

Policy

Fraud Policy Statement

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1. Purpose

The purpose of this document is to set out Northern Gas Networks' ("NGN") position on fraud and thereby set the context for the efforts to reduce fraud to the lowest possible level or risk.

2. Policy Statement

NGN is committed to maintaining an anti-fraud culture in the organisation so that staff who work in the company are aware of the risk of fraud, of what constitutes a fraud and the procedures for reporting it. NGN adopts a zero tolerance approach to fraud and corruption and will not accept any level of fraud within the organisation.

It requires staff at all times to act honestly and with integrity and to safeguard the company resources for which they are responsible. Every case of attempted, suspected or proven fraud and/or corruption will be thoroughly investigated and dealt with appropriately.

This policy is concerned with internal and external fraud, committed against NGN by employees, suppliers of goods and services, contractors in the course of their work and other persons.

This policy should be read in conjunction with the following NGN documents:-

- Code of Conduct
- Disciplinary Policy
- Public Interest Disclosure Policy
- Fraud Response Plan (Appendix A)

All of these are available on the NGN intranet site.

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3. What is Fraud?

The Fraud Act 2006 came into effect in January 2007. The Act introduced a new general offence of fraud which can be committed in three ways:-

- ***Fraud By False Representation***, i.e. if he dishonestly makes a false representation and intends by making the representation to make a gain for himself or another, or to cause loss to another or expose another to risk of loss. A representation is false if it is untrue or misleading, and the person making it knows that it is, or might be, untrue or misleading;
- ***Fraud by Failing to Disclose Information***, i.e. if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose and intends, by failing to disclose the information, to make a gain for himself or another, or to cause loss to another or expose another to risk of loss; and
- ***Fraud by Abuse of Position***, i.e. if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, and he dishonestly abuses that position, and intends, by means of the abuse of that position, to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

The Act creates new offences of obtaining services dishonestly and of possessing, making or supplying articles for use in frauds. The Act supplements other legislation which have been traditionally used to cover criminal acts that have been generically referred to as “fraud”; acts.

In addition, the Bribery Act 2010, which was introduced in 2011, reforms the criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery at home or abroad.

Examples of fraud which may be perpetrated against NGN are:-

- Dishonest use of an NGN corporate credit card to pay for items;
- The dissemination of e-mails falsely claiming that the e-mail has been sent by NGN;
- Theft, the misappropriation or misuse of assets or company/customer information for personal benefit;
- Bribery and corruption – offering, giving, soliciting or accepting an inducement or reward that may influence the actions taken by NGN or its staff, for example in the procurement of goods and services;
- False accounting and/or making fraudulent statements with a view to personal gain or gain for another: for example falsely claiming overtime, travel and subsistence, sick leave or special leave;
- Externally perpetrated fraud against NGN, for example in the procurement and delivery of goods and services.

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For practical purposes, fraud may be considered to be the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party

4. Anti Fraud Culture

NGN is committed to preventing fraud and corruption from occurring and to develop and anti-fraud culture. To achieve this NGN will:-

- develop and maintain effective controls to prevent fraud, bribery and corruption;
- ensure that it communicates its policy on fraud to staff in a formal policy statement;
- ensure that there will be consistent handling of all attempted, suspected or proven fraud cases without regard to the position held or length of service of the individual(s) concerned;
- take appropriate disciplinary and legal action in all cases, where justified; and
- review systems and procedures to prevent similar frauds.

5. Responsibilities

Management Responsibilities

The day to day responsibility for the prevention and detection of fraud rests with line managers who are responsible for:

- Identifying the risks to which systems, operations and procedures are exposed
- Developing and maintaining effective controls to prevent and detect fraud
- Ensuring that controls are being complied with.

Staff from Internal Audit are available to offer advice and assistance on control issues.

Staff Responsibilities

All staff, including managers, are responsible for:

- Acting with propriety in the use of NGN's resources and in the handling and use of corporate funds whether they are involved with cash or payment systems, receipts or dealing with contractors, suppliers or customers
- Reporting details immediately to the Head of Taxation and Corporate Services if they suspect or believe that there is evidence of irregular or improper behaviour or that a fraud may have been committed.

