ANTI-FRAUD POLICY

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Responsible officer	Christina Friedenthal Corporate Services Director
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Approver	Board of Management

1. Introduction

1.1 This document sets out the policy and procedures of CDS Co-operatives ('CDS') against fraud and other forms of dishonesty.

1.2 It applies to directors, staff, board and committee members. Anybody associated with CDS who commits fraud, theft or any other dishonesty, or who becomes aware of it or ought reasonably to be aware of it and does not report it, will be subject to appropriate disciplinary action.

2. Statement of intent

2.1 CDS will continually strive to ensure that all its financial and administrative processes are carried out and reported honestly, accurately, transparently and accountably and that all decisions are taken objectively and free of personal interest. It will not condone any behaviour that falls short of these principles.

2.2 All directors, staff, board and committee members of CDS have a responsibility for putting these principles into practice and for reporting any breaches they discover.

3. Definitions

Fraud: A deliberate intent to acquire money or goods dishonestly through the falsification of records or documents. The deliberate changing of financial statements or other records by someone who works

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

Theft: Dishonestly acquiring, using or disposing of physical or intellectual property belonging to CDS or to individual directors, staff, board and committee members of the organisation.

Misuse of equipment: Deliberately misusing materials or equipment belonging to CDS for financial or material benefit.

Abuse of position: Exploiting a position of trust within the organisation for financial or material benefit.

4. Culture

4.1 CDS fosters honesty and integrity in its entire staff. Directors, staff, board and committee members are expected to lead by example in adhering to policies, procedures and practices.

4.2 As part of this, CDS will provide clear routes by which concerns may be raised by directors, staff, board and committee members. Details of this can be found in the CDS Staff Handbook.

4.3 All directors, staff, board and committee members must follow the laid down procedures for internal control, which will help to minimise the opportunities for fraud. Failure to do so will be gross misconduct.

4.4 Reports of suspected fraud will be dealt with diplomatically and an employee making a report will not be subject to any detriment as a consequence of raising an issue (unless raised maliciously). If necessary or requested, the identity of the person making the report will be kept confidential.

4.5 CDS has a separate anti-bribery policy.

5. Responsibilities of Board and Staff members

5.1 The Board and Committees are responsible for establishing and maintaining a sound system of internal control that supports the achievement of CDS's policies, aims and objectives.

5.2 The system of internal control is designed to respond to and manage the whole range of risks which CDS faces.

5.3 The system of internal control is 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 is seen in the context of the management of this wider range of risks.

The Chief Executive (CE):

5.4 Overall responsibility for managing the risk of fraud has been delegated to the CE. The day-to-day responsibility has been delegated to the Finance Director to act on behalf of the CE.

5.5 Their responsibilities include:

- Undertaking a regular review of the fraud risks associated with each of the key organisational objectives.
- Establishing an effective anti-fraud response plan, in proportion to the level of fraud risk identified.
- The design of an effective control environment to prevent fraud.
- Establishing appropriate mechanisms for:
    - reporting fraud risk issues
    - reporting significant incidents of fraud or attempted fraud to the Board of Directors;
- Liaising with CDS's appointed auditors.
- Making sure that all staff are aware of CDS's Anti-Fraud Policy and know what their responsibilities are in relation to combating fraud;
- Ensuring that appropriate anti-fraud training is made available to directors, staff and committee members as required; and
- Ensuring that appropriate action is taken to minimise the risk of previous frauds occurring in future.

Directors and Committee Members

5.6 Directors and committee members are responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud as far as possible;
- Assessing the types of risk involved in the operations for which they are responsible;
- Reviewing the control systems for which they are responsible regularly;
- Ensuring that controls are being complied with and their systems continue to operate effectively and bringing to the attention of the Corporate Services Director immediately any matter which may affect such compliance and oversight – this can include but is not limited to difficult working relationships
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

Managers

5.7 Managers are responsible for:

- Ensuring that all controls and processes are in place and are being followed.
- Ensuring that any matter which might affect oversight and/or implementation of controls and processes is brought to the attention of the Corporate Services Director immediately – this can include but is not limited to difficult working relationships.

