

Fraud Prevention Policy

1 INTRODUCTION

The Consultancy Home Counties Ltd (TCHC GROUP) is committed to the highest standards of openness, probity and accountability. TCHC GROUP will not tolerate fraud and is committed to reducing its risk of fraud to the lowest possible level. This Policy is a public statement of TCHC GROUP's resolve to prevent, detect and act upon cases of fraud in a robust manner.

This Fraud Prevention Policy aims to emphasise the responsibilities of all management and staff in relation to the identification and reporting of fraud. An anti-fraud culture, aligned with good awareness of both internal controls and the possible indicators of fraud will help to ensure that TCHC GROUP continues to protect its assets and safeguards its disbursement of public monies. Fraudulent activities include theft.

Suspicion of fraud is currently captured through a number of reporting mechanisms:

- **TCHC GROUP's Financial Regulations**
The key resources for the identification of suspected fraud is the vigilance of staff in their day to day work. All employees have a duty under TCHC GROUP's Financial Regulations to report suspicion of fraud.
- **Whistle-blowing Policy**
The Policy provides a mechanism whereby staff may report concerns in confidence without their identity being disclosed. The Fraud Prevention Policy interfaces with the Whistle-blowing Policy but is not the same. Whilst 'whistle blowing' can relate to a whole range of ethical and academic matters, a Fraud Prevention Policy is more specifically targeted on financial matters. This Policy, therefore, works alongside TCHC GROUP's own Public Interest Disclosure Policy.
- **Planned Audit Work**
TCHC GROUP's internal audit team plan their work to consider the risk of fraud at TCHC GROUP. The audits are required to assist Management by examining and evaluating the adequacy and effectiveness of action taken to fulfil the obligation to prevent, detect and investigate fraud. The work of the audit team is planned to take into consideration the risk of fraud occurring, especially in those systems where a high potential for fraud exists. Systems are required to be tested to ensure that the risk of fraud is minimised and auditors are always alert to any control weaknesses that allow impropriety or fraud to occur.
- **Operation of Proper Procedures**
On an operational basis, Management has primary responsibility for preventing and detecting fraud. Management is required to establish adequate systems of internal control, including clear operational guidance, appropriate segregation of duties and robust authorisation procedures. Non-compliance with proper procedures can be an indicator of potential fraud.

2 BASIS OF THE POLICY

TCHC GROUP is committed to a policy which minimises the risk of fraud at TCHC GROUP.

TCHC GROUP expects its staff to exercise the highest standards of corporate and personal conduct including:

- **Accountability:** Actions of TCHC GROUP staff must be able to stand the tests of audit, propriety and professional codes of conduct;
- **Probity:** absolute honesty and integrity should be exercised in dealing with assets, staff, suppliers and the public;

- Openness: TCHC GROUP's activities should be sufficiently public and transparent to promote confidence between TCHC GROUP and its funding partners, staff and the public.

TCHC Group will promote a culture within our project(s) that deters fraudulent activity by;

- facilitating the prevention and detection of fraud;
- report to the MA (Managing Authority) at the earliest opportunity any fraud or suspected fraud they identify in our project(s);
- co-operate with the MA and DWP/Treasury in the investigation of fraud and related offences.

Reported or suspected frauds will normally be investigated in accordance with TCHC GROUP's Fraud Response Plan except where they involve straightforward acts of misconduct by TCHC GROUP staff, in which case investigation under the TCHC GROUP staff disciplinary procedures may be the most appropriate response.

Acts of theft, fraud and deliberate falsification of records by TCHC GROUP staff are considered acts of gross misconduct in terms of TCHC GROUP's staff disciplinary procedures. Other less serious breaches of financial regulations represent misconduct. The Managing Director and Chief Executive Officer should be informed of all suspected or detected fraud at the earliest opportunity, and will decide whether or not to invoke the Fraud Response Plan.

