



Fraud Policy

Purpose of Policy This policy is to help prevent fraud and corruption and to develop an anti-fraud culture.

Overview The University is committed to conducting its activities fairly, honestly and openly, in accordance with relevant legislation, and to the highest standards of integrity.
As a charity deriving a significant proportion of its income from public funds, benefactions and charitable organisations, the University is concerned to protect its operations and reputation and its funders, donors, staff and students from the detriment associated with fraud and other corrupt activity. The University has no tolerance of fraud committed by staff or associated persons, and aims to reduce instances of fraud perpetrated against the University to the absolute practical minimum.

Scope: This Policy applies to all staff and associated persons of the University.
Mandatory Policy It is concerned with occupational fraud i.e. fraud committed by employees or contractors of the University in the course of their work. The policy makes occasional reference to students, to cover eventualities where students may be involved.

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Introduction

1. Fraud is a crime of very wide definition in Scots Law. The term "fraud" is commonly used to describe a wide variety of dishonest behaviour and includes such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation and concealment of material facts. It is usually used to describe the act of depriving a person of something by deceit, which may involve the misuse of funds or other resources, or the supply of false information. Fraud can be perpetrated by persons outside as well as inside an organisation and by collusion. Attempted fraud is treated as seriously as accomplished fraud. For practical purposes, fraud may be defined as the use of false pretence with the intention of achieving a definite practical result.

2. This policy is concerned with occupational fraud i.e. fraud committed by employees or contractors of the University of Edinburgh (the "University") in the course of their work. The policy makes occasional reference to students, to cover eventualities where students may be involved.

3. Occupational fraud and abuses fall into four main categories:

- theft, the misappropriation or misuse of assets for personal benefit;
- bribery and corruption;
- false accounting and/or making fraudulent statements with a view to personal gain or gain for another: for example, falsely claiming overtime, travel and subsistence, sick leave or special leave (with or without pay);
- externally perpetrated fraud against an organisation.

Policies & principles

4. The University is committed to preventing fraud and corruption from occurring and to developing an anti-fraud culture. To achieve this, it will:

- develop and maintain effective controls to prevent fraud, including an ongoing monitoring of financial transactions by Internal Audit
- ensure that, if fraud occurs, a vigorous and prompt investigation takes place;
- take appropriate disciplinary and legal action in all cases, where justified;
- review systems and procedures to prevent similar frauds;
- investigate whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures occurred; and
- record and report all discovered cases of fraud.



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5. The following policies and principles apply:

- University staff must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
- The University will not tolerate fraud, impropriety or dishonesty and will investigate all instances of suspected fraud, impropriety, or dishonest conduct by its staff or external organisations (contractor or client).
- Staff must not defraud the University, other staff members, students, clients or contractors, in any way. The University will take action - including dismissal and/or reporting to the criminal authorities of suspected fraudulent actings or activities - against any member of staff defrauding (or attempting to defraud) other staff members, students, clients or contractors.
- The University will take action - including reporting to the criminal authorities of suspected fraudulent actings or activities - against external organisations defrauding (or attempting to defraud) the University, its staff in the course of their work, students, clients or contractors.
- The University will co-operate fully with an external investigating body.
- The University will always seek to recover funds lost through fraud.
- All frauds will be reported to Internal Audit.

Action to be taken in the event of discovery or suspicion of fraud

6. The University has established arrangements for staff to report any concerns they may have without fear of prejudice or harassment. This applies to concerns relating to fraud and to any other concerns within the context of the Public Interest Disclosure Act 1998.

7. Concerns which should be reported include, but are not limited to, staff committing or attempting to commit:

- any dishonest or fraudulent act;
- forgery or alteration of documents or accounts;
- misappropriation of funds, supplies or other assets;
- impropriety in the handling or reporting of money or financial transactions;
- profiting from an official position;
- disclosure of official activities or information for advantage;
- accepting or seeking value from third parties by virtue of official position or duties; and
- theft or misuse of property, facilities or services.

8. External organisations' actions which should be reported include:

- being offered a bribe or inducement by a supplier;
- receiving fraudulent (rather than erroneous) invoices from a supplier;
- reported allegations of corruption or deception by a supplier.



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9. The University has established and maintains a Fraud Response Procedure, set out in Appendix 1 of this document, which sets out guidance to senior staff in the event of fraud being discovered or suspected. Under the Procedure:

- incidents will be logged in a Fraud Register, maintained by the Director of Finance, which contains details of allegations, investigations and conclusions;
- frauds and allegations of fraud will be investigated by an appointed suitably qualified senior member of staff independent of the area under suspicion;
- progress on investigations will be reported to the Audit Committee as a standing item on the agenda.

