

Fraud Policy and Fraud Response Plan

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Part A: Introduction

The University is, and wishes to be seen by all as being, honest and opposed to fraud and corruption in the way it conducts University business. The objective of the Fraud Policy and Response Plan is to safeguard the proper use of the University's finances and resources, including the finance and resources of its subsidiary companies, against fraudulent or corrupt acts; and to comply with the law and relevant regulations. This document sets out the University's policy and procedures for dealing with the risk of fraud or corruption.

In order to minimise the risk and impact of fraud, the University's objectives are:

- firstly, to create a culture which deters fraudulent and corrupt activity, encourages its prevention and promotes its detection and reporting, and
- secondly, to ascertain and document its response to cases of fraud and corrupt practices.

In order to achieve these objectives, the University has taken the following steps:

1. the development and publication of a formal statement of its expectations in this area on standards of personal conduct, propriety and accountability (Appendix 1 section 1.1);
2. the establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), an Audit Committee and an independent Internal Audit Service with an ongoing responsibility to review and report on these systems (Appendix 1 section 1.2);
3. the development and publication of a fraud policy and a fraud response plan which sets out the University's procedures to be invoked following the reporting of possible fraud, corruption or the discovery of an actual fraud;
4. the establishment of a Corporate Social Responsibility Business Conduct Policy that sets out the University's commitment to the highest standards of openness, integrity and accountability.

Definitions

Fraud

The Fraud Act 2006 came into force on the 15 January 2007 and has introduced the general offence of fraud. This is broken down into three key sections:

- Fraud by false misrepresentation
- Fraud by failing to disclose information
- Fraud by abuse of position

The Fraud Act also creates new offences:

- Possession and making or supplying articles for use in fraud
- Fraudulent trading (sole traders)
- Obtaining services dishonestly

Full details of the Act are available at www.legislation.gov.uk/ukpga/2006/35/contents

Bribery and corruption

The Bribery Act 2010 came into force on 1 July 2011 and sets out the following specific bribery offences:

- two general offences – A general offence covering the offering, promising or giving of a bribe (in the UK or overseas); and a general offence covering the requesting, agreeing to receive, or acceptance of a bribe;
- and for organisations only, failing to prevent bribery (whether actual or attempted) by their associ-

ates (in the UK or overseas) such as employees, agents, joint venture partners, subsidiaries which results in benefit (this is termed the corporate offence); .

- a discrete offence of bribery of a foreign public official;

The above legislation shows that fraudulent or corrupt behaviour could involve internal disciplinary action, and prosecution in the courts.

Full details of the Act are available at: www.legislation.gov.uk/ukpga/2010/23/contents

Part B: Policy

1. The University will not tolerate fraud or corruption, and expects the following standards of conduct and behaviour (further detailed at Appendix 1 section 1.1).
 - All staff, students, members of the Council or Committees established by the Council, should behave in a fair and honest way in any dealings related to the University. This applies equally to both internal conduct, and also externally in relation to our suppliers, partners and other business associates.
 - All staff should apply themselves diligently to their work and the execution of their duties. Specifically they should have due regard to the need to rigorously apply those internal controls, rules and regulations which are designed to prevent, deter and detect fraud.
 - As well as operating within the law and any specific agreements or contracts, all external organisations dealing with the University must conduct themselves in accordance with normal ethical business standards consistent with the University's charitable status and public-sector funding.
 - Staff, students, members of the Council or Committees established by the Council, should be aware of the University's Public Interest Disclosure (Whistleblowing) Policy and the right this gives them to raise legitimate concerns about possible fraud, as well as other problems/irregularities.
 - Any member of staff, students, members of the Council or Committees established by the Council, supplier, partner or associate should promptly report to the designated contact within the University, ie the University Secretary or the Head of Internal Audit Services, all legitimate concerns about suspected fraud or irregularity.
2. Where any fraud is committed against the University, consideration will always be given to prosecuting the person/organisation responsible through all criminal and/or civil means available.
3. A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to others. The University will follow disciplinary procedures against any member of staff or student who has committed fraud. The University will normally involve the police and pursue the prosecution of any such individual.