The creation of an anti-fraud culture is a key objective of this Policy. Staff require to understand the potential risk of fraud faced by TCHC GROUP and that fraud is a serious matter. It is the responsibility of all staff to be fraud aware and take the necessary steps to minimise the risk to TCHC GROUP. To facilitate this, the Fraud Prevention Policy will be disseminated widely throughout TCHC GROUP.

3 PURPOSE AND DEFINITIONS

The purpose of the Fraud Prevention Policy is to further enhance systems, policies and procedures which deter acts of fraud.

For the purpose of this policy, fraud may be defined as the use of deception with the intention of obtaining advantage, and of prejudicing or intending to prejudice the interests of another party.

Three of the most common examples of fraud are also defined as follows:

- Theft: misappropriation of TCHC GROUP's property.
- Corruption: the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person. The forthcoming Bribery Act creates a number of new offences, and TCHC GROUP are currently examining the potential implications arising from this proposed legislation.
- Irregularity: any breach of the standards of financial integrity required by TCHC GROUP, including a breach of the Financial Regulations.

Thefts, frauds and deliberate falsification of records and other serious breaches of financial regulation should be reported to the audit team. This will allow the audit team to ensure control mechanisms are reviewed with a view to preventing or limiting the possibility of any recurrence. The audit team should report such incidences to the Managing Director and Chief Executive Officer, so that they are aware of them and the action taken to address them.

4 MANAGEMENT AND STAFF RESPONSIBILITIES

Managers should be alert to the possibility that unusual events may be the symptoms of fraud or attempted fraud. Employees with managerial responsibility are also responsible for ensuring that an adequate system of internal control exists within their area of responsibility, appropriate to the risk involved and that those controls are properly operated and complied with.

Managers have the prime role in the prevention of fraud because the effective enforcement of TCHC GROUP's internal controls fall largely on them. In practice, fraud often occurs because of weaknesses in control – either control processes are absent, ineffective or not being complied with.

All staff are responsible for:

- Acting with propriety in the use of TCHC GROUP resources and in the handling and use of TCHC GROUP funds, whether they are involved with cash or other forms of payment systems, receipts or dealing with contractors and suppliers;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Reporting details immediately to their line manager or where appropriate directly to their Head of Department if they suspect that a fraud or irregularity has been committed or see any suspicious acts or events;
- Co-operating fully with TCHC GROUP employees or agents conducting internal checks or reviews or fraud investigations.

Staff should feel free to bring to Management's attention areas of weakness they have identified in the procedures they use and to suggest improvements to these procedures to reduce the possibility of fraud. Confidentiality will be respected.

Financial Affairs

The TCHC Group help to reduce the risk of fraud arising by:

- Applying a segregation of duties for financial processes. No individual should have sole responsibility for any single transaction.
- Keeping basic records of all income and expenditure, as well as receipts, invoices and supporting documents.
- Not overriding, by-passing or ignoring financial controls.
- Regularly reconciling bank statements and other accounts, and carrying out with spot checks on books and records.
- Embedding a culture of control from the top.
- Reviewing financial controls annually.
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5 ADHERENCE TO TCHC GROUP REGULATIONS, POLICIES AND PROCEDURES

TCHC GROUP seeks to minimise the opportunities for fraud through carefully designed and consistently operated management procedures. Staff should receive regular training in the operation of these.

A key factor in guarding against fraud is for there to be adequate segregation of duties, so that no one individual has overall management of payments, income or assets. Clear division of responsibility will assist this.

TCHC GROUP publishes and disseminates widely a range of approved regulations, policies and procedures which contain measures aimed at preventing fraud.

TCHC GROUP will continue to seek to ensure that TCHC GROUP regulations, policies and procedures are regularly updated and disseminated widely.

6 REGISTER OF INTERESTS & CONFLICTS OF INTEREST

It is the responsibility of all TCHC GROUP employees to declare any business or commercial interests which may conflict with their responsibilities and duties at TCHC GROUP.

All TCHC GROUP staff are expected to maintain a high degree of integrity in their decision making and day to day duties.

