

## **FRAUD RESPONSE PROCEDURE**

### **1. INTRODUCTION**

1.1. Keele University is committed to the highest standards of openness, transparency and accountability and to conducting its affairs in accordance with the requirements of the relevant funding and regulatory bodies. This includes ensuring that the financial assets of the University are protected from fraud.

1.2. Fraud involves dishonesty or the use of deception by an individual, or by a group of individuals acting together, for the purposes of making a gain for themselves and / or a loss to others. This would include, but is not limited to:

- Theft – using the University's assets for own personal / business use, stealing assets, making fictitious or overstated expense claims, making unauthorised payments, or procurement fraud such as fictitious or inflated invoices;
- False Accounting – for example falsifying expense claims or falsely claiming sick leave;
- Obtaining property by deception;
- Offering, giving, soliciting or acceptance of an inducement or reward designed to influence actions or outcomes.

1.3. The Fraud Act 2006 introduces three main classes of fraud:

- Fraud by misrepresentation;
- Fraud by failing to disclose information;
- Fraud by abuse of position.

The Fraud Response Procedure covers all of the above.

### **2. PURPOSE**

2.1. The purpose of the Fraud Response Procedure is to provide guidance in the event that members of the University suspect fraud or financial irregularity to be occurring. The Procedure will apply to all Keele University staff and any person acting on behalf of the University, which could include agents and third party representatives

2.2. The Fraud Response Procedure will provide a framework to:

- Prevent any losses of funds or other assets where fraud has occurred or alleged to have occurred and to maximise recovery of losses.
- Establish and secure evidence that may be necessary for possible criminal and/or civil, or disciplinary action.

- Identify areas of weakness in system and process controls in order to prevent or reduce future occurrences.
- Minimise any adverse publicity already suffered and / or the potential for future adverse publicity or reputational damage.
- Ensure compliance with relevant UK legislation including the Proceeds of Crime Act (2002), the Money Laundering Regulations (2017) and the Bribery Act (2010).
- Notify any relevant authorities or regulatory bodies as appropriate.

### **3. FRAUD RESPONSE GROUP**

3.1. The Fraud Response Group (FRG) has been established to manage all reports of suspected fraud. It will consider all cases of alleged fraud, corruption and serious financial irregularity which may cause material loss or damage to the University.

3.2. The FRG consists of the following members:

- The Director of Student and Academic Services / Secretary to Council;
- The Director of Finance;
- The Director of Human Resources;
- The Chief Information Officer;
- The Head of Legal and Information Compliance;
- The Chair of Audit & Risk Committee or his/her lay nominee.

It is chaired by either the Director of Finance or the Secretary to Council. FRG can invite other senior staff as appropriate where additional expertise is required and members may appoint deputies to attend, if necessary.

3.3. The FRG has full delegated authority from Council to take action it considers necessary or appropriate such as appointing solicitors, forensic accountants, IT specialists and internal or external auditors. The FRG may instigate disciplinary and/or criminal or civil proceedings and may authorise the use of witness statements from staff in any such proceedings on behalf of the University.

3.4. The FRG may delegate these powers to one of its members to lead an investigation (Investigating Officer).

3.5. There is no minimum monetary limit for triggering the involvement of the FRG, though minor / immaterial issues are not within the objective of this Procedure, and may be dealt with on a local basis.

3.6. Where time is critical, reporting to the FRG may be verbal. A note must be taken and kept of all verbal reports and decisions. This may be undertaken by any member of the FRG. For note taking and administrative purposes a trusted administrator can be instructed to open a secure file and area on the University's server which will be password-protected and named in a way that will not arouse interest. The administrator may attend a meeting of the FRG, if required, for minute taking though it

may be more appropriate for a member of FRG to perform this task. Throughout the process it should be noted that time is critical for the purpose of preserving evidence.

- 3.7. Where a member is unable to attend a meeting of the FRG, that person will be kept informed of any matters under investigation and the steps being taken as soon as is reasonably practical.

#### **4. INITIAL REPORT OF SUSPECTED FRAUD**

- 4.1. All suspected incidents of fraud or serious financial irregularity should be reported to the Director of Finance and / or Secretary to Council, or in their absence to any other member of FRG.
- 4.2. There should be no delay in reporting. Reporting can be verbal or in writing and made at any time.
- 4.3. The member of FRG who receives the initial report needs to determine the immediate next steps. They must notify the Chair of the FRG, who in turn should then notify the Vice-Chancellor and Chair of Council of the reported fraud and make regular updates, where appropriate.
- 4.4. A meeting of the FRG should be convened at the earliest opportunity to consider the initial report received and to make decisions on immediate actions. The Chair of the FRG will usually convene the meeting, but in exceptional circumstances any member of FRG may do so. The urgency of that meeting will be dictated by the circumstances, but generally it should be within 24 hours, need not involve any members unavailable at that time, and members can be present by telephone or video conference. These criteria apply to every meeting of the FRG during an investigation where time is of the essence.
- 4.5. The FRG will normally instigate an initial confidential investigation, and will appoint an Investigating Officer. Initial confidential enquires should be undertaken and reported back to FRG normally within 48 hours of the initial report. This initial report may be verbal.
- 4.6. The FRG will determine, based on the nature of the incident, the extent to which it can delegate authority to the Investigating Officer to take further steps without the need to consult FRG.
- 4.7. Where a member(s) of FRG is under suspicion, the initial report should instead be made to the Vice-Chancellor, or Deputy Vice-Chancellor in their absence.

