

## FRAUD PREVENTION & RESPONSE PLAN

### Introduction

The objective of the Fraud prevention and Response plan is to safeguard the proper use of the University's finances and resources, including the finances and resources of its subsidiary companies, against fraudulent acts, and to comply with the law and relevant regulations.

The University which drives a significant proportion of its income from public funds, benefactions and charitable organisations, has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

### Definitions

Fraud can be defined as including any of the following and other regulations that may cover other areas of fraud:

- Theft
- False accounting
- Bribery
- Corruption
- Money laundering
- Forgery
- Deception and collusion
- Other financial malpractice

For the purposes of reporting fraud the University considers a person acts fraudulently when he or she acts with the intent of making a financial gain or causing a financial loss or exposing another to the risk of financial loss.

#### **This includes:**

Dishonestly makes a false representation, or

Dishonestly fails to disclose information which he or she is under a legal duty to disclose; or

Occupies a position in which he/she is expected to safeguard, or not to act against, the financial interests of another person and;

Dishonestly abuses that position; and

Intend, by means of the abuse of the position:

- (a) to make a gain for himself/herself or another

or

(b) to cause loss to another or to expose another to risk of loss

Any person may be regarded as having abused his/her position even though his/her conduct consisted of an omission rather than an act.

## **Policy**

Fraud is a serious matter and all cases of suspected fraud will be investigated, whether they concern the assets of the University, or of persons or bodies connected with the University. Any student and/or member of staff, regardless of their position or seniority, against whom prima facie evidence of fraud is found will be subject to disciplinary procedures which may result in dismissal or summary dismissal.

The University reserves the right to seek redress via civil proceedings against individuals whose fraudulent acts have resulted in financial loss to the University, whether or not the individual concerned is criminally convicted of that fraudulent act.

The University may involve the police in any case of fraud or suspected fraud at any stage of an investigation.

The University will inform the relevant grant funding body in accordance with the terms and conditions of the grant in any case where the allegation may concern abuse of funds or assets of that body.

The University financial regulations, which apply to the conduct of all the financial affairs of the University, apply to all members of staff.

The regulations govern the proper use of finances and resources which may for example, involve cash, equipment, facilities, information, staff time, physical or intellectual property in a manner which satisfies the University's requirement for accountability, internal control, and the management of financial risk including any legal or financial obligations laid down by HM Revenue and Customs, the funding council and other government authorities. The university's financial regulations can be viewed at <http://www.hw.ac.uk/reference/financial/regulations.pdf>

### **What do you do if you think there might be fraud?**

Any member of staff who suspects fraud with good cause that fraud has been committed must report the matter to the Secretary of the University immediately. A separate paper "Preventing Fraud – Guidance for Managers" sets out guidance for managers and supervisors on their role in preventing fraud.

If the Secretary of the University is suspected of fraud, the matter should be reported to the Principal & Vice-Chancellor.

The Secretary of the University will respond to the reported fraud in accordance with the Fraud Response plan.

All reports of suspected fraud will be treated in the strictest confidence, and any investigation under the procedure will be treated as an investigation under the University's Public Interest Disclosure Policy.

In order to maintain confidentiality, and prevent compromising any related investigations, employees who are aware of any circumstances of fraud should not discuss those circumstances with other members of staff or with any other person.

Any individual who makes a report of suspected fraud will be protected under the provision of the University's Public Disclosure Policy (Whistle blowers charter) if the report is made in good faith.

### **Fraud Prevention**

The aftermath of fraud is costly, time-consuming, disruptive and unpleasant. The major thrust of any anti-fraud strategy should therefore be prevention. Measures that the University can put in place include denial of opportunity, effective leadership, auditing, and employee screening.

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## FRAUD RESPONSE PLAN

### Purpose and Scope

1. Management and staff are likely to have little experience in dealing with fraud and, when suspected cases arise, may be unsure of the appropriate action to take. The purpose of the Fraud Response plan is to document the procedures in the event of reported or suspected fraud or irregularity, together with defining authority levels, responsibilities for action, and reporting lines. The objective is to safeguard the proper use of the University's finances and resources, including those of its subsidiary companies.
2. The purpose for establishing this plan is so that the University is able to respond appropriately if the need arises; it is not a reflection on the probity of any member of the University.
3. The use of the plan should enable the University to:
  - prevent further loss
  - establish and secure evidence necessary for disciplinary and or criminal action
  - assign responsibility for investigating the incident
  - establish circumstances in which external specialists should be involved
  - establish lines of communication with the police
  - keep all staff with a need to know suitably informed about the incident and the University's response
  - recover losses
  - deal with requests for references for employees and students disciplined, dismissed 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
4. The procedures set out in this plan apply to members of Court, members of staff employed by the University, temporary members of staff, contractors and students. These procedures also cover incidents that involve the alleged misuse of information or actions that impair the integrity of the assessment process arising from corrupt practices.