Part C: Fraud response plan

The Fraud Response Plan sets out the University's procedures for ensuring that all allegations and reports of fraud or dishonesty are properly followed up, are considered in a consistent and fair manner and that prompt and effective action is taken to:

- assign responsibility for investigating the fraud;
- minimise the risk of any subsequent losses;
- reduce any adverse operational effects;
- specify the degree of confidentiality required;

- implement damage limitation (to assets and reputation);
- establish and secure evidence necessary for criminal and disciplinary action;
- improve the likelihood and scale of recoveries;
- inform the police and liaise with insurers;
- review the reasons for the incident and improve defences against future fraud.

The main elements of the University's plan are as follows:

1. Initiating action

Reporting of any suspicions of fraud or irregularity

Staff are encouraged to come forward and give information where they honestly believe someone may have committed or be about to commit an act of fraud or corruption. A formal Public Interest Disclosure (Whistle-blowing) Policy has been established to provide a framework for this and to afford protection to employees who supply information, provided this is undertaken in good faith and without malice.

All actual or suspected incidents should be reported to the University Secretary or the Head of Internal Audit Services as soon as possible. Any reports will be treated in absolute confidence. Notes of any relevant details such as dates, times and names should be written and evidence collected together in preparation to hand over to the appropriate investigator.

The person reporting the fraud should not:

- contact the suspect to determine facts or demand restitution;
- discuss case facts outside of the University;
- discuss the case with anyone within the University other than those staff mentioned above;
- attempt to carry out investigations or interviews unless specifically asked to do so by the Head of Internal Audit Services.

Fraud Response Group

As soon as is practicably possible and usually within one working day the University Secretary will hold a meeting with some or all of the following staff to consider the initial response, dependent upon the nature of the report. These staff will comprise the 'Fraud Response Group' (FRG) and the University Secretary will act as Chair of the Group:

- University Secretary (or nominee)
- Director of Internal Audit Services (or nominee)
- Chief Operating Officer (or nominee)
- Director of Finance and Corporate Services (or nominee)

The Vice-Chancellor should be informed of any action taken by the FRG (unless the suspected fraud directly involves the Vice-Chancellor).

If any suspected fraud directly involves any of the persons referred to above, then the relevant reference should be replaced by the Vice-Chancellor.

The Chair of the Audit Committee will be informed where losses potentially exceed £10,000.

The FRG will determine what further investigative action (if any) is necessary. In particular the following issues will be considered:

- who to involve in the investigation;
- whether to appoint an officer to lead the investigation (this would normally be the Head of Internal Audit Services);
- whether there should be any restrictions on who needs to know about the suspected fraud and level of confidentiality;
- whether police involvement is necessary, or whether civil action is appropriate;
- whether more specialist expertise may be required to assist with the investigation;
- action under the terms of the University's insurance policy to ensure prompt reporting;
- action to ensure that, in the short-term, damage to the University is limited, by:
 - (a) isolating the employee from the immediate work environment;
 - (b) preventing access to University computers, and the workplace;
 - (c) restricting the movement of assets;
 - (d) ensuring compliance with HR policies;
 - (e) ensuring any interview is timely and has clear objectives.

It is essential that any action or gathering of evidence does not prejudice the University's ability to prevent fraudulent activity or recover losses incurred through fraud. Staff reporting fraud should follow advice from the Head of Internal Audit Services or the Chair of the FRG.

2. Prevention of further loss

- i. Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Fraud Response Group will decide how to prevent further loss. This may require the suspension, with or without pay, of those under suspicion.
- ii. It may be necessary to plan the timing of suspension to prevent the destruction or removal of evidence that may be needed to support disciplinary or criminal action.
- iii. In these circumstances, the suspect(s) should be approached unannounced by at least two people (one of whom should be part of the FRG) and personal safety of staff should be considered. The suspect(s) should be supervised at all times before leaving the University's premises.
- iv. 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.
- v. The Head of Campus Services should advise on the best means of denying access to the University while suspects remain suspended.
- vi. The Director of IT Services should be instructed to withdraw the suspect's access permissions to all the University's computer systems immediately.
- vii. The Head of Internal Audit Services shall, after approval by the FRG, 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.