Any member of staff having a personal, financial or other beneficial interest in any transaction between TCHC GROUP and a third party is required to disclose this interest to the relevant Head of Department and to the Managing Director. This is in line with the Code of Practice on Conflicts of Interest, and Financial Regulations.

7 GIFTS AND HOSPITALITY

The acceptance of gifts or hospitality is an area of potential corruption in any organisation.

Other than under their normal remuneration arrangements, it is not acceptable for a member of staff to accept any fee or reward whatsoever, for:

- doing, or refraining from doing, anything in their employment capacity;
- showing favour or disfavour to any person in their employment capacity.

Under no circumstances should a gift or concession of any sort be accepted where this could be construed as reward for services rendered or an inducement to act in a particular way.

TCHC GROUP operates in an environment where staff require to work closely with individuals, employers and organisations. Normal business hospitality is acceptable in such circumstances but staff need to exercise care in ensuring that the interests of TCHC GROUP remain paramount, and that personal or family gain, or the perception thereof, are avoided. If any doubt exists, the Head of Department, in the first instance, should be consulted regarding the acceptance of any hospitality/gift.

It is a requirement that TCHC GROUP keep a record of all business hospitality received.

8 THE ROLE OF AUDIT

The role of audit within TCHC GROUP is undertaken by an in house team – the Audit Team; and by external auditors appointed by TCHC GROUP and our contract holders.

While the responsibility for the prevention and detection of fraud rests with Management, audit can provide assistance in fulfilling this responsibility. Internal and external audit work provides assurance that there are adequate controls within systems and, on the basis of sample checks that controls are being complied with.

An ongoing review of systems by the Audit Team may deter attempted fraud and secure continuous improvements in systems. The Audit Team helps to provide assurance on the effectiveness of TCHC GROUP's system of internal control. They submit regular reports to the Managing Director, reporting any difficulties encountered, and recommend actions for Management to implement.

The main duty of external audit is to provide an opinion on TCHC GROUP's published Financial Statements. However, they also review the level and effectiveness of internal control, and review the work and effectiveness of the Audit Team.

9 NOTIFICATION OF SUSPECTED FRAUD

TCHC GROUP is committed to maintaining an honest and open environment to reduce the risk of fraud to the lowest possible level and to the rigorous investigation of any suspected fraud.

TCHC GROUP therefore wishes to encourage anyone having reasonable suspicions of fraud to report them and will maintain their confidentiality. No employee will be disadvantaged in any way as a result of reporting reasonably held suspicions.

Such suspicions should be raised in the first instance with the immediate line manager, or should the line manager be the subject of suspicion, the next most appropriate senior person.

The line manager should then raise the matter with the Head of Department or Managing Director. If the Head of Department or Managing Director is subject to suspicion then the matter should be raised directly with the Chief Executive Officer.

10 FRAUD RESPONSE PLAN

TCHC GROUP is committed to the rigorous investigation of any suspected fraud. The process is set out in the "Fraud Response Plan" which the Managing Director can invoke on receipt of an allegation or the identification of suspected fraud.

The Fraud Response Plan provides a consistent framework for investigating and reporting fraud. The Fraud Response plan is detailed in Appendix A to this policy.

Fraudulent activity constitutes misconduct and where fraud is detected, disciplinary procedures will be instigated. Where there is direct evidence of fraud, TCHC GROUP's policy is to advise the Police. TCHC GROUP will co-operate fully with the Police and pursue prosecutions where advised that this is feasible.

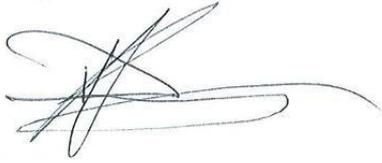
Senior Managers, Heads of Department and line managers should note that suspects have certain rights under the law and no action (such as interviewing staff) should be taken without prior consultation with the Managing Director. Failure by TCHC GROUP staff to follow established procedures in relation to investigating fraud and interviewing the staff involved can invalidate disciplinary action and compromise the success of any investigation and/or prosecution.

