

YOUNG SOMERSET

ANTI-FRAUD POLICY

Introduction

Young Somerset has a commitment to high legal, ethical, and moral standards. We expect all members of staff to share this commitment. The Board of Trustees tries to ensure that a risk (and fraud) awareness culture exists in this organisation. Fraud is an ever-present threat and hence must be a concern to all members of staff. Young Somerset views fraud as an extremely serious matter and is committed to the promotion of an Anti-Fraud Culture throughout the organisation.

This Policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, customers and/or any other parties having a business relationship with the organisation. Young Somerset will not penalise anyone for raising a concern in good faith. Any investigative activity required will be conducted without regard to any person's relationship to this organisation, position or length of service. Following investigation Young Somerset will always take appropriate action, including but not limited to, disciplinary and/or legal action against those found to have perpetrated fraud and other acts involving dishonesty.

All managers and supervisors have a duty to familiarise themselves with the types of improprieties that might be expected to occur within their areas of responsibility and to be alert for any indications of irregularity.

2. Definition – What is Fraud?

We define Fraud as “dishonestly obtaining an advantage, avoiding an obligation or causing a loss to another party.” The term “fraud” commonly includes activities such as theft, corruption, conspiracy, deception, bribery and extortion. It may involve:

- manipulation, falsification or alteration of records or documents
- suppression or omission of the effects of transactions from records or documents
- recording of transactions without substance
- misappropriation (theft) or wilful destruction or loss of assets including cash
- deliberate misapplication of accounting or other regulations or policies.

The criminal act is the attempt to deceive, and attempted fraud is therefore treated as seriously as accomplished fraud.

Computer fraud arises where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting, or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources is included in this definition.

3. Purpose of the Fraud Response Plan

The purpose of the Fraud Response Plan (the “Plan”) is to ensure that effective and timely action is taken in the event of a fraud. The Plan aims to help minimise losses, reduce liability and increase the chances of a successful investigation.

The Plan defines authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. It acts as a checklist of actions and a guide to follow in the event of fraud being suspected. The Plan is designed to enable Young Somerset to:

- prevent further loss
- establish and secure evidence necessary for criminal, civil and/or disciplinary action
- determine when to contact the police and establish lines of communication
- assign responsibility for investigating the incident
- minimise and recover losses
- review the reasons for the incident, the measures taken to prevent a recurrence, and determine any action needed to strengthen future responses to fraud.

4. Young Somerset Responsibilities

Young Somerset will undertake fraud investigations where there is suspected fraud and take the appropriate legal and/or disciplinary action in all cases where that would be justified. Whether there is fraud (proven or suspected), Young Somerset will make any necessary changes to systems and procedures to prevent similar frauds from occurring in the future. Young Somerset will establish systems for recording and subsequently monitoring all discovered cases of fraud (proven or suspected).

Responsibility for exercising disciplinary actions rests with the Chief Executive Officer (CEO) although this should be done in consultation with the Company Secretary where appropriate.

5. Managing the Risk of Fraud - Responsibilities

CEO Responsibilities

The CEO is responsible for establishing and maintaining a sound system of internal controls that support the achievement of Young Somerset policies, aims and objectives. The system of internal controls is designed to respond to and manage the whole range of risks that the Young Somerset faces. Managing fraud risk will be seen in the context of the management of this wider range of risks.

Heads of Service Responsibilities

Overall responsibility for managing the risk of fraud has been delegated to Heads of Service and Service Managers or equivalent. Their responsibilities include:

- developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organizational objectives in order to keep the profile current
- designing an effective control environment to prevent fraud from happening
- establishing appropriate mechanisms for:
 - reporting fraud risk issues
 - reporting all incidents of fraud to the CEO
 - making sure that all staff are aware of Young Somerset's attitude to fraud and know what their responsibilities are in relation to combating fraud
 - ensuring that appropriate anti-fraud training and development opportunities are available to appropriate staff in order to meet the defined competency
 - ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected
 - taking appropriate disciplinary action against manager/supervisors where management/supervisory failures have contributed to the commission of fraud
 - taking appropriate action to safeguard the recovery of assets
 - ensuring that appropriate action is taken to minimize the risk of similar frauds occurring in the future.