Staff

5.8 Every member of staff is responsible for:

- Acting with propriety in the use of CDS's resources and the handling and use of funds whether they are involved with cash, receipts, payments or dealing with suppliers;
- Conducting themselves with selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Alerting their manager when they believe the opportunity for fraud exists e.g. because of poor procedures or lack of effective oversight;
- Reporting details immediately if they suspect that a fraud has been committed or see any suspicious acts or events; and
- Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

5.9 It is the responsibility of all board and staff members to report immediately any suspected act of attempted or detected fraud. CDS will take appropriate disciplinary action if it becomes apparent that a staff member was aware of an occurrence of fraud but failed to report it.

5.9 A board or staff member should also report immediately any "potential areas for fraud" undeclared conflicts of interests or breaches of internal controls. If a warning is given to any employee for failure to follow a procedure or control process in relation to payments to a third party this must be disclosed to the Board.

5.9 Board members should report incidences and warnings to CDS's Chair or Chief Executive. Staff members must report the matter to their Director, or if inappropriate, to the Corporate Services Director. (If the latter is also inappropriate, the matter should be referred to the Chief

Executive, or failing that, the Chair of the Audit & Risk Committee, or failing that, the Chair of the Board of Management). All notifications must initially be either in person or in writing. The Corporate Services Director will then determine whether written notification is required.

6. Actions to be taken when fraud is suspected

6.1 The Director must always report concerns about fraud to the Corporate Services Director.

6.2 The Corporate Services Director (or in their absence the Chief Executive) in consultation with the relevant Director and other officers and professional advisors as appropriate will determine how the matter is to be investigated, including any discussions, regarding the invoking of CDS CDS's disciplinary procedures. The employee suspected of perpetrating the fraud should not be involved at any stage in investigating the concerns.

6.3 Any fraud or attempted fraud will be recorded by the Corporate Services Director (or in their absence the Chief Executive) in the Fraud Register. This register shall be open to inspection by the Regulator at any time and shall be reviewed at each meeting of CDS's Finance, Audit & Risk Committee. The register will contain records of both attempted and detected frauds and the actions taken. The records will also indicate the systems involved, in order to assist in the prevention of any recurrences.

6.3 The Corporate Services Director (or in their absence the Chief Executive) will advise the Chair of Finance, Audit & Risk of any fraud or alleged fraud immediately upon discovery and the Regulator in the case of any fraud or alleged fraud in excess of £5,000 or equivalent in value. Any failure to investigate fraud or corrupt act or any fraud or corrupt act perpetrated or attempted by a senior officer of CDS, no matter how low in its value, must be reported by the Corporate Services Director to the Regulator and to the Chair of the Finance, Audit & Risk Committee immediately.

6.4 The Corporate Services Director (or in their absence the Chief Executive) is responsible for informing CDS's internal and external auditors, insurers and the police as appropriate. The police and external auditors will be informed once there is clear prima facie evidence of fraud.

6.5 Action Fraud is now established as UK's national fraud reporting service. Fraud or attempted Fraud should be reported to Action Fraud:

http://www.actionfraud.police.uk/report_fraud



6.6 As required by the Regulator, CDS will take appropriate action against staff or board members who perpetrate fraud and any person whose conduct allows fraud to be committed. CDS will also take action to recover any money that has been lost. The actions taken will be reported to and reviewed by the Audit & Risk Committee.

7. Suspected Fraud Affecting Client Co-operatives.

7.1 Client Relationship Officers and any other member of staff who has reason to suspect that fraud is or may be occurring at one of CDS's client co-operatives should bring their concerns to the attention of the Head of Client Services. In addition, any "potential areas for fraud" through undeclared conflicts of interests of breaches of internal controls should also be reported.

7.2 The Head of Client Services will determine how the matter should be further investigated. The Head of Client Services will notify the Corporate Services Director of reports of fraud and the matter will also be reported to the next meeting of the Senior Management Team.

7.3 If the investigation shows that fraud or attempted fraud has occurred, the matter should be raised with the independent co-operative and CDS will offer support to the client co-operative in taking the appropriate action.

7.4 In the event that the client co-operative does not acknowledge the fraud or attempted fraud or refuses to take appropriate action to resolve the matter the matter will be referred to CDS's Board of Management with a view to invoking the disputes procedure contained with the management agreement.