

SCOTTISH JUNIOR FOOTBALL ASSOCIATION



ANTI-FRAUD POLICY & FRAUD RESPONSE PLAN

CONTENTS

Section 1: Introduction

Definitions – What is Fraud?

Section 2: Company Responsibilities

Managing the Risk of Fraud - Responsibilities

Section 3: Managing Fraud

Fraud Detection

Reporting

Personal Conduct

Disciplinary/Legal Action

Learning from Experience

Appendices: Appendix A SJFA Fraud Response Plan

Appendix B Examples of Fraud Cases

SECTION 1: INTRODUCTION

- 1.1 SJFA requires all staff, Association Management Committee members, working group members, committee members and member clubs, leagues and associations to act honestly, and with integrity and to safeguard SJFA's resources for which they are responsible. Fraud is an ever-present threat to these resources and hence must be a concern to everyone. SJFA views fraud as an extremely serious matter and is committed to the promotion of an anti-fraud culture throughout the organisation.
- 1.2 SJFA will not accept any level of fraud or corruption; consequently, any case will be thoroughly investigated and dealt with appropriately. SJFA is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.
- 1.3 This section explains the responsibilities of SJFA's staff, working group members, committee members and member clubs, leagues and associations in relation to both prevention and detection of fraud. The Fraud Response Plan (Appendix A) sets out the procedures to be followed where a fraud is detected or suspected.

Definitions - What is Fraud?

- 1.4 No precise legal definition of fraud exists; many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.
- 1.5 "Fraud" is usually used to describe depriving someone of something by deceit, which might either be straight theft, misuse of funds or other resources, or more complicated crimes like false accounting and the supply of false information. In legal terms, all of these activities are the same crime – theft.
- 1.6 Fraud may involve:
 - (a) manipulation, falsification or alteration of records or documents;
 - (b) suppression or omission of the effects of transactions from records or documents;
 - (c) recording of transactions without substance;
 - (d) misappropriation (theft) or wilful destruction or loss of assets including cash;
 - (e) deliberate misapplication of accounting or other regulations or policies;
 - (f) bribery and corruption.
- 1.7 SJFA faces exposure in 3 ways:
The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.

Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources is included in this definition. (For example see Appendix B)

SECTION 2: COMPANY RESPONSIBILITIES

- 2.1 SJFA must undertake fraud investigations where there is suspected fraud by any of SJFA's staff, working group members, committee members and member clubs, leagues and associations and take the appropriate disciplinary and/or legal action in all cases where that would be justified.
- 2.2 Where there is fraud (proven or suspected), SJFA should make any necessary changes to systems and procedures to prevent similar frauds occurring in the future.
- 2.3 SJFA should establish systems for recording and subsequently monitoring all discovered cases of fraud (proven or suspected).
- 2.4 Responsibility for exercising disciplinary powers rests with the Association Management Committee.
- 2.5 All frauds will be reported immediately to the Association Secretary, however subject to prior approval from the police, certain types or groups of frauds will be reported on an agreed basis. An example would include recurring or high volume frauds being reported at regular intervals. Novel or substantial frauds will be reported immediately.

Managing the Risk of Fraud

- 2.6 The Association Management Committee is responsible for establishing and maintaining a sound system of internal control that supports the achievement of SJFA policies, aims and objectives.
- 2.7 The system of internal control is designed to respond to and manage the whole range of risks that SJFA faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.
- 2.8 Overall responsibility for managing the risk of fraud lies with the Association Management Committee. The Association Management Committee are responsible for:-
 - (a) Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
 - (b) Establishing an effective Anti-Fraud Policy and Fraud Response Plan, commensurate to the level of fraud risk identified in the fraud risk profile;
 - (c) Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
 - (d) Establishing appropriate mechanisms for:
 - i. reporting fraud risk issues;
 - ii. reporting significant incidents of fraud to the Association Secretary;