11 DISSEMINATION OF THE POLICY

The Policy will be regularly reviewed and updated.

The Policy will be disseminated to all TCHC GROUP Staff.

The Policy will be published on TCHC GROUP's Intranet.



Dale Morgan, Chairman – TCHC GROUP

Fraud Prevention Policy

Appendix A Fraud Response Plan

1 INTRODUCTION

The purpose of this appendix is to outline the steps to be followed in the event that a suspected fraud is uncovered. This plan provides a consistent framework for investigating and reporting fraud. This document should be read in conjunction with TCHC GROUP's Fraud Prevention Policy.

2 INITIATING ACTION

Suspicion of fraud may be captured through a number of means. An irregularity may come to light as a result of an employee raising concerns, an internal audit review or an external audit review. All cases of suspected or known fraud should be reported immediately regardless of the apparent amounts involved. Once fraud is suspected an investigation will be conducted in a timely and professional manner.

The Fraud Prevention Policy requests staff to report any suspected fraud to their line manager in the first instance. In instances where the line manager is subject to suspicion the next most appropriate senior person should be contacted. The line manager should then raise the matter with the Head of Department or Managing Director. If the Head of Department or Managing Director is subject to suspicion then the matter should be raised directly with the Chief Executive Officer. The Head of Department/Managing Director should then report the matter to the Chief Executive Officer without delay.

If for any reason, staff feel unable to raise the matter through the mechanism outlined, staff may report suspicions directly to the Audit team, who in turn will report the matter to the Chief Executive Officer. The Chief Executive Officer has the authority to invoke the Fraud Response Plan.

The Chief Executive Officer should convene a meeting of TCHC GROUP's Senior Managers as soon as possible after invoking the Fraud Response Plan.

2.5 The Senior Management Team's immediate task is to decide the nature of the initial action. The nature of the action required will vary depending on the individual circumstances. However the initial action will generally include the following:

- Consider whether a special investigation is required to establish the facts and if so agree the scope and nature of any special investigation to be undertaken;
- Consider what action is necessary to secure records/assets and prevent further loss;
- Seek expert legal advice from TCHC GROUP's solicitors if required;
- Consider the need to contact the Skills Funding Agency and the Police;
- Agree a timetable for completion of this initial action.

After consultation with the Senior Management Team, the Chief Executive Officer should appoint an Investigating Officer to take charge of the investigation on a day to day basis.

The Investigating Officer must conduct an initial "fact-finding" exercise to enable the facts of the circumstance to be investigated in a manner which is both rigorous and timely and maintains strict confidentiality.

The Investigating Officer should produce an interim report for consideration by the Chief Executive Officer and the other members of the Senior Management Team, which will provide sufficient detail to allow an assessment to be made as to whether a fraud has occurred. The interim report should:

- set out the findings to date;
- set out the interim conclusions drawn from those findings;
- set an action plan to continue the investigation if this is considered appropriate.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. In cases where an individual is suspected of fraud which a subsequent investigation does not substantiate, it is important that the potential damage to the individual's reputation is minimised. Whoever originally reported the suspected fraud will be informed by the Chief Executive Officer that the investigation has revealed no wrongdoing.

3 SUBSEQUENT INVESTIGATIONS

Where the initial investigation provides reasonable grounds for suspecting a member or members of TCHC GROUP of fraud, a decision should be taken as to whether the suspected employee(s) should be suspended. The Managing Director should progress any suspension in accordance with normal agreed disciplinary procedures, however, it may be necessary to plan the timing of any suspension to prevent the suspected employee from destroying or removing evidence that may be needed to support disciplinary or legal action.

In these circumstances the employee should be approached unannounced. They should be supervised at all times before leaving TCHC GROUP's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to TCHC GROUP. Any keys to premises, offices and furniture should be returned.

