

# DE MONTFORT UNIVERSITY

## Anti-fraud Policy: Update as at November 2007

### A Fraud Policy Statement

#### 1 Introduction

- 1.1 De Montfort University is committed to protecting the public funds with which it has been entrusted. To ensure resources are used for their intended purpose of providing higher education, it is essential that losses due to fraud and corruption are minimised.
- 1.2 The public is entitled to expect the University to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from both staff and students. This Anti-Fraud Policy outlines its commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.
- 1.3 The Policy is based on HEFCE's advice for fighting fraud in higher education and their model response plan. The Policy is also based on a series of comprehensive and inter-related policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:
- Codes of Conduct (including policies on gifts and hospitality, claiming of expenses.
  - Financial Regulations
  - Sound internal control systems
  - Effective internal audit
  - Effective recruitment and selection procedures
  - Disciplinary procedure
  - Public Interest Disclosure (Whistle-blowing) Policy
  - Register of Interests
  - Training
  - General Student Regulations
  - Academic procedures for admission of students
  - Enrolment procedures
  - Procedures for academic offences

The purpose of this Policy is to outline the University's approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption, both internally and externally. It applies to governors, staff, students, suppliers, contractors, consultants, and other service users.

#### 2 Culture

- 2.1 DMU believes that the creation of a culture of honesty and openness is a key element in tackling fraud, as is raising the level of awareness and understanding of the key policies and procedures and their role in preventing or detecting fraud. In its commitment to maintaining the highest standards of governance, the

University has defined acceptable behaviour which both staff and students are expected to follow. These are based on the Nolan Principles of Standards in Public Life.

- 2.2 The staff and students at the University are an important element in DMU's stance on fraud and corruption, and they are encouraged to raise any concern that they may have on these issues where they are associated with university business or activity.

### **3 Definition of Fraud**

- 3.1 Although there is no precise legal definition of fraud, the term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Fraud can occur anywhere within the University and can present itself not simply as financial or financially motivated but covers areas including financial, reputational, employment and students. This Policy covers all the above.

- 3.2 For practical purposes of the application of this policy, fraud may be defined as the use of deception with the intention of:

- gaining an advantage, personally and for family or friends; or
- avoiding an obligation; or
- causing a financial loss to the University or one of its subsidiary companies.

- 3.3 The main types of irregularity are:

- Theft – This may include the removal or misuse of funds, assets or cash
- False accounting – dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the University or furnishing information which is or may be misleading, false or deceptive
- Abuse of position – abusing authorities and misusing University resources or information for personal gain or causing loss to the University.

The University's Financial Regulations set out the University's controls to minimise the risk of the above occurring.

### **4 Prevention**

- 4.1 Fraud and corruption are costly, both in terms of reputational risk and financial losses, as well as time-consuming to identify and investigate, disruptive and unpleasant. The prevention of fraud is therefore a key objective. Measures should be put in place to deny opportunity, provide effective leadership, auditing, employee screening and student recruitment.

- 4.2 Fraud can be minimised through carefully designed and consistently operated procedures, which deny opportunities for fraud. Staff are made aware of policies through the induction programme and notification of policy updates through the Intranet
- 4.3 Staff recruitment procedures require applicants to declare any connections with existing governors and staff. Members of staff recruitment panels are similarly required to declare such connections.
- 4.4 New students are made aware of their responsibilities at their induction. The General Student Regulations are available to all students on the Internet and in Braille or other formats on request.
- 4.5 The Financial Regulations help to ensure that at all times the financial management of the University is conducted in accordance with the highest standards. Continuous management review of systems and reports by internal audit in line with the agreed annual audit programme should assist in preventing and detecting fraud; and should also result in continuous improvements. The risk of fraud should be a factor for consideration in audit plans.
- 4.6 Key determinants of the standards of behaviour in an organisation will be the standards observed by governing bodies and senior managers and the policies and approach to their enforcement promoted from the top.
- 4.7 The credibility and success of the Anti-Fraud Policy is dependent largely on how effectively it is communicated throughout the organisation. To this end, details of the Policy will be provided to all staff and students and be included on induction programmes. The Policy will also be published on the University's website and be available on the Intranet.
- 4.8 Induction training, particularly for officers involved in internal control systems, will be provided to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

## **5 Detection**

- 5.1 No system of preventative measures can guarantee that frauds will not occur. However, policies and procedures are in place to detect and highlight irregular transactions. It is the responsibility of senior officers and their managers to prevent and detect fraud by maintaining good control systems within their departments and making sure that all staff understand the systems and work within them.
- 5.2 The University has established systems and procedures in place which incorporate effective and efficient internal controls. The University has Financial Regulations in place which require employees to follow standard practices when conducting the University's affairs, to act in accordance with best practice and adhere to agreed internal control systems. Student fraud including fraudulent admissions, plagiarism, etc is covered by the student regulatory framework.
- 5.3 A 'Whistle-blowing' Policy was agreed by the Governors and first published in 1998. The policy is reviewed annually.

- 5.4 Robust preventative measures by management, coupled with sound checks and balances, are adopted by the University.

