BROTHERS IN NEED

FINANCIAL RISK MANAGEMENT POLICY

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1 INTRODUCTION

This document is a guideline, for all Brothers In Need (BN) Directors and staff linked with financial issues which affect the organisation on a day to day basis. Further, it provides appropriate procedures and controls when having to deal with them. With the whole sector of charitable work coming under increasingly stringent scrutiny, it is essential that clear guidelines are established and adhered to, to ensure the organisation is operating both efficiently and lawfully to meet its objectives.

Brothers In Need (BN) requires all staff at all times to act honestly and with integrity and to safeguard the resources of the organisation. As an employee or service user individuals may, occasionally, witness practices that seem either suspicious, clearly illegal or in contravention of company policy. In such circumstances it is possible that individuals may be deterred from expressing their concerns because of fear of harassment or victimisation, and it may seem easier to ignore the concern rather than to report the suspicions. This document seeks to lay out both the process to be followed and the protection which will be afforded by senior management to those reporting irregularities

The first section deals with the issue of fraud, which is an ever-present threat to the effectiveness and impact of our operations and hence must be a concern to all members of staff and persons employed in a similar capacity.

The second section deals with the process for reporting other illegal activity and the protection which will be provided to staff and individuals who report any such activity

1.1 PURPOSE

Fraud may occur internally or externally and may be perpetrated by staff, consultants, suppliers, contractors or partners, individually or in collusion with others. The purpose of this document is to set out your responsibilities with regard to fraud prevention.

The purpose of this policy is

1. To ensure that all parties are aware of their responsibilities for identifying exposures to fraudulent activities and for establishing controls and procedures for preventing such fraudulent activity and/or detecting such fraudulent activity when it occurs.
2. To provide guidance to staff/volunteers/contractors as to action which should be taken where they suspect any fraudulent activity.
3. To provide a clear statement to staff/volunteers/contractors forbidding any illegal activity, including fraud for the benefit of the organisation.
4. To provide assurance that any and all suspected fraudulent activity will be fully investigated

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1.2 RESPONSIBILITIES

Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

All **staff/volunteers/contractors** share in the responsibility for the prevention and detection of fraud in their areas of responsibility.

All staff/volunteers/contractors have the responsibility to report suspected fraud.

Any staff member, volunteer or contractor who suspects fraudulent activity must immediately notify their supervisor or those responsible for investigations.

In situations where the supervisor is suspected of involvement in the fraudulent activity, the matter should be notified to the next highest level of supervision or to the Managing Director.

The **Board** of Brothers In Need has ultimate responsibility for the prevention and detection of fraud and is responsible for ensuring that appropriate and effective internal control systems are in place.

The Managing Director is responsible for investigating instances of fraud reported to them.

All **managers** must ensure that there are mechanisms in place within their area of control to:

- Identify areas of risks which systems, operations and procedures are exposed
- Assess the risk of fraud;
- Educate employees about fraud prevention and detection;
- Ensure that controls are being complied with; and
- Facilitate the reporting of suspected fraudulent activities

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2 POLICY AND PROCEDURES

2.1 POLICY STATEMENT

Brothers In Need will investigate any suspected acts of fraud, misappropriation or other similar irregularity. An objective and impartial investigation, as deemed necessary will be conducted regardless of the position, title, and length of service or relationship with the organisation of any party who might be the subject of such investigation.

Any fraud shall constitute grounds for dismissal. Any serious case of fraud, whether suspected or proven, shall be reported to the police. Any person reporting a fraud, or a suspected fraud, shall suffer no penalty in their employment.

2.2 PROCESSES

The Fraud Response Process consists of the following sub-processes:

1. Notifying suspected fraud
2. Investigation
3. Liaison with police and external audit
4. Initiation of recovery action
5. Reporting

The following sections contain details on how these processes are undertaken.

