

### **Background**

1. This organisation has a commitment to high legal, ethical and moral standards. All members of staff are expected to share this commitment. This policy is established to facilitate the development of procedures, which will aid in the investigation of fraud and related offences.
2. The Board already has procedures in place that reduce the likelihood of fraud occurring. These include documented procedures and systems of internal control and risk assessment management. In addition, the Board tries to ensure that a risk (and fraud) awareness culture exists in this organisation.
3. This document is intended to provide direction and help to those staff and directors who find themselves having to deal with suspected cases of theft, fraud or corruption. These documents give a framework for a response and advice and information on various aspects and implications of an investigation. These documents are not intended to provide direction on prevention of fraud.

### **Fraud Policy**

4. This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, and/or any other parties with a business relationship with this organisation. Any investigative activity required will be conducted without regard to any person's relationship to this organisation, position or length of service.
5. Fraud & malpractice comprises both the use of deception to obtain an unjust or illegal financial advantage and intentional misrepresentations affecting any aspect of company activity by one or more individuals among management, staff or third parties.
6. All Managers and staff have a duty to familiarise themselves with the types of improprieties that might be expected to occur within their areas of responsibility and to be alert for any indications or irregularity.

### **The Boards Policy**

7. The Board is absolutely committed to maintaining an honest, open and well-intentioned atmosphere within the organisation. It is therefore also committed to the elimination of any fraud and/or malpractice.
8. The Board wishes to encourage anyone having reasonable suspicions of fraud or malpractice to report them. Therefore, it is also the Board's policy, which will be rigorously enforced, that no employee will suffer in any way as a result of reporting reasonably held suspicions.
9. All members of staff can therefore be confident that they will not suffer in any way as a result of reporting reasonably held suspicions of fraud or malpractice. For these purposes reasonably held 'suspicions shall mean any suspicions other than those, which are raised maliciously and found to be groundless. The organisation will deal with all occurrences in accordance with the Public Interest Disclosure Act 1998.

The following paragraphs summarise the actions to be taken following the discovery of fraud & malpractice or suspected fraud/malpractice

## **1. PURPOSE OF THE FRAUD & MALPRACTICE PLAN**

The purpose of this plan is to ensure that timely and effective action is taken in the event of fraud/malpractice. The plan acts and increases the chances of a successful investigation.

The plan defines authority levels, responsibilities for action, and reporting Seniors in the event of a suspected fraud or malpractice. The plan acts as a checklist of actions and a guide to follow in the event of fraud/malpractice being suspected. The plan is designed to enable McTaggart Construction to:

- prevent further loss
- establish and secure evidence necessary for criminal and/or disciplinary action
- notify the Board of Directors immediately
- determine when and how to contact the police and establish Seniors of communication
- assign responsibility for investigating the incident
- minimise and recover losses
- review the reasons for the incident, the measures taken to prevent a recurrence, and determine any action needed to strengthen future responses to fraud or malpractice
- 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 McTaggart Construction will pursue all cases of fraud or malpractice vigorously taking appropriate legal and or disciplinary action in all cases where that is justified.

## **2. ACTION FOLLOWING DETECTION**

When any member of staff suspects that a fraud has occurred, he/she must notify his/her Senior Manager immediately. Speed is of the essence and this initial report should be verbal and must be followed up within 24 hours by a written report addressed to the Managing Director which should cover:

- The amount/value if established.
- The position regarding recovery or company exposure.
- The period over which the irregularity occurred, if known.
- The date of discovery and how the suspected fraud/malpractice was discovered.
- The type of irregularity and what led to it i.e.: was there a breakdown in the systems of internal control, or is there any inherent weakness in the system of internal control which allowed it to occur?
- Whether the person responsible has been identified.
- Whether any collusion with others is suspected.
- Details of any actions taken to date.
- Any other information or comments which might be useful.

## **3. CONSULTATION**

On verbal notification of a possible fraud the Manager immediately contacts his/her Main Board Director. It is a matter for the Senior Manager in consultation with the Main Board of Directors to decide whether there is prima facie evidence of fraud in which case the police should be notified immediately, normally by the General Manager. On receipt of the follow up written report, the Manager should forward this to the Managing Director.

