

Fraud Policy



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The term “Company” or “HIAL Group” applies to Highlands and Islands Airport Limited (HIAL) and any subsidiary companies concerned with its business including Dundee Airport Limited (DAL) and Airport Management Services Limited (AMSL).

HIAL Group Fraud Policy

1. Introduction

This policy applies to all staff employed by HIAL, Airport Management Services Limited (AMSL) and Dundee Airport Limited (DAL).

The Company is committed to ensuring that opportunities for fraud - both internal and external - are reduced to a level of risk which is as low as reasonably practicable. The HIAL Group requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The Company will not accept any level of fraud or corruption; consequently, any allegations or suspicion of such cases will be thoroughly investigated and dealt with appropriately. This may include invoking the disciplinary policy which could lead to a disciplinary penalty up to and including dismissal.

2. Definition

The term "fraud" is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. 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. Fraud can arise for example in claims for travel and subsistence and overtime, irregularities in procurement procedures and the abuse of flexible working hours. Examples of external fraud include, but are not limited to, providing false information in applications for grants or other forms of assistance and submitting bogus invoices.

3. Danger Signs

Managers and staff must always be alert to the risk of fraud, other forms of theft, and corruption. Danger signs of internal fraud include evidence of excessive spending by staff engaged in cash/contract work, inappropriate relationships with suppliers, reluctance of staff to take leave, requests for unusual patterns of overtime and where there seems undue possessiveness of records. Junior staff should resist any pressure from line managers to circumvent internal controls or to over-ride control mechanisms. Such action could be indicative of fraudulent activity and should be reported - see Section 4 - Avenues for Reporting Fraud.

4. Avenues for Reporting Fraud

HIAL has in place avenues for reporting suspicions of fraud. The procedure is outlined in the Company's "whistleblowing" policy. Staff should report such suspicions to their line managers or to the Chief People Officer/HR Manager who in turn should advise the Chief Financial Officer. All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff.

5. Existing Control Measures

HIAL already has procedures in place which reduce the likelihood of fraud/theft occurring. These include standing financial instructions, accounting procedures, a system of internal control and a system of risk assessment.

6. Roles and Responsibilities

The Chief Financial Officer, as Accountable Officer for HIAL, is responsible for establishing and maintaining sound systems of internal control that support the achievement of the Scottish Ministers' policies, aims and objectives. The systems of internal control are designed to respond to and manage the whole range of risks that the Company faces. The systems of internal control are 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 within the Company. The Board of HIAL has established an Audit Committee to support them on issues of risk, control and governance and associated assurance. The Audit Committee therefore has a general responsibility for monitoring the operation and effectiveness of anti-fraud arrangements and the Committee may require regular reports on any fraud activity.

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6. Roles and Responsibilities (continued)

The Chief Financial Officer holds overall responsibility for ensuring that necessary controls are in place for managing the risk of fraud. The responsibilities of the Chief Financial Officer include:

- preparing relevant guidance on the prevention, detection, reporting and handling of fraud;
- establishing an effective anti-fraud policy and fraud response plan;
- ensuring that core financial systems are designed and operated so as to minimise the risk of fraud;
- coordinating assurances about the effectiveness of anti-fraud policies to support the Statement on Internal Control;
- ensuring that in accordance with the Company's disciplinary procedures that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
- ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

The Company's internal audit function, under the direction of the Audit Committee is responsible for:

- delivering an opinion to the Audit Committee on the adequacy of arrangements for risk, control and governance (including those for managing the risk of fraud) and ensuring that the Company as a whole promotes an anti-fraud culture;
- assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various segments of the Company's operations;
- assisting management in conducting alleged fraud investigations if requested.

General, Airport and Head Office managers are responsible for:

- ensuring that an adequate system of internal control exists within their areas of responsibility consistent with relevant guidance and that controls operate effectively and as intended;
- assessing the types of risk involved in the operations for which they are responsible;
- regularly reviewing and testing the control systems for which they are responsible;
- ensuring that controls are being complied with and their systems continue to operate effectively;
- implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place;
- contacting their line manager and the Chief People Officer and/or HR Manager when suspicions of fraud are brought to their notice (managers may also be required to undertake some preliminary work to establish relevant facts).

Each member of staff is responsible for:

- acting with propriety in the use of official resources and the handling and use of public funds whether they are involved with cash or payments systems, receipts or dealing with suppliers;
- being alert to the possibility that unusual events or transactions could be indicators of fraud;
- reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- cooperating fully with whoever is conducting internal checks, reviews or fraud investigations.

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7. Acceptance of Gifts or Hospitality

Staff must not accept any gifts, hospitality or other inducement which puts them under obligation, and which might impair their ability to conduct the Company's business. Staff must not accept any gift or consideration as an inducement or reward for doing or refraining from doing any act in relation to the Company's business or affairs. Staff who are approached with an offer of any kind which they believe may be construed as a gift, inducement or reward within the above definitions must inform the Chief Financial Officer immediately. It may be acceptable in some circumstances to accept hospitality. This is detailed for staff in the Company policy on Bribery, Hospitality and Gifts.

Staff having regular contact with suppliers, contractors and manufacturers are particularly vulnerable to approaches of this nature and they should be aware of the enhanced risk and the possible consequences if prescribed procedures are not followed.

8. Notification and Accounting

Losses due to fraud are subject to the guidance on losses and special payments. All cases of fraud will be automatically reported to the Chief Financial Officer who will alert the Chair of the Audit Committee for notification to the Scottish Government.

9. Conclusion

All cases of actual or suspected fraud will be vigorously and promptly investigated and appropriate action will be taken. The police will be informed by the Chief Financial Officer where considered appropriate. In addition, disciplinary action will be considered not only against those members of staff found to have perpetrated frauds but also against managers whose negligence is held to have facilitated frauds. Allegations of fraud will be dealt with under the HIAL Disciplinary Policy and procedure. Serious cases can be held to constitute gross misconduct, the penalty for which may include summary dismissal.

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Appendix 1 – Fraud Response Plan

Purpose

This Fraud Response Plan sets out arrangements to ensure that when suspected frauds against HIAL are reported, prompt and effective action is taken to:

- investigate the circumstances;
- minimise the risk of subsequent loss;
- ensure that appropriate recovery action is taken or, failing recovery, to initiate action to write off any losses;
- remedy any weaknesses in internal control procedures;
- initiate disciplinary and legal procedures, where appropriate;
- demonstrate that HIAL is not a soft target for attempted fraud; and
- maintain a record of reported frauds and provide reports to senior management on the progress of cases and outcomes.

Procedure

1. All cases of fraud will be automatically reported to the Chief Financial Officer, who will alert the Chair of the Audit Committee for notification to the Scottish Government, if appropriate. The Chief Financial Officer will also notify the Police as appropriate.
2. Incidents will be logged in a Fraud Register, which contains details of allegations, investigations and conclusions.
3. Frauds and allegations of fraud will be investigated by an appointed, suitably qualified senior member of staff independent of the area under suspicion in line with the published Disciplinary Policy. This may include suspending the alleged perpetrators from work.
4. Evidence will be gathered using legitimate methods as outlined in the Disciplinary Policy.
5. Progress on investigations will be reported to the Audit Committee as a standing item on the agenda.
6. No information should be divulged to the press or media. Responsibility for divulging information to the media will be taken by the relevant director, in consultation with the Chief Executive Officer and the Director of Communications and Corporate Affairs.
7. Lessons learnt from fraud investigations will be shared and implemented across the HIAL Group as soon as possible after an investigation is concluded.

