

South Staffordshire College

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Fraud Policy and Response Plan

Reference: Version	Final
Policy Originator:	Deputy Principal Finance & Resources
Equality Impact Assessed:	September 2020
Approved by:	Board
Date Approved:	September 2020
Review Interval:	Biennial
Last Review Date:	-
Next Review Date:	September 2022
Audience:	All Staff and Governors

Fraud Policy and Response Plan

1.0 Policy Statement

- 1.1 South Staffordshire College (“The College”) has a duty to its stakeholders to take all responsible steps to prevent fraud occurring, whether perpetrated by staff, students, contractors, agency staff, consultants and suppliers, other organisations or members of the public.
- 1.2 The College aims to maintain a culture of honesty and openness in all of its dealings, with wholehearted opposition to fraud and corruption in any form.
- 1.3 The College therefore aims to promote an organisational culture which encourages the prevention of fraud by raising awareness of the need for high standards of personal conduct.
- 1.4 The College is committed to dealing with fraud and corruption by demonstrating that systems and procedures are robust and adequate for purpose.
- 1.5 This Policy will support the implementation of our “Purpose”:

“Transforming the life chances of our communities.”

2.0 Scope

- 2.1 This Policy applies to all areas of the College including subsidiaries and will involve all staff and governors.
- 2.2 Other policies and procedures linked to this Policy include:
 - Financial Regulations
 - Whistleblowing Policy
 - Risk Management Policy

3.0 General

- 3.1 This Policy will be implemented in accordance with all existing and emerging legislation and in accordance with the relevant guidance documents from the Education and Skills Funding Agency and any other relevant funding bodies.
- 3.2 It is imperative for all College staff members to understand what is deemed as fraud. Fraud is when someone obtains financial advantage or causes loss by implicit or explicit deception.
- 3.3 The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of

material facts and collusion.

3.4 A person is guilty of fraud if someone is in breach of any of the following:

Fraud by false representation,

If someone dishonestly makes a false representation and intends by making the representation to make a gain for himself or another, or to cause loss to another or expose another to risk of loss;

Fraud by failing to disclose information,

If someone dishonestly fails to disclose to another person information which he is under a legal duty to disclose and intends, by means of abuse of that position, to make a gain for himself or another, or to cause loss to another or expose another to risk of loss; and

Fraud by abuse of position,

If someone occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, and he dishonestly abuses that position, and intends, by means of the abuse of that position, to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

3.5 The possibilities of fraud are limitless, but for the purposes of this policy, fraud shall include, but not be limited to: -

- Pilfering of stock;
- Improper use of telephone/fax facilities;
- Unauthorised use of College equipment (including computers);
- Theft of cash or equipment;
- Improper manipulation of computer programmes or data;
- Collusion with others for illicit gain;
- Falsification of documentation such as registers, enrolment forms, timetables, salary claims, financial records and claims for travel and subsistence or other allowances;
- Improper claims for overtime or time off in lieu; and
- Submission of false invoices;
- Demands for payment for unsolicited goods;
- Contractor frauds involving overcharging, sub-standard work, bid rigging and/or collusion in competition for services; and
- Fraudulent claims for College funds.
- Wilful negligence intended to cause damage to the material interest of the College;
- A dishonourable or irresponsible or deliberate act against the interests of the College.

3.6 The Corporation recognises its responsibility for the safeguarding of its assets and to ensure a sound system of internal control. To facilitate this, senior management will: -

- Establish and maintain an effective accounting system;
- Ensure the operation of Financial Regulations are approved by the Corporation so as to maintain a sound system of internal controls;
- Ensure that all employees are aware of their responsibilities under the Financial

Regulations;

- Establish appropriate detection and reporting procedures;
- Monitor relevant legal requirements and ensure that operating procedures are updated accordingly.

4.0 Responsibilities

4.1 The overall responsibility for dealing with fraud and corruption rests with the Principal, and is therefore the principle contact for all staff.

