

Fraud Policy, Fraud Response Plan, and Systems of Internal Control

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A: Introduction

The School is, and wishes to be seen by all as being, honest and opposed to fraud and corruption in the way it conducts business. The objective of the Fraud Policy and Response Plan is to safeguard the proper use of the School's finances and resources against fraudulent or corrupt acts; and to comply with the law and relevant regulations. This document sets out the School's policy and procedures for dealing with the risk of fraud or corruption.

In order to minimise the risk and impact of fraud, the School's objectives are:

- firstly, to create a culture which deters fraudulent and corrupt activity, encourages its prevention and promotes its detection and reporting, and
- secondly, to ascertain and document its response to cases of fraud and corrupt practices.

In order to achieve these objectives, the School has taken the following steps:

1. the establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), an Audit Committee and an independent Internal Audit service with an ongoing responsibility to review and report on these systems; and
2. the development of a fraud policy and a fraud response plan which sets out the School's procedures to be invoked following the reporting of possible fraud, corruption or the discovery of an actual fraud;

Definitions

Fraud

The Fraud Act 2006 came into force on the 15 January 2007 and has introduced the general offence of fraud.

This is broken down into three key sections:

- Fraud by false misrepresentation
- Fraud by failing to disclose information
- Fraud by abuse of position

The Fraud Act also creates new offences:

- Possession and making or supplying articles for use in fraud
- Fraudulent trading (sole traders)
- Obtaining services dishonestly

Bribery and Corruption

The Bribery Act 2010 came into force on 1 July 2011 and sets out the following specific offences:

- two general offences – a general offence covering the offering, promising or giving of a bribe (in the UK or overseas); and a general offence covering the requesting, agreeing to receive, or acceptance of a bribe; and
- for organisations only, failing to prevent bribery (whether actual or attempted) by their associates (in the UK or overseas) such as employees, agents, joint venture partners, subsidiaries which results in benefit (this is termed the corporate offence);
- a discrete offence of bribery of a foreign public official.

The above legislation shows that fraudulent or corrupt behaviour could involve internal disciplinary action, and prosecution in the courts.

Further guidance is provided in the School's [Anti-Bribery Policy](#).

B: Fraud Policy

1. The School will not tolerate fraud or corruption, and expects the following standards of conduct and behaviour.
 - All staff, students, members of the Board, and members of Committees should behave in a fair and honest way in any dealings related to the School. This applies equally to both internal conduct, and also externally in relation to our suppliers, partners and other business associates.
 - All staff should apply themselves diligently to their work and the execution of their duties. Specifically, they should have due regard to the need to rigorously apply those internal controls, rules and regulations which are designed to prevent, deter and detect fraud.
 - As well as operating within the law and any specific agreements or contracts, all external organisations dealing with the School must conduct themselves in accordance with normal ethical business standards consistent with the School's charitable status and public-sector funding.
 - Staff, students, members of the Board, and members of Committees should be aware of the School's [Public Interest Disclosure and Whistleblowing Policy](#) and the right this gives them to raise legitimate concerns about possible fraud, as well as other problems/irregularities.
 - Any member of staff, students, members of the Board, or members of Committees, supplier, partner or associate should promptly report to the designated contact within the School - i.e. the Director - all legitimate concerns about suspected fraud or irregularity.
2. Where any fraud is committed against the School, consideration will always be given to prosecuting the person/organisation responsible through all criminal and/or civil means available.
3. A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to others. The School will follow disciplinary procedures against any member of staff or student who has committed fraud. The School will normally involve the police and pursue the prosecution of any such individual.

C: Fraud Response Plan

The Fraud Response Plan sets out the School's procedures for ensuring that all allegations and reports of fraud or dishonesty are properly followed up, are considered in a consistent and fair manner and that prompt and effective action is taken to:

- assign responsibility for investigating the fraud;
- minimise the risk of any subsequent losses;
- reduce any adverse operational effects;
- specify the degree of confidentiality required;
- implement damage limitation (to assets and reputation);
- establish and secure evidence necessary for criminal and disciplinary action;
- improve the likelihood and scale of recoveries;
- inform the police and liaise with insurers; and
- review the reasons for the incident and improve defences against future fraud.

The main elements of the School's plan are as follows:

1. Initiating action

Reporting of any suspicions of fraud or irregularity - staff are encouraged to come forward and give information where they honestly believe someone may have committed or be about to commit an act of fraud or corruption. The School's [Public Interest Disclosure and Whistle-blowing Policy](#) has been established to provide a framework for this and to afford protection to employees who supply information, provided this is undertaken in good faith and without malice.

All actual or suspected incidents should be reported to the Director as soon as possible. Any reports will be treated in absolute confidence. Notes of any relevant details such as dates, times and names should be written and evidence collected together in preparation to hand over to the appropriate investigator.

The person reporting the fraud should not:

- contact the suspect to determine facts or demand restitution;
- discuss case facts outside of the School;
- discuss the case with anyone within the School other than those staff mentioned above;
- attempt to carry out investigations or interviews unless specifically asked to do so by the Director.