#### **5. PRELIMINARY INVESTIGATIONS**

- 5.1. The purpose of the investigation is to gather all the relevant information and documentation to establish whether or not there are prima facie grounds for the concern or complaint, and if so, the appropriate response to deal with it.

- 5.2. The investigation will be undertaken urgently and confidentially.
- 5.3. Directors and / or Deans in the areas affected by the review shall give their full co-operation at all times as requested by the Investigating Officer and/or FRG. Directors and / or Deans may seek guidance from the Investigating Officer and are expected to maintain confidentiality during the review.
- 5.4. It is important that the confidentiality of the investigation is maintained so that staff within the Directorate or Faculty are unaware of the allegation and investigation. This will ensure the integrity and completeness of any correspondence and documentary evidence that is gathered and will minimise the chance of such documents to be destroyed or concealed.
- 5.5. The decision to inform others of the allegations is a matter for the Investigating Officer and / or FRG. Directors and Deans are not authorised to divulge any information without the authority of FRG.
- 5.6. Following the preliminary investigation the Investigating Officer will report back to FRG who will then consider the case and discuss the next steps. The report should contain:
  - A description of the incident including an assessment of the value of any losses;
  - The people involved and the means by which the fraud was allowed to occur (highlighting any control or operating weaknesses within the systems);
  - All possible facts relating to the alleged fraud;
  - Recommendations for prevention of a recurrence, and possible actions to implement this; and
  - Anything else that the Investigating Officer may consider relevant to the case.

## **6. DECISIONS AND NEXT STEPS**

- 6.1. The Investigating Officer will draft a report outlining the findings of the preliminary investigation. Based on this report FRG will consider:
  - Whether or not there is a prima facie case for further action / investigation.
  - Whether the matters reported constitute staff misconduct and such may be delegated for further action to line managers using the appropriate University policies and procedures. The outcome of such action should be reported back to FRG for information purposes.
  - Whether or not it has highlighted a weakness in control mechanisms of procedures, as a basis for improving such controls. Actions will be agreed and FRG provided with a timely update of such changes.
  - FRG may, if required, appoint solicitors, or internal / external auditors for advice on how an investigation should proceed and to take specialist advice on searching for, securing and preserving information (in hard copy or electronic format). Advice may also be sought on urgent remedial legal actions that may be

required. Such appointments will be exempt from University Procurement procedures in order to respond quickly.

- Whether there is a need to invoke an Emergency Plan / Business Continuity Plan.
- Whether there is a requirement to disclose information to the Office for Students (OfS), if required by the terms and conditions of funding for Higher Education Institutions, or any other regulator.
- Whether there is a need to notify University insurers.

6.2. Business Review Committee, Chair of Council and the relevant Director or Dean will normally be advised of the outcomes of the initial review and provided with a copy of any action plan.

## 7. FURTHER FORMAL INVESTIGATIONS

7.1. Where there is a prima facie case for further action, based on continuing concerns regarding material losses due to fraudulent activity, FRG shall as soon as is practical take steps to initiate a formal internal investigation.

7.2. The Investigating Officer, with advice from solicitors, will be responsible for the co-ordination of further investigations into suspected cases of fraud. The Director of Human Resources will be consulted where suspension or other action is necessary to be taken against one or more employees.

7.3. The individuals who are alleged to be involved in the suspected fraud should be advised of the concerns being investigated. Where those under suspicion are members of staff, the prevailing disciplinary procedure should be activated. At such time as the individuals are advised of the allegations they will immediately be suspended and all access to internal files and papers (including electronic access to email and University systems) will be disabled. Advice on any such actions should be obtained from the Director of Human Resources. In particular, the following should be considered:

- Whether, when and how to permit confidential access to IT systems and other sources of information for the purposes of the investigation.
- Whether, when and how to deny access to IT systems to the alleged perpetrator(s) or others. The FRG will determine and authorise engagement with the University IT team or external IT specialists in order to undertake any evidence gathering or IT investigations. The University's IT team may be requested to advise on systems and access rights, and security and preservation of data.
- Safeguarding the rights of any staff or students involved in, or affected by, the investigation.
- Protecting the whistleblower / initiator from harassment or victimisation for reporting their suspicions.
- Observing the rights of the alleged perpetrator, including providing them with the opportunity to comment and respond to any allegations made.