External Auditors also have an interest in fraud as the extent and nature of fraud within the company can give an indication of the soundness of that company's systems. The written report sent to the main board director should therefore be copied to the auditor by the director. The rapid discovery and proper reporting of fraud can also be an indicator of the strength of control within a division.

#### **4. INITIAL ENQUIRIES**

Before completing the report above it may be necessary for senior management to undertake an initial enquiry to ascertain the facts. This enquiry should be carried out as speedily as possible after suspicion has been aroused: prompt action is essential. The purpose of the initial enquiry is 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 (under internal disciplinary procedures and/or the police) may be instigated. Our external auditor, via the Board of Directors is available to offer advice on any specific course of action which may be necessary.

#### **5. MANAGERS' DUTY OF CARE**

Managers conducting initial enquiries must be conscious that internal disciplinary action and/or criminal prosecution may result. If such action is later taken then under proper procedure the member of staff concerned has a right to representation and may have the right to remain silent. Utmost care is therefore required from the outset in conducting enquiries and interviews.

In addition, in order to protect The Company from further loss and destruction of evidence, it may be necessary to suspend the member of staff concerned immediately the allegation has been made or following the submission of the manager's initial verbal report.

#### **6. PROTECTION OF EVIDENCE**

If the initial examination confirms the suspicion that a fraud or malpractice has been perpetrated, then to prevent the loss of evidence which may subsequently prove essential for disciplinary action or prosecution, management should:

- take steps to ensure that all original evidence is secured as soon as possible;
- be able to account for the security of the evidence at all times after it has been secured, including keeping a record of its movement and signatures of all persons to whom the evidence has been transferred. For this purpose all items of evidence should be individually 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. This will be useful later if proceedings take place;
- remember that all memoranda relating to the investigation must be disclosed to the defence in the event of formal proceedings and so it is important to carefully consider what information needs to be recorded. Particular care must be taken with phrases such as "discrepancy" and "irregularity" when what is really meant is fraud or theft.

#### **7. APPOINTMENT OF CASE MANAGER**

Should the initial investigation indicate that there is prima facie evidence of fraud it is critical that the Senior Manager requests the External Auditor (via The Board of Directors) to oversee and control the subsequent investigation. The request should be in writing and Terms of Reference should also be agreed. The External Auditor should arrange for an action plan to be put in place with, as far as is

possible, a set timeframe and regular reviews. The External Auditor has full responsibility for progressing the case whilst he/she can, and should, call on the assistance of various sources of help at all stages (technical assistance, personnel, solicitors etc.) ultimate responsibility and accountability in progressing the case should remain with that officer. The External Auditor should therefore have the necessary authority to enable him/her to properly discharge these duties. The External Auditor should also be independent from the matter in question. It is the responsibility of the External Auditor to keep the Board of Directors abreast of developments. In particular the External Auditor should report all material developments promptly to the Board of Directors.

## **8. POLICE INVOLVEMENT**

If the Senior Manager, in consultation with the Board of Directors is satisfied that there is prima facie evidence of fraud, then they must report the matter to the police. Consultation with the police at an early stage is beneficial allowing the police to examine the evidence available at that time and make decisions on whether there is sufficient evidence to support a criminal prosecution or if a police investigation is appropriate. Alternatively, the police may recommend that The Company conducts further investigations and, generally, they will provide useful advice and guidance on how the case should be taken forward.

If the police decide to investigate then it may be necessary for the External Auditor to postpone further internal action and make suitable adjustments to the action plan. However, the External Auditor should continue to liaise with the police at regular intervals and report on progress made.

## **9. FRAUD REGISTER**

The External Auditor should ensure that the Fraud Register, which is held by The Director responsible for Human Resources, is updated with all the appropriate details including the value of any loss to the Company as a result of the fraud.

## **10. LEARNING FROM EXPERIENCE**

Following completion of the case, the External Auditor should prepare a summary report on the outcome and lessons learned circulating it to all other interested parties who must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud/malpractice.

### **Policy Review**

This current policy will be reviewed April 2019 and shared with our employees.



Gary Climson  
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McTaggart Group  
March 2020