

# ANTI FRAUD AND CORRUPTION RESPONSE PLAN

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## FRAUD AND CORRUPTION: RESPONSE PLAN

### 1. INTRODUCTION

- a. Staffordshire University is committed to the highest standards of openness, probity and accountability and has produced a document entitled Fraud and Corruption Response Plan, the purpose of which is to clarify and document the University's procedures as to how employees should report any suspicions in respect of theft, fraud, corruption or other irregularity ("an irregularity") and how the Executive, Deans of Faculty and Directors of Services should respond.

This document recognises the requirement to operate within the provisions of the Staff Disciplinary Procedure or the Public Interest Disclosure Policy and Procedures.

- b. The plan defines authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity and should enable the University to:
  - i. Prevent further loss
  - ii. Establish and secure evidence necessary for criminal and disciplinary action
  - iii. Notify the HEFCE, if the circumstances are covered by the mandatory requirements of the Audit Code of Practice (available at [http://www.hefce.ac.uk/pubs/hefce/2004/04\\_27/](http://www.hefce.ac.uk/pubs/hefce/2004/04_27/) )
  - iv. Keep all members of staff with a need to know suitably informed about the incident and the institution's response.
  - v. Inform the police and establish lines of communication with them.
  - vi. Assign responsibility for investigating the incident in accordance with the Disciplinary Procedure
  - vii. Establish circumstances in which the external specialists should be involved.
  - viii. Following an investigation and possible Disciplinary Hearing, review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud.
  - ix. Recover losses.
  - x. Deal with requests for references for employees disciplined or prosecuted for fraud.
- c. Even though such matters occur infrequently it is extremely important that all University staff are aware of the steps which should be followed where there are allegations/suspicions of fraud, corruption, or other irregularity.

## 2. DEFINITIONS OF THEFT, FRAUD, CORRUPTION OR OTHER IRREGULARITY

- a. An irregularity may be defined as any breach of the standards of financial integrity required by the University, including a breach of the Financial Regulations and Standing Orders Relating to Contracts. Irregularities fall broadly within the following categories, the first three of which are criminal, as well as disciplinary offences.
- b. Theft: the dishonest taking of property belonging to the University, a sub-contractor employed by the University, a member of staff or a student of the University.

The legal definition of "theft", under section 1 of the 1968 Theft Act defines it as: "A person is guilty of theft if he/she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it; and "Thief" and "Steal", shall be considered accordingly" (s.1(1)), "It is immaterial whether the appropriation is made with a view to gain for others, or is made for the thief's own benefit".

- c. Fraud: The use of deception to dishonestly gain advantage. For the purposes of this policy, this term incorporates false accounting. This includes the intentional distortion of financial statements or other records by persons internal or external to the university to conceal the misappropriation of assets or otherwise for gain.
- d. Corruption: the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.
- e. Other irregularity: failure to observe the University's Financial Regulations and Standing Orders Relating to Contracts, policies and procedures.
- f. The above definitions are not intended to be exhaustive, but to provide a general indication of the range of matters covered by this document.

## 3. NOTIFICATION OF SUSPECTED IRREGULARITY

- a. Employees are required by the University to raise concerns they may have regarding any irregularities suspected to have been carried out by another employee, or any external person or third party. Suspected irregularity may be discovered in a variety of ways, but in all cases it is important that employees feel able to report their concerns in confidence and are also aware of the means by which they are able to do so.
- b. All actual or suspected instances of irregularity must be reported without delay as set out below.

- c. In the first instance employees should report their concerns to their immediate line manager as a matter of urgency. At this stage the line manager must promptly inform the Finance Director and the Director of Human Resources through the Dean or Director.

The line manager must not carry out any investigation of the allegations at this stage, other than to understand the initial concerns presented by the individual.

- d. Where an individual feels that it is inappropriate to report the concerns to his/her line manager, the individual may prefer to report the concern to an independent officer. This would be:-

- i. The University Secretary

or, where this would be inappropriate

- ii. The University's Internal Auditors

The primary function of Internal Audit is to report on the adequacy of systems and procedures (the internal control environment).

However, one of the Internal Audit's responsibilities is to investigate, on behalf of the Finance Director, cases of suspected irregularity.

- e. The person to whom the suspicion is reported will inform the Vice-Chancellor, as the Accounting Officer for the University's public funding, the Finance Director and the Director of Human Resources, unless any are potentially involved. If this is the case the Chair of the Audit Committee or the Chair of the Board of Governors of the University should be informed without delay.