- iii. co-ordinating assurances about the effectiveness of anti-fraud policies;
- (e) Making sure that all SJFA staff, working group members, committee members and member clubs, leagues and associations are aware of the organisation's Anti-Fraud Policy and know what their responsibilities are in relation to combating fraud;
- (f) Create a competent framework;
- (g) Ensuring that appropriate anti-fraud training and development opportunities are available to appropriate SJFA staff, working group members, committee members and member clubs, leagues and associations in order to obtain the required levels of competency;
- (h) Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
- (i) Taking appropriate disciplinary and/or legal action against perpetrators of fraud;
- (j) Taking appropriate disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- (k) Taking appropriate action against SJFA staff, working group members, committee members and member clubs, leagues and associations who fail to report fraud;
- (l) Taking appropriate action to recover assets;
- (m) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

2.9 The Association Management Committee are responsible for:

- (a) Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- (b) Preventing and detecting fraud;
- (c) Assessing the types of risk involved in the operations for which they are responsible;
- (d) Regularly reviewing and testing the control systems for which they are responsible;
- (e) Ensuring that controls are being complied with and their systems continue to operate effectively;
- (f) Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.
- (g) Examining the adequacy of arrangements for managing the risk of fraud and ensuring that SJFA promotes an anti-fraud culture;
- (h) Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls commensurate with the extent of the potential exposure/risk in the various segments of the association's operations;
- (i) Ensuring that management has reviewed its risk exposure and identified the possibility of fraud as a business risk;
- (j) Conducting fraud investigations;

- (k) Wherever possible, ensure that the control of any key function is not vested in one individual;
- (l) Ensure back-logs are not allowed to accumulate;
- (m) When designing any new system, ensure consideration is given to building in safeguards against internal and external fraud.

2.10 SJFA staff, working group members, committee members and member clubs, leagues and associations are responsible for:

- (a) Acting with propriety in the use of SJFA resources and the handling and use of SJFA funds whether they are involved with cash or payments systems, receipts or dealing with suppliers.
- (b) SJFA staff working group members, committee members and member clubs, leagues and associations should not accept gifts valued at more than £50, hospitality or benefits of any kind from a third party which might be seen to compromise their integrity;
- (c) Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- (d) Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- (e) Co-operating fully with whoever is conducting internal checks, reviews or fraud investigations.

SECTION 3: MANAGING FRAUD

Fraud Detection

- 3.1 The Treasurer should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud.
- 3.2 Fraud may also be highlighted as a result of specific management checks or be brought to the Association Management Committee's attention by a third party. Additionally, irregularities occasionally come to light in the course of reviews.
- 3.3 Irrespective of the source of suspicion, it is essential 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 the suspicions which have arisen so that, if necessary, further investigation may be instigated.
- 3.4 The factors which gave rise to the suspicion should be determined and examined to clarify whether a genuine mistake has been made or an irregularity has occurred. An irregularity may be defined as any incident or action which is not part of the normal operation of the system or the expected course of events.
- 3.5 Preliminary examination may involve discreet enquiries with SJFA staff and volunteers or the review of documents. It is important for SJFA staff, Association Management Committee members, working group members, committee members and member clubs, leagues and associations to be clear that any irregularity of this type, however apparently innocent, will be analysed.
- 3.6 If initial examination confirms the suspicion that a fraud has been perpetrated, then to prevent the loss of evidence which may prove essential for subsequent disciplinary action or prosecution, the Association Management Committee should:
 - (a) Take steps to ensure that all original evidence is secured as soon as possible;
 - (b) 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;
 - (c) Not alter or amend the evidence in any way;
 - (d) Keep a note of when they came into possession of the evidence. This will be useful later if proceedings take place.
- 3.7 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.
- 3.8 Additionally, SJFA may suspend any SJFA member of staff, working group members, committee members and member clubs, leagues and associations involved pending the outcome of an investigation. Suspension itself does not imply guilt; it can be however another safeguard to prevent the removal or destruction of evidence.

Reporting

- 3.9 The Association Secretary is required to report immediately to the Association Management Committee all proven or suspected fraud within SJFA. Guidance on how fraud (proven or suspected) should be reported is set out in the Fraud Response Plan (Appendix A).

Personal Conduct

- 3.10 SJFA staff, working group members, committee members and member clubs, leagues and associations should not accept gifts valued at more than £50, hospitality or benefits of any kind from a third party which might be seen to compromise their integrity. All such instances should be recorded in the Hospitality Register.

