

Fraud & Theft Response Plan

November 2022

Version 1.2

Report	Version	Update	Date
Fraud & Theft Response Plan	1.0	Updates to reflect changes in organisation structure, to reflect best practice guidance from British University Finance Directors Group (BUFDG) and to ensure alignment to obligations under Financial Memorandum with DfE are fully reflected in plan. Reviewed and approved by SLT – 1 st Feb 2022	February 2022
Fraud & Theft Response Plan	1.1	Inclusion of the word ‘suspected’ before ‘Fraud’ in section 4 as recommended by ARC (07.03.22)	March 2022
Fraud & Theft Response Plan	1.2	Consolidation of the key elements of the Response Plan from 15 to 11. Conversion of the Reporting a Fraud form from Microsoft word to Microsoft Form format.	November 2022
Policy Owner – Chief Strategy & Finance Officer			

This policy is intended to support the University to deliver its strategic objectives and supporting operations. Should you have any issues, concerns or recommendations for improvement in relation to the practical application of this policy please contact the policy owner.

Introduction

The University's activities require significant funds, much of which are 'public'; as a publicly funded body, the University is accountable to a wide range of stakeholders for the use and management of those funds, and the associated controls.

It is the responsibility of all University officers and staff to ensure that University funds and resources are used honestly and correctly, and to report any circumstances which may indicate their improper use. This responsibility aligns to the University Values of Integrity, Collaboration, Inclusion and Enhancing Potential, with this Fraud and Theft Response plan building on these values in terms of the approach and channels to be used to report and manage incidents of fraud and theft.

Unfortunately, there is a view - rightly or wrongly - that most universities are often fraud victims because of their unique control environments. An atmosphere of openness and collegiality can lead to a lack of segregation of duties, independent oversight and fraud focus. To compound matters, these ideologies can be entrenched, making it even more difficult to prevent and detect financial fraud and reputational damage.

Proactive fraud prevention is the primary counter-fraud related objective of any University - but when fraud is suspected or indicated, it is essential that prompt and professional reactive action is taken, and it is here where the need for trained fraud 'first-responders' within the University is clear. Unfortunately, fraud is unpredictable, time consuming to investigate, relationship-damaging, very disruptive and generally unpleasant - and has the potential to require significant stakeholder involvement.

Primary responsibility for the prevention and detection of fraud rests with officers and staff who also have responsibility to manage the risk of fraud. Investigation of fraud is the overall responsibility of the Chief Strategy & Finance Officer, supported by fraud first-responders or other trained investigators and the project team that may be set up to investigate selected cases.

The University's Fraud and Theft Response Plan detailed below outlines the process to be adopted if suspected fraud is reported or detected; the Appendices also contain a range of useful information, including potential fraud indicators or warning signs.

What is Fraud?

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

In general, a fraud may be described as any type of deception that results in a gain to one party and/or a loss to another, in this case the University. The Fraud Act 2006 outlines three classes of fraud:

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

Additionally, theft - such as the removal and/or misuse of funds, assets or cash - is not prosecuted as a fraud but falls under the various Theft Acts.

In terms of the University's Fraud and Theft Response Plan, 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 University or one of its subsidiary organisations

The main types of irregularity are:

- Theft: As above
- 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 University or subsidiary 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 University as their employer) or not act against those interests

Whilst they can be varied in nature, some examples of these irregularities within the University context include:

- Abuse of the expenses process and system
- Abuse of recruitment processes, including failure to disclose relevant information
- Use of the University logo and/or letterhead for personal gain
- Abuse of research grants, including misrepresentation and/or 'siphoning' of funds for personal gain
- Abuse of procurement processes
- Conflicts of Interest

Further indicators and warning signs of fraud are listed in Appendix B. Examples of controls used to prevent and detect fraud are outlined in Appendix C.