4.2 The Corporation and Principal, as Chief Accounting Officer are responsible for: -

- Developing and maintaining effective controls to prevent fraud;
- Carrying out vigorous and prompt investigations if fraud occurs;
- Informing the ESFA of instances of fraud that relate to the guidelines in the Audit Code of Practice;
- Taking appropriate legal and/or disciplinary action against perpetrators of fraud.

4.3 The Audit Committee are responsible for: -

- Advising the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes;
- Ensure that all allegations of fraud and irregularity are properly followed up;
- Receiving an annual fraud risk assessment to gauge the potential levels of fraud risk across the organisation.

4.4 The Fraud Response Group consists of the Principal, the Deputy CEO, the Deputy Principal Finance & Resources and the Assistant Principal HR, and are responsible for: -

- Investigating (or delegating the investigation of) allegations of fraud to assess whether its effects are minimal or it was accidental;
- Supervising a third party or internal pre-investigation depending on the complexity, novelty and/or repeated nature of the suspected fraud;
- Recommending a full staff investigation via the College's Staff Disciplinary and Capability Policy (or Senior Post Holder Disciplinary Policy if relevant);
- Considering the prevention or minimisation of any further losses during throughout the process.

4.5 The Deputy Principal Finance & Resources is responsible for: -

- Reviewing the Fraud Policy and Response Plan;
- Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
- Giving information and reports to the Audit Committee on Fraud, including an annual fraud risk assessment;
- Maintaining a Fraud Log of all relevant events relating to this Policy;

- Reporting cases to Action Fraud

4.6 College Managers are responsible for: -

- Identifying and assessing risks to which systems and procedures are exposed;
- Developing and maintaining effective controls to prevent and detect fraud;
- Ensuring that controls are being complied with.

4.7 Individual members of staff are responsible for:

- Acting with propriety in the use of College resources and in the handling and use of College funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers;
- Conducting themselves with selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
- Reporting details immediately in line with this Policy or the College's Whistleblowing Policy, to a responsible person if they suspect that a fraud has been committed or see any suspicious acts or events.

5.0 **Detection**

5.1 The College Corporation members and staff will lead by example and ensure that they comply with all College rules, regulations, instructions and policies.

5.2 Staff awareness of policies and procedures is fundamental to the effective operation of systems. The College will comply with best practice, including:

- Publication of the College policy on fraud, corruption and impropriety in formats that are accessible to all staff;
- Formal staff training on operational procedures;
- Desktop instructions for specific tasks;
- Regular staff notices regarding changes to Financial Regulations and financial procedures and fraud awareness raising in relation to new risks.

5.3 The College's systems all incorporate internal control features and are designed such that fraud should not be possible without collusion. Despite this, frauds can be committed and agreed procedures can be disregarded.

5.4 Under the College's Financial Regulations, all staff are required to notify their Line Manager, the Principal or Deputy Principal Finance & Resources immediately of any irregularity or suspected irregularity.

5.5 Staff will be encouraged to participate in local and national professional groups in order to exchange information, initiatives and ideas, some of which will have fraud and corruption implications. Liaison with other colleges and relevant government departments and agencies will also be encouraged.

- 5.6 The College's Financial Statements Auditors will annually examine the College arrangements for the prevention, detection and investigation of fraud and corruption and will report accordingly.
- 5.7 An annual risk assessment will be undertaken and presented to the Audit Committee. This assessment will look at the controls in key areas where fraud is a risk and assess their effectiveness based on internal and/or external assurance.

6.0 Investigation

- 6.1 To enable a consistent approach to be applied to any investigation following the discovery of a fraud, there is a Fraud Response Plan (see page 8) which sets out the steps to be followed from the initial discovery of a fraud. The Fraud Response Plan covers the time up to and beyond the point at which the Staff Disciplinary and Capability Policy is initiated. The following paragraphs contain general considerations which the College will comply with when following the procedure under the Fraud Response Plan.
- 6.2 The Audit Committee is informed of all incidents of irregularity or fraud and depending upon the nature of the irregularity, the Internal Audit Service may be required to work closely with management and other agencies, such as the Police, to ensure that all matters are investigated thoroughly and reported upon.
- 6.3 The College's Staff Disciplinary and Capability Policy must be followed if the initial investigation indicates improper behaviour by any member of staff.
- 6.4 The College will involve the Police to prosecute offenders where serious fraudulent or corrupt acts are discovered. This will be a matter for the Fraud Response Group to decide on.

