



## **POLICY AND PROCEDURES FOR THE PREVENTION AND INVESTIGATION OF FRAUD**

### **Contact Officer**

*University Secretary / Office of the Vice Chancellor*

### **Purpose**

The University has no tolerance of bribery and fraud and will take appropriate action to prevent it in respect of its activities.

The definition of Fraud is a type of criminal activity, defined as: 'abuse of position, or false representation, or prejudicing someone's rights for personal gain'. Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

Bribery and fraud by University employees or student members acting on behalf of the University will be treated as a serious disciplinary offence.

One of the basic principles of public sector organisations is the proper use of public funds. It is therefore important that all those who work in the public sector are aware of the risk of and means of enforcing the rules against fraud and other illegal acts involving dishonesty or damage to property.

This document sets out the University's policy and response plan for detected or suspected fraud.

### **Overview**

This document is intended to provide direction and help to managers and staff who find themselves having to deal with suspected cases of theft, fraud and corruption. It gives a framework for a response and advice and information on various aspects and implications of an investigation.

The University already has procedures in place that reduce the likelihood of fraud occurring. These include Financial Regulations, documented procedures and a system of internal control and audit. In addition the University tries to ensure that a risk awareness culture exists

### **Scope**

The policy applies to all members of staff of the University and the purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity.

The Boards of Directors of majority and wholly owned subsidiary companies of the University are responsible for ensuring that this policy, or an alternate policy that is approved by the University's Executive Board is implemented and maintained within those companies and that staff and other associated persons are made aware of the policy and associated explanatory guidance.

## The Policy

- 1.1 The University is committed to maintaining an honest, open and well intentioned atmosphere, in accordance with relevant legislation, and to the highest standards of integrity. The University has no tolerance of bribery or fraud, and believes that action against bribery and fraud is in the broader interests of society. It is therefore also committed to the elimination of any fraud within the University, and to the investigation of any such cases.
- 1.2 The University wishes to encourage anyone having reasonable suspicions of fraud to report them. This principle is enshrined in the Whistleblowing Procedures which establish procedures for staff to bring forward concerns without fear of reprisal.
- 1.3 All members of staff can therefore be confident that they will not suffer in any way as a result of reporting reasonably held suspicions of fraud. For these purposes 'reasonably held suspicions' will mean any suspicions other than those which are raised maliciously and found to be groundless.
- 1.4 The University will take appropriate action to prevent bribery and all forms of fraud in respect of its activities. Where bribery and fraud are shown to have occurred, the University will take firm action, which may include dismissal and legal action. Bribery and fraud by University employees or student members acting on behalf of the University will be treated as a serious disciplinary offence.

## 2. Prevention

### Denial of Opportunity

- 2.1 The University will ensure that fraud is minimal through its financial regulations and procedures which will deny, as far as possible, opportunities for fraud.
- 2.2 Clear policies exist and are enforced which relate to:
  - registration and declaration of interests of members of the governing body and senior managers
  - acceptance of hospitality and gifts

### Role of auditors

- 2.3 At the point of new systems being designed or existing systems being substantially modified, the advice of the University's internal audit service will be sought on building in ways of preventing or detecting fraud.
- 2.4 The risk of fraud will be a factor in planning the annual schedule of audits. Auditors will draw on the checklist at Appendix 1 to assess systems in place to deter corruption.

### Employee screening

- 2.5 Potential new members of staff will be screened before appointment, particularly for posts with financial responsibility. For example:
  - references should cover a reasonable, continuous period; and any gaps should be explained
  - an official employer's reference should be obtained
  - doubts about the contents of the reference should be resolved before confirming the appointment. If this is done by telephone, a written record of the discussion should be kept to comply with employment law

- essential qualifications should be checked before making an offer of employment (for example by requiring original certificates at the interview).

2.6 Recruitment procedures will require applicants to declare any connections with existing governors and staff. Members of recruitment panels will similarly be required to declare such connections.