Fraud and Theft Response Plan - Purpose

In summary, the purpose of the Fraud and Theft Response Plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or financial irregularity. The use of the plan should allow the University to:

- Respond quickly and professionally to any suspicion or suggestion of fraud or irregularity
- Assign responsibility for initial and subsequent investigation
- Prevent further loss
- Establish and secure evidence necessary for disciplinary and/or criminal action against those who have committed the fraud
- Notify the funding council/regulator if required
- Notify the University's insurers if required
- Minimise and recover losses
- Establish an internal and external communications strategy and process
- Establish the need (or otherwise) for external specialist involvement
- Establish the need for police notification, and the lines of communication
- Review the circumstances of the fraud, actions taken to prevent a recurrence and any action needed to strengthen future responses to fraud
- Deal with HR-type issues such as references in relation to staff discipline and/or prosecution for fraud

It is therefore important that the plan covers the following key elements:

1. Initial Response
2. Guidance for Managers on receiving a report of a suspected fraud
3. Initial Reporting
4. Meeting of the Fraud and Theft Response Team
5. Establishing and securing evidence: Interviewing/statements
6. Staff under suspicion and prevention of further losses

7. Police involvement
8. Recovery of losses
9. Administration, including HR-type issues (such as references)
10. Ongoing Communicating and Reporting
11. Final reporting, recommended actions and closure

1. Initial Response

A fraud or financial irregularity may be discovered in a variety of ways, from your own or a colleague's observations, someone from inside or outside the University 'blowing the whistle', financial controls identifying a discrepancy, internal or external audit discovering a problem or external bodies identifying an issue.

A fraud or financial irregularity may also come to light through:

- The University's [Whistleblowing \(Public Interest Disclosure\) policy](#)
- The University's [Disciplinary Procedures](#)
- The University's [Procedures for the investigation of Research Misconduct](#)
- Disclosure by the person, or persons, involved

Irrespective of how a potential fraud is discovered, the following - 'Things to do', 'Things not to do' and 'Things to remember' - should always be borne in mind:

Things to do:

1. Stay calm - remember you are a witness not a complainant
2. If possible, write down your concerns immediately - make a note of all relevant details such as what was said in phone or other conversations, the date, the time and the names of anyone involved
3. Consider the possible risks and outcomes of any immediate action you may take
4. Make sure that your suspicions are supported by facts, as far as is possible at this stage

Things not to do:

1. Don't become a private detective and personally conduct an investigation or interviews
2. Don't approach the person/persons potentially involved (this may lead to conflict, violence, him/her destroying evidence etc.)
3. Don't discuss your suspicions or case facts with anyone other than those persons referred to below (Head of Department and/or the Chief Strategy & Finance Officer and/or the Chief People Officer) unless specifically asked to do so by them
4. Don't use the process to pursue a personal grievance

Things to remember:

1. You may be mistaken or there may be an innocent or good explanation - but this will come out in the investigation
2. The fraud response and investigation process may be complex and relatively lengthy and, as a consequence, you may not be thanked immediately. Moreover, the situation may lead to a period of disquiet or distrust in the University despite you having acted in good faith

2. Guidance for managers on receiving a report of a suspected fraud

Managers who receive a report of a suspected fraud should:

- Listen to the concerns of your staff and treat every report you receive seriously and sensitively. Make sure that all staff concerned are given a fair hearing, bearing in mind that they could be distressed, upset and/or frightened.
- Reassure your staff that they will not suffer because they have told you of their suspicions, as long as they are made in good faith.
- Get as much information as possible. Do not interfere with any evidence and make sure it is kept in a safe place.
- Ask the member of staff to keep the matter fully confidential in order that it can be investigated without alerting the suspected/alleged perpetrator.

3. Initial Reporting

All actual or suspected incidents should be reported immediately either:

- To the Head of Department and/or the Chief Strategy & Finance Officer. The Head of Department should then inform the Chief Strategy & Finance Officer or, in their absence, the Chief People Officer
- Via the [‘Reporting a Fraud’](#) form
- Via the [University’s Whistleblowing process](#); provided reports are made in good faith then an individual is generally protected by the University and the law against retribution, harassment or victimisation and the individual’s confidentiality must be preserved

If the disclosure involves or implicates any of the individuals identified above then the disclosure should be made to the Vice Chancellor and/or the Chair of University Council and/or the Chair of Audit & Risk Committee as appropriate.