Responsibilities

10. The creation of an anti-fraud culture underpins all work to counter fraud. All staff should understand the risk of fraud faced by the University, that fraud is serious and diverts resources away from the University's primary objectives.

University Court and the Director of Finance

11. The University Court, advised and assisted by the Director of Finance, is responsible for establishing the internal control system designed to counter the risks faced by the University, and for the adequacy and effectiveness of these arrangements. Managing fraud risk should be seen in the context of the management of this wider range of risks.

12. The Director of Finance is responsible for making arrangements for investigating allegations of fraud. These arrangements include the appointment of a suitably qualified senior member of staff to lead the investigation.

13. The Director of Finance will be responsible for receiving the report of the investigating officer and considering an appropriate response.

The Director of Human Resources

14. The Director of Human Resources will be responsible for initiating the following measures relating to the University's anti-fraud policies:

- providing confidential advice to staff who suspect a member of staff of fraud
- initiating disciplinary action against the perpetrators of fraud
- initiating disciplinary action against staff in a supervisory capacity where supervisory failures have contributed to the commission of fraud
- initiating civil action against the perpetrators of fraud
- initiating the reporting to the criminal authorities of suspected fraudulent actions or activities



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Appointed investigator

15. The appointed senior member of staff will be responsible for investigating allegations of fraud including:

- carrying out a thorough investigation if fraud is suspected, with the support of Internal Audit, where necessary;
- gathering evidence, taking statements and writing reports on suspected frauds;
- liaising with the Director of Finance where investigations conclude that a fraud has taken place;
- identifying any weaknesses which contributed to the fraud; and
- if necessary, making recommendations for remedial action.

16. To carry out these duties the appointed member of staff will have unrestricted access to the Director of Finance, the Director of Human Resources, the Audit Committee, the University's Internal and External Auditors, and its legal advisers.

Academic and Non-Academic Managers

17. Managers, whether with academic or non-academic responsibilities, are the first line of defence against fraud. They should be alert to the possibility that unusual events may be symptoms of fraud or attempted fraud and that fraud may be highlighted as a result of management checks or be brought to attention by a third party. They are responsible for:

- being aware of the potential for fraud;
- ensuring that an adequate system of internal control exists within their area of responsibility, appropriate to the risk involved and those controls are properly operated and complied with;
- reviewing and testing control systems to satisfy themselves the systems continue to operate effectively.

18. Managers should inform their Head of School or Support Service Director if there are indications that an external organisation (such as a contractor or client) may be trying to defraud (or has defrauded) the University or its staff carrying out their duties.

19. They should also inform their Head of School or Support Service Director if they suspect their staff may be involved in fraudulent activity, impropriety or dishonest conduct.

20. Heads of School and Support Service Directors should contact the Director of Finance immediately on being alerted to such suspicions. Time is of the essence in such matters. Managers should therefore inform the Director of Finance directly if their Head of School or Support Service Director is absent. In the absence of the Director of Finance, the Deputy Director of Finance should be informed. In turn, they will ensure that the University Secretary and Director of Corporate Services are kept informed of developments.



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21. Managers and Directors should take care to avoid doing anything which might prejudice the case against the suspected fraudster. Separate advice on dealing with fraud is contained in a fraud response plan circulated to designated staff involved in reporting or investigating individual allegations of fraud.

University staff

22. University staff must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties. Staff are responsible for:

- acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers;
- reporting details of any suspected fraud, impropriety or other dishonest activity immediately to their line manager or the responsible manager, and to the Director of Finance. More guidance on how to report concerns can be found in the Code of Practice on Reporting Malpractice ("Whistleblowing") on reporting concerns about the proper conduct of University business;
- assisting in the investigation of any suspected fraud.

23. Staff reporting or investigating suspected fraud should take care to avoid doing anything which might prejudice the case against the suspected fraudster. Separate advice on dealing with fraud is contained in the fraud response procedure, attached as an appendix to this policy, which can be circulated to designated staff involved in reporting or investigating individual allegations of fraud.

Further advice & guidance

24. The Director of Finance will provide advice where line managers are unavailable or unable to give advice.



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Appendix 1: Fraud response procedure

Purpose

1. The purpose of this fraud response procedure is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud or irregularity. Those investigating a suspected fraud should:

- aim to prevent further loss
- liaise with the University's Insurance Officer
- establish and secure evidence necessary for criminal and disciplinary action
- inform the police
- notify SFC, if necessary
- seek to recover losses
- take appropriate action against those responsible
- keep those internal staff and outside organisations with a need to know suitably informed, on a confidential basis, about the incident and the institution's response
- 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

Initiating action

2. Members of staff, students or members of Court may suspect fraud or irregularity in the University. If so, they should report it as soon as possible to their line manager or responsible manager, and to the Director of Finance, or in his/her absence the Deputy Director of Finance. The Director of Finance should then ensure that it is made known without delay to the Principal, the Convener of the Audit Committee, the University Secretary, the Director of Corporate Services, and the Chief Internal Auditor.

