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POLICY DOCUMENT

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Service Area: Business Assurance

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Subject Title: Anti- Fraud, Anti-Money Laundering and Anti-Bribery Policy

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1. INTRODUCTION

- 1.1 All organisations face an increasing risk of fraud as criminals seek new ways to target victims. Fraud in UK social housing has reached as high as £1billion per year. The purpose of this policy is to state clearly the commitment of Progress Housing Group (the Group) to act, at all times, to the highest standards of governance, openness, accountability and probity. It sets out the Group's approach to preventing, detecting, investigating and reporting on fraud, money laundering, bribery and tax evasion and taking action against perpetrators.
- 1.2 The Group is committed to deterring fraud and corruption and will not tolerate acts of fraud, bribery or corruption within the Group whether perpetrated by staff, the Board, non executive directors, customers of third party organisations or any other agency. The Group's commitment to high standards of integrity and accountability means that it has a zero tolerance approach to incidences of fraud, bribery and corruption.
- 1.3 The Group will take the appropriate action against those proven to have committed or attempted to commit a fraudulent or corrupt act. The consistent application of this and other relevant policies and procedures will ensure that those perpetrating fraud or corruption are appropriately penalised and that all concerns are treated fairly. In addition to the Group's own disciplinary proceedings, those found to have committed fraud may be prosecuted. Any decision not to prosecute will not preclude action being taken according to the Group's disciplinary proceedings.
- 1.4 This document should be read in conjunction with the Raising Concerns Policy, the Code of Conduct and the Gifts and Hospitality Policy.

2. SCOPE OF THE POLICY

- 2.1 All Progress Housing Group staff (including agency staff, volunteers, Progress Housing Association Limited, Reside Housing Association Limited, Concert Living Limited and Key Unlocking Futures) should understand the risk of fraud, money laundering and bribery faced by the Group, the serious affects that they have and how such acts divert resources away from the Group's primary objectives as well as understanding the Group's zero tolerance towards those acts.
- 2.2 The scope of this Policy covers acts or offences that would fall within the definition of the Fraud Act 2006, the Prevention of Social Housing

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Fraud Act 2013, the Bribery Act 2010, the Criminal Finances Act 2017 and any acts of theft or irregularity which could be detrimental to the Group, financially or otherwise or by which someone gains benefit to which they are not entitled.

- 2.3 This Policy does not include fraud, bribery or corruption against third parties unless there may be an impact of the Group's activities and services. It does not cover other offences such as violent acts which should be reported immediately to the Police.

3. RESPONSIBILITY

Employee Responsibilities

- 3.1 All staff and board members of the Group must act in accordance with the Group's Code of Conduct at all times including acting with propriety in the use and safeguarding of official resources, the handling and use of funds and dealing with contractors or suppliers.
- 3.2 All staff have a responsibility to be alert to the possibility of fraud, bribery and corruption and to report any suspicions that they may have whenever they come across it within their work or in connection with their duties, including where reports have been received from third parties (e.g. HMRC). It is not acceptable to turn a blind eye. The Group wants to make the reporting of these acts as easy as possible and to reassure staff that their identity will be protected as far as possible. More guidance on how to report concerns can be found in the Group's Raising Concerns at Work Policy and the Code of Conduct (specifically Section C – Bribery, Gifts and Hospitality).
- 3.3 Staff reporting a suspected fraud should take care to avoid doing anything which might prejudice the case against the suspected fraudster, or that might tip off the suspected fraudster. Advice should be sought from the Group's Internal Audit Team in the first instance and under no circumstances should staff investigate the allegations themselves.
- 3.4 Staff should notify the Group as soon as possible if they are offered a bribe, are asked to make one, suspect that this may happen in the future, or believe that they are a victim of another form of unlawful activity.
- 3.5 All staff have a duty to report instances where they believe the Group's assets are at risk i.e. a physical security risk where an asset could be stolen or a breach in the IT system making information

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vulnerable. Staff must always report to their manager instances of breaches (or potential breaches) in IT security.

- 3.6 Staff are not required to provide evidence to support their concerns but, when requested, should provide assistance to officers investigating the suspected fraud, money laundering or bribery allegation.