On being alerted to circumstances which give rise to suspicion of theft, fraud or corruption, the Chief Strategy & Finance Officer, Head of Department and (if deemed necessary, Internal Audit) will then review the preliminary findings and, where appropriate, in conjunction with the Chief People Officer decide whether to:

- Discontinue the investigation if initial suspicions are not confirmed, or
- Continue with a full internal investigation.

4. Meeting of the Fraud and Theft Response Team

If required, and as soon as practicable (ideally within 24 hours) a meeting of the Fraud and Theft Response Team should be convened, normally consisting of the following group, to decide on the path of action.

- Vice-Chancellor or Deputy Vice-Chancellor or Chief Strategy & Finance Officer
- Director of Audit, Risk and Business Continuity
- Chief People Officer
- Head of Finance
- Head of Department/ Head of School

It may also be necessary to involve colleagues in communications if there are potential public relations and/or media issues. This group will decide:

- Whether an investigation is required
- Who should lead the investigation
- Who should undertake the investigation and the composition of any project group set up to co-ordinate the investigation
- Whether, and at what stage, Internal Audit need to be involved in the investigation - and whether a special audit is warranted
- Whether the University’s insurers need to be informed
- Whether the staff member or members need to be suspended

- Whether the matter should be reported to the police
- What stakeholder communications should be undertaken at this stage e.g. including notifying DfENI, HESA, OfS (or as appropriate)

Under the current Financial Memorandum, between the University and DfE, the University is required to report immediately all suspected, attempted and actual frauds above £5k to the following:

- *chair of the university's Audit & Risk committee*
- *chair of the university's governing body*
- *university's head of internal audit*
- *external auditor*
- *permanent secretary of the DfE*

Appendix D contains an extract from the Financial Memorandum on responsibilities and reporting.

5. Establishing and securing evidence: Interviewing/statements

The University will follow standard and established disciplinary procedures against any member of staff who has committed fraud. Additionally, the University will normally consider prosecution of any such individual. The investigators and Internal Audit will ensure that:

- Evidentiary requirements and standards are met during any fraud investigation
- Staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings
- Where required, external forensic services (such as IT) meet evidentiary requirements and standards, such as those relating to continuity of evidence

6. Staff under suspicion and prevention of further loss

Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Fraud and Theft Response Team will decide how to prevent further loss. This may require the suspension of the individual(s) suspected of fraud and removal of physical (i.e. campus, building and office) and systems access rights. Any suspension will be in accordance with the [University's Disciplinary Procedures](#) but it may be necessary to plan the timing of suspensions to prevent individuals from destroying or removing evidence that may be needed to support the investigation process. However, it should be recognised that there may occasionally be circumstances where it is decided to allow a fraud - and associated losses - to continue to identify, for example, further culprits.

When interviewing employees under suspicion it must be made clear whether it is a formal interview or an informal discussion. It should be explained that the University and the interviewers have no pre-set view, the suspicion should be outlined and the employee given adequate time to respond.

Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record - the witness can be given a copy of the statement if desired. It is also very important to keep contemporaneous notes on file, in the event that they are needed for future reference (e.g. court, tribunal or disciplinary hearing).

7. Police involvement

At some point a decision will need to be made as to whether an incident is reported to the police. However, even if it is reported there needs to be an element of realism as to the likely extent of police involvement. For large-scale frauds, it may be appropriate to ask the police to attend meetings of the Fraud and Theft Response Team.

