

# FRAUD POLICY

Applies to all persons working for Diabetes UK or on our behalf including employees, contractors, agency workers, volunteers, secondees, interns, members of associated bodies and suppliers.

Policy owner(s):	Head of Finance
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### A. Introduction

1. This document sets out Diabetes UK's policy on fraud and explains the responsibility we all have for its prevention. It also explains our fraud response plan so that everyone knows what actions should be taken if you discover or suspect fraud.
2. Diabetes UK requires all parties to this policy to act honestly and with integrity, and to safeguard the resources for which they are responsible. Fraud is an ever-present threat and we all have a role in reducing the risk.
3. Diabetes UK has a zero tolerance approach to fraud. Staff involved in impropriety of any kind will be subject to disciplinary action in line with Diabetes UK's Disciplinary Policy, and prosecution where appropriate. Diabetes UK treats attempted fraud as seriously as actual fraud. For clarity:
  - a) We will not tolerate any form of fraud.

- b) We are committed to maintaining a culture where fraud is unacceptable and will conduct all our business in an honest and ethical manner.
- c) We are committed to the prevention, deterrence, detection and investigation of all forms of fraud at all levels.
- d) We will seek to prosecute or apply other appropriate sanctions to perpetrators of fraud and to fully recover any losses.

## **B. What is fraud?**

- 4. The term fraud is used to describe a whole range of activities which aim to deceive a person or organisation in order to obtain an advantage, avoid an obligation or cause loss. To give some examples, the term 'fraud' could apply to all of the examples below:
  - a) accepting a gift (personally or to the charity) that we suspect is being given with the objective of influencing a decision
  - b) failing to share with a supplier relevant facts that would result in us paying more under our contract with them
  - c) stealing charity property
  - d) claiming false expenses or inflating expense claims (for example, by taking unnecessary journeys or 'rounding up' mileage)
  - e) agreeing to approve invoices as a favour to a colleague with no knowledge of what they relate to
- 5. The term also includes the use of information technology equipment to manipulate programs or data dishonestly, the theft of IT equipment and software, and the intentional misuse of computer time and resources. Please refer to our Information Security Policy for more information.
- 6. Some useful third party resources on fraud are listed below and can be searched for online and referred to for up to date information:
  - a) Action Fraud
  - b) Government Guidance on protecting your charity from fraud, and the Charity Fraud Awareness Hub
  - c) Fraud Advisory Panel – who run an annual Charity Fraud Awareness Week in October

## **C. How fraud happens**

- 7. Fraudulent activities can be carried out by colleagues or other individuals employed by the charities, and by third parties.
- 8. Even when the fraudster is a third party, the fraud itself commonly happens through manipulation of employees. Some common types are briefly explained below:

- a) Payment diversion fraud – a fraudster impersonates a legitimate supplier and asks us to change the bank details we hold in our system. To prevent this, we have processes that control what changes can be made to bank details.
  - b) CEO impersonation fraud – a fraudster impersonates the CEO or another senior colleague, and makes a request into finance to (often urgently) pay a supplier or issue gift cards. The fraudster is trying to take advantage of colleagues being helpful to senior colleagues and feeling that urgency makes it ok to go outside of process.
  - c) Fundraising fraud – an individual poses as a supporter and takes money from members of the public, but never passes it to the charity.
9. Fraud by employees and volunteers is sadly quite common, and can take place when an individual:
- a) has the opportunity to carry out a fraud – perhaps they're a budget holder, can influence others to carry out fraudulent approvals, or have privileged access to finance systems
  - b) may be experiencing financial pressure or money worries – perhaps their partner has lost their job, they (or a loved one) are struggling with addiction, or they are simply struggling with the cost of living
  - c) they're able to rationalise fraud – perhaps they believe that they are underpaid, or that the money wouldn't be used wisely anyways
10. Common employee and volunteer frauds include:
- a) Collusion with others to approve false invoices/payments to a fraudulent company or person
  - b) Expense or company credit card fraud where individuals spend charity money on items that are not required for charity business. We have controls around expense approval and timely review and coding of credit card spend to mitigate this risk, as explained in our Expense Policy.
11. Fraud can also occur where we sell goods or services – through fraudulent refund requests, complaints, or credit card claims. We will follow best practice as provided by our bank on all online sales of goods from our shop.