Service Managers Responsibilities

Service Managers or equivalent are responsible for:

- ensuring that an adequate system of internal controls exists within their areas of responsibility, that controls operate effectively, and any potential risks are recorded on the service risk log along with what actions are being taken to mitigate such risks
- preventing and detecting fraud
- 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 fraud has taken place.

6. Specific Risk Mitigation Measures

To manage the exposure to bribery and corruption, staff and Trustees must comply with the company's Policy on Gifts and Hospitality which can be found in the Employee/Trustee Handbook.

No payment (whether it be a facilitation payment or otherwise), gift or service, is to be made to or received from any supplier or service user of services without prior notification and approval of the CEO.

Conflicts of interest are known to increase the risk of fraud. Therefore, all staff who have an interest in an actual or potential supplier (whether personally, or through family members,

close friends or associates) must report this using our Declarations of Interest form following the procedure set out in the Conflicts of Interest Policy.

7. Fraud Detection

All line managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

Additionally, irregularities occasionally come to light in the course of reviews.

The factors which gave rise to the suspicion should be determined and examined to clarify whether a genuine mistake has been made or an irregularity has occurred. An irregularity may be defined as any incident or action which is not part of the normal operation of the system or the expected course of events.

Preliminary examination may involve discreet enquiries with staff or the review of documents. It is important for staff to be clear that any irregularity of this type, however apparently innocent, will be analysed.

8. Action following detection

When any member of staff suspects that a fraud has occurred, they should notify their Head of Service immediately. Speed is of the essence and this initial report can be verbal and must be followed up within 24 hours by a written report addressed to the Head of Service which should cover:

- The amount/value if established
- The position regarding recovery
- The period over which the irregularity occurred, if known
- The date of discovery and how the suspected fraud was discovered
- Whether the person responsible has been identified
- Whether any collusion with others is suspected
- Details of any actions taken to date
- Any other information or comments which might be useful

Before completing the report above, the Head of Service may want to undertake an initial inquiry to ascertain the facts. This inquiry should be carried out as speedily as possible after suspicion has been aroused: **prompt action is essential**. The purpose of the initial inquiry is to confirm or negate, as far as possible, the suspicions that have arisen so that, if necessary, disciplinary action including further and more detailed investigation may be initiated. Young Somerset External Auditors are available to offer advice on any specific course of action which may be necessary.

9. Consultation and Reporting within Young Somerset

On verbal notification of a possible fraud the Head of Service must immediately contact the CEO and Finance Manager where appropriate. They will inform and consult with the External Auditors, Chair of the Board and Treasurer in cases where the loss is potentially significant or where the incident may lead to adverse publicity.

The Finance Manager/CEO will maintain a log of all reported suspicions, including those dismissed as minor or otherwise not investigated. The log will contain details of actions taken and conclusions reached and will be presented to the Business and Finance Sub Committee for inspection annually. Significant matters will be reported to the Young Somerset Board as soon as practical.

Where a member of staff is to be interviewed or disciplined, the Head of Service will take advice from Young Somerset's HR provider. They will advise those involved in the investigation in matters of employment law and other procedural matters (such as disciplinary or complaints procedures) as necessary.

10. Investigation/Further Action

If it appears that a criminal act has not taken place, an internal investigation will be undertaken to:

- determine the facts
- consider what, if any, action should be taken against those involved
- consider what may be done to recover any loss incurred
- identify any system weakness and look at how internal controls could be improved to prevent a recurrence.

After proper investigation, Young Somerset will take legal and/or disciplinary action in all cases where leaders consider further action appropriate. There will be consistent handling of cases without regard to position or length of service of the perpetrator.