The lead investigator should prepare an 'Evidence Pack' that can be handed to the police at the time the fraud is reported, and a Crime Reference Number obtained. The Evidence Pack should include a summary of the fraud, highlighting (where known) the amount, the modus operandi, and the location, and include photocopies of key supporting documents and contact details of the person leading the investigation. All contact with the police should be channelled through one person which would generally be the investigator or, possibly, the communications lead (i.e. the person leading the investigation).

8. Recovery of losses

Recovering losses is clearly a major objective of any fraud response investigation. Internal Audit or those investigating the incident should ensure that in all fraud investigations the amount of any loss is quantified. Repayment of losses should be sought in all cases. Where the loss is (potentially) substantial, legal advice should be obtained without delay about the need to freeze an individual's assets through the courts pending the conclusion of the investigation. Legal advice should also be sought about the prospects for recovering losses through the civil court in circumstances where the perpetrator(s) refuse repayment. The University would normally expect to recover costs in addition to losses. The University's insurers should be involved in such cases and, indeed, their notification (above) may be a mandatory requirement of cover.

9. Administration, including HR-type issues (such as references)

Careful administration of the investigation is of vital importance. A disordered investigation, without clear records and logs of events, communications, key dates etc., will cause problems at any court hearing, tribunal or disciplinary panel. It is equally important that confidentiality is kept both for paper and electronic (e-mail) communications. Where e-mail is used for communication, subject names that have no direct link to the investigation should, for example, be considered.

Within the employment law framework, People and Culture must deal with any requests for references from staff who have been disciplined or prosecuted for fraud and related issues.

10. Ongoing Communicating and Reporting

The Fraud and Theft Response Team should provide a confidential and regular report to the Vice Chancellor and the Audit Committee (or Chair of Audit & Risk Committee) and other nominated individuals at an agreed frequency. The scope of the report should include the circumstances surrounding the case, contributory factors and progress with the investigation.

Any incident meeting the criteria for a report to regulators should be reported without delay to the Vice-Chancellor, the Chair of the Audit & Risk Committee and the Chair of the Resources Committee where there is a (potential) financial loss. The Team should also consider if incidents not meeting the criteria should be reported, both to the regulator as well as to sector fraud alert networks (e.g. via BUFDG), to anonymously warn other sector bodies of potential risks.

11. Final reporting, recommended actions and closure

On completion of the investigation the Fraud and Theft Response Team should submit to the Audit & Risk Committee a report typically containing:

- A description of the incident, including the value of any loss, the people involved and the means of perpetrating the fraud
- Actions taken to prevent recurrence, and,

- A plan detailing any recommendations and actions (with timings) required to strengthen future fraud responses

Regular reports on all actual and suspected frauds will be made to the Chief Accounting Officer (Vice-Chancellor) and Audit & Risk Committee.

Appendix A – Sample Definitions

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

Appendix B: Indicators and Warning signs of fraud

Fraud Indicators can include:

- Staff exhibiting unusual behaviour (see list above)
- Missing key documents, especially invoices and/or contracts
- Inadequate or no separation of duties
- Documentation which is photocopied or missing key information
- Missing expenditure vouchers
- Excessive variations to budgets and/or contracts
- Bank and ledger reconciliations not regularly preformed and cannot be balanced
- Numerous adjustments or exceptions
- Overdue pay or expense advances
- Duplicate payments
- Ghost employees on payroll
- Large payments to individuals
- Lack of bank account controls
- Crisis management coupled with a pressured work environment
- Lowest tenders or quotes passed over without adequate explanation
- Single vendors
- Climate of fear/low staff morale
- Consistent failure to implement key controls
- Controls frequently overridden

Warning signs can include:

- Staff under stress without a high workload
- Reluctance to take annual leave
- Being first to arrive in the morning and last to leave in the evening
- Refusal of promotion
- Unexplained wealth
- Sudden change of lifestyle
- Suppliers/ contractors who insist on only dealing with one staff member
- Individuals seen as risk-takers or rule-breakers
- Disgruntled at work and/or not supportive of the University