The Head of Operations should advise on the best means of denying access to TCHC GROUP whilst the employee remains suspended. The Head of Operations should be instructed to withdraw, without delay, access permissions to TCHC GROUP's computer systems.

If an employee is not suspended, this aspect should be kept under review at all stages of the investigation.

The Investigating Officer shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the employee may have had opportunities to misappropriate TCHC GROUP's assets. The Investigating Officer will report any such concerns to the Chief Executive Officer.

As part of the internal investigation there may be a need to expand on the information collected as part of the initial fact-finding exercise so as to provide an appropriate level of evidence.

The Investigating Officer shall provide the Senior Management Team and Audit Team with reports on the progress of ongoing fraud investigations no less frequently than fortnightly.

At the conclusion of the investigation a final report will be produced by the Investigating Officer. This report will be submitted to the Chief Executive Officer.

If the circumstances set out in the final report indicate that an employee has a case to answer, then the Chief Executive Officer will invoke TCHC GROUP's internal disciplinary procedures, if not already done so at 3.1 above.

4 INVOLVING THE POLICE

Where it has been established that a 'prima facie' case exists, it is TCHC GROUP policy to pass the initial details of the suspicions directly to the Police.

If the Police decide that a formal investigation is necessary they will lead the investigation from this stage conducting all necessary interviews and obtaining access to the records and documents of TCHC GROUP; all employees must co-operate fully with any subsequent request or recommendations. All contacts with the Police following their initial involvement will be via the Chief Executive Officer or an authorised substitute.

5 INVOLVEMENT OF TCHC GROUP INSURERS

The Investigating Officer in discussion with the Chief Executive Officer should decide, depending on the nature of the case, whether any of the losses warrant a claim under any TCHC GROUP insurance policy.

6 NOTIFYING FUNDING AGENCY

The Chief Executive Officer is responsible for ensuring Funding Agencies are informed of any actual or suspected frauds in the following circumstances:

- The sums of money involved are, or potentially are, public funded monies;
- The particulars of the fraud are novel, unusual or complex;
- There is likely to be public interest because of the nature of the fraud or the people involved.

7 PUBLIC RELATIONS

Any requests for information from the press or anyone outside TCHC GROUP concerning any fraud investigation must be referred to the Chief Executive Officer.

Any statements to the media will be made by either the Press Officer or the Chief Executive Officer.

Under no circumstances should the Investigating Officer or other manager/employee provide statements to the press or external persons.

8 RECOVERY OF LOSSES

The Investigating Officer shall ensure that in all fraud investigations the amount of any loss is quantified wherever possible. Repayment of losses where a case of fraud has been proven will be sought in all cases.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. It is critical that the total value of the loss can be quantified to allow recovery procedures to be undertaken. TCHC GROUP will normally expect to recover costs in addition to losses.

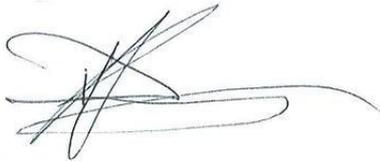
9 EXTERNAL FRAUDS

External frauds are fraud perpetrated by third parties against TCHC GROUP. If there is any suspicion of collusion on the part of staff in a suspected or discovered external fraud, the procedures described in this Fraud Response Plan apply in full. Subject to that proviso, the Fraud Response Plan for external frauds is as follows: Cases of suspected external frauds should be reported to the Chief Executive Officer. The Chief Executive Officer should notify the matter to the Senior Management Team who will normally recommend that the matter be reported to the Police.

10 REVIEW OF THE FRAUD RESPONSE PLAN

The Plan will be reviewed to ensure fitness for purpose periodically (no later than a period of three years) and after each incident to identify any need for change. Amendments will be approved by the Senior Management Team.

Note: If any suspected fraud directly involves an officer referred to in this document, then the relevant reference should be replaced by a senior manager nominated by the Chief Executive Officer.



Dale Morgan, Chairman – TCHC GROUP