1. **University Fraud Policy Statement**

1. The University is committed to taking all practical steps to prevent itself being subjected to fraud whether perpetrated by staff, students, contractors and suppliers, other public sector organisations and educational institutions or members of the public.

2. We shall maintain robust mechanisms both to prevent and detect fraud. All line managers have a responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with procedures and controls. The effectiveness of controls will be subject to cyclical review by our internal auditors.

3. All members of staff have a responsibility to protect the assets and reputation of the University and are expected to be alert to the potential for fraud. Line managers will be expected to brief staff on the common types of fraud perpetrated in their areas of responsibility.

4. Confidential mechanisms have been established to allow staff to report suspected frauds to management or the University Fraud Response Group. All reported suspicions will, in the first place, be investigated by the Fraud Response Group.

5. If this initial investigation suggests there is a case for further investigation, the University will inform our auditors, the Police and SFC, as appropriate. The University Fraud Response Group will recommend to the University Secretary which body is best placed to undertake the further investigation.

6. If fraud is proven, and it involves staff, disciplinary action will be taken. Such action may be considered not only against those found to have perpetrated the fraud, but also against managers whose negligence may have facilitated it. If the fraud involves students, the student discipline policy will be initiated.

7. Further information for staff on reporting fraud and their role in the prevention and detection of fraud is given in the University Policy for Fraud Prevention, Detection and Investigation.
2. Policy for Fraud Prevention, Detection and Investigation

1. Introduction

1.1 The University, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way and to take into account both the requirements of funding bodies and the standards in public life, enunciated in Lord Nolan’s report.

1.2 The University has a responsibility to its staff, students, suppliers, SFC, other educational institutions and the public in general to take all reasonable steps to prevent the occurrence of fraud. The University’s policy on fraud is set out in the ‘Fraud Policy Statement’. This policy sets out in more detail procedures for:

- fraud prevention and detection; and
- the investigating and reporting of fraud.

1.3 The objectives of this policy are to:

- encourage staff to be aware of fraud;
- bring suspected fraud to the attention of senior managers;
- provide a framework response plan for investigating and reporting fraud; and
- ensure both alleged and proven fraud are dealt with in a consistent and timely manner.

1.4 The University has a unique role to play in the community and any instances of fraud or corruption can be damaging to public confidence and support. It is wrong to assume that actual financial losses are the only negative outcome of frauds. The full cost is usually much greater than the amount stolen, as the costs associated with correction can often be substantial. Staff morale and the level of confidence of students, clients, suppliers and funding organisations usually decline as a result of successful frauds.

1.5 Successful fraud prevention involves creating an environment which inhibits fraud. Taking immediate and vigorous action, if fraud is detected, is not only necessary to prevent future losses, but also helps deter other frauds. A manager who is alert to the possibility of fraud and who acts accordingly on a day to day basis is a powerful deterrent against fraud.

2. Fraud Prevention

2.1 Definitions

2.1.1 Fraud can be defined as ‘any act of wilful dishonesty to gain individual or collective advantage’. It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party. Fraud can be perpetrated against the University by, among others, staff, students, suppliers, other educational institutions, Government Agencies or Departments. In all cases, fraud should be taken as including impropriety.

2.1.2 Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place an employee in a vulnerable position. Even when offered and accepted in innocence, such gifts may be misconstrued by others. Offers of gifts and hospitality of a value greater than £50 should be reported to your line manager.
2.2 **Management Responsibility and Risk Management**

2.2.1 The prime responsibility for preventing fraud lies with management through:

- identification of risks to which systems and procedures are exposed;
- the implementation, documentation and operation of internal controls;
- establishing an environment that promotes compliance with internal controls;
- promoting fraud awareness amongst staff; and
- fostering an ‘anti fraud’ culture.

2.2.2 However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and take the necessary steps to minimise the risk to the University.

2.2.3 Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically both at organisational and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls.

2.2.4 Management also have a responsibility to familiarise themselves with common fraud techniques in areas for which they have control. This should include being alert to signs which indicate that fraud is taking place. These may include:

| Unexplained wealth and sudden change in lifestyles. | Suppliers/contractors/customers insisting on dealing with a particular member of staff. |
| New staff resigning quickly. | Overly familiar relationships with suppliers/contractors/customers. |
| Prime documents being lost and replaced by photocopies. | Sudden changes in behaviour. |
| Staff refusing promotion. | Sudden changes in procedures regarding payments to supplier/contractors. |

2.3 **Internal Controls**

2.3.1 Internal controls are the key element in preventing fraud. They should be documented, communicated to all staff and the importance of compliance regularly reminded to staff. It is the responsibility of management to ensure controls in their areas of responsibility have been documented and communicated.

2.3.2 In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on cultural controls, not on increasing the volume of detailed operational and supervisory checks and controls.

2.3.3 Management should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control, with management ensuring implementation and monitoring of the framework.