#### Warning Signs

2.7 Patterns of behaviour among staff which might indicate a desire for concealment (such as taking few holidays, regularly working alone late or at weekends, resistance to delegation, and resentment of questions about work) should be investigated, this is particularly pertinent where staff should not be expected to work these types of patterns, for example Finance or support staff. Any indication of addiction to drugs, alcohol or gambling should be addressed by the Human Resources function as early as possible, both for the welfare of the individual and to minimise the risks to the University, which might include fraud.

### **3. Investigation**

3.1 Once a fraud is suspected, or reported the University will take prompt action to

- safeguard its assets
- recover any losses
- secure evidence for effective legal and disciplinary procedures

3.2 An investigation will be carried out according to the response plan attached in this document

#### Process of Investigation

3.3 Fraud investigations should normally be independent of management, to ensure impartiality of reporting. Investigations will usually be undertaken by internal audit, who combine independence, investigative techniques and local knowledge. Investigative work is usually time consuming. The fraud response plan includes authorisation arrangements for variations from agreed audit plans.

3.4 If a culprit is aware that an investigation is in progress, he or she may try to frustrate disciplinary or legal action by destroying or removing evidence. The fraud response plan allows for the summary dismissal or suspension, with or without pay, of personnel under suspicion. Suspects should be given as little notice as possible so that they have no opportunity to destroy or remove property. Security staff may need to supervise the departure of suspects from the University, to change locks to the suspect's office and storage without delay, and to prevent future access to the premises. Computer access rights will similarly be withdrawn without delay.

3.5. To be admissible in court, interviews with suspects must be conducted under rules defined in the Police and Criminal Evidence Acts. Interviews should normally be conducted by police officers or with their advice.

#### Notification to Governors and the HEFCE Audit Service

3.6 The HEFCE Audit Code of Practice includes a requirement that HEIs must notify the HEFCE Chief Executive of any attempted, suspected or actual fraud or irregularity where:

- the sums involved are, or potentially are, in excess of £20,000
- 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.

At the same time, the Vice Chancellor shall report any such fraud to the Chairs of both the governing body and Audit Committee.

**Procedures to deter corruption: Checklist**

Tendering and award of contracts (including appointment and reward of management consultants)

- Financial Regulations / Standing orders are regularly updated and Standing Orders provide for minimum number of tenders for all major contracts
- Lists of approved suppliers are regularly reviewed and updated
- Standing orders report and subsequent special authorisation for contracts awarded other than in favour of most economically advantageous bid

Settlement of contractors' final accounts and claims

- Financial regulations provide for independent check by Director of Finance of certifying officer's computations
- Continuous audit is carried out of payments of contractors' interim claims
- Authorisation procedures exist for the selection of nominated suppliers and subcontractors

Pecuniary interests of members is maintained

- Register of governors' and senior and officers interests
- All governors are provided with relevant financial regulations
- Employees are provided with a Code of Conduct including provisions on secondary employment, confidentiality, hospitality, canvassing for appointments, and conflicts of interest
- Register of receipts of hospitality is maintained

Pressure selling

- Financial regulations require reporting of suppliers engaged in pressure selling activities

Disposal of assets

- Standing orders or financial regulations define procedures for identifying redundant assets and for their disposal
- For major assets procedures include valuation and/or tender
- Procedures provide for finance committee approval of terms for all major sales

Property developments

- Standing orders provide no commitment without formal authority after full report of negotiations
- Negotiations to take place in offices of the HEI or the developer within normal hours

Complaints about corruption

- Arrangements are in place for receiving and investigating complaints about corruption

This policy also takes account of the University's wider legislative obligations and provisions pertaining to bribery, fraud and associated behaviour as set out in but not limited to:

- The Bribery Act, 2010;
- The Fraud Act, 2006;
- The Terrorism Act, 2006;
- The Proceeds of Crime Act, 2002; and
- The Computer Misuse Act, 1990.

