

Fraud Prevention Policy and Response Plan

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Version Control History

Version Number	Date of Change	Summary of Revisions Made
3	June 2013	Schedule review approved at Audit Committee 3-June-14. Publication held pending clarification over job title of the owners. Ownership and responsibility changed from Director of Finance and Resources to Vice Principal Estates and Finance. Also Director of Human Resources and Communications changed to Vice Principal Human Resources and Communications. Footer remains as Director of Finance and Resources as there is currently an Acting Director in post, but not a VP.
3.1	July 2016	Footer updated to reflect new template model Role Title Changed: VP, Finance and Estates; Principal and Chief Executive.
3.2	January 2018	Role Title Changed: Chief Operating Officer.
3.3	December 2018	Change of role to Quality Manager.

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1 Purpose

This document has been established to set out the College Policy to avoid fraud and establish procedures to deal with fraud if it occurs. The College recognises its responsibility to prevent fraud and the documentation within this policy provides information in respect of key roles and responsibilities relating to the prevention of fraud.

The Policy is designed to meet the following objectives:

- Minimise the risk and impact of fraud.
- Create a culture which deters fraudulent activity.
- Create an environment that encourages the prevention of fraud while promoting its detection and reporting.

The accompanying Response Plan provides information relative to investigating the circumstances surrounding fraudulent activity and dealing with the impact of the business of the College.

2 Scope

This Policy and the accompanying Response Plan (Appendix 1) cover fraud in relation to financial and management systems.

3 Definitions

No precise legal definition of fraud exists; many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978.

Fraud is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

4 Key Principles

4.1 The College will:

- Establish appropriate and effective systems of financial and management control.
- Establish an Audit Committee with a clear remit to ensure financial systems are in place.
- Appoint independent internal auditors to advise on, review and report on these systems and develop procedures to be followed by staff who have a suspicion of fraudulent activity.

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- Establish a Fraud Response Plan setting out the procedures to be followed in the event of the reporting of possible fraud or the discovery of actual fraud.
- Publish appropriate guidance in the College's Financial Regulations with which all staff must comply.

4.2 Systems of Internal Control

Internal controls such as budgetary controls, segregation of duties, internal checks and staff supervision are designed to minimise the incidence of fraud, limit its impact and assure its prompt detection.

Prevention and detection of fraud is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management are therefore essential.

The implementation of a culture of strong management control will have a deterrent effect when it is known that management are actively involved in ensuring that procedures are followed.

The Internal Audit Service assists management in preventing fraud by examining and evaluating the adequacy and effectiveness of internal control systems and by making recommendations for improvement.

It is a condition of the Financial Memorandum between the Scottish Funding Council (SFC) and the College that the College establishes a sound system of internal financial management and control.

4.3 Staff/Training

The recruitment of suitable staff is the College's first defence in preventing fraud and the adoption of best practice processes must be strictly adhered to.

Staff provide the best protection against fraud and awareness of policy and procedures is fundamental to the effective operation of systems. This will be addressed as part of induction, formal staff training and regular notices regarding changes to financial procedures.

4.4 Reporting and Investigation

Having proper and consistently applied procedures for reporting and investigating fraud will have an important part to play in preventing further fraud.

The College has developed a Response Plan for investigating and reporting on all suspected fraudulent activity. Such investigations will by necessity remain confidential but management will ensure that the lessons to be learned from each incident are disseminated to staff as appropriate.

5 Responsibilities

- 5.1 The Board of Management has overall responsibility for this Policy and Response Plan.
- 5.2 The College Audit Committee is responsible for approving any changes to this Policy and Response Plan.
- 5.3 The Chief Operating Officer is the owner of this Policy and Response Plan, and is responsible for reviewing it.
- 5.4 The Principal and Chief Executive is responsible for informing the SFC about actual or suspected frauds. The Principal and Chief Executive is also responsible for reporting any incident matching the criteria in the SFC's mandatory requirements to the Chairs of both the Board of Management and the College Audit Committee.
- 5.5 The Head of Human Resources and Organisational Development is responsible for answering requests for references for a member of staff who has been disciplined or prosecuted for fraud.
- 5.6 The prime responsibility for preventing fraud lies with management through the implementation and operation of internal controls and the fostering of an anti fraud culture across the College. Managers are responsible for assessing and controlling the level of risk within their areas of authority.
- 5.7 It is the responsibility of all staff to be aware of fraud and to take the necessary steps to minimise the risk to the College and where appropriate report their suspicions to a member of the Executive or a member of the Board as appropriate.
- 5.8 Quality approval check of the final policy is the responsibility of the Quality Manager who will arrange for the policy to be posted on the web.

