

Counter-Fraud Policy and Procedures



Policy Owner	Secretary to Council
Approving Body	Council
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Related Policies and procedures and guidelines	Anti-bribery Policy Whistleblowing Policy Financial Regulations Fraud response Plan Criminal Finances Policy Anti-Money Laundering Policy Conflicts of Interest Policy
Reviewed by	Chief Financial Officer Director Governance and legal Services
Approved by Audit and Compliance Committee	4/2/2019
Deadline for Review by Council	February 2021

1. Policy Statement

- 1.1 The College is committed to the highest standards of honesty, accountability, probity and openness in its governance. As a direct consequence of this, the College is committed (i) to reducing the risk and occurrences of fraud associated with any of its activities, operations and locations to the absolute minimum and (ii) to the robust investigation of any fraud issues that should arise. Any such investigation will be conducted without regard to factors such as position, title or length of service.
- 1.2 Where any acts of fraud or corruption are proven, the College will make every endeavour to ensure that the perpetrator(s) are dealt with to the full extent of the law and College disciplinary procedures, academic regulations or contractual processes (where a third-party is involved), and will also take every step to recover any and all losses in full.
- 1.3 It is the responsibility of everyone associated with the College - including staff, students, employees, contractors and third parties - to report suspicions of fraud or corruption. The College has a "no retaliation policy" for people reporting reasonably-held suspicions, and concerns can be raised if necessary under the College's Whistle-blowing policy.
- 1.4 This policy applies to any fraud, or suspected fraud involving everyone and anyone associated with the College - including staff, students, employees, contractors and third parties.
- 1.5 It is essential that everyone associated with the College - including staff, students, employees, contractors and third-parties - are aware of the risk of fraud, corruption, theft and other activities involving dishonesty, in all its forms.

2. What is Fraud?

- 2.1 The term fraud is a broad and widely-used term to describe a number of dishonest activities that include theft, false accounting, misappropriation, bribery, corruption, deception and collusion. Some definitions of these and related terms are contained in Appendix A.

Three classes of fraud are defined by the Fraud Act 2006:

1. Fraud by false representation
2. Fraud by failing to disclose information
3. Fraud by abuse of position

Fraud may be defined as deception with the intention of:

- Gaining an advantage, personally and/or for friends and relatives
- Avoiding liability, or,
- Causing a financial and/or reputational loss to the College or one of its associated organisations

Theft - such as the removal and/or misuse of funds, assets or cash - falls under the *Theft Acts 1968 and 1978*.

Bribery – can be defined as the offering, giving, receiving or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty. The offence of bribery is set out in the *Bribery Act 2010*.

2.2 **The main types of deception are:**

- Theft
- False accounting: dishonestly destroying, defacing, concealing or falsifying any account, record or documents required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the College or its associated organisations or furnishing information which is or may be misleading, false or deceptive
- Abuse of position: This is where fraud is committed by a person or people by virtue of their position, or authority where they are expected to safeguard another's financial interests (e.g. that of the College as their employer) or not act against those interests

2.3 **Whilst they can be very varied in nature, some examples of these irregularities within the College context include:**

- Abuse of the expenses process and system
- Abuse of recruitment processes, including failure to disclose relevant information
- Use of the College logo and/or letterhead for personal gain
- Abuse of research grants, including misrepresentation and/or 'siphoning' of funds for personal gain
- Abuse of accounting, procurement and payroll processes
- Undeclared conflicts of Interest
- Bribery and corruption fraud

3. **Counter-fraud policy objectives**

3.1 The key objectives of the College's counter-fraud policy are:

- Establishment of a *counter-fraud culture*
- Maximum *deterrence* of fraud
- Active and successful *prevention* of any fraud that cannot be deterred
- Rapid *detection* of any fraud that cannot be *prevented*
- Professional *investigation* of any *detected* fraud
- Effective internal and external *actions and sanctions* against people found to be committing fraud, including legal action for criminal offences
- Effective *communication and learning* in relation to fraud, and
- Effective methods of *seeking redress* when/where fraud has been perpetrated

The overriding objective of the College's counter-fraud activity is to ensure that (i) fraud is seen as unacceptable by each and every stakeholder and (ii) counter-fraud is seen to have the unwavering support of the College as a whole.

3.2 This document sets out the College's principles for prevention and procedures for dealing with suspected cases of fraud, including corruption, and includes **summarised** instructions about what to do, and who to contact/notify, should any fraud-related concerns arise. For full procedures refer to the College's Fraud Response Plan.

3.3 At a practical level, fraud is deemed to be a deliberate intent to deprive the College (and its associate activities) of money or goods through the falsification of any records or documents. This is an important distinction, intended to clarify the crucial difference between deliberate fraud and unintentional error, removing - wherever possible any potential confusion or ambiguity.

4 Protecting the College

4.1 **Responsibility of all staff**

All staff are responsible for:

- Ensuring that the College's reputation and assets are protected against fraud.
- Reporting known or suspected fraud.
- Assisting in the investigation of suspected fraud

4.2 **Management responsibility**

All managers have specific responsibilities for preventing and reporting fraud. In particular:

- Monitoring compliance with internal controls and agreed policies and procedures e.g. Financial Regulations, checking staff lists and budget reports, proper control over cash transactions and holdings.
- Identifying unusual behaviour in staff members such as regular late working without obvious reason or suspected alcohol or gambling problems. Advice should be sought from HR on how to address these matters
- Notifying appropriate staff of any indications of fraudulent activity.
- Assisting in the investigation of suspected fraud.