The board

- 3.7 The Parent board is responsible for establishing the internal control system designed to counter the risks faced by the Group. Together they are accountable for the adequacy and effectiveness of these arrangements. Managing risk of fraud should be seen in the context of the management of this wider range of risks.
- 3.8 The board has delegated the responsibility for developing and maintaining effective controls against fraud, money laundering and bribery to the Group Chief Executive. The board monitors the effectiveness of this policy, and the controls established to mitigate the risks, through the Audit Committee who report to board periodically on the adequacy of these controls.
- 3.9 The board is also responsible for making arrangements for investigating allegations of fraud, money laundering and bribery. These arrangements include the appointment of a suitably qualified senior member of staff to lead the investigation (unless there are reasons otherwise, this is expected to be the Internal Audit Manager).
- 3.10 The Audit Committee (and board) are responsible for providing an appropriate response to the investigating officers' report including whether to report the matter to the police and/or other regulatory authorities. For legal/insurance purposes a crime will need to be reported to the police as soon as it is identified, which means that this decision could occur before the point at which the board is notified.

Internal Audit

- 3.11 The Internal Audit Manager has responsibility for reviewing the Group's anti-fraud, bribery and corruption policies and procedures and for recommending any relevant changes. The Internal Audit Manager is also responsible for ensuring that all internal audits

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consider the potential for fraud and where an investigation is required following an allegation of fraud, money laundering or bribery this will include:

- Carrying out a thorough investigation, in line with the fraud response plan
- Gathering evidence, taking statements and writing reports
- Liaising with the Executive Team and the Audit and Group Chairs where investigations conclude that wrong doing has taken place
- Co-operating with all external agencies who may be involved, whether they raised the issue with us first, or whether we have a duty to report/inform (including HMRC, the Audit Commission, the Regulator of Social Housing, and the Information Commissioners office etc.)
- Identifying any weaknesses which contributed to the act
- Making recommendations for the improvement of systems and processes to prevent future loss.

Governance

3.12 The Governance Team are responsible for providing the process in which gifts and hospitality are recorded and for providing an annual report to the Remuneration and Nominations Committee on the gifts and hospitality declared each year.

Managers & Directors

3.13 The Executive Director (Finance & Corporate Services) is the Group's "Money Laundering Reporting Officer", which means they are responsible for taking action where suspicious transactions (potential laundered money) are detected. The fraud response plan would be invoked in these circumstances, and a report to the National Crime Agency may be required.

3.14 Together with staff, Managers are the first line of defence against fraud, money laundering and bribery. They should be alert to the possibility that unusual events may be symptoms of these acts or attempted acts and that fraud, money laundering and bribery may

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be highlighted as a result of management checks or be brought to attention by a third party. They are responsible for:

- ensuring all staff and managers, particularly new starters, are familiar with the Group's code of conduct and this policy and know what to do when problems are identified
- being aware of the potential for fraud, money laundering and bribery
- ensuring that an adequate system of internal control exists within their area of responsibility, appropriate to the risk involved and those controls are properly operated and complied with
- reviewing and testing control systems to satisfy themselves the systems continue to operate effectively.

3.15 Managers should inform their Director and/or the Internal Audit Manager if there are indications that an external organisation (such as a contractor or client) may be trying to defraud (or has defrauded) the Group.

3.16 They should also inform their Director and/or the Internal Audit Manager if they suspect their staff may be involved in fraudulent activity, impropriety or dishonest conduct.

3.17 Directors and/or the Internal Audit Manager should inform the Group Chief Executive immediately on being alerted to such suspicions and the Chair of the Audit Committee and/or Group Chair if the act involves a senior officer of the Group or is material in nature.

3.18 Managers and Directors should take care to avoid doing anything which might prejudice the case against the suspect. Separate advice on dealing with these acts is contained in the fraud response plan.

Human Resources

3.19 Staff in HR have a responsibility to support investigating officers and managers in carrying out any disciplinary process.

4. POLICY

Fraud

4.1 **Action to be taken in the event of Discovery or Suspicion of Fraud** The Group has established and maintains a Fraud

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Response Plan, which sets out guidance to staff in the event of fraud being discovered or suspected.

4.2 Under the Plan:

- Incidents will be logged in a fraud register, which contains details of allegations and investigations. The fraud register is submitted to the regulator on an annual basis
- Frauds and allegations of fraud will be investigated by a suitably qualified senior member of staff independent of the area under suspicion (unless there are reasons otherwise, this will be the Internal Audit Manager)

4.3 Progress on investigations will be reported to the Audit Committee as a standing item on the agenda.

Money Laundering

4.4 The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 came into force 26 June 2017, replacing the 2007 Money Laundering Regulations. Money laundering is a term used to describe a scheme in which criminals try to disguise the identity, original ownership, and destination of money that they have obtained through criminal conduct. The laundering is done with the intention of making it seem that the proceeds have come from a legitimate source. Money laundering also includes money used to fund terrorism, regardless of how it was obtained.