Disciplinary / Legal Action

- 3.11 After proper investigation, SJFA will take disciplinary and/or legal action in all cases where it is considered appropriate and there will be consistent handling of cases without regard to position or length of service.
- 3.12 When considered appropriate, proven frauds or suspected frauds which come to light, whether perpetrated by SJFA staff, working group members, committee members and member clubs, leagues and associations, will be referred to the police at the earliest possible opportunity.
- 3.13 SJFA will co-operate fully with police enquiries and these may result in the offender(s) being prosecuted. Steps need to be taken to attempt to recover all losses resulting from the fraud. A civil action against the perpetrator may be appropriate.
- 3.14 The investigations described above will also consider whether there has been any failure of supervision. Where this has occurred appropriate disciplinary action will be taken against those responsible.
- 3.15 When considered appropriate, proven frauds or suspected frauds which come to light, whether perpetrated by SJFA staff, working group members, committee members and member clubs, leagues and associations, the appropriate authorities will be informed and kept up to date of proceedings.

Learning from Experience

- 3.16 Where a fraud has occurred the Association Management Committee must make any necessary changes to systems and procedures to ensure that similar frauds will not recur. The investigation may have identified where there has been a failure of supervision, a breakdown in or an absence of control.

APPENDIX A

SJFA FRAUD RESPONSE PLAN

The following paragraphs summarise the actions to be taken following the discovery of fraud or suspected fraud.

SECTION 1: PURPOSE OF THE FRAUD RESPONSE PLAN

- 1.1 The purpose of this plan is to ensure that timely and effective action is taken in the event of a fraud.
- 1.2 The plan aims to help minimize losses and increase the chances of a successful investigation.
- 1.3 The plan defines authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity.
- 1.4 The plan acts as a checklist of actions and a guide to follow in the event of fraud being suspected.
- 1.5 The plan is designed to enable SJFA to:
 - (a) Prevent further loss;
 - (b) Establish and secure evidence necessary for disciplinary and/or criminal action;
 - (c) Assign responsibility for investigating the incident;
 - (d) Determine when and how to contact the police and establish lines of communication;
 - (e) Keep all personnel with a need to know suitably informed about the incident as the investigation develops;
 - (f) Minimise and recover losses;
 - (g) Review the reasons for the incident, the measures taken to prevent a recurrence, and determine any action needed to strengthen future responses to fraud;
 - (h) Help promote an anti-fraud culture by making it clear to SJFA staff, Association Management Committee members, working group members, committee members and member clubs, leagues and associations that SJFA will pursue all cases of fraud vigorously taking appropriate disciplinary and/or legal action in all cases where that is justified.

SECTION 2: ACTION FOLLOWING DETECTION

- 2.1 When it is suspected that a fraud has occurred, notification must be given to the Association Secretary immediately.
- 2.2 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 Association Secretary which should cover:
 - (a) The amount/value, if established
 - (b) The position regarding recovery
 - (c) The period over which the irregularity occurred, if known
 - (d) The date of discovery and how the suspected fraud was discovered
 - (e) The type of irregularity and what led to it, i.e.:
 - i. Was there a breakdown in the systems of internal control, or
 - ii. Is there any inherent weakness in the system of internal control which allowed it to occur?
 - iii. Whether the person responsible has been identified
 - iv. Whether any collusion with others is suspected
 - (f) Details of any actions taken to date
 - (g) Any other information or comments which might be useful

Consultation within SJFA

- 2.3 On verbal notification of a possible fraud the Association Secretary must immediately contact the President.
- 2.4 It is a matter for the Association Secretary to decide whether there is prima facie evidence of fraud in which case the police should be notified immediately, normally by the President.
- 2.5 On receipt of the follow up written report, the Association Secretary should forward this to the Management Committee.

Initial Enquiries

- 2.6 Before completing the report above it may be necessary for the Association Secretary 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.
- 2.7 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 a further and more detailed investigation (under disciplinary procedures and/or the police) may be instigated.

Duty of Care

- 2.8 Anyone conducting initial enquiries must be conscious that disciplinary action and /or

criminal prosecution may result. If such action is later taken then under proper procedure the SJFA member of staff, working group member, committee member and member club, league and association 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.