### Initiating action

5. Suspicion of fraud or irregularity may be captured through a number of means, including the following:
  - the operation of proper procedures
  - the requirement on all staff under the Financial Regulations to report fraud or irregularity to the Secretary of the University
  - the public interest disclosure policy ('whistle-blower's charter')

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- planned audit work
- the University's policy on conflict of interest

### Notification of suspected fraud

6. All actual or suspected incidents are reportable immediately to the Secretary of the University. There are special arrangements for the Principal & Vice-Chancellor, Vice-Principal, Deputy Principal for Strategy and Resources, the Director of Finance, the Management & Financial Accountants, and members of Court, which are set out below.
7. The Secretary of the University will determine whether to investigate a suspected incident under the University's Disciplinary Procedure or this Fraud Response Plan. Normally, the Secretary of the University will determine that an investigation will take place under the University's Disciplinary Procedure for 'minor' losses, and the Fraud Response Plan will be used for 'major' suspected wrongdoing.
8. If the investigation of an incident is to take place under the Fraud Response Plan, the Secretary of the University will decide on the initial response and take such steps as are necessary to:
  - Prevent further loss
  - Establish and secure evidence
  - Notify the necessary individuals, committees, and outside authorities
  - Recover any loss
9. A Fraud Response Group will support the Secretary of the University, and consists of:
  - Deputy Principal for Strategy and Resources
  - A solicitor recommended by the legal advisor
  - Director of Finance
  - Group Management Accountant (where necessary)
  - Group Financial Accountant (where necessary)
  - Director of Human Resources (where relevant)
  - Academic Registrar and Deputy Secretary (where relevant)
10. The Secretary of the University will determine how the Fraud Response Group will operate. This includes individual consultation as well as face-to-face meetings of all members of the group.
11. To ensure speedy action, the Secretary of the University and Director of Finance may consult members of the Fraud Response Group individually. The Fraud Response Group will advise the Secretary of the University and the Director of Finance on the necessary measures to enable the

formulation of a plan of action. This will normally include an investigation, led by the Secretary of the University.

12. The decision to initiate an investigation shall constitute sufficient authority to any person, authorised by the Secretary of the University, to conduct, in whole or in part, an investigation for this purpose.
13. The Secretary of the University may invite the internal or external auditors to lead the investigation, as the circumstances require. This will depend on the severity of the suspected fraud.
14. In cases that involve or may involve students, the Secretary of the University will be informed by the Director of Finance at an early stage.
15. In all the above cases, the Secretary of the University will inform, at an early stage the Principal & Vice-Chancellor, University Solicitor, Director of Human Resources, Director of UICS and the Director of Corporate Communications.
16. The University Solicitor will notify the Group Risk Manager at an early stage, to ensure the prompt addressing of insurance matters. The University Solicitor will seek expert legal advice, if required.
17. There will be an immediate report made by the Secretary of the University to the internal auditors of more serious, or novel, cases of fraud.

#### **Notification of suspected fraud involving the Secretary of the University, Director of Finance and Deputy Directors of Finance**

18. All actual or suspected incidents that concern the Secretary of the University, Director of Finance, the Management/Financial Accountants are reportable immediately to the Principal & Vice-Chancellor. In allegations that concern the above staff the investigation will be led by the Principal & Vice-Chancellor, following the procedures outlined above. In all such cases, the internal auditors will be informed immediately and commissioned to carry out the investigation into the allegations.

#### **Notification of suspected fraud involving the Principal & Vice-Chancellor**

19. All actual or suspected incidents that concern the Principal & Vice-Chancellor are reportable immediately to the Chairman of Court and the investigation will be led by the Chairman of Court. The internal auditors will be commissioned to carry out any investigation into the allegations concerning the Principal & Vice-Chancellor.

#### **Notification of suspected fraud involving a member of Court**

20. All actual or suspected incidents that concern a member of Court are reportable immediately to the Chairman of Court. In allegations that concern a member of court, the investigation will be led by the Chairman of Court.

#### **Notification of suspected fraud involving the Chancellor**

21. All actual or suspected incidents that concern the Chairman of Court are reportable immediately to the Principal & Vice-Chancellor. In allegations that concern the Chancellor, the investigation will be led by the Chairman of Court. The internal auditors will be instructed to carry out any investigation into the allegations concerning the Chancellor.

## **Prevention of further loss**

22. Where initial investigation provides reasonable grounds for suspecting an individual, or a group of individuals, of fraud, the Secretary of the University will decide how to prevent further loss, taking advice from the Fraud Response Group. This may include suspension with pay, of those members of staff under suspicion, in accordance with University procedures. Where appropriate, it may be necessary to take similar action in the case of students, contractors or temporary members of staff. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be required to support disciplinary or criminal action.
23. If a suspect is aware that an investigation is in progress, there may be an attempt to frustrate disciplinary or legal action by destroying or removing evidence. Therefore, it is vital to approach unannounced the suspect(s), who should be kept under supervision at all times before leaving the University's premises. The suspect(s) may collect personal property under supervision, but should not be able to remove any property belonging to the University. The suspect(s) will be asked to return any keys and or swipe cards to the premises, offices and furniture. The University Security Manager will supervise this process.
24. The University Security Manager will advise, through seeking advice, on the best means of denying access to the University, while suspect(s) remain suspended, for example by changing locks and informing the Security Patrol Officers not to admit the individuals to any part of the premises. Similarly, the Director of UICS is to arrange for the immediate withdrawal of access permissions to the University's computer systems. This is to include cancellation of all passwords to University databases and other information systems.
25. The Secretary of the University shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect(s) may have had opportunities to misappropriate the University's assets.

## **Establishing and securing evidence**

26. The major objectives in any fraud investigation will be to punish the perpetrators, and for the process to act as a deterrent. The University will follow the disciplinary procedures against any member of staff who has committed fraud.
27. The University will normally pursue the prosecution of any such individual. Prosecution is a particularly effective deterrent because of the risk of a custodial sentence and a criminal record. However, the threat of prosecution only deters if the threat is real. Therefore, each case arising will normally result in reference to the police, irrespective of the status of the individual.

## **The Secretary of the University will:**

28. Maintain familiarity with the University's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation following consultation with the Principal & Vice-Chancellor, or in the absence of the Principal & Vice-Chancellor the Vice-Principal or University Solicitor. Establish and maintain contact with the police. Ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.
29. To be admissible in court, interviews with suspects must be conducted under rules defined in the Police and Criminal Evidence Act, 1984. Interviews should normally be conducted by Police Officers or with University advice. The Secretary of the University will establish whether there is

a need for staff involved, or likely to be involved, with investigation to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act, 1984.

### **Recovery of losses**

30. Recovering losses is a major objective of any fraud investigation. The Director of Finance shall ensure that, in all fraud investigations, there is the quantification of the amount of any loss. The University will seek the repayment of losses in all cases.
31. Where the loss is substantial, the University Solicitor will immediately obtain legal advice about the need to freeze the suspect's assets, through the court, pending conclusion of the investigation. The University Solicitor will also seek legal advice about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The University would normally expect to recover costs in addition to losses.

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

32. Any request for a reference for a member of staff disciplined, or prosecuted, for fraud must be referred to the Director of Human Resources. The Director of Human Resources will consult with the University Solicitor to ensure that any reference accords with employment law principles.
33. Any request for a reference for a student or graduate disciplined or prosecuted for fraud must be referred to the Academic Registrar and Deputy Secretary and Data Protection Officer to ensure that any reference accords with employment law principles.

### **Reporting to the Fraud and Audit Committees**

34. The Secretary of the University shall report any incident to the Chairs of the Finance and Audit Committees.
35. The Secretary of the University shall promptly report any significant variation from the approved fraud response plan, together with reasons for the variation, to the chairs of both the Finance and the Audit Committee.
36. 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 the actions taken.
  - The Director of Finance will normally prepare this report.

### **Reporting lines**

37. The Fraud Response Group shall provide a confidential report to the Chairman of Court and the Chairman of the Audit Committee, external audit and the Director of Corporate Communications 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.
38. The individual(s) under investigation will be informed of the outcome, when the report has been completed.

### **Responsibility for investigation**

39. The Secretary of the University shall normally lead all special investigations. Where appropriate, the Secretary of the University may delegate the conduct of the investigation to the Director of Finance or other staff.
40. In undertaking any investigation under the Fraud Response Plan, the investigation will follow those principles and procedures detailed in the University's Disciplinary Procedures.
41. Those charged with the investigation will have unrestricted right of access to all vouchers, documents, accounts, computer data, and any other information considered relevant to the investigation, and which is necessary to complete the enquiries. This includes the right to verify assets and have direct access to any employee or person responsible for the administration or management of University resources with whom it is felt necessary to raise and discuss such matters. All managers are required to co-operate with requests for assistance in respect of any investigation.
42. All investigations shall be completed in a timely manner.
43. Some special investigations may require the use of technical expertise that the University does not possess. In these circumstances, the Fraud Response Group may approve the appointment of external specialists to lead or contribute to the special investigation.
44. Any disciplinary action arising from the investigation will follow the procedures set out in the appropriate University Disciplinary Procedures.

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

45. There will be a review of this plan by the Secretary of the University and Director of Finance for fitness of purpose at least annually, or after each use. The audit committee will approve any change to the plan, with the exception of changes of office title included in the plan and minor changes of procedure.