

Post Office Ltd. Anti-Fraud Policy
February 2011

1.

There are a number of opinions as to the true cost of fraud to the UK economy, with estimates varying greatly. The National Fraud Authority (NFA), estimates that fraud costs the UK £38bn per annum (*BBC News Jan11), with £21bn attributed to the Public Sector. In 2009/10 POL lost in excess of £2.4m in known fraud related incidents. In practice this may not be fully representative, with other elements of fraud to which POL's processes may 'enable' fraud, such as money laundering, even if POL is not the direct victim. This may result in additional penalties, brand and reputation damage with consequential financial loss. Overall, POL's exposure to fraud may be substantially higher than the figures reported. ****

Correlation to POL Revenue / UK GDP

Fraud risk is always a key issue but may increase for a number of reasons including:

- Economic pressures, job losses and the fear of redundancy can lead people to commit fraud or ability to rationalise their fraudulent actions;
- People are more likely to disregard internal control or engage in unethical business practices;
- Staff reductions may mean fewer resources being spent on internal controls, with compliance and assurance systems impacted by diminished investment; and
- Revised or new programmes may not take account of the risk of fraud.
(* All of the above could clearly impact on POL in the current climate).

2.

The objectives are to assist the business in developing an end-to-end approach to managing fraud by: Understanding the current 'as-is' position compared to a desired "end-state" on fraud risk management and will include:

- Identify Key Elements of a Comprehensive Fraud Strategy, including: a definition of fraud, areas of exposure to fraud and a Fraud Response Plan.
- The processes for identifying and managing fraud risks.
- Risk based intervention plans to mitigate fraud.
- Business Assurance: Governance and visibility of fraud management provided to the business

3. Purpose

Post Office Ltd. (POL) requires all its employees to act honestly and with integrity at all times and to safeguard the business resources and assets for which they are responsible. All employees and agents have a responsibility to manage and report fraud and where criminality is suspected or discovered and in the Public interest, POL will prosecute those committing crimes against the business. This Policy defines fraud and sets out the responsibilities throughout the business for mitigating the risk of fraud.

4.

Responsibilities

Link to Security Policies: Fraud Assurance, Fraud Risk, Fraud Investigation, Financial Investigation Unit, Commercial, Information Security; (Appendix XX refers)

5. Policy

- *The contents of a POL Anti-Fraud Policy contain the following sections:*
- An introduction, including: POL's expectations of its employees and commitment to reducing fraud to the lowest possible level.
- A definition of fraud, which also sets out the scope of the policy.
- Channels to report fraud; including POL's Whistle blowing Policy.
- Responsibilities: POL Executive Board, Head of Security, Line Management, Employees and Audit
- An Anti-Fraud Response Plan - Strategy agreed and communicated.
- Administration of the policy; responsibility for administration, revision, application and frequency of review.
- Authority and Sign-off by the policy owner(s).

5.1 POL Approach to Fraud

POL will not accept any level of fraud or misappropriation, as a result all cases; actual or suspected will be actively investigated, with appropriate intervention undertaken. The business is committed to ensure that any opportunities for fraud are reduced to the lowest possible level of risk.

5.2 Definition of Fraud

As defined by the Fraud Act 2006, the full definition of fraud is lengthy and therefore for the purposes of the Policy, a day to day use is: "an activity by which person(s) intending to gain an advantage through deception, including failure to disclose information that ought to be disclosed, or through abuse of position"

Fraud therein includes acts such as: embezzlement, misappropriation, false representation, deception, forgery,

extortion, corruption, conspiracy, concealment of material fact, collusion and bribery.

5.3 Channels for Reporting Fraud

POL has a number of channels in place to report suspicions of fraud. Employees and Agents should report suspicions to their line manager, Head of Internal Audit or Post Office Ltd. Grapevine® "Whistleblower" Hotline.

The business has an Employee Disclosure Policy to support employees who feel their line manager or head of department is implicated, or may be unable to provide an impartial hearing or action. All matters will be dealt with in strictest confidence, and in accordance with the Public Disclosure Act 1998, in doing so protecting the employee providing disclosure is made in good faith.

If complete anonymity is required employees can contact Crime Stoppers: GRO

5.4 Responsibilities

5.4.1 POL Executive Board

The Post Office Ltd. Board is responsible for ensuring there are established and robust internal controls to support and manage the range of risks faced by the business and which are in line with business Objectives. This is based on an ongoing process designed to identify, evaluate and effectively manage those risks. Within this managing fraud risk is viewed as an integral part of the wider range of risks.

5.4.2 Head of Security:

- Develop, deploy and communicate a robust End-2-End Fraud Response Plan; commensurate with the level of risk identified.
- Ensure robust engagement is in place for front end design of Commercial Products
- Develop and maintain a Crime/fraud risk profile, in line with business objectives.
- Establish appropriate mechanisms to report fraud
- Ensure appropriate intervention is undertaken: inc. Investigation, asset recovery, prosecution and/or conduct.
- Ensure where fraud is discovered, remedial action is taken to mitigate future risks.
- Governance: Report to R&CC and/or Audit & Risk Management & business Stakeholders
- Ensure all Employees are aware of business fraud policy and their responsibilities in combating fraud; and
- Provide appropriate fraud training and development needs to support anti-fraud management.

5.4.3 Line Management: are responsible for:

- Ensuring all control measures within their remit operate effectively
- Familiar with fraud indicators within their operation that prevent and detect fraud

- Regularly Assess, review and ensure Compliance to the control systems within their operational roles
- Implement revised/new controls to mitigate the risk of further fraud occurring.

5.4.5 Employees: are responsible for:

- Acting with propriety in the use of business, customers and supplier resources:
in doing so ensuring the highest integrity in dealing with All data
- Being alert to fraud indicators and suspicious activity within their operational roles.
- Ensure any suspicions of known or suspected fraud are immediately reported through appropriate channels
- Full co-operation with those conducting internal checks or carrying out investigations.

5.4.6 Audit: are responsible for:

- Ensuring the Executive Board is appraised of the adequacy of arrangements for managing the risk of fraud and ensuring the promotion of an anti-fraud culture.
- Assist fraud prevention by evaluating control measures in place to effectively manage the risk of potential fraud within the business's activities.
- Ensure that management reviews the exposure to fraud risk, commensurate with wider business risks.
- Aware of potential fraud indicators, both behavioural and transactional and support fraud investigations.

5.5 Anti-Fraud Response Plan

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