All staff are advised to consider their personal and business activities and whether these may be considered to conflict with their duties to NGN. Any potential conflict of interest should be reported to their relevant Senior Management Team member.

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6. Reporting

NGN has available a number of avenues by which staff can raise suspicions of fraud. These are detailed in NGN’s Fraud Response Plan outlined in Appendix A and in the Public Interest Disclosure (Whistle-blowing) Policy.

The Fraud Response Plan sets out guidance in the event of fraud being discovered or suspected. It covers:-

- Notifying suspected fraud
- The investigation process
- Liaison with police and external audit
- Initiation of recovery action
- Reporting process

NGN also has in place avenues for reporting suspicions of fraud, without fear of prejudice or harassment, including the Whistle-blowing process.

All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Order Act 1998.

7. Conclusion

Whilst the individual circumstances surrounding each instance of fraud will vary, NGN takes all cases very seriously and adopts a zero tolerance approach. All reported suspicions will be fully investigated and robust action will be taken where fraud has occurred.

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APPENDIX A – FRAUD RESPONSE PLAN

Introduction

This fraud response plan provides a checklist of actions and a guide to follow in the event that fraud is suspected. It covers:

- Notifying suspected fraud
- The investigation process
- Liaison with police and external audit
- Initiation of recovery action
- Reporting process

Its purpose is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud, theft or other irregularity.

Notifying suspected fraud

It is important that all staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The Public Interest Disclosure Act 1998 (the “Whistle-blowers Act”) provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels.

In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager. If such action would be inappropriate, your concerns should be reported upwards to one of the following persons:

- Head of Department (appropriate SMT member)
- Legal Director
- Chief Executive.

Every effort will be made to protect an informant’s anonymity if requested. However, NGN will always encourage individuals to be identified to add more validity to the accusations and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

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 NGN 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 Chief Executive in consultation with the Legal Director and the appropriate SMT member.

An “Investigating Officer” will be appointed to take charge of the investigation on a day-to-day basis. This will normally be the Head of Internal Audit or, exceptionally, another independent manager.

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The Investigating Officer will appoint an investigating team. This will normally comprise staff from within the Internal Audit team but may be supplemented with other resources from within the NGN or from outside.

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 Chief Executive and/or Legal Director, in consultation with the Investigating Officer. Suspension should not be regarded as disciplinary action nor should it imply guilt. The process will follow the guidelines set out in NGN’s Disciplinary Policy relating to such action.

It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed. The investigating team 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 Investigating Officer 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 and interviews may be conducted under caution in compliance with the Police and Criminal Evidence Act (PACE), which governs the admissibility of evidence in criminal proceedings.

The findings of the investigation will be reported to the Chief Executive and Legal Director who will determine, in consultation with the Investigating Officer, what further action (if any) should be taken.

Liaison with Police & 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 Chief Executive, following consultation with the Legal Director and the Investigating Officer, will decide if and when to contact the police. The Director of Finance will report suspected frauds to the external auditors at an appropriate time.

All staff will co-operate fully with any police or external audit enquiries, which may have to take precedence over any internal investigation or disciplinary process. However, wherever possible, teams will co-ordinate their enquiries to maximise the effective and efficient use of resources and information.

Initiation of recovery action

NGN 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.

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Reporting process

Throughout any investigation, the Investigating Officer will keep the Chief Executive and Legal Director informed of progress and any developments. These reports may be verbal or in writing.

On completion of the investigation, the Investigating Officer 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.

Suspected Fraud Involving Senior Management

Where the suspected fraud involves the Legal Director, this should be reported to the Chief Executive Officer who will appoint an Investigating Officer. Where the suspected fraud involves the Chief Executive Officer, this should be reported to the Legal Director who should also then notify the Chairman of the NGN Board for a decision on the investigation process.

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