



Karlson Utilities Policy for:
Anti-Fraud & Bribery Prevention

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Karlson Utilities requires all managers, staff, and trainees to act honestly, with integrity in order to safeguard any Karlson Utilities resources for which they are responsible at all times. The purpose of this policy is to outline the responsibilities of managers, staff, and trainees regarding the prevention of fraud, bribery and corruption and the procedures to be followed where any of these are detected or suspected.

1. Leadership

1.1 Karlson Utilities management is responsible for the prevention, detection, and investigation of irregularities. To discharge this responsibility, management must ensure that an adequate system of internal control is operated. The work of internal audit in reviewing the adequacy and effectiveness of the internal control system will help management to prevent and detect fraud.

1.2 Prosecution is a particularly effective deterrent due to the risk of a custodial sentence and a criminal record. However, the threat of prosecution only deters if the threat is real. Therefore, each and every case arising will normally be referred to the police irrespective of the status of the individual.

2. Denial of Opportunity

2.1 Fraud can be minimised through carefully designed and consistently operated management procedures which deny opportunities for fraud. Training in fraud awareness for appropriate members of staff will be co-ordinated by the Management, with support from both internal and external audit.

2.2 Potential misuse of information technology must be prevented by managing the physical access to terminals and protecting systems with electronic access restrictions.

3. The Role of Auditors

3.1 When new systems are being designed or existing systems are to be modified, internal auditors can advise management on building in ways of preventing or detecting fraud.

3.2 A continuous review of systems by internal audit may deter attempted fraud and should result in continuous improvements. The risk of fraud should be a factor in audit plans. The external audit can give advice about systems and their reviews of financial checks, balances and validation testing will provide further deterrence. Auditors may also wish to assess systems in place in order to deter corruption.

4. Employee Screening

4.1 Potential new members of staff must be screened before appointment in accordance with the Recruitment and Selection Procedures prepared by the Administration Department.

5. Internal Management Systems

5.1 This is the most important measure because the risk of processing an irregular transaction is minimised where every transaction is reviewed systematically. Detective checks and balances must be designed into all systems and applied consistently.

5.2 Systems should identify transactions which have not followed normal procedures. However, deception may be used to make improper transactions appear legitimate. The detective elements in each system must, therefore, be complemented by a general detective approach, to capture suspicions identified through chance, exit interviews and tip-offs.

6. Staff Responsibilities

6.1 Every member of staff has a duty to ensure that Karlson Utilities resources are safeguarded. Staff must alert their manager if they believe an opportunity for fraud exists due to poor procedures or lack of effective supervision.

6.2 It is the responsibility of every member of staff to report details immediately to their manager or appropriate senior person if they suspect fraud may have been committed.

6.3 Staff must also assist in any investigations by making available all relevant information and by co-operating in interviews.

7. Whistleblowing/Public Interest Disclosure

7.1 Karlson Utilities complies with the Public Interest Disclosure Act 1998 which states that employees who disclose information on certain matters will be legally protected from being disciplined, dismissed or victimised by their employer as a result.

8. Role of Audit in Detection

Karlson Utilities' defences against fraud must be robust preventative measures by management, coupled with sound detective checks and balances. The audit should be regarded as a 'long stop'. The internal and external audit may be involved in identifying fraudulent transactions.

9. Investigation

Fraud or irregularity occurs unpredictably, in any part and at any level in an organisation. It frequently causes disruption which is out of proportion to the sums involved. Once fraud is suspected, prompt action is needed to safeguard assets, recover losses and secure evidence for effective legal and disciplinary processes.

10. Process of Investigation

10.1 Suspected fraud should be reported to the Managing Director who will instigate action and investigation.

10.2 It is important to ensure that initial investigation is carried out with care and sensitivity, confidential to those who contribute to the investigation, recognising the possibility of malicious accusations.

11. Disciplinary Action

After proper investigation, Karlson Utilities will take legal and/or disciplinary action in accordance with the Karlson Utilities disciplinary procedures where it is considered appropriate. Karlson Utilities Managing Director will refer each case to the police as early as possible. If the case is not reported to the police, the Managing Director will advise the reason as to why. A civil action against the perpetrator may also be appropriate to recover losses resulting from the fraud. The investigation will also consider whether there has been any failure of supervision and if so, appropriate disciplinary action will be taken against those responsible.

12. Conclusion

The circumstances of individual frauds will vary, but it is important that each case is vigorously and promptly investigated, and that appropriate action is taken. Karlson Utilities views fraud very seriously and it will not be tolerated in any form. Any member of staff found to have committed an act of fraud is liable to immediate dismissal.

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Director of Karlson Utilities

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