## **Fraud Response Plan**

### **Purpose**

1. The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the University to:
  - prevent further loss
  - establish and secure evidence necessary for criminal and disciplinary action
  - notify the HEFCE, if the circumstances are covered by the mandatory requirements of the Audit Code of Practice
  - recover losses
  - punish the culprits
  - deal with requests for references for employees disciplined or prosecuted for fraud
  - review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud
  - keep all personnel with a need to know suitably informed about the incident and the University's response
  - inform the police
  - assign responsibility for investigating
  - establish circumstances in which external specialists should be involved
  - establish lines of communication with the police
2. These matters are dealt with below.

### **Initiating action**

3. Suspicion of fraud or irregularity may be captured through a number of means, including the following:
  - requirement on all personnel under financial regulations to report fraud or irregularity to the internal auditor
  - whistle-blowing procedure
  - planned audit work
  - operation of proper procedures
4. All actual or suspected incidents should be reported without delay to the internal auditor. The internal auditor should, within 24 hours or as soon as possible thereafter, hold a meeting of the following project group to decide on the initial response:
  - University Secretary (chair)
  - Representative of internal audit service
  - Head of Human Resources
  - Director of Finance
5. The project group will decide on the action to be taken. This will normally be an investigation, led by the internal auditor. The decision by the project group to initiate a special investigation shall constitute authority to the internal auditor to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

### **Prevention of further loss**

6. Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of the suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

7. In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the University's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the University. Any security passes and keys to premises, offices and furniture should be returned.
8. The Head of Security should be required to advise on the best means of denying access to the University, whilst suspects remain suspended (for example by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, the Head of ICT should be instructed to withdraw without delay access permissions to the University's computer systems.
9. The internal auditor shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the University's assets.

#### **Establishing and securing evidence**

10. A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The University will follow disciplinary procedures against any member of staff who has committed fraud. The University will normally pursue the prosecution of any such individual.
11. The internal auditor will:
  - maintain familiarity with the University disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation
  - establish and maintain contact with the police
  - establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act
  - ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

#### **Notifying the HEFCE**

12. The circumstances in which the HEI must inform the HEFCE about actual or suspected frauds are detailed in the HEFCE Audit Code of Practice and in 3.6 of UoW's Policy for the Prevention and Investigation of Fraud. The Vice Chancellor is responsible for informing the HEFCE of any such incidents.

#### **Recovery of losses**

13. Recovering losses is a major objective of any fraud investigation. The internal auditor shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.
14. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, 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. The University will normally expect to recover costs in addition to losses.

#### **References for employees disciplined or prosecuted for fraud**

15. Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Head of Human Resources, who shall prepare any answer to a request for a reference having regard to employment law.

### **Reporting to governors**

16. Any incident matching the criteria in the HEFCE Audit Code of Practice (as in paragraph 12 above) shall be reported without delay by the head of University and to the Chairs of both the governing body and the Audit Committee.
17. Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the governing body and the Audit Committee.
18. On completion of a special investigation, a written report shall be submitted to the Audit Committee containing:
  - a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
  - the measures taken to prevent a recurrence
  - any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

This report will normally be prepared by the internal auditor.

### **Reporting lines**

19. The project group shall provide a confidential report to the Chair of Governors, the Chair of Audit Committee, the Vice Chancellor, the external audit partner and the Head of Communications and Participation at least monthly, unless the report recipients request a lesser frequency. The scope of the report shall include:
  - quantification of losses
  - progress with recovery action
  - progress with disciplinary action
  - progress with criminal action
  - estimate of resources required to conclude the investigation
  - actions taken to prevent and detect similar incidents

### **Responsibility for investigation**

20. All special investigations shall normally be led by the internal auditor. Special investigations shall not be undertaken by management, although management will co-operate with requests for assistance from internal audit
21. Some special investigations may require the use of technical expertise which the internal auditor does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

### **Review of fraud response plan.**

22. This plan will be reviewed for fitness of purpose after each use. Any need for change will be reported to the Audit Committee for approval.