



Policy in practice

Fraud, Tax Evasion and Bribery Risk Management G202b

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<ul style="list-style-type: none"> Please avoid referring to printed versions of this guidance. All policies and guidance can be found under 'Policy and Procedures' on the intranet. Printed versions may quickly go out of date – contact policy@homegroup.org.uk for support and advice. 		

1. Managing the risk of fraud, tax evasion and bribery – a risk-based approach

Fraud and the criminal facilitation of tax evasion (collectively referred to as 'fraud') and bribery should be considered as a set of risks to be managed alongside other business risks and, therefore, needs to be embedded into Home Group's risk management process. This guidance note should be read in conjunction with the Risk Management Framework.

Risk, in the context of managing fraud and bribery risk, is the vulnerability or exposure that Home Group has towards fraud, bribery and irregularity. It combines the likelihood of fraud or bribery occurring and the corresponding impact measured in monetary, legislative, customer/client or reputational terms.

Preventative controls and the right type of culture operating within Home Group, for example through Home Group's values, will tend to reduce the likelihood of fraud or bribery occurring, while detective controls and effective contingency planning can reduce the size of any losses or damage to our reputation.

In broad terms managing the risk of fraud or bribery involves:

- Assessing Home Group's overall vulnerability to fraud or bribery
- Identifying the key risk areas for fraud or bribery
- Considering the likely impact of fraud or bribery occurring in these key risk areas
- Assessing the scale / likelihood of fraud or bribery occurring in the key risk areas
- Identifying and evaluating existing controls to prevent fraud or bribery
- Developing an action plan and assigning ownership (i.e. allocating responsibility for fraud and bribery)
- Implementing revised controls to improve Home Group's approach to fraud and bribery
- Reviewing, monitoring and evaluating the impact of revised controls
- Measuring the effectiveness of the fraud and bribery-risk approach

Managing the risk of fraud and bribery is the same in principle as managing any other business risk and the annual risk management cycle should, therefore, look to cover areas set out in the sections below:

2. Identifying the key risk areas

Senior Managers should

- Establish the areas most vulnerable to fraud and bribery risk, through the responsible managers undertaking an overall review of their local areas of activity to identify those areas most vulnerable to fraud or bribery. For example, cash handling, procurement, accounts payable, allocations, recruitment, asset protection and sensitive information.
- Identify patterns of loss, if applicable, and areas of potential loss so that vulnerable areas can be pinpointed.
- Collaborate with key colleagues involved in operating a system to establish all the key risks.

3. Considering the impact of a potential fraud or bribery:

Senior Managers should assess the possible impact that any type of reported fraud or bribery can have in a wide variety of areas including, for example:-

- the overall reputation of Home Group
- potential financial loss
- loss of confidence in the organisation
- affect on colleague morale and productivity
- potential increase in insurance costs
- need to utilise resources in investigative work.

4. Assessing the scale / likelihood of fraud or bribery:

Senior Managers should assess the possible scales and likelihood of fraud or bribery as well as counter fraud and bribery arrangements in place. This analysis will consider:-

- the overall nature of Home Group's corporate governance arrangements
- local control arrangements that emanate from the overall corporate governance arrangements
- specific controls that have been established at local service levels to deal with particular local arrangements and, therefore, enable the level of residual risk to be determined
- the impact of a potential fraud or instance of bribery both on the organisation corporately and in relation to the specific operational area

- monitoring and review of national/local trends in relation to new and emerging frauds and bribery and considering the potential impact on Home Group.

5. Identifying the adequacy of existing controls:

Senior Managers should evaluate the adequacy of existing controls and establish what further controls or enhancements to existing controls are required to mitigate the risk. An element of proportionality will need to be used when considering the extent and cost of suggested improvements to control measures. General local controls expected at operational level will include as a minimum;-

- Adequate segregation of duties between key control areas
- Staff resources that are sufficient to provide adequate control and are organised in a structured manner
- Published schemes of delegation identifying levels of responsibility and authority
- Regular reconciliation of budgets that are subject to independent review
- IT security arrangements (including security systems and codes of conduct for IT usage)
- Asset control register (cash, fixed assets), inventories, asset marking, etc.
- Documented policies and procedures that are subject to regular review
- Maintenance of adequate records of risk assessment procedures

6. Implementation of revised controls / action planning:

Senior Managers should develop a formal list of control improvements in each of the key operational areas where risk is deemed to be above a defined level. Any improvements to controls considered necessary, will be developed into an action plan with responsible officers allocated and timescales identified.

7. Monitoring and evaluating controls:

Action plans will form the basis of a review document to enable managers to monitor and evaluate the effectiveness of controls and assess whether the risk of fraud and bribery has reduced as a result of the implementation of revised controls. These should be captured against the relevant risk on the risk management system.

8. Fraud and Bribery Risk Register:

Each Senior Manager assesses and monitors the fraud and bribery risks in their particular area and those risk assessments are incorporated into Home Group's overall Risk Register.

The register should deal with the areas included above. It should also include:

- Assessment of the exposure to risk against each area;
- Identification of risk causes/triggers and impact;
- Evaluation of the effectiveness of current anti-fraud and bribery controls;
- Evaluation of impact and likelihood against each risk;
- Consideration of risk treatment with development of action plans;
- Evaluation of risk controls and control confidence rating;
- Matching of fraud and bribery risks to preventative controls, for example, in order to identify whether certain risks are over controlled while others are unmanaged;
- Evaluation of the effectiveness of management information, reporting and performance indicators in identifying risk areas/control weaknesses;
- Appropriate action to promote fraud and bribery awareness within the business.

It is the responsibility of Senior Managers to assess and review the risk of fraud and bribery in their area and to ensure that local line management and colleagues implement any action plans.

It is also the responsibility of Senior Managers to ensure that the fraud and bribery risk assessment for their business remains up to date and it is recommended that local line management review the adequacy of their risk register after any fraud or bribery or attempted fraud or bribery and at least once a year.

9. Version Control Box	
Version No.	Description of changes
1.0	Original version approved by the Board on 27 February 2013
2.0	6 April 2017 - to separate out the policy from the processes

	to align with the policy framework across Home Group, following an audit by Risk and Assurance Services
3.0	30 July 2020 – updated for the criminal facilitation of tax evasion