2.3.4 Common excuses for non compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to management so that the need for the controls can be re-evaluated.
2.4 Management Checks

2.4.1 The prevention and detection of fraud is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are therefore essential. There are two benefits from implementing a culture of strong management controls:

- a deterrent effect when it is known that management are actively involved in ensuring that procedures are followed, and
- the results of the checks will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

2.5 Corporate Governance

2.5.1 The subject of Corporate Governance in the public sector has been addressed most recently by the Nolan Committee on Standards in Public Life and specifically within Universities in the recently published ‘Guide for Members of Higher Education’, and is regularly monitored by SHEFC. Development of best practice and recommendations arising from the Nolan and Cadbury reports will continue to be important in the development of an environment in which awareness of responsibility for fraud prevention and detection can flourish.

2.6 Staff/Training

2.6.1 Staff provide the best protection against fraud and corruption. It is important therefore that University policy on fraud prevention and investigation is fully communicated to all staff.

2.6.2 The recruitment of suitable staff is the University’s first defense in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on criminal records, written and oral communication with referees and past employers and verification of educational and professional qualifications will assist in this approach.

2.6.3 Staff awareness of policy and procedures is fundamental to the effective operation of systems. Best practice includes:

- publication of University policy on fraud, corruption and impropriety including easy access to it for all staff;
- instruction and discussion on control and probity issues as part of staff induction;
- formal staff training on operational procedures;
- desktop instructions for specific tasks; and
- regular staff notices regarding changes to Financial Regulations and financial procedures.

2.7 Reporting and investigating Fraud

2.7.1 Having proper and consistently applied procedures for reporting and investigating fraud will have an important part to play in preventing further fraud. The University has designed a plan for investigating and reporting of all suspected frauds. Such investigations will of necessity remain confidential, and management will ensure that the lessons to be learnt from each incident are disseminated to the appropriate members of staff.
3. Fraud Detection and Reporting

3.1 The primary responsibility for detecting fraud lies with management through the implementation, documentation and operation of effective systems of internal control. Our internal auditors, through their evaluation of the control framework also have a role to play in preventing and detecting fraud.

3.2 All staff have a responsibility to be aware of the potential for fraud and take the necessary steps to minimise the risk to the University. The University is not advocating the creation of an overtly suspicious environment, but expects staff to be alert to the potential for fraud in areas where they operate.

3.3 Staff will often be the first to notice the potential for, or actual, fraud. Staff suspicious of fraud should normally in the first instance report their concerns in confidence to their Head of School/Section. This requirement to alert management includes any misgivings staff may have about students, contractors, other staff members, suppliers etc. If for any reason it is felt reporting in this manner is inappropriate staff may report to a confidential Fraud Response Group which has been established in order to investigate all frauds. The respective members are given below:

Fraud Response Group
The (nominated officer) (e.g. Human Resources Representative)
The (nominated officer) (Court & Planning Representative) The Fraud Response Group has
The (nominated officer) (Finance Representative) powers to co-opt as appropriate.
The (nominated officer) (Vice-Principal)

3.4 The Head of School/Section should immediately contact either Director of Finance or Director of Human Resources, providing details of, together with any evidence, of the potential fraud.

3.5 The individual to whom the fraud was first reported should retain a copy of the details and record the time and date when they notified the Fraud Response Group. The maintenance of detailed and accurate records is important in supporting any subsequent investigations.

3.6 Staff should not be dissuaded from reporting actual or suspected fraud as all cases will be treated in the strictest confidence. The University is fully committed to supporting and protecting staff who raise legitimate concerns and the anonymity of individuals who report any suspicions will be preserved, if requested, unless this is incompatible with a fair investigation (please refer to the University Whistleblowing Policy accessible from the Policy Zone in StaffNet). Provided the allegations have been made lawfully, without malice and in the public interest, the employment position of the person will not be disadvantaged for reasons of making this allegation.

3.7 Any action to prevent the reporting or any attempts at intimidation will be treated seriously.

3.8 The University has a Fraud Response Plan, the details of which remain confidential. The plan provides a consistent framework for investigating and reporting fraud. The plan requires that, after an initial in house investigation to establish if there is substance to any suspicions, all suspected frauds, if of a significant nature, (which is a loss of greater than £10,000), may be reported to the Auditors, SFC or the Police.

3.9 With regard to staff, fraudulent or corrupt activity is regarded as a breach of contract and where there are reasonable grounds for suspicion then the individual may be requested to remain at home, pending the outcome of enquiries. Where there are genuine grounds to suspect that fraud has occurred or where there is direct evidence of fraud, and following the internal review by the Fraud Response Group, the University’s policy in all significant cases is to advise the Police. The Police will be solely responsible for deciding whether a criminal investigation is required.
Where fraud is detected then disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned, if a member of staff. Line managers should note that those suspected of fraud have certain rights and no action (such as interviewing staff) should be taken without prior consultation with Human Resources. Failure to follow established procedures in relation to investigating fraud and interviewing the staff involved can invalidate disciplinary action and compromise the success of any future investigation and/or prosecution.