3. The Finance Director should, as soon as possible (and with the aim of acting within 24 hours), chair a meeting of the following project group to decide on the initial response, using properly appointed nominees where necessary:

- Director of Finance
- University Secretary and/or Director of Corporate Services
- The Head of College or Support Service of the College/Support Service involved
- Director of Human Resources

4. If the actual or suspected incident concerns or implicates the Director of Finance, it should be reported without delay to the Principal, the University Secretary, the Director of Corporate Services, and the Convener of the Audit Committee. In such a circumstance, the University Secretary will lead the project group. Should the incident concern or implicate any other member of the project team, the Director of Finance will appoint a substitute.



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Responsibility for investigation

5. The project group, chaired by the Director of Finance, will decide on the action to be taken. This will normally be an investigation led by the Chief Internal Auditor. A decision by the project group to initiate an investigation will constitute authority to the Chief Internal Auditor to use time provided in the internal audit plan for investigations, or contingency time, or to switch internal audit resources from planned audits.

Prevention of further loss

6. Where initial investigation provides reasonable grounds for suspecting a member or members of staff or others of fraud, the project group will decide how to prevent further loss. This may require the suspension of the suspect or suspects, under the appropriate disciplinary procedure. It may be necessary to plan the timing of suspension to prevent suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

7. In these circumstances, the suspect or suspects should be approached unannounced. They should be supervised at all times before leaving the University's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the University. Any security passes and keys to premises, offices and furniture should be returned. The Head of Security should be required to advise on the best means of denying access to the University while suspects remain suspended, for example by changing locks and informing security staff not to admit the individuals to any part of the premises. Similarly, the Head of Information Services should be instructed to withdraw without delay access permissions to the University's computer systems.

8. The project group will consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the University's assets.

Establishing and securing evidence

9. The University will follow disciplinary procedures against any member of staff or student who is found to have committed fraud, and will normally report any such individual to the criminal authorities. The University Secretary and/or Director of Corporate Services will:

- ensure that evidence requirements are met during any fraud investigation
- establish and maintain contact with the police
- ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings



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Reporting lines

10. The project group will provide regular, confidential reports to the Principal, the Convener of Court and Convener of the Audit Committee, which will 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

Notifying SFC

11. The Director of Finance will, on behalf of the University, notify the SFC 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

Recovery of losses

12. The Chief Internal Auditor will endeavour to ensure that the amount of any loss is quantified. Repayment of losses will be sought in all cases. Where the loss is substantial, legal advice should be obtained about what processes may be available to preserve the suspects assets, pending conclusion of the investigation. Legal advice may be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The University will normally expect to recover costs in addition to losses.

Final report

13. On completion of a special investigation, a written report, normally prepared by the Chief Internal Auditor, shall 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 the actions have been taken.

14. The final outcome will be reported to the complainant.



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References for employees or students disciplined or prosecuted for fraud

15. Any request for a reference for a member of staff or student who has been disciplined or prosecuted for fraud must be referred to the University Secretary for advice.

Review of fraud response plan

16. This plan will be annually reviewed for fitness of purpose. Any recommended change will be reported to the Audit Committee for consideration and to Court for approval.



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Appendix 2: Minimising the opportunities for fraud

Introduction

1. Fraud is a serious matter and the Court is committed to investigating all cases of suspected fraud. Any member of staff, regardless of their position or seniority, against whom prima facie evidence of fraud is found, will be subject to disciplinary procedures that may result in dismissal. The University will normally involve the police and may seek redress via civil proceedings.

2. As the aftermath of fraud is costly, time-consuming, disruptive and unpleasant, and may lead to unwelcome adverse publicity, a major thrust of this fraud policy is prevention.

Leadership

3. The Court and senior managers should ensure that their behaviour is demonstrably selfless and open, and should champion the University's policies on conflicts of interest, hospitality and gifts.

Management procedures

4. Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud. Staff must comply with and should receive training in the University's policies on segregation of duties, data security and conflict of interest, and the University's financial regulations. A continuous review of systems by internal audit may deter attempted fraud and should result in continuous improvements. The risk of fraud should be a factor in internal audit plans.

Staff appointments

5. Potential new members of staff must be screened before appointment, particularly for posts with financial responsibility. For example:

- references should cover a reasonable, continuous period of at least three working years, and any gaps should be explained