#### 4. INTERNAL INVESTIGATION OF SUSPECTED IRREGULARITY

- a. Once irregularity is suspected and reported, it is critical that an investigation is conducted in accordance with the University's Staff Disciplinary Procedure.
- b. This Procedure also outlines information regarding the appropriateness and method of suspension of the alleged perpetrator which will need to be considered.
- c. The Disciplinary Procedure is available on the University website at [http://www.staffs.ac.uk/assets/internal/disciplinary\\_tcm44-26212.pdf](http://www.staffs.ac.uk/assets/internal/disciplinary_tcm44-26212.pdf) or available in paper copy from Personnel Services.

## 5. POLICE INVESTIGATION

- a. The University's Staff Disciplinary Procedure also outlines actions that should be taken and the inter-relationships with the Police in the event of an allegation including possible criminal activity.

## 6. FURTHER ACTION

- a. At the conclusion of the investigation a report must be produced by the Investigating Officer.

The format of this report may differ case by case. However, this report will usually contain details of:

- i. How the investigation arose and the circumstances of the case/allegations etc.
  - ii. The employees concerned, their position in the University and their responsibilities.
  - iii. How the investigation was undertaken
  - iv. The facts and evidence which were identified
  - v. The findings regarding the irregularity itself.
- b. A decision as to whether the matter should proceed to a formal Disciplinary Hearing will be determined in accordance with the Disciplinary Procedures.
  - c. Fraud and corruption as defined in this document are regarded as potential gross misconduct.
  - d. If the police decide there is insufficient evidence to merit a criminal prosecution, the University will take such action as it considers appropriate in accordance with the University's Staff Disciplinary Procedures.

## 7. NOTIFICATION OF IRREGULARITY

The Regulations of the Higher Education Funding Council for England (HEFCE) require that the following bodies are notified of irregularities occurring within the University.

- a. External Audit

The University has a duty to report all suspected irregularities to its external auditors. This will be undertaken by the Finance Director at the earliest opportunity irrespective as to what stage any investigatory process is at

b. Police

If they consider it to be appropriate, the Vice-Chancellor or the Finance Director, together with the Director of Human Resources will involve the police at an early stage in any investigation of suspected irregularity. This will be judged on a case by case basis.

c. Board of Governors

Details of irregularities, including measures to prevent a recurrence and any action needed to strengthen future responses to fraud, will be reported to the Audit Committee by the University's internal auditors. The Chair of the Audit Committee will provide appropriate details to the Board. Regular follow up reports on whether the required actions have been taken will also be provided to the Audit Committee by the Finance Director.

In certain circumstances due to the timing of Audit Committee meetings and/or the significance of the irregularity, details will be provided directly to the Board by the Finance Director, Director of Human Resources and the Vice-Chancellor. Any incident matching the criteria in the HEFCE Audit Code of Practice (as in 7d below) shall be reported without delay by the Vice-Chancellor to the Chairs of both the Board of Governors and the Audit Committee.

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.

d. HEFCE

The Vice-Chancellor will be responsible for providing appropriate details of irregularities to the HEFCE. The HEFCE Audit Code of Practice includes a requirement that Universities must notify the HEFCE Chief Executive of any attempted, suspected or actual fraud or irregularity where:

- The sums involved are, or potentially are, in excess of £10,000
- The particulars of the fraud are novel, unusual or complex.
- There is likely to be public interest because of the nature of the fraud or the people involved.

8. REFERENCES FOR EMPLOYEES DISCIPLINED OR DISMISSED IN CONNECTION WITH IRREGULARITIES

- a. If the University receives a request for a reference in respect of an employee who has been disciplined or dismissed a senior member of the Personnel Services must be contacted for guidance as to the wording of any reference provided.

## 9. MANAGING PUBLIC RELATIONS

- a. Any requests for information from the press or anyone outside the University concerning any investigation of irregularity must be referred directly to the Finance Director and Director of Human Resources. Any statements to the media will be made jointly. Under no circumstances should the Investigating Officer or other person provide statements to press or external persons.

## 10. RECOVERY OF LOSSES

- a. The Finance Director shall take appropriate action for the recovery of any loss following any disciplinary action and/or police investigation.
- b. Recovering losses is a major objective of any fraud investigation. When requested, the client partner of the University's internal auditors shall seek to quantify the loss in all fraud investigations. Repayment of losses should be sought in all cases.
- c. 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 civil court, where the perpetrator refuses repayment. The University would normally expect to recover costs in addition to losses.

## 11. IMPROVEMENTS TO SYSTEM

- a. Whenever irregularity is found to have taken place following an investigation and possible Disciplinary Hearing, the relevant systems and procedures shall be reviewed critically by the University's internal auditors in order to recommend improvements to the processes so as to preclude any repetition.
- b. Ensuring these recommended improvements are made, will be the responsibility of the Finance Director.

## 12. REVIEW OF FRAUD AND CORRUPTION RESPONSE PLAN

- a. This plan will be reviewed for fitness of purpose on a regular basis, (at least every two years) or after each use. Any need for change will be reported to the Audit Committee for approval.