2.2.1 Notifying Suspected Fraud

Any BN staff should promptly report his/her concerns to one of the following staff members:

- Managing Director
- Board Member

2.2.2 The Investigation Process

Suspected fraud must be investigated in an independent, open-minded and professional manner with the aim of protecting the interests of both the organisation and the suspected individual(s). Suspicion must not be seen as guilt to be proven.

The investigation process will vary according to the circumstances of each case and will be determined by the Board. An "Internal Audit Investigator" will be appointed by the Board to take charge of the investigation on a day-to-day basis.

Where initial investigations reveal that there are reasonable grounds for suspicion, and to facilitate the ongoing investigation, it may be appropriate to suspend an employee against whom an accusation has been made. This decision will be taken by the Managing Director in consultation with the Board Members

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and the Internal Audit Manager. Suspension should not be regarded as disciplinary action nor should it imply guilt.

It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed. The investigating officer will therefore take immediate steps to secure physical assets, including computers and any records thereon, and all other potentially evidential documents. They will also ensure, in consultation with management, that appropriate controls are introduced to prevent further loss.

The Internal Audit Investigator will ensure that a detailed record of the investigation is maintained. This should include a chronological file recording details of all telephone conversations, discussions, meetings and interviews (with whom, who else was present and who said what), details of documents reviewed, tests and analyses undertaken, the results and their significance. Everything should be recorded, irrespective of the apparent significance at the time.

All interviews will be conducted in a fair and proper manner. Where there is a possibility of subsequent criminal action, the police will be consulted.

Upon notification or discovery of a suspected fraud, the Internal Audit Investigator will promptly arrange to investigate the fraud.

1. The Internal Audit Investigator will make every effort to keep the investigation confidential; however, from time to time other members of the management team will need to be consulted in conjunction with the investigation.
2. After an initial review and a determination that the suspected fraud warrants additional investigation, the Internal Audit Investigator shall coordinate the investigation with the appropriate law enforcement officials. Internal or external legal representatives will be involved in the process, as deemed appropriate.
3. Immediate action will be taken to prevent the theft, alteration, or destruction of relevant records needs to occur. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records.
4. Where a prima facie case of fraud has been established the matter shall be referred to police. Any action taken by police shall be pursued independent of any employment-related investigation by the organisation.
5. If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal, shall be taken by the appropriate level of management.
6. Vendors and contractors shall be asked to agree in writing to abide by these policies and procedures.
7. No employee of the organisation, or person acting on behalf of the organisation in attempting to comply with this policy shall:
    a. be dismissed or threatened to be dismissed;
    b. be disciplined or suspended or threatened to be disciplined or suspended;

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c. be penalised or any other retribution imposed, or
d. be intimidated or coerced,

8. based to any extent upon the fact that the employee has reported an incident or participated in an investigation in accordance with the requirements of this Policy. Violation of this section of the Policy will result in disciplinary action, up to and including dismissal.
9. If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator

2.2.3 Liaison with Police and External Audit

The police generally welcome early notification of suspected fraud, particularly that of a serious or complex nature. Some frauds will lend themselves to automatic reporting to the police (such as theft by a third party). For more complex frauds the Director will decide if and when to contact the police.

All staff must co-operate fully with any police or external audit enquiries.

2.2.4 Initiation of Recovery Action

The organisation will also pursue every reasonable effort, including court ordered restitution, to obtain recovery of the losses from the offender.

Brothers In Need will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud.

2.2.5 Reporting

Throughout any investigation, the Internal Audit Investigator will keep the Board informed of progress and any developments. If the investigation is long or complex, interim reports to the Board will be made. These reports may be verbal or in writing.

On completion of the investigation, the Internal Audit Investigator will prepare a full written report setting out:

- Background as to how the investigation arose;
- What action was taken in response to the allegations;
- The conduct of the investigation;
- The facts that came to light and the evidence in support;
- Action taken against any party where the allegations were proved;
- Action taken to recover any losses;
- Recommendations and/or action taken by management to reduce further exposure and to minimise any recurrence.

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