3. Establishing and securing evidence

When Internal Audit Services are involved they will:

- carry out initial fact finding to confirm or dismiss the complaint;
- ensure any evidence, including IT facilities, is secure;
- maintain familiarity with the University's disciplinary procedures and statutory rights, to ensure the evidence requirements will be met during any fraud investigation;
- establish and maintain contact with the police where appropriate;
- ensure staff involved are compliant with the Police and Criminal Evidence Act when interviewing and are familiar with the rule on the admissibility of documentary and other evidence in criminal proceedings.

4. Associated responsibilities

Responsibility for investigation

All special investigations shall normally be led by the Head of Internal Audit Services under the direction of the FRG. Some special investigations may require the use of technical expertise which the University's Internal Audit Services does not possess. In these circumstances, the FRG may approve the appointment of external specialists to lead or contribute to the investigation.

References for employees disciplined or prosecuted for fraud

Any requests for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Director of Human Resources (or Deputy). The HR Department should prepare any answer to such a request.

5. Recovery of losses

Recovering losses is a major objective of any fraud investigation. Internal Audit Services shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

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 payment. The University would normally expect to recover costs in addition to losses.

The University insurers should be made aware of the pursuit of any such claims.

6. Internal control assessment

The Head of Internal Audit Services will, at an appropriate time, consider the results of the investigations and assess whether there is a weakness in the University's systems of internal control which needs to be addressed urgently, and will report accordingly.

7. Reporting

On completion of a special investigation, a written report should be submitted to the Vice-Chancellor and to the Audit Committee and will include the following:

- 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;
- action needed to strengthen future responses to fraud, with a follow-up report on whether actions have been taken.

This report will be prepared by the Head of Internal Audit Services.

Notifying the Funding Body

The University Secretary or the Head of Internal Audit Services on behalf of the Vice-Chancellor should notify the HEFCE Chief Executive of the following serious incidents*:

- loss of assets through fraud, theft or other cause where the value of the loss is in excess of £25,000;
- donations of more than £25,000 from unknown donors, or where the source cannot be verified;
- abuse or mistreatment of a charitable beneficiary involved in activities of the University;
- disqualification of a trustee;
- known or alleged links (other than for bona fide academic reason) with proscribed organisations or terrorism; this applies to trustees, staff, students or anyone else associated with the University;
- loss, fraud or theft where the value of the loss is less than £25,000 but:
 - reveals systematic weaknesses of concern beyond the University;
 - is novel, unusual or complex;
 - there might be public interest because of the nature of the loss or the people concerned.

*The Memorandum of assurance and accountability between HEFCE and institutions (June 2014/12) refers.

8. Fraud policy and fraud response plan review

The Director of Internal Audit Services will review the response plan annually, or after each use in an investigation to ensure it is relevant and appropriate. Any need for change will be reported to the Audit Committee for approval.

Appendix 1

1.1 Personal conduct

The University aims to promote an organisational culture which encourages the prevention of fraud and corruption by raising awareness of the need for high standards of personal conduct. To help ensure that all employees are aware of the University's expectations regarding standards of personal conduct, appropriate guidance is provided in the following key statements within the University Financial Regulations, Guide to Policy and Procedures and Procurement Policy.