## **6 Investigations**

- 6.1 The University recognises the unpredictability of fraud or irregularity and the disruption which it may cause once identified. However it also recognises the need to safeguard its assets, recover losses and secure evidence for legal and disciplinary processes.
- 6.2 In order to meet these objectives, and to clarify its approach when fraud is suspected, the University has a Fraud Response Plan which seeks to:
- prevent further loss
  - establish and secure evidence necessary for criminal and/or disciplinary action
  - notify HEFCE, if the circumstances are covered by the mandatory requirements of the Audit Code of Practice
  - recover losses
  - take appropriate action against those who have committed fraud
  - deal with requests for references for employees or students disciplined 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
  - keep all personnel with a “need to know” suitably informed about the incident and the Institution’s response
  - inform the Police, where agreed
  - assign responsibility for investigating the incident
  - establish circumstances in which external specialists should be involved
  - establish lines of communication with the Police, if appropriate

## **B Fraud Response Plan**

### **1 Introduction**

- 1.1 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.

### **2 Initiating action**

- 2.1 Suspicion of fraud or irregularity may be captured through a number of means, including the following:

- requirement on all personnel under Financial Regulations to report fraud or irregularity.
- public interest disclosure procedure ('whistleblower's charter')
- planned audit work
- operation of proper management and control procedures

- 2.2 All actual or suspected incidents should be reported without delay to the Clerk to the Board, who should, as soon as practicable and preferably within two working days, convene a meeting of the following project group or their nominees to decide on the initial response:

- A Pro Vice-Chancellor (designated by the Vice-Chancellor) who shall chair the group
- Director of Human Resources
- The Director of Finance
- Others as determined by the Chair

- 2.3 The project group will decide on the action to be taken. This will normally be an investigation, led by the internal auditors under the direction of the Project Group.

- 2.4 The Chair of the Audit Committee should be advised at the earliest stage when an investigation under this procedure has been initiated.

- 2.5 The decision by the project group to initiate a special investigation shall constitute authority to spend the necessary Internal Audit time on this work. The work will be in addition to that scheduled within the approved annual Internal Audit Plan, unless otherwise approved by the Chair of the Audit Committee. The group will also consider its membership, and the need to include representatives from other specialist areas, such as Academic Registry, Computing or Estates.

- 2.6 Where an investigation is to take place, and the matter implicates any of the individuals in the Project Group, another person with senior management responsibility shall be appointed to the Project Group by the Chair of the Audit Committee.

### **3 Prevention of further loss**

- 3.1 Where initial investigation provides reasonable grounds for suspecting either staff or students of fraud, the project group will decide how to prevent further loss. If the suspect is a member of staff, they will be suspended on full pay. If it

is a student they may be suspended from all or part of the University. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

- 3.2 In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the University's 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. Laptop computers and associated hardware/software must also be returned.
- 3.3 The Head of Security will advise on the best means of denying access to the University, while suspects 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 ISAS should be instructed to immediately withdraw access permissions to the University's computer systems.
- 3.4 The project group will 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.

#### **4 Establishing and securing evidence**

- 4.1 A major objective in any fraud investigation will be the punishment of those involved, to act as a deterrent to other personnel. The University will follow disciplinary procedures against any member of staff or student who has committed fraud.
- 4.2 The Head of Security will, under the direction of the Pro Vice-Chancellor:
  - maintain familiarity with the University's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation
  - establish and maintain contact with the police
  - establish whether there is a need for staff to be trained in the evidence rules for interviews under the "Police and Criminal Evidence Act"
  - ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings

#### **5 Notifying HEFCE**

- 5.1 The Vice-Chancellor must inform, without delay, the HEFCE Accounting Officer of any serious weakness, significant fraud or major accounting breakdown. The HEFCE Audit Code of Practice (HEFCE 2004/27 Para 34-35) states that significant fraud or irregularity is usually where one or more of the following apply:
  - 5.1.1 The sums of money involved are, or potentially are, in excess of £20,000.
  - 5.1.2 The particulars of the fraud or irregularity are novel, unusual or complex.

5.1.3 There is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

5.2 There may be circumstances that do not fit this definition. HEIs can seek advice or clarification from the HEFCE Assurance Service. In view of the public interest, HEIs should normally notify the police of suspected or actual fraud. Where the police are not notified, management should advise the Audit Committee of the reason. The Vice-Chancellor will also inform HEFCE of any such incidents.

## 6 Recovery of losses

- 6.1 Recovering losses is a major objective of any fraud investigation. The project group will ensure that, in all fraud investigations, the amount of any loss is quantified. Repayment of losses will be sought in all cases.
- 6.2 Where the loss is substantial, legal advice may be obtained about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice may also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The University will normally expect to recover costs in addition to losses.
- 6.3 If appropriate the Director of Finance will liaise with the University's insurers to formulate a claim under existing insurance cover.