4.5 Money laundering can appear in various guises ranging from concealing, converting, acquiring or transferring criminal property to tipping off a person who is suspected of being involved in money laundering. There are potentially heavy penalties that can be handed down to those convicted of a money laundering offence. The MLR 2017 included a new criminal offence whereby any individual who recklessly makes a false or misleading statement in the context of money laundering could be fined or up to 2 years imprisonment.

4.6 A risk assessment has been undertaken to determine the areas at most risk to the Group of coming across laundered money. The risk assessment has taken into consideration the following factors:

- Customers
- Services being delivered
- Service delivery channels (online, face to face)
- Financing methods

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- Geographical areas of operation.
- 4.7 We have identified that the highest areas of risk are in relation to property sales and customer payments (such as large rent in advance payments and large payments to pay off arrears).
- 4.8 All employees should be vigilant and challenge unusual behaviours to help reduce the opportunity for criminal activity taking place through money laundering. To ensure compliance with money laundering legislation, the Group will:
- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures;
 - Undertake customer due diligence checks;
 - Undertake due diligence procedures when entering into partnerships/commercial or other business ventures with external parties;
 - be vigilant in relation to transactions that carry a higher risk of money laundering;
 - report concerns/suspicious transactions to management and then to the Money Laundering Reporting Officer.
 - Implement a procedure for enabling the reporting of suspicions of money laundering and maintain record keeping procedures.
- 4.9 Further details relating to each of the areas noted above (in 4.7) can be found within the Group's Anti-Money Laundering Procedure.
- 4.10 The Group's MLRO is the Executive Director of Finance and Corporate Services. In the absence of the MLRO, the Director of Business Assurance is authorised to deputise. It is the responsibility of the Money Laundering Reporting Officer to investigate any unusual transactions and record these suspicions within the Group's fraud register. Full details of the investigation process can be found within the Group's Fraud Response Plan.

Bribery

- 4.11 A bribe is an inducement or reward offered, promised, received or provided to influence the actions of an official or person in charge of a public or legal duty. The act of bribery is the intention to gain any commercial, contractual, regulatory or personal advantage, which may constitute an offence under the Bribery Act 2010. This could include:
- Giving or offering a bribe;

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- Receiving or requesting a bribe; or
- Bribing a foreign public official.

4.12 The Code of Conduct sets out the Group's policy in relation to receiving gifts and hospitality. However the following list provides some overarching principles of what would not be acceptable. Any gift or hospitality must:

- Not be made or received with the intention of improperly influencing a third party, board member or officer to obtain or retain business or a business advantage, or in explicit or implicit exchange for benefits or favours;
- Be given in the name of the Group and not in an individual's name;
- Not include cash or a cash equivalent;
- Be appropriate in the circumstances;
- Be given openly and not secretly;

4.13 In addition to the above, it is not acceptable for Board members and officers to threaten or retaliate against others who have refused to commit a bribery offence or who has raised concerns under this policy. The Raising Concerns Policy provides more information in relation to safeguards for those who raise concerns in good faith.

Corporate Criminal Offences

4.14 The Criminal Finances Act came into force on 30 September 2017. It creates the corporate offence of the facilitation of tax evasion, whether the tax evaded is owed in the UK or in a foreign country, by its employees, officers, agents or consultants or any persons or companies acting for it or on its behalf.

4.15 If the Group is found to have taken part in the facilitation of tax evasion, it could face an unlimited fine and face significant damage to its reputation. The success of the Group's anti-facilitation of tax evasion measures depends on everyone playing their part in continuing to preventing, detecting and reporting tax evasion in all aspects of the business that they are involved with or aware of.

4.16 In order to identify and prevent tax evasion risks, the Group will regularly conduct risk assessments for each of its key business activities. In particular, the Group will:

- Provide annual training to at risk employees on the Act and how to identify and combat tax evasion;

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- Regularly assess risk areas, for example tenders submitted by suppliers for work which are delivered to Procurement and financial restructuring;
- Undertake appropriate due diligence on third parties and associated persons prior to entering into contracts, arrangements or relationships with them;
- Keep accurate and complete financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.

4.17 Staff are encouraged to report any concerns that they may have, as soon as possible in accordance with the Raising Concerns Policy.