Where an investigation involves a member of staff and it is determined that no criminal act has taken place, the Service Manager will liaise with Young Somerset's HR provider to determine which of the following has occurred and therefore whether, under the circumstances, disciplinary action is appropriate:

- gross misconduct (i.e., acting dishonestly but without criminal intent)
- negligence or error of judgment was seen to be exercised; or
- nothing untoward occurred and therefore there is no case to answer.

Where, after having sought legal advice, the Head of Service (in discussion with the CEO) judges it cost effective to do so, Young Somerset will normally pursue civil action in order to recover any losses.

Where initial investigations point to the likelihood of a criminal act having taken place, the CEO will contact the police at once. The advice of the police will be followed in taking forward the investigation.

The investigations described above will also consider whether there has been any failure of supervision/management. Where this has occurred, appropriate disciplinary action will be taken against those responsible for this failure.

11. Recovery of Losses

The recovery of losses should be a major objective of any fraud investigation. To this end, the quantification of losses is important. Repayment of losses should be sought where it is cost effective to do so. Where necessary, Young Somerset will seek external advisors and legal advice on the most effective actions to secure recovery of losses.

12. Managers' Duty of Care

Managers conducting initial inquiries must be conscious that internal disciplinary action and/or criminal prosecution may result. If such action is later taken, then under proper procedure the member of staff concerned has a right to representation and may have the right to remain silent. Utmost care is therefore required from the outset in conducting inquiries and interviews.

In addition, in order to protect Young Somerset from further loss and damage from destruction of evidence, it may be necessary to suspend the member of staff concerned immediately after the allegation has been made or following the submission of the Manager's initial verbal report. Specific advice should be sought from Young Somerset's HR Provider before proceeding.

13. Protection of Evidence

- If the initial examination confirms the suspicion that a fraud has been perpetrated, then to prevent the loss of evidence which may subsequently prove essential for disciplinary action or prosecution, the person heading up the investigation "Investigating Officer" take steps to ensure that all original evidence is secured as soon as possible:
- be able to account for the security of the evidence at all times after it has initially been secured, including keeping a record of its movement and signatures of all persons to whom the evidence has been transferred. For this purpose, all items of evidence should be individually numbered and descriptively labelled
- not alter or amend the evidence in any way
- keep a note of when investigators came into possession of the evidence. This will be useful later if proceedings take place
- remember that all memoranda relating to the investigation must be disclosed to the defence in the event of formal proceedings against an employee, so it is important to carefully consider what information needs to be recorded. Particular care must be

taken with phrases such as “discrepancy” and “irregularity” when what is really meant is fraud or theft

- ensure that electronic evidence is appropriately handled by certified specialists.

14. Investigating Officer

The Head of Service/CEO will nominate in writing the Investigating Officer on a case-by-case basis depending on the gravity of issues and potential losses involved. The CEO will oversee and control the subsequent investigation; therefore, for this purpose, the Head of Investigation will report to the CEO.

The Terms of Reference should be agreed between those involved in the investigation. The Investigating Officer should arrange for an action plan to be put in place with, as far as is possible, a set timeframe and regular reviews. They should call on the assistance of various sources of help at all stages (technical assistance, HR Advisory, external audit, etc.) but ultimate responsibility and accountability in progressing the case should remain with the Investigating Officer.

The Investigating Officer should have the necessary authority (i.e. the appropriate level of responsibility and experience) to enable them to properly discharge these duties. Depending on the volume of work to be performed and the issues involved, this person might be released from their main duties on a temporary basis.


The Investigating Officer should also be independent from the matter in question. It is the responsibility of the Investigating Officer to keep the CEO abreast of developments who will report all material developments promptly to the Chair of the Board/Treasurer.

15. Learning from Experience

Following completion of the case, the Investigating Officer should prepare a summary report on the outcome and lessons learned circulating it to Head of Service and all other interested parties who must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud. Where a fraud has occurred, management must make any necessary changes to systems and procedures to minimise prospects for similar acts of fraud.

Signed on behalf of Board: David Elstone, Chair

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Signature	
Date	
Review Date	(36 months)