6 Linked Policies/Related Documents

Anti Bribery Policy

7 Relevant Legislation

Theft Act, 1968
Theft Act, 1978
Police and Criminal Evidence Act, 1984
Finance and Accountability (Scotland) Act, 2000
The Bribery Act, 2010

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Appendix 1

Fraud Response Plan

Purpose

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 College to:

- Prevent further loss.
- Establish and secure evidence necessary for criminal and disciplinary action.
- Notify the SFC, if the circumstances are covered by the mandatory requirements within the Financial Memorandum.
- Recover losses.
- Discipline staff found responsible for fraud.
- Deal with requests for references for employees 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 College's response.
- Establish lines of communication with the police for guidance.
- Inform the police where appropriate.
- Assign responsibility for investigating the incident.
- Establish circumstances in which external specialists should be involved.

Initiating Action

All actual or suspected incidents will be reported without delay to the Chief Operating Officer, the Principal and Chief Executive, Chair of the Audit Committee or Chair of the Board of Management.

The Chief Operating Officer/Principal and Chief Executive will, within 24 hours, hold a meeting of the following project group to decide on the initial response:

- Head of Human Resources and Organisational Development.
- Chief Operating Officer – A representative of the College Internal Audit Providers may also be invited to participate.

The Project Group will decide on the action to be taken. This action will normally be in the form of an investigation. The decision by the Project Group to initiate a special investigation shall constitute authority to College Internal Audit Provider to commit the time provided in the internal audit plan for special investigations if required, or contingency time, or to switch internal audit resources from planned audits. The approval of the College Audit Committee will be sought at this stage.

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Prevention of Further Loss

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 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.

In these circumstances, the suspect(s) will be approached unannounced. They will be supervised at all times before leaving the College premises. They will be allowed to collect personal property under supervision, but will not be allowed to remove any property belonging to the College. Any keys to premises, offices and furniture will be returned.

Advice will be obtained on the best means of denying access to the College 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, access permissions to the computer systems will be withdrawn without delay.

College Internal Audit Provider will be invited to consider whether it is necessary to investigate systems, other than that which has given rise to suspicion, through which the suspect(s) may have had opportunities to misappropriate the College's assets.

Establishing and Securing Evidence

A major objective in any fraud investigation will be the punishment of the perpetrator(s), to act as a deterrent to other personnel. The College will follow disciplinary procedures against any member of staff who has committed fraud. The College will normally pursue the prosecution of any such individual.

College Internal Audit Provider will:

- Maintain familiarity with the College disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation.
- Establish and maintain contact with the police where appropriate.
- Establish whether there is a need for audit 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.

Notifying the SFC

The circumstances in which the College must inform the SFC about actual or suspected frauds are detailed in the SFC's mandatory requirements. The Principal and Chief Executive is responsible for informing the SFC of any such incidents.

Recovery of Losses

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 will be quantified. Repayment of losses will be sought in all cases.

Where the loss is substantial, legal advice will be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice will also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The College will normally expect to recover costs in addition to losses.

References for Employees Disciplined or Prosecuted for Fraud

The staff handbook includes a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud will be referred to the Head of Human Resources and Organisational Development. The Head of Human Resources and Organisational Development will prepare any answer to a request for a reference having regard to employment law.

Reporting to the Board of Management

The incident matching the criteria in the SFC's Mandatory requirement will be reported without delay by the Principal to the Chairs of both the Board of Management and the Audit Committee.

Any variation from the approved Response Plan, together with reasons for the variation, will be reported promptly to the chairs of both the Board of Management and the Audit Committee.

On completion of a special investigation, a written report will 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 or not the actions have been taken.

This report will normally be prepared by the Project Group.

Reporting Lines

The Project Group will provide a confidential report to the Chair of the Board of Management, the Chair of the Audit Committee, the Principal and Chief Executive and the External Audit Partner. The scope of the report will include:

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- 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.

Responsibility for Investigation

The extent, complexity and source of the fraud will determine how the investigation will take place and in some circumstances might be led by representatives of the College Internal Audit Provider.

Some investigations may require the use of technical expertise and in these circumstances, the Project Group may approve the appointment of external specialists to lead or contribute to the investigation.

Review of Fraud Response Plan

This plan will be reviewed for fitness of purpose every 3 years or after each use. Any need for change will be reported to the Audit Committee for approval.

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