- 2.9 In addition, in order to protect SJFA from further loss and destruction of evidence, it may be necessary to suspend the SJFA member of staff, working group member(s), committee member(s) and member club(s), league(s) and association(s) concerned immediately after the allegation has been made or following the submission of the Association Secretary's initial verbal report. Specific advice should be sought from the SJFA lawyer before proceeding.

Protection of Evidence

- 2.10 If the initial examination or audit confirms the suspicion that a fraud has been perpetrated, then to prevent the loss of evidence which may subsequently prove essential for disciplinary action or prosecution, SJFA should:
- (a) Take steps to ensure that all original evidence is secured as soon as possible;
 - (b) 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;
 - (c) Not alter or amend the evidence in any way;
 - (d) Keep a note of when they came into possession of the evidence. This will be useful later if proceedings take place.

Appointment of Case Manager

- 2.11 Should the initial investigation indicate that there is prima facie evidence of fraud it is critical that the Association Management Committee oversee and control the subsequent investigation.
- 2.12 The Association Management Committee must arrange for an action plan to be put in place with, as far as is possible, a set timeframe and regular reviews.
- 2.13 The Association Management Committee have full responsibility for progressing the case and can and should call on the assistance of various sources of help at all stages, e.g. Association Secretary, Association Management Committee members, the SJFA lawyer, however ultimate responsibility and accountability in progressing the case should rest with the Association Management Committee.
- 2.14 The Association Management Committee should therefore have the necessary authority (e.g. experience) to enable them to properly discharge these duties.
- 2.15 The Association Secretary should also be independent from the matter in question.
- 2.16 It is the responsibility of the Association Secretary to keep the Association Management Committee abreast of developments. In particular the Association Secretary should report all material developments promptly to the SJFA President.

Police Involvement

- 2.17 If the Association Management Committee 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.
- 2.18 Alternatively, the police may recommend that the Association Management Committee conducts further investigations and, generally, they will provide useful advice and guidance on how the case should be taken forward.
- 2.19 If the police decide to investigate then it will be necessary for the Association Management Committee to postpone further internal action and make suitable adjustments to the action plan. However, the Association Management Committee should continue to liaise with the police at regular intervals and report on progress made.

Fraud Register

- 2.20 The Audit & Finance Working Group should ensure that the Fraud Register, which is held by the Chief Executive, is updated with all the appropriate details including the value of any loss to the association as a result of the fraud.

Partner Organisations

- 2.21 If the Association Management Committee is satisfied that there is prima facie evidence of fraud the Association Management Committee should make relevant partner organisations aware of the investigation and keep them informed of any progress and findings.

Learning from Experience

- 2.22 Following completion of the case, the Association Management Committee and the Association Secretary 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.

APPENDIX B

EXAMPLES OF FRAUD CASES

- 1.1 In the past there has been some confusion about the types of cases which require to be reported as fraud or suspected fraud.
- 1.2 The following paragraphs attempt to illustrate the distinction between cases which do and do not require to be reported.

Examples of Cases Which Should Be Reported

- 1.3 An SJFA member of staff or member steals money from petty cash or small items of office equipment, e.g., a calculator.
- 1.4 An SJFA member of staff or member "borrows" money from petty cash or cash receipts, even though there is an intention to repay.
- 1.5 A SJFA employee or member steals stores or materials for his/her own personal use or reward.
- 1.6 Incidents similar to the above are likely to lead to disciplinary action which could result in dismissal.

Examples of Cases Which Need Not Be Reported as Fraud

- 1.7 An office is broken into and cash, etc., is removed from the safe. This should not be reported as fraud unless:
 - (a) There is proof or a suspicion that a SJFA member of staff or member was involved;
 - (b) That the perpetrator had some official connection with SJFA which was used to enable the theft to take place.
- 1.8 However, the theft of official documents which may later lead to fraud should be reported.

Theft of Personal Property

- 1.9 While the theft of the personal property or cash of a SJFA member of staff or member does not constitute fraud against SJFA and, therefore, does not need to be reported to the Association Management Committee, it is nevertheless essential that any such incidents are reported so that appropriate action is taken, e.g., notification of the police.
- 1.10 Responsibility for the prevention of the theft of personal property or cash rests with individuals who are ultimately responsible for their own property. However, it is prudent to remind SJFA staff and members not to leave personal valuables or cash unattended.