## **D. Executive Team Responsibilities**

12. The Executive Team is responsible for:
- a) developing and maintaining effective controls to help prevent or detect fraud;
  - b) carrying out vigorous and prompt investigations if fraud occurs;
  - c) taking appropriate disciplinary and/or legal action against perpetrators of fraud;
  - d) taking disciplinary action against managers where their failures have contributed to fraud being committed, in line with Diabetes UK's Disciplinary Policy.

## E. Staff Responsibilities

13. Line managers are responsible for the prevention and detection of fraud by ensuring that an adequate system of internal control exists within their areas of responsibility, and that these controls operate effectively. As a result there is a need for all managers to:
- a) identify and assess the risks involved in the operations for which they are responsible (please refer to the Risk Management pages on iknow);
  - b) develop and maintain effective controls to prevent and detect fraud;
  - c) ensure compliance with controls; and
  - d) ensure that agreed procedures are followed.
14. Every member of staff:
- a) has a duty to ensure that Diabetes UK's funds, reputation and assets are safeguarded;
  - b) should alert their line manager where they believe the opportunity for fraud exists because of poor procedures or lack of effective supervision;
  - c) has a responsibility to report details of any suspected or actual fraud, or any suspicious acts or events, to their line manager, head of department or the Head of Finance. Alternatively, you could use the Diabetes UK's whistleblowing service – details of which can be found by searching for 'whistleblowing' on the intranet.
  - d) should assist in any investigations by making available all relevant information and by cooperating in interviews.
15. The Finance Team:
- a) have the same responsibilities as every member of staff above, with an additional expectation that they will use their heightened professional awareness of fraud to protect the charity
  - b) in particular they must uphold the control environment and processes as designed to prevent fraud
  - c) should be contacted if fraud is suspected or discovered,
  - d) may be responsible for or have a role in investigating actual or suspected fraud (in accordance with the fraud response plan set out in section I),
  - e) will complete a review of control systems as part of the investigation and again when it is complete,
  - f) are available to offer advice and assistance on risk and control issues to all colleagues.
  - g) maintain a register of all actual and attempted frauds, escalating significant matters the Executive Team
  - h) maintain a register of gifts and hospitality received by all colleagues and make an assessment of any risks or patterns emerging

## F. Volunteers & Other Party's Responsibilities

16. Volunteers and others:

- a) have a duty to ensure that Diabetes UK's funds, reputation and assets are safeguarded;
- b) should alert their staff contact where they believe the opportunity for fraud exists because of poor procedures or lack of effective supervision;
- c) has a responsibility to report details of any suspected or actual fraud, or any suspicious acts or events, to their staff contact, or other management contact as appropriate. Alternatively, volunteers can refer to the Diabetes UK volunteer whistleblowing policy.
- d) should assist in any investigations by making available all relevant information and by cooperating in interviews.

If you suspect that someone you would normally report fraud to is involved in a fraud, please instead approach the Head of Legal & Compliance, the Director of Corporate Services or another Executive Team Director – or alternatively via our whistleblowing service, details of which are available on [iknow](#) or from your volunteering contact.

## G. Gifts and Hospitality

17. Giving and receiving gifts and hospitality can play an important role in building organisational relationships, but we cannot risk providing or accepting any payments, gifts or hospitality which could be construed as a bribe (which is a gift given with the intention of influencing the decisions of others).

18. Gifts or hospitality can only be provided by us if they:

- a) Legitimately establish or maintain good business relationships
- b) Improve the image and reputation of Diabetes UK
- c) Present our messages and services effectively

19. Any gifts or hospitality we provide must be reasonable, proportionate, provided for the purposes of furthering our charitable objectives and made in good faith. You must not offer or promise gifts or hospitality to secure an advantage for Diabetes UK or to influence the impartiality of the recipient.

20. Any gifts we offer must be of an appropriate type and must not be cash or cash equivalents (e.g. gift vouchers). An example of an appropriate type might be a lunch or reception.

21. You must be especially careful where the person to whom you are providing hospitality is a public official - for example an MP, NHS representative or government official. You must not offer any gifts or hospitality to public officials.

