- Offers of incentives
- Offers of gifts to staff in return for their directing business to the supplier
- Preferential payment terms given
- Family and friends paid earlier than the normal commercial payment period and discounts offered not deducted
- Unnecessary pre-payments or deposits given
- Individuals or organisations given the opportunity to purchase assets at less than fair market value or on terms more favourable than those commercially available
- Claims by clients: false statements made by clients to claim benefits

Fraud by Employees and Others Using BHL's Funds

False Claims:

False statements made by clients to claim benefits.

False Expense Claims:

Claims for reimbursement of out-of-pocket expenses for supplies or consumables, supposedly purchased for the organisation's use and substantiated with receipts for purchases for personal use.

False Travel Claims:

To claim travel allowances when they are not due, or failing to return allowances for travel not undertaken. It may also be possible to claim accommodation allowances for provider-paid training or conferences.

To purchase petrol for a personal vehicle on the organisation's account.

False Time Sheet Claims:

Claims on time sheets for hours worked when these are not accurate.

Borrowing:

Borrowing funds can be very easy if the staff member who receives cash from clients is also responsible for entering records into the cash book and for the organisation's banking

Ghosting:

- Paying by cheque for the services of non-existent casual employees. These cheques are subsequently endorsed for payment to another bank account.
- Use of signed blank cheques to make payments for non-organisation purposes: cheque signatories should never under any circumstances sign cheques which are blank and should only sign any cheque if it is accompanied by completed documentation (usually an invoice and a cheque requisition).
- Fraud which results in the misuse of assets or the loss of an advantage.

Fraud by Employees and Others Using BHL's Property

The use of organisation facilities for personal gain:

- The use of the organisation's computers for after-hours training or tuition or the use of space and equipment for a personal business.
- The use of the GST exemption to purchase goods or services for use by a person or an organisation for purposes other than for the lawful use of the organisation. (This action represents a serious breach of the Commonwealth tax laws. It may also incur personal liability - civil or criminal).
- Motor vehicles, such as the use of organisation vehicles for unauthorised personal travel or by members of an employee's family.

Appendix 1

Risk Register Factors

Misappropriation of assets including theft, temporary borrowing, controls over handling of cash and recording its use.

Misuse of assets such as unauthorised personal use of organisational assets including motor vehicle, computers or stationery.

Delegations of authority failure by staff to adhere to relating to the value of assets or contracts they can sign for.

Lack of Supporting Documentation

Lack of a mandatory vacation policy (or its enforcement) for employees performing key control functions.

Fraudulent financial reporting including intentional distortion of financial statements, capitalising revenue items, fictitious asset register items, calculated avoidance of auditor involvement or restrictions in access to, or availability of staff.

High turnover of management, legal or accounting advisors or Board members.

Ineffective accounting, IT or internal audit staff.

Hiring of friends and relations.

Financial **pressures affecting employees** handling assets that are susceptible to misappropriation, such as:

- **Long term employees:** These individuals know the systems and processes in detail. This knowledge allows them to more easily circumvent controls and conceal fraud. These employees often do not take annual leave, resent questioning, and often are unable to find records or files.
- **Life crisis of employee:** e.g. divorce, death in family, or other matters that creates a need for substantial sums of money.
- **Lifestyle changes:** e.g. employees who are living beyond their means.
- **Rule breaker mentality:** i.e. employees who ignore rules or regulatory requirements.
- **Unappreciated workaholic:** this includes employees who believe they are not adequately compensated for the long, hard hours they work.

Inventory characteristics such as small size and high volume.

Fixed assets and plant and equipment characteristics such as storage off-site, portability of assets.

Security of and access to **branch offices** including multiple keys and lack of video surveillance in danger areas.

Engagement of **trade contractors, subcontractors or consultants** who have inappropriately close relationships with staff.