## 7 References for employees or students disciplined or prosecuted for fraud

- 7.1 There is a requirement that any request for a reference for a member of staff or a student who has been disciplined or prosecuted for fraud shall be referred to the Director of Human Resources (for a staff member) / the Academic Registrar (for students) who shall take advice from the **Clerk to the Board**. The Director of Human Resources shall prepare any answer to a request for a reference having regard to employment law.

## 8 Reporting to the Board of Governors

- 8.1 Any incident matching the criteria in the HEFCE Audit Code of Practice shall be reported without delay by the Vice-Chancellor to the chairs of both the Board of Governors and the Audit Committee.
- 8.2 Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the chairs of both the Board of Governors and the Audit Committee.
- 8.3 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 whether the actions have been taken.
- 8.4 This report will normally be prepared by the project group, with the support of the internal auditors as appropriate.

## **9 Reporting lines**

9.1 The project group shall provide a confidential report to the Chair of the Board of Governors, the Chair of Audit Committee, the Vice-Chancellor and the Internal and External Audit Partner 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

9.2 A final report will be produced by the project group once the investigation is completed, and it will represent the definitive document on which management (in a disciplinary situation) and possibly the Police (in a criminal situation) will base their decision.

## **10 Responsibility for investigation**

10.1 All special investigations should normally be led by the internal auditors under the direction of the project group set up to deal with the specific case. Special investigations should not be undertaken by management, although management shall co-operate with requests for assistance from the internal auditors. Some special investigations may require the use of technical expertise which the internal auditors do not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

## **11 Review and monitoring of fraud response plan**

11.1 This plan will be reviewed for “fitness of purpose” at least annually by the Audit Committee or after each use. Any changes proposed by the Executive will be presented for the approval of the Audit Committee. The Clerk to the Board will keep a register of all incidents showing the nature of the incident, and the outcome including actions taken to prevent and detect similar incidents.

## **C Additional guidance**

### **1 Examples and Indicators of Fraud**

1.1 Examples of fraud, which are neither exclusive nor exhaustive, include the following:

- Misappropriation of cash
- Theft of stock
- Fraudulent encashment of payable orders or cheques
- Misappropriation of other assets including information and intellectual property. This would also include theft of stationery for private use, unauthorised use of University property e.g. vehicles, computers, other equipment
- Purchasing or purchase ledger fraud (e.g. approving/paying for goods not received, approving/paying bogus suppliers, approving/paying inflated prices for goods and services, accepting any bribe)
- Travel and Expense claims overstated or falsely claimed. This may include advances not recovered or forging of counter-signatories
- Accepting pay for time not worked (e.g. false claim for hours worked, failing to work full contracted hours by any member of staff, false overtime claims, or falsification of sickness self-certification)
- Computer fraud (e.g. altering or substituting records, duplicating or creating spurious records, or destroying or suppressing records), where IT equipment has been used to manipulate program of data dishonestly, or where the use of an IT system was a material factor in the preparation of the fraud.

1.2 Whilst by no means being proof on their own, the circumstances below (warning signs) may indicate fraud, and should therefore put managers, staff and students on the alert:

- Altered documents (correcting fluid, different pen or handwriting)
- Claim form details not readily checkable or properly approved
- Changes in normal patterns, of cash takings or expense claim details (for example)
- Delay in completion or submission of expense claims
- Lack of vouchers or receipts in support of expense claims, etc.
- Staff seemingly living beyond their means
- Staff under constant financial or other stress

- Staff choosing not to take annual leave (and so preventing others becoming involved in their work), especially if solely responsible for a “risk” area
- Complaints from public or staff.

## 2 “Do’s and Don’ts”

In addition to the warning signs outlined above, staff and students are advised to take notice of the following “Do’s and Don’ts” in respect of possible fraud-related instances or actions:

<b>DO</b>	<b>DON’T</b>
<b>Make a note of your concerns</b>	<b>Be afraid of raising your concerns</b>
<ul style="list-style-type: none"> <li>• Record all relevant details, such as the nature of your concern, the names of parties you believe to be involved, details of any telephone or other conversations with names dates and times and any witnesses.</li> <li>• Notes do not need to be overly formal, but should be timed, signed and dated.</li> <li>• Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened.</li> </ul>	<ul style="list-style-type: none"> <li>• The Public Interest Disclosure Act provides protection for employees who raise reasonably held concerns through the appropriate channels – whistle blowing.</li> <li>• You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially.</li> </ul>
<b>Retain any evidence you may have</b>	<b>Convey your concerns to anyone other than authorised persons listed in the University’s Fraud Response Plan</b>
<ul style="list-style-type: none"> <li>• The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective investigation.</li> </ul>	<ul style="list-style-type: none"> <li>• There may be a perfectly reasonable explanation for the events that give rise to your suspicion. Spreading unsubstantiated concerns may harm innocent persons.</li> </ul>
<b>Report your suspicions promptly</b>	<b>Approach the person you suspect or try to investigate the matter yourself</b>
<ul style="list-style-type: none"> <li>• All concerns must be reported to the Clerk to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• There are special rules relating to the gathering of evidence for use in criminal cases. Any attempt to gather evidence by persons who are unfamiliar with these rules may undermine the case.</li> </ul>