7.0 Systems

- 7.1 The College acknowledges that the recruitment and retention of high calibre staff is vital if it is to deliver high quality services. The College will take steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential staff. Staff recruitment will be in accordance with the Staff Recruitment policy. Written references, DBS checks and evidence of qualifications will be obtained as appropriate before permanent offers of employment are made.
- 7.2 College staff will be bound by the College employment contract of service, Code of Conduct and relevant codes issued by professional bodies.
- 7.3 The College's Staff Disciplinary and Capability Policy is to be followed whenever staff are suspected of committing a fraudulent or corrupt act.
- 7.4 The role of staff in the College's systems will be as laid down in procedures manuals,

departmental instructions, job descriptions, standing orders and The Financial Regulations.

- 7.5** The College's position on the giving or receipt of gifts or hospitality for Members and staff is laid down in the Gifts and Hospitality Policy (see Financial Regulations).
- 7.6** The Internal Audit Service planning process incorporates a risk-based approach to planning audits, which will assist in determining the frequency of audits and the particular areas to focus attention on. The risk management process is subject to an ongoing review.
- 7.7** All the College's systems will incorporate efficient and effective internal controls which will include, as far as is practicable, adequate segregation of duties. The adequacy, appropriateness and effectiveness of internal controls will be independently monitored by the College's internal auditors as part of their programme of work. Any weaknesses identified in internal control will be reported to management whose duty it will be to ensure that corrective action is taken.

8.0 Conclusion

- 8.1** The College's systems, procedures, instructions and guidelines are designed to limit, as far as is practicable, acts of fraud and corruption. All such measures will be kept under constant review to ensure that they keep pace with developments in prevention and detection techniques regarding fraudulent or corrupt activity.
- 8.2** The College will maintain a continuous review of all its systems and procedures through the Deputy Principal Finance & Resources, Audit Committee, External Auditors and Internal Audit Service.
- 8.3** The College views fraud very seriously. All instances will be investigated promptly and appropriate action will be taken through the Staff Disciplinary Policy.

Fraud Response Plan

9.0 Initiating Action

- 9.1** Suspicion of fraud or irregularity may be captured through a number of means, including the following:
- The requirement on all personnel under the College's Financial Regulations to report suspected fraud or irregularity;
 - The College's Whistleblowing Policy;
 - Planned internal and external audit work;
 - The operation of proper procedures.
- 9.2** All actual or suspected incidents should be reported without delay to the Principal and/or Deputy Principal Finance & Resources. The Fraud Response Group ("the Group") would normally be convened within 24 hours, but in all cases within 72 hours (except for public holidays), to decide on the initial response. The Group would normally comprise of: -
- Principal;
 - Deputy CEO;
 - Deputy Principal Finance & Resources;
 - Assistant Principal Human Resources.
- 9.3** If it is clear to the group that the irregularity is of minimal effect and has arisen by accident, the group shall keep formal record of this conclusion and of any action taken. The outcomes should be reported to the Audit Committee and records made available to Internal Audit Service (IAS) and Financial Statements Auditor.
- 9.4** In any other case the Group needs to decide whether there is a need to ask the Internal Audit Service to initiate a special investigation. The Group can opt to investigate internally but only in cases where there is no potential conflict of interest, and: -
- The irregularity and evidence are clear and uncomplex;
 - The irregularity is a part of a previous external investigation and is therefore familiar.
- 9.5** The IAS or internal investigation shall advise the group within five working days whether there is a prima facie case for full investigation.
- 9.6** If any of the post holders named in section 9.2 are themselves implicated in the suspected irregularity they will have no involvement in the procedures. In such cases where the Fraud Response Group does not have sufficient members, the Chair of the Corporation, Chair of the Audit Committee or another member of the Corporation can be included as appropriate.
- 9.7** Significant fraud, actual suspected or attempted, should be reported to Action Fraud to help identify systematic risks potentially affecting whole sectors (for example cybercrime). Action Fraud monitors the cost of fraud across the UK and has been set up to provide a single point of reporting and information for individuals and organisations.