- The need to minimise disruption of day to day activities for the affected department.

7.4. The Investigating Officer shall be provided with all assistance as is necessary to complete the investigation, including assistance with delegating some of their day to day duties. They may also delegate parts of the investigation to other members of staff, subject to ensuring such staff maintain the confidentiality of the tasks assigned to them. FRG should be consulted before such delegation takes place where practical to do so.

7.5. The Investigating Officer shall report on progress to the FRG on at least a weekly basis until such time as the investigation has been completed. A formal report and key outcomes will be presented to FRG as a basis for deciding on formal action to be taken including:

- Any formal disciplinary hearing;
- Any briefing to University Executive Committee;
- Reporting to Council;
- Reporting to internal and external auditors (where there are material cases of fraud that are reportable to the Office for Students);
- The nature and timing of any system reviews that need to take place;
- Liaison with the Police;
- Notifying the Office for Students (OfS).

## **8. LIAISON WITH THE POLICE**

8.1. There may be some cases of fraud or serious financial irregularity that should be reported to the police. It should be noted that under some types of insurance, a report to the police may be mandatory.

8.2. The Investigating Officer and FRG shall liaise and co-operate with the police in any investigation that they decide to pursue.

8.3. All correspondence should be arranged through the Investigating Officer / FRG unless otherwise delegated to a Dean or Director of the relevant area. Where police ask to see members of staff or their work records, the Director of Human Resources must be consulted before any arrangements are confirmed.

8.4. Where the police have been approached directly, rather than by the University, any enquiries from the police must be referred to FRG in the first instance.

## **9. NOTIFYING THE OFFICE FOR STUDENTS**

9.1. The University is required to report all material fraud or financial irregularity to the Office for Students (OfS). The HEI's accountable officer must report any material adverse change without delay – such as a significant and immediate threat to the

HEI's financial position, significant fraud\* or impropriety or major accounting breakdown – to all of the following:

- The chair of the HEI's audit committee;
- The chair of the HEI's governing body;
- The HEI's head of internal audit;
- The external auditors;
- The OfS at [regulation@officeforstudents.org.uk](mailto:regulation@officeforstudents.org.uk).

9.2. The HEI's accountable officer must also inform the OfS about any merger with another institution or organisation and about any material changes in its financial performance and position relative to its submitted forecasts.

\* *Significant fraud is defined as a fraud of £25,000 or higher.*

## 10. REPORTING TO COUNCIL

10.1. FRG has full delegated authority from Council to take any action it considers necessary. However, all cases of fraud or financial irregularity should be reported to Council. A written report of the incident should be submitted to Council that contains the following:

- A description of the incident including an assessment of the value of any losses;
- The people alleged to be involved and the means by which the fraud was allowed to occur (highlighting any control or operating weaknesses within the systems);
- All possible facts relating to the alleged fraud;
- Recommendations for prevention of a recurrence, and what follow up actions have been taken as a result.

10.2. Significant departures from the approved Fraud Response Procedure, together with reasons for the variation, should be reported promptly to the Chair of Council and the Chair of Audit and Risk Committee.

10.3. Consideration should be given in some cases as to whether reports should be anonymised.

## 11. ROLES AND RESPONSIBILITIES

11.1. All members of the University are responsible for preventing, identifying and reporting suspected cases of fraud or financial irregularity wherever it may occur. This includes taking all reasonable steps to ensure that working practices are robust and adhered to. Specific responsibilities are set out in the University's Financial Regulations.

11.2. The Director of Finance has specific responsibility for the Fraud Response Procedure, which will be reviewed and monitored by an annual report to Audit and Risk Committee.

11.3. Suspicions relating to the Director of Finance must be reported to the Secretary to Council.

## 12. RELATED POLICIES AND PROCEDURES

12.1. The Fraud Response Procedure should be read in conjunction with the following:

- University Financial Regulations
- Anti-Bribery Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Disciplinary Procedure

## 13. REVIEW, APPROVAL AND PUBLICATION

13.1. The Fraud Response Procedure is subject to a formal review every 3 years by the Director of Finance, or following a relevant change to UK legislation.

13.2. Updates to the Fraud Response Procedure will be reviewed by the Audit and Risk Committee and final approval will be given by University Council.

13.3. The Fraud Response Procedure is located on the University webpages in the Policy Zone and on the Finance Directorate section. Copies may be requested by contacting the Financial Services Manager.

## 14. DOCUMENT CONTROL INFORMATION

Document Name	Fraud Response Procedure
Owner	Director of Finance
Version Number	V1.1
Equality Analysis Decision and Date	N/A
Approval Date	21 <sup>st</sup> March 2019
Approved By	Audit and Risk Committee
Date of Commencement	21 <sup>st</sup> March 2019
Date of Last Review	21 <sup>st</sup> March 2019
Date for Next Review	21 <sup>st</sup> March 2022
Related University Policy Documents	[List all applicable]
For Office Use – Keywords	