4.3 **Internal Control**

This is an essential measure in avoiding occurrences of fraud. In addition to College policies on matters like the processing of expense claims, tendering for contracts and accepting hospitality, all processes which could be open to fraud or corruption should involve effective management controls such as the segregation of duties, checking of exception reports and the random checking of transactions.

4.4 **Checking References and Qualifications**

New members of staff must be screened before appointment. In most cases this will require proof of identity, receipt of satisfactory references, evidence of the right to work in the UK and proof of qualifications and/or memberships relevant to the role, where appropriate. Staff with financial responsibilities must have references to cover a reasonable continuous period. It is the responsibility of the Director of Human Resources to ensure that processes for the appropriate pre-employment checks are in place.

5 **Counter-fraud – Actions**

5.1 **Dos and Dont's:** Where there is suspicion that fraud or corruption has occurred, or is about to occur, then it is essential that the appropriate person within the College is contacted immediately in accordance with the College's fraud response plan (see 6).

- **Do** report your concerns, as above; reports will be treated as confidential.
- **Do** persist if your concerns remain.
- **Do** retain or copy any relevant document(s). These may be essential in any subsequent investigation and avoids any documents being accidentally - or purposely – destroyed.

- **Do not** be afraid to seek advice from an appropriate person.
- **Do not** confront an individual or individuals with your suspicions.
- **Do not** discuss your concerns with colleagues or anyone else other than an appropriate person.
- **Do not** contact the police directly - that decision is the responsibility of the appropriate person and other senior College officers.
- **Do not** under any circumstances suspend anyone if you are a line manager without direct advice from Human Resources and other appropriate person(s).

5.2 The College has a no retaliation policy for people reporting reasonably held concerns and suspicions, and any retaliation against such people - including victimisation and deterring/preventing reporting - will be treated as a Serious Offence under the College's disciplinary processes. Equally, however, abuse of process by making malicious or vexatious allegations will also be regarded as a disciplinary issue.

Any contravention of the no-retaliation policy should be reported through the dedicated process contained in College's Whistle-blowing policy.

6 **Reporting suspected fraud – who to contact**

You should report a suspected fraud to your line manager or Head of Department unless you suspect they may be involved in the fraud in which case report to the Director of Governance and legal services or the Internal Audit Manager.

The Head of Department or Professional Service should report the suspected Fraud to the Director of Governance & Legal Services who will then notify the Chief operating Officer (COO), Chief Financial Officer and Director of HR

If the suspected fraud involves any of the above, then it should be reported to the Principal.

If the suspected fraud involves the Principal, then it should be reported to the Chair of the Council Audit & Compliance Committee via the Internal Audit Manager.

Alternatively suspected fraud can be reported directly to the Internal Audit Manager.

Contact details from 22nd November 2018.

Role	Name	Telephone	E-mail
Director of governance and legal services	Elaina Moss	4622	Elaina.Moss@rhul.ac.uk
Principal	Paul Layzell	3033	Paul.Layzell@rhul.ac.uk
Internal Audit Manager	Kay Trinder	4332	Kay.Trinder@rhul.ac.uk

- 6.1 **For further guidance on actions that should be followed in the event of a potential fraud the College's fraud response plan should be consulted.**

7 Reporting

In accordance with the HEFCE / OFS Audit Code of Practice some cases of fraud or suspected fraud must be reported to HEFCE / OFS. This should be carried out as soon as possible following the investigation. Chair of the College Council and the Chair of the Audit and Compliance Committee must also be notified.

All fraud and corruption investigations will be reported to the Audit and Compliance Committee with a brief description of the incident, the value of any loss, the means of perpetrating the fraud, the measures taken to prevent a recurrence and any further actions that are required. This report would normally be prepared by the Internal Audit Manager.

Monitoring and review

This policy and related procedures will be reviewed and updated by the Directorate of Governance and Legal services as a minimum every 2 years.

Appendix A – Sample Definitions related to fraud

Fraud:

- Wrongful or criminal deception intended to result in financial or personal gain
- A person or thing intended to deceive others, typically by unjustifiably claiming or being credited with accomplishments or qualities
- A false representation of a matter of fact - whether by words or by conduct, by false or misleading allegations or by concealment of what should have been disclosed
- A deception practiced in order to induce another to give up possession of property or surrender a right

Corruption:

- The use of public office for private gain
- Dishonest or fraudulent conduct by those in power, typically involving bribery

Bribery:

- The offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her duties
- Money, favour or benefit given or promised in order to influence the judgment or conduct of a person in a position of trust

Theft:

- The illegal taking of someone else's property without that person's freely-given consent. Apart from the obvious theft of physical assets such as computers, stock and money, it includes:
- Misappropriation of funds
- Misuse of assets, including cash, stock and other assets, for example 'borrowing' petty cash, use of photocopiers for private purposes
- Theft from a client or supplier
- Theft of intellectual property, including designs and data

Deception:

- To intentionally distort the truth in order to mislead others. It would include obtaining property, services or pecuniary advantage by deception or evading liability. Deceptions typically include:
- Misrepresentation of qualifications to obtain employment
- Obtaining services dishonestly via technology
- Undeclared and unauthorised private and consultative work

Forgery:

- Making or adapting objects or documents with the desire to deceive

Extortion:

- Obtaining money or property from another through coercion or intimidation

Embezzlement:

- Fraudulent appropriation by a person to their own use of property or money entrusted to that person's care but owned by someone else

Conspiracy:

- An agreement between two or more persons to break the law at some time in the future

Collusion:

- Any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes of fraud

Money Laundering:

- How criminals process illegal or dirty money derived from the proceeds of any illegal activity through a succession of transactions and deals until the original source of such funds has been obscured and the money take on an appearance of legitimate or clean funds - involves placement, layering and integration of the money.