10.0 Prevention of Further Loss

- 10.1** Where initial investigation provides reasonable grounds for investigating a member or members of staff for fraud, the Group will decide how to prevent further loss. This may require the suspension, with or without pay, of those under investigation as per the College's Disciplinary and Capability Policy (suspicion of gross misconduct).
- 10.2** It may be necessary to plan the timing of suspension to prevent the individual(s) from destroying or removing evidence that may be needed to support disciplinary or criminal action.
- 10.3** In these circumstances, the individual(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the College. Any security passes and keys to premises, offices and furniture should be returned.
- 10.4** The Group shall consider whether it is necessary to investigate systems other than that which has given rise to investigation, through which the suspect may have had opportunities to misappropriate the College's assets.
- 10.5** The Group shall: -
- Maintain familiarity with the College's Staff Disciplinary and Capability Policy, to ensure that evidence requirements will be met during any fraud investigation;
 - Ensure that staff involved in fraud investigations are familiar with and follow the rules on the admissibility of documentary and other evidence in criminal proceedings.

11.0 Notifying the ESFA

- 11.1** In circumstances required by the ESFA Joint Audit Code of Practice, the Principal, IAS or Financial Statements Auditor shall report to the Education & Skills Funding Agency's Chief Executive without delay, any serious weaknesses, significant frauds, major accounting and other control breakdowns of which they are aware. A serious weakness would be one which may result in a significant fraud or irregularity, and may include cases of irregularities in expenditure which could lead to suspicions of fraud.
- 11.2** Significant fraud is as an incident where one or more of the following factors are involved.
- The sums of money are in excess of £10,000;
 - The particulars of the fraud are novel or complex;
 - The fraud is systematic or unusual in nature.
 - There is likely to be great public interest because of the nature of the fraud or the people involved.

12.0 Recovery of Loss

- 12.1** The Group shall ensure that in all fraud investigations, the amount of any loss is quantified. Repayment of losses should be sought in all cases unless the Group considers that this is not in the College's best interests.
- 12.2** Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the assets of those under investigation 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. Costs will normally be sought.
- 12.3** The Group will decide whether police involvement is necessary.
- 12.4** Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Director of Human Resources. Any answer to a request for a reference will need reference to prevailing employment law.

13.0 Reporting to Governors

- 13.1** Any incident dealt with by means of this procedure shall be reported without delay by the Clerk of the Corporation, to the Chair of both the Governing Body and the Audit Committee
- 13.2** Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly by the Fraud Response Group, to the Chair of both the Governing Body and the Audit Committee.
- 13.3** On completion of a full investigation, a written report shall be submitted by the investigation party 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 the actions have been taken.

14.0 Responsibility for Investigation

- 14.1** Investigations may be undertaken by the Group or any member thereof, or by Internal Audit. If the Group considers an investigation by the IAS to be inappropriate the Group can approach the Financial Statements Auditors. The Group shall, in each case, determine who shall undertake the investigation.
- 14.2** Some special investigations may require the use of technical expertise which the Group or Internal Audit do not possess. In these circumstances, the Group may approve the appointment of external specialists to lead or contribute to the special investigation.

14.3 The investigating party shall provide a confidential report to the Chair of Corporation and the Chair of the Audit Committee, on a regular basis. The scope of the report shall include: -

- 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.

14.4 The Group will oversee the interaction with other College policies such as Staff Disciplinary and Capability Policy and Whistleblowing Policy.