2. Fraud Response Group

As soon as is practicably possible and usually within one working day the Director will holding a meeting with the Management Team to consider the initial response, dependent upon the nature of the report.

If any suspected fraud directly involves the Director or a member of the Management Team then the fraud will be reported to the Audit Committee Chair.

The following issues will be considered:

- who to involve in the investigation;
- whether to appoint an officer to lead the investigation;
- whether there should be any restrictions on who needs to know about the suspected fraud and level of confidentiality;
- whether police involvement is necessary, or whether civil action is appropriate;
- whether more specialist expertise may be required to assist with the investigation;
- whether a media notification or public statement by the School is required at any point during or at the conclusion of the investigation;

- action under the terms of the School's insurance policy to ensure prompt reporting;
- action to ensure that, in the short-term, damage to the School is limited, by:
 - (a) isolating the employee from the immediate work environment;
 - (b) preventing access to School computers, and the workplace;
 - (c) restricting the movement of assets;
 - (d) ensuring compliance with HR policies; and
 - (e) ensuring any interview is timely and has clear objectives.

It is essential that any action or gathering of evidence does not prejudice the School's ability to prevent fraudulent activity or recover losses incurred through fraud.

3. Prevention of further loss

Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the School will decide how to prevent further loss. This may require the suspension, with or without pay, of those under suspicion.

It may be necessary to plan the timing of suspension to prevent the destruction or removal of evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect(s) should be approached unannounced by at least two people and personal safety of staff should be considered. The suspect(s) should be supervised at all times before leaving the School's premises.

They should be allowed to collect personal property under supervision but should not be able to remove any property belonging to the School. Any security passes and keys to premises, offices, and furniture should be returned.

The Premises Manager should advise on the best means of denying access to the School while suspects remain suspended.

The Head of IT should be instructed to withdraw the suspect's access permissions to all the School's computer systems immediately.

4. Establishing and securing evidence

The officer appointed to lead the investigation will:

- carry out initial fact finding to confirm or dismiss the complaint;
- ensure any evidence, including IT facilities, is secure;
- maintain familiarity with the School's disciplinary procedures and statutory rights, to ensure the evidence requirements will be met during any fraud investigation; and
- establish and maintain contact with the police, where appropriate.

5. Recovery of losses

Recovering losses is a major objective of any fraud investigation. Repayment of losses should be sought in all cases, where practicable.

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 the civil court where the perpetrator refuses payment. The School would normally expect to recover costs in addition to losses.

The School's insurers should be made aware of the pursuit of any such claims.

6. Reporting

On completion of an investigation, a written report should be submitted to the Director and to the Audit Committee and will include the following:

- 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;
- action needed to strengthen future responses to fraud, with a follow-up report on whether actions have been taken.

This report will be prepared by the appointed officer.

7. Notifying the Funding Body

The School should notify the Office for Students of any incidents which require reporting under their Regulatory Advice 16:

Reportable incidents - <https://www.officeforstudents.org.uk/media/2d8c85eb-98ad-4039-bd98-f19f0bfff303/ra16-reportable-events-october2021.pdf>

D. Systems of Internal Control

The next line of defence against fraud is the establishment of operating systems which incorporate adequate and effective internal controls designed to minimise the incidence of fraud, limit its impact and ensure its prompt detection. These controls include high level management controls such as budgetary control (designed to identify fraud which results in shortfalls in income or overspendings against expenditure) and organisational controls such as separation of duties, internal checks and staff supervision.

HR policies are also a key part of setting the culture and deterring fraud. This includes taking appropriate steps during the course of the recruitment process to reduce the risk of employing dishonest staff.

The general framework of responsibilities for financial management and the policies relating to the broad control and management of the School are documented in the [School's Financial Regulations](#). The Financial Regulations are issued, reviewed and updated at least annually by the Director of Finance with key policies subject to regular review and approval by the Audit Committee and Finance and General Purposes Committee on behalf of the School's Board.

The School has an Audit Committee and an independent Internal Audit service which provides advice to management in respect of control matters and which conducts a cyclical programme of reviews of the adequacy and effectiveness of the systems which have been put in place (including those intended to minimise the potential exposure to fraud and corruption). Internal Audit services also highlight any areas which they consider should be documented in greater detail within the Financial Regulations or Procedures and are able to advise on systems of internal financial control.

The governors are responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the members of the Board in the terms and conditions of funding with the Office for Students.

The system of internal control is based on an ongoing process designed to identify the principal risks and to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically.

The key elements of the School's system of internal control are as follows:

- Identification and management of risk is an ongoing process linked to achieving the organisation's objectives;
- The approach to internal control is risk-based, including an evaluation of the likelihood and impact of risks becoming a reality;
- Review procedures cover business, operational and compliance risk as well as financial risk; and
- Risk assessment and internal control are embedded in ongoing operations;

During the year, the Audit Committee receives regular reports from the internal auditor on the adequacy and effectiveness of the School's system of internal control, together with recommendations for improvement.

The Board's view of the effectiveness of the system of internal control is informed by the work of the internal auditor and management who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditor in their management letter and other reports.