Appendix C: Examples of controls to prevent and detect fraud

- Comprehensive recruitment procedures, with full reference checks
- Physical security of assets
- Adequate supervision and workload management
- Separation of duties to ensure that key functions and controls are not performed by the same person
- Rotation of staff
- Random spot checks
- Complete and secure audit trails
- Appropriate performance monitoring
- Frequent budgetary and other financial reviews/reports
- Periodic reviews by independent bodies such as Internal Audit

Appendix D: Extract from the Financial Memorandum between the University and the DfE on responsibilities and reporting

Annex A - Mandatory requirements of the Financial Memorandum and Audit Code of Practice (page 14)

16. The university's accountable officer must report any material adverse change without delay - such as a significant and immediate threat to the university's financial position, significant fraud (attempted or actual greater than £5,000) or major accounting breakdown - to all of the following:

- the chair of the university's audit committee
- the chair of the university's governing body
- the university's head of internal audit
- the external auditor
- the Permanent Secretary of the Department as Accounting Officer.

Annex B-Audit Code of Practice

Northern Ireland Assembly (page 16)

11. In the event of any material adverse change in a university's circumstances – such as a significant and immediate threat to the institution's financial position, significant fraud or major accounting breakdown - the accountable officer must inform, without delay, all of the following:

- the chair of the university's audit committee
- the chair of the university's governing body
- the university's head of internal audit
- the external auditor
- the Department's Permanent Secretary as Accounting Officer.

13. Below, is an indicative list of what should be reported to the Department. The accountable officer, in agreement with the governing body, or in urgent cases the chair, may judge that there are other circumstances that warrant notification:

- any theft, fraud, loss of charity assets or other irregularity where the sums of money involved are, or potentially are:
 - in excess of £5,000; or
 - where the particulars of the fraud, theft, loss of charity assets or other irregularity may reveal a systemic weakness of concern beyond the institution, or are novel, unusual or complex; or
 - where there is likely to be public interest because of the nature of the fraud, theft, loss of charity assets or other irregularity, or the people involved.

14. There may be cases of fraud, theft, loss of charity assets or other impropriety or irregularity, that fall outside this definition. In these cases or any others, universities can seek advice or clarification from the Department. In view of the public interest, HEIs should normally notify the police of suspected or actual fraud in accordance with the Memorandum of Understanding between the Northern Ireland Public Sector and the Police Service of Northern Ireland. Where the police are not notified, management should advise the university's audit committee of the reason.

Audit and risk assessment of universities by the HEFCE assurance service (HEFCEAS)

Reporting (page 18)

20. HEFCEAS will, when appropriate, draw the attention of the Department's Accounting Officer to material adverse changes including significant frauds and any major accounting breakdowns.

Internal audit arrangements in HEIs (Page 21)

38. Within the HE sector, the prime responsibility of the internal audit service is to provide the governing body, the accountable officer and the other managers of the HEI with assurance on the adequacy and effectiveness of risk management, control and governance arrangements. Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve risk management, control and governance, thereby reducing the effects of any material adverse risks faced by the university.

Operation (Page 22)

39. A university must ensure that it has effective risk management, control and governance arrangements. These help to ensure that:

- d. The university's assets and interests are safeguarded - particularly from losses arising from fraud, irregularity or corruption.

Fraud and corruption (Page 24)

52. Internal auditors should assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management, who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

53. The work of the internal audit service, in reviewing the adequacy and effectiveness of the internal control system, should help management to prevent and detect fraud. The internal audit service should ensure that it has the right to review, appraise and report on the extent to which assets and interests are safeguarded from fraud. When internal auditors suspect fraud, or are carrying out a fraud investigation, it is important to safeguard evidence. They should assess the extent of complicity to minimise the risk of information being provided to those involved, and the risk of misleading information being obtained from them.

54. The university should ensure that the internal auditor is informed, as soon as possible, of all attempted, suspected or actual fraud or irregularity. The internal auditor should consider any implications in relation to the internal control system, and make recommendations to management, as appropriate, to strengthen the systems and controls.