Abbreviations

4.18 Group- Progress Housing Group Limited (and its subsidiary companies)

Definitions

4.19 As per the Fraud Act 2006, a statutory offence of fraud may be committed in three ways:

- Fraud by false representation;
- Fraud by failure to disclose information;
- Fraud by abuse of position.

4.19.1 In each case there must be intent to make a gain or to cause loss or to expose another to the risk of loss. The Act also created four related criminal offences:

- Obtaining services dishonestly;
- Making or supplying articles for use in fraud;
- Participating in fraudulent business and
- Possessing articles for use in frauds.

4.20 Corruption can be defined as ‘the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person; or the failure to disclose an interest in order to enjoy financial or other pecuniary gain’.

4.21 The Bribery Act 2010 broadly defines bribery as giving or receiving a financial or other advantage in connection with the ‘improper performance’ of a position of trust or a function that is expected to be performed impartially or in good faith. The Act contains four key offences:

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- Section 1 – the offering, promising or giving of a bribe;
- Section 2 – the requesting, agreeing to receive or accepting of a bribe;
- Section 6 – bribery of foreign officials;
- Section 7 – failure of a commercial organisation to prevent bribery.

4.22 The Criminal Finances Act 2017 outlines three stages that apply to both the domestic and foreign tax evasion facilitation offence:

- the criminal tax evasion by a taxpayer (either an individual or a legal entity) under existing law;
- the criminal facilitation of the tax evasion by an “associated person” of the relevant body acting in that capacity; and
- the relevant body failed to prevent its representative from committing the criminal facilitation act.

References

4.23 Proceeds of Crime Act 2002

4.24 Serious Organised Crime and Police Act 2005

4.25 Fraud Act 2006

4.26 Bribery Act 2010

4.27 Prevention of Social Housing Fraud 2013

4.28 Criminal Finances Act 2017

4.29 Money Laundering Regulations 2017

4.30 The Terrorism Act 2000

Data Protection

4.31 Any data held or collated within the scope of this policy will be handled in accordance of the Data Protection Act 2018 and the Group’s Data Protection Policy.

5. IMPLEMENTATION

5.1 Training

5.1.1 All staff are made aware of this policy as part of their induction.

5.1.2 The Internal Audit Manager will provide advice on dealing with allegations of and suspected fraud, ensuring that the Group’s Fraud Response Plan is appropriately followed.

5.1.3 Training will be provided to ensure that staff know how to identify/detect fraud, money laundering and tax evasion – understanding of what they should do to the risks, including

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the importance of reporting suspicious activity to the nominated officer. The training will be provided to all relevant existing staff and also to all new relevant staff joining the Group.

5.2 Procedure references

5.2.1 Fraud Response Plan

5.2.2 Anti-Money Laundering Procedure

5.3 Linked documents

5.3.1 Dignity at Work Policy

5.3.2 Code of Conduct

5.3.3 Disciplinary and Dismissal Policy

5.3.4 National Housing Federation Code of Governance

6. CONSULTATION

6.1 This policy has been consulted with staff internally and received Audit Committee approval.

7. REVIEW

7.1 This policy will be reviewed every three years unless changes to legislation, best practice or the Group's requirements necessitate a sooner review.

8. EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment (EIA) has been undertaken to determine whether this policy, or access to it, has any adverse impacts on groups of individuals falling within one of the nine protected characteristics.

8.2 The assessment has deemed that the policy is accessible by protected individuals and groups and does not adversely affect any individual or people in any protected characteristic group.

8.3 The full EIA should be read to understand the full details supporting how this assessment has been reached.

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Appendix 1 – examples of fraud risks

- Cyber frauds (e.g. phishing, malware, ransomware)
- Tenancy frauds (and RTB frauds) e.g. money laundering, illegal tenancies, illegal succession, subletting, Cuckooing
- Payment and push payment fraud
- Procurement, planned works and construction frauds (collusion and falsification of tender information)
- Construction frauds (e.g. overvaluing contract work)
- Social Engineering fraud (tricking to obtain access to privileged information/identity)
- Supplier mandate fraud (fraudulent change of bank details) and duplicate invoice fraud
- Key person fraud (impersonation fraud - e.g. CEO or CFO instruction)
- Physical security fraud (tailgating)
- Employee identity fraud (e.g. right to work, previous roles, qualifications)
- Payroll frauds (e.g. ghost employees, former employees and expenses frauds)
- Teeming and lading frauds
- Credit card frauds (e.g. card detail skimming or pin skimming)
- Financial statement frauds (fraudulent misstatement of accounts)
- Treasury frauds (e.g. payment diversion)
- Theft (supplies, equipment)