- i. Terms and Conditions of Service state that an appointment is subject to the Charter, Statutes, Ordinances and Regulations of the University and the Rules for Staff as may from time to time be in force.
- ii. Compliance with the financial regulations is compulsory for all officers, staff and students. Refusal to comply with the financial regulations will be grounds for disciplinary procedures. (Financial Regulation 2.5)
- iii. Professors, Readers, Senior Lecturers, Lecturers and certain other defined staff are subject to Statute XXXIII which provides for dismissal for 'good cause'. As to other staff, the Disciplinary Code clearly states that an employee may be summarily dismissed for gross misconduct e.g. theft, fraud, deliberate falsification of records, deliberate contravention of the University's financial regulations, etc. (Disciplinary Procedure on the HR website at www.reading.ac.uk/web/FILES/humanresources/humres-Disciplinary_procedure.pdf)
- iv. A member of Council, or a member of staff, having a material, personal, financial or other beneficial interest in any transaction between the University and third parties shall disclose his or her interest in writing in advance of any discussion or decision regarding that transaction. In the case of a member of Council the disclosure should be made to the University Secretary, and in the case of a member of staff, to the Head of School or Service. (Financial Regulation 22.15)
- v. University employees must never use their authority or office for personal gain and must seek to uphold and enhance the standing of the University of Reading
- vi. Staff are not permitted to authorise any payment to themselves, their spouses, partners, relatives or any organisation with which they, their family or relatives have a connection, or permit a member of their staff to do so. (Financial Regulation 18.2)
- vii. All members of the University staff or students must notify immediately the University Secretary or the Head of Internal Audit Services of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash, stores or other property of the University. Due respect will be given to the confidentiality of those raising such concerns. (Financial Regulation 22.9)
- viii. It is a disciplinary matter if anyone knowingly makes a false or malicious allegation against another member of the University. (Financial Regulation 22.9)
- ix. The University has also issued guidelines in respect of matters in connection with the Public Interest Disclosure Act 1998 (Whistleblowing), to ensure the highest standards of openness, probity and accountability are achieved and that employees are given legal protection against being dismissed or penalised by their employers as a result of disclosing a serious concern. The Public Interest Disclosure Policies and Proceedings, is available on the website at www.reading.ac.uk/web/FILES/office-of-the-university-secretary/Public_Interest_Disclosure_Policy.pdf

- x. The Corporate and Social Responsibility Business Conduct Policy at www.reading.ac.uk/web/FILES/finance/B3BusinessConductPolicyAnnex1.pdf further outlines the University's expected code of behaviour regarding financial regulations and procedures, fraud, conflicts of interest, gifts and hospitality, confidentiality, the Public Interest Disclosure Act 1998 and the Bribery Act 2010.

In addition, the Travel, and Other Expenses, Benefits, Hospitality and Gifts Policy (August 2014) provides guidance concerning gifts and hospitality, confidentiality, competition, declaration of interests and expenses.

Taken together, these regulations represent a statement of the framework within which officers and employees are expected to conduct themselves.

1.2 Systems of internal control

The next line of defence against fraud is the establishment of operating systems which incorporate adequate and effective internal controls designed to minimise the incidence of fraud, limit its impact and ensure its prompt detection. These controls include high level management controls such as budgetary control (designed to identify fraud which results in shortfalls in income or overspendings against expenditure) and organisational controls such as separation of duties, internal check and staff supervision. HR policies are also a key part of setting the culture and deterring fraud. This includes taking appropriate steps during the course of the recruitment process to reduce the risk of employing dishonest staff.

The general framework of responsibilities for financial management and the policies relating to the broad control and management of the University are documented in the Financial Regulations. The Financial Regulations are issued and updated periodically by the Director of Finance and Corporate Services following approval by the Strategy and Finance Committee on behalf of the University Council. They are binding on all officers, members of staff, students and constituent parts of the University and are distributed to Deans, Heads of Service/School/Department/Unit Managers and Financial Administrators. The Director of Finance and Corporate Services also maintains a Financial Manual which sets out in greater detail controls which should operate within the key operational systems.

The University has also established an Audit Committee and an independent Internal Audit Service which provides advice to management in respect of control matters and which conducts a cyclical programme of reviews of the adequacy and effectiveness of the systems which have been put in place (including those intended to minimise the potential exposure to fraud and corruption). Internal Audit Services also highlight any areas which they consider should be documented in greater detail within the Financial Regulations or Procedures and are able to advise on systems of internal financial control.

The University has also issued guidelines in respect of matters in connection with the Public Interest Disclosure Act 1998, to ensure the highest standards of openness, probity and accountability are achieved and that employees are given legal protection against being dismissed or penalised by their employers as a result of disclosing a serious concern.