

SUSPECTED FRAUD/FINANCIAL IRREGULARITIES

The following sets out the University's Policy on fraud and financial irregularities:

Purpose of Policy

1. The purpose of this policy is to provide all staff with advice and guidance on their responsibilities for the prevention of fraud and irregularity and on the actions they should take if fraud or irregularity is suspected. Compliance with the procedures set out in paragraphs 11-17 is mandatory.

Context

2. The University requires staff at all times to act honestly and with integrity to safeguard the public resources for which we are responsible. Fraud is an ever present threat to our resources. All members of University staff must, therefore, remain alert to the risk that a fraud or irregularity could occur in their area of responsibility.
3. These guidelines therefore set out:
 - (i) staff responsibilities regarding both the prevention of fraud and irregularity, and
 - (ii) the procedures to be followed where a fraud or irregularity is detected or suspected.

Definitions

4. In law there is no specific offence of fraud. Many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is usually employed to describe acts such as bribery, corruption, forgery, extortion, conspiracy, theft, embezzlement, misappropriation, false representation and concealment of material facts.
5. For all practical purposes fraud may be defined as 'The use of deception with the intention of obtaining an advantage, avoiding a loss, or causing loss to another party'. Fraud is deliberate deception or cheating used to gain an advantage, usually a financial advantage. It may involve interference with a financial transaction, or the use for private gain of goods or services purchased by the University, or the use of know-how or equipment owned by the University for private gain.
6. Fraud can be committed by persons outside as well as inside the University. In the University context internal fraud or irregularity could include:
 - (i) pilfering of stock;
 - (ii) improper use of telephone/fax facilities;

- (iii) unauthorised use of University equipment (including computers);
- (iv) theft of cash or equipment;
- (v) improper manipulation of computer programmes or data collusion with others for illicit gain;
- (vi) falsification of claims for travel and subsistence or other allowances ;
- (vii) improper/inaccurate claims for overtime or time off in lieu.

The above listing is not exhaustive but does cover the most common types of fraud/irregularity.

7. External attempts at fraud or irregularity could include:

- (i) offers of bribes/inducements;
- (ii) submission of false invoices;
- (iii) demands for payment of unsolicited goods;
- (iv) contractor frauds involving overcharging, sub-standard work, bid rigging and/or collusion in competing services;
- (v) fraudulent claims for University funds.

Again the above list is not exhaustive but does cover the most common types of external fraud.

Prevention of fraud/irregularity

8. The management and financial systems of the University have been designed to incorporate appropriate controls for preventing fraud. These controls include, inter alia:

- (i) supervisory checks;
- (ii) management checks;
- (iii) appropriate organisational structures;
- (iv) complete, accurate and up to date records;
- (v) physical security of assets/stocks;
- (vi) segregation of duties;

- (vii) clearly defined written responsibilities;
- (viii) clearly defined lines of reporting;
- (ix) regulations and associated procedure guides.

Responsibility for Prevention

9. All line managers are responsible for ensuring that an adequate system of internal controls exists within their areas of responsibility and that the controls operate effectively. The responsibility for the prevention and detection of fraud therefore rests, primarily, with managers, but all staff are expected to assist in this process. There is a need for all managers to assess the types of risk involved with the operations for which they are responsible, to review and test the control systems on a regular basis and to ensure that control regimes are being complied with.
10. The University's Director of Finance & Resources and the University's Internal Auditors, Mazars (023 8023 2428), are able to offer advice and assistance on control issues. However, as a rule, in establishing effective internal controls, managers should be aware of the following good practice concepts:
 - (i) regular rotation of staff in 'control critical' functions;
 - (ii) wherever possible, segregation of duties so that control of all aspects of a key function does not reside with one person;
 - (iii) avoidance of processing backlogs;
 - (iv) consideration of control implications whenever a new system is being introduced.

Action to take if a fraud/irregularity is suspected

11. If a member of staff suspects that an action or event, perpetrated either by another member of staff or by a third party, may constitute a potential fraud or irregularity, the suspicion should be immediately and confidentially reported to his/her superior/line manager. If the line manager is suspected of fraud the next higher level manager or the Director of Finance should be informed. No warning should be given to those under suspicion of fraud, as this may result in the removal or destruction of evidence.
12. The line manager must then discuss the facts of the case with the person raising the issue. If the line manager considers that a fraud or irregularity has occurred or is likely to occur he/she must immediately report the matter to the Director of Finance & Resources, or equivalent, normally in writing. (Note: If the Director of Finance & Resources, or equivalent, is implicated in the case then the Vice-Chancellor should be informed.)

13. On receipt of the information the Director of Finance & Resources must establish the facts of the case and decide what further action, if any, is required. This may or may not include:
- (i) removing, for safe custody, any books, records or documents relating to the case;
 - (ii) confiscating any equipment relating to the case (eg personal computers, floppy discs, CD's etc).
14. If the evidence strongly points to a material fraud having been perpetrated the Director of Finance & Resources, or equivalent, after consultation with the Vice-Chancellor may:
- (i) inform the Police;
 - (ii) recover any University property that has been unofficially removed from University premises.
- The Vice-Chancellor or the Chairman of Governors may suspend any members of University staff suspected of involvement, pending further investigations.
15. All cases reported to the Director of Finance & Resources, or equivalent, under the terms of paragraph 12 above must be reported to:
- (i) the Chairman of the Audit Committee;
 - (ii) the University's Internal Auditors;
 - (iii) the Audit Committee;
 - (iv) the Director of Human Resources.
16. The University's Whistleblowing Policy and Procedure, as detailed in Admin Notice 3.22, is expected to provide the necessary protection to any individual who in good faith reports suspected fraud to their line manager.

Learning from experience

17. Where a fraud or irregularity has occurred University management must take steps to improve the controls in the systems where the fraud occurred. This will help to ensure that the fraud, or a version thereof, does not recur in the future.
18. The University's Internal Auditors will review the lessons learned from any case of fraud or irregularity and ensure that appropriate action has been taken to improve control such that the risk of a similar case arising in the future is minimised.

19. This policy applies to all activities conducted through the University and its subsidiary and associated companies and joint ventures. It also regulates the conduct of all employees of these entities.