

Financial Procedure Number 1 - Fraud Policy

Leeds Trinity University Fraud Policy

General Principles

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- a) Leeds Trinity University is a successful university community inspired by Catholic values and prides itself on its reputation for acting fairly and ethically in carrying out its activities in line with its corporate values.
- b) The University is committed to ensuring that its business is conducted in a fair and transparent way and will take all appropriate steps to manage and address the risk of fraud.
- c) As a charity deriving the majority of its income from public funds and charitable organisations, the University is particularly concerned to protect its operations and reputation and its funders, donors, staff and students from the detriment associated with fraud and other corrupt activity.
- d) The University condemns all acts of fraud or corruption and will not tolerate it in its activities or in those it engages with. Any cases brought to its attention will be investigated and dealt with appropriately. Where fraud is shown to have occurred the University will treat it as a serious disciplinary offence and will take firm action which may include dismissal and legal action.

What is fraud?

2 The Fraud Act 2006 introduced a general statutory offence of fraud. The Act sets out three ways of committing fraud:

- a) By false representation
- b) By failing to disclose information
- c) By abuse of position.

3 The full text of the act can be found at <http://www.opsi.gov.uk/>

4 Obviously fraud can be perpetrated by persons outside as well as inside an organisation. For example, if fraudulent activities were being carried out by the contractor's staff on their own company, then this should be reported directly to the company themselves.

5 Attempted fraud is treated as seriously as accomplished fraud.

6 Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources is included in this definition.

Denial of opportunity

7 Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud.

8 The classic way to guard against fraud in financial systems is segregation of duties, so that no individual has undue management of payments, income or assets. (See, for example, paragraph 4 of Financial Procedure 9.) The largest frauds in HE Institutions have involved regular misappropriations over a period of years.

9 Managers should prevent the possible misuse of information technology through managing the physical access to terminals, and protecting systems with electronic access restrictions

Responsibilities

10 The governors and senior managers are responsible for:

- a) developing and maintaining risk management arrangements and effective controls to prevent fraud;
- b) carrying out rigorous and prompt investigations if fraud occurs. It is expected that this would take place (or at least commence) within one week of the fraud being brought to a manager's attention.
- c) taking appropriate legal and/or disciplinary action against perpetrators of fraud;
- d) taking disciplinary action against supervisors or line managers where supervisory failures have contributed to the fraud.

11 Line managers are responsible for:

- a) identifying the risks to which systems and procedures within their areas of responsibility are exposed;
- b) developing and maintaining effective controls to prevent and detect fraud;
- c) ensuring that controls are being complied with. 12 Individual members of staff are responsible for:
 - a) acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payments systems, receipts or dealing with contractors or suppliers;
 - b) reporting details immediately to their line manager or the next most senior manager if they suspect that a fraud has been committed or see any suspicious acts or events.

13 The Director of Finance and University Secretary is responsible for monitoring the effectiveness of this policy, keeping it under regular review and proposing any amendments in the policy to the Audit Committee as appropriate.

Ethics and conduct of staff

14 As stewards of public funds, all members of staff must have, and be seen to have, high standards of personal integrity. Staff should not accept gifts, hospitality or benefits of any kind from a third party which might compromise their integrity. The governors subscribe to the seven principles of public life set out in the Nolan Committee's first report, Standards in Public Life (see appendix).

Fraud Policy - Fraud Response Plan

Purpose

15 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:

- a) prevent further loss;
- b) establish and secure evidence necessary for criminal and disciplinary action;
- c) inform the police;
- d) notify the Office for Students , if necessary (see paragraph 20, below);
- e) endeavour to recover losses;
- f) take appropriate action against those responsible;
- g) deal with requests for references for employees disciplined or prosecuted for fraud;
- h) review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud;
- i) keep all personnel with a need to know (including outside organisations) suitably informed about the incident and the institution's response.

Initiating action

16 Managers may be alerted to the possibility of fraud by several means. They may have suspicions passed on to them or they may notice something themselves which makes them suspicious. It is the duty of all managers to follow up such indications and not turn a blind eye. It is important to be discreet so as to protect people from being harmed by false accusations and to ensure that if fraud is

occurring that the fraudster is not forewarned. It is important to act quickly, carefully and appropriately.

17 All actual or suspected incidents should be reported without delay to the Director of Finance and University Secretary or to the Chief Operating Officer. Within 24 hours, the Director of Finance and University Secretary or the Chief Operating Officer should hold a meeting of the following project group to decide on the initial response, using properly appointed nominees where necessary:

- a) Director of Finance and University Secretary;
- b) Chief Operating Officer;
- c) Head of Department involved;
- d) Director of Human Resources, where a member of staff is suspected of misconduct;

Responsibility for investigation

18 The project group will decide on the action to be taken. This will normally be an investigation, which depending on severity may be led by the internal auditors or another appropriate investigator. The decision by the project group to initiate a special investigation shall constitute authority to the internal auditors to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits. Where the internal auditors or other appropriate investigator are appointed to lead an investigation then this will be promptly notified to the Chair of the Board, the Chair of the Audit Committee and the Clerk to the Board.

Prevention of further loss

19 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 suspect(s). It may be necessary to plan the timing of suspension to prevent the suspect(s) from destroying or removing evidence that may be needed to support disciplinary or criminal action.

20 In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the University 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.

21 The Director of Estates and Facilities should be required to advise on the best means of denying access to the University while suspect(s) remain suspended (for example by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, the Director of Information Services should be instructed to withdraw without delay access permissions to the University computer systems.

22 The internal auditors or other appropriate investigator 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 assets.

Establishing and securing evidence

23 The University will follow disciplinary procedures against any member of staff or student who has committed fraud and will normally pursue the prosecution of any such individual through the criminal courts.

24 The internal auditors or other investigator will:

- a) ensure that evidence requirements are met during any fraud investigation;
- b) establish and maintain contact with the police;
- c) 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 Office for Students

25 The ongoing conditions of registration of the OfS includes a requirement that Universities notify any cases of significant fraud or weakness. The Vice Chancellor is responsible for informing the OfS of any such incidents.

26 Significant fraud or irregularity is usually where one or more of the following apply:

- a) the sums of money involved are, or potentially are, in excess of £25,000;
- b) the particulars of the fraud or irregularity are novel, unusual or complex;
- c) there is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

Recovery of losses

27 Recovering losses is a major objective of any fraud investigation. The internal auditors or other investigator shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

28 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 would normally expect to recover costs in addition to losses.

References for employees disciplined or prosecuted for fraud

29 Any request 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 for advice.

Reporting to governors

30 On completion of a special investigation, a written report, normally prepared by the internal auditors or other investigator, shall be submitted to the Audit Committee containing:

- a) a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud;
- b) the measures taken to prevent a recurrence;

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

Reporting lines

31 The project group shall provide regular, confidential reports to the Vice-Chancellor, Chair of the Board of Governors, and the Chair of Audit Committee, which will include:

- a) quantification of losses
- b) progress with recovery action
- c) progress with disciplinary action
- d) progress with criminal action
- e) estimate of resources required to conclude the investigation
- f) actions taken to prevent and detect similar incidents.

Review of fraud response plan

32 This plan will be reviewed for fitness of purpose periodically or after each use. Changes will be reported to the Audit Committee for approval.

The Seven Principles of Public Life

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and action they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.