22. To help you decide whether arrangements are reasonable and proportionate, consider whether you would be able to justify them to your peers, senior management, or in the media. You could also consider whether you would feel comfortable spending the same amount if it was your own money. If you are unsure about whether you can justify providing gifts and hospitality in any particular circumstance, please consult with your line manager or director.

23. When accepting gifts, you must not accept anything that you suspect it is intended to influence decisions. For that reason, you must not accept gifts or hospitality from suppliers with whom we are in the process of tendering or negotiating for goods or services. As above, gifts must be of an appropriate type and must not be cash or cash equivalents (e.g. gift vouchers).

24. The appropriate handling of gifts or hospitality you are offered depends on the value, as this is relevant to the level of influence the gift could imply.

Nature	Value	Example	Informed/approves
Gifts & hospitality	Up to £30	A bottle of wine from a supplier at year end	Tell your line manager and email the Head of Finance so the gift can be included on the register (see 24. below)
Gifts	Over £30	A fitness tracker from a partner/major donor	You should email the Head of Finance who will ask you for some details and arrange for the gift to be disposed of in a way that does not unreasonably benefit one person, or which benefits the charity. The course of action will depend on the value and the options for disposal (see 24. below)
Hospitality	Over £30	A free place at an industry dinner	Your Director must approve, and you should email the Head of Finance so it can be included on the register (see 24. below)

25. The Head of Finance records all gifts and hospitality received by colleagues as a control against fraud, particularly bribery or corruption. It's important that you let them know about anything you receive in the spirit of transparency, so that they can identify patterns or any inappropriate activity by colleagues or third parties. Failure to disclose gifts or hospitality could be dealt with under the Disciplinary Policy where appropriate.

26. In order to let the Head of Finance know about gifts or hospitality you've received – you should send them an email with the subject line 'Gifts & Hospitality Declaration', and include the following information:

- Who has given you the gift (generally an individual or organisation) and what relationship they have to you/Diabetes UK
- What the gift is and its estimated market value (eg how much it would cost to buy)

- The date you received it

## H. Related documents

27. The Whistleblowing Policy sets out procedures for all staff to bring forward any concerns without fear of reprisal. Other related policies are:

- Employee Code of Conduct
- Disciplinary Policy
- Data Protection
- Risk Management
- Expense Policy
- Whistleblowing Policy

## I. Fraud Response Plan

This plan defines authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. Using the plan will enable Diabetes UK to:

- prevent further loss
- establish and secure evidence necessary for disciplinary action and/or prosecution
- notify the Executive Team as required
- recover losses
- review what caused, led to or enabled the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud
- keep all personnel with a need to know suitably informed about the incident and Diabetes UK's response
- assign responsibility for establishing whether external specialists should be involved
- inform and establish lines of communication with the Police, where appropriate
- take disciplinary action where appropriate

Please note that if the Director of Corporate Services, Chief Executive, or any other parties named by role below are close to the fraud or suspected of involvement, then the actions detailed in this Fraud Response Plan will be led by a different Director or in some instances by an independent third party.

### 1. Initiating action

Fraud may be detected through whistleblowing, reports from colleagues, volunteers or other parties, audit work or in the course of completing our normal procedures and processes.

Anyone who identifies actual or suspected fraud should report it without delay to the Head of Finance and the Director of Corporate Services. The Director of Corporate Services must then

decide how to conduct the response as soon as practicable, including who will investigate the fraud and who will take decisions on the actions to be taken.

The investigation could include appropriate representatives of management, People & Organisational Development, and Legal & Compliance. All those involved must be unconnected with the suspected fraud.

Those investigating the incident must establish whether there are reasonable grounds for suspecting fraud. If so they must recommend action required to:

- prevent further losses
- establish and secure evidence
- recover losses to the fullest extent possible
- report the fraud to all necessary parties, both internal and external.

If an employee is suspected to have been involved in or enabled fraud through their actions, the relevant director, with the support of People & Organisational Development, must decide if disciplinary procedures will be initiated.

The Director of Corporate Services must consult with the Chief Executive and/or other Directors in order to decide whether to involve third parties such as external auditors if appropriate given the value of the fraud, and to agree what their role should be (for example leading the investigation, participating or advising).

After consultation with the Chief Executive and other Directors as appropriate, the Director of Corporate Services may contact the Police. Our usual procedure is to involve the Police.

## 2. Preventing further loss

If the initial investigation provides reasonable grounds for suspecting fraud, those investigating the incident must decide what actions are required to prevent further loss. Where possible, they will consult with appropriate directors and managers first - but should not defer any action immediately necessary to prevent further loss if those individuals are not available. In preventing further loss, the investigator should

- assess whether the fraud is ongoing and identify actions to immediately halt it if it is
- ensure it cannot be repeated
- detect possible related incidents

They will also consider whether other related processes or systems must be investigated.

## 3. Establishing and securing evidence

When the charity experiences loss through wrongdoing, disciplinary action and/or prosecution will be pursued in order to assist in recovery of losses and to act as a deterrent to others. To achieve this it is necessary to identify and protect evidence which may be required in criminal or disciplinary investigations. Those responsible for investigating the incident must decide what

actions are required to obtain evidence of the fraud. As well as collecting evidence, they will take actions required to prevent the destruction or removal of evidence.

Those investigating the incident must understand and follow rules on the admissibility of documentary and other evidence in criminal proceedings and the requirements of the disciplinary process.

#### **4. Recovery of losses**

Recovering losses is a major objective of any fraud investigation. Those investigating the incident must ensure that in all fraud investigations, the amount of any loss is quantified. We will seek repayment of losses in all cases.

Where the fraud involves transfer of funds to a fraudulent account meaning that the identity of the perpetrator is unclear, the charity's banks will play a key role in attempting to trace and recover losses and should be contacted immediately by the Head of Finance so that they are aware of the situation and can take all measures available to them to recover the funds.

Where the suspected perpetrator of the fraud is a known individual and the loss is significant, the Director of Corporate Services will take legal advice without delay about the need to freeze a suspect's assets through the court, pending conclusion of the investigation. We will also obtain legal advice about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. We normally expect to recover costs in addition to losses. The Director of Corporate Services or the Chief Executive will decide actions in substantial incidents based on this advice.

The charity's insurance brokers should be updated as soon as practicable after the incident and their advice take to maximise the opportunity for a successful insurance claim in the event that funds cannot be recovered from the perpetrators.

#### **5. Disciplinary procedures against employees**

If those investigating an incident consider there is reasonable evidence of an employee being involved in fraud, they must present the evidence without delay to the relevant director and the Director of People & Organisational Development. They will decide whether to instigate disciplinary procedures. The disciplinary procedures provide for a range of sanctions in these circumstances including reprimand, loss of pay and termination of employment.

We may decide to immediately remove an employee from the office. We may also restrict access in any way that prevents further losses or the destruction or removal of evidence. The relevant director will decide this taking advice from those investigating the incident, the Director of People & Organisational Development and the Director of Corporate Services. In very urgent cases those investigating may take the decision if the above directors are not available. The relevant director must take any decision to suspend with advice from People & Organisational Development.

Where we immediately suspend an employee due to suspicion of fraud we will:

- give them no prior notification
- supervise them at all times before leaving Diabetes UK's premises
- allow them to collect personal property only under supervision
- not allow them to remove any property belonging to Diabetes UK
- remove their security passes and any keys to premises
- withdraw access permissions to Diabetes UK computer systems
- bar subsequent access to Diabetes UK premises or IT systems without supervision until the investigation is complete
- change locks and safe codes if we consider it necessary

## 6. Reporting

When fraud is identified the Chief Executive will be supported by the Director of Corporate Services to make a confidential report to the Chair of the Board of Trustees, the Chair of the Audit and Risk Committee, the Treasurer, and the external audit partner.

The report must include:

- quantification of losses
- progress with recovery action
- progress with any disciplinary action
- progress with any criminal action
- estimate of resources required to conclude the investigation
- actions taken to prevent and detect similar incidents

They must also report promptly to the above Chairs any variation from the approved fraud response plan and reasons for the variation.

## 7. Review of fraud response plan

We will review this plan for fitness of purpose at least annually or after each use, and submit proposed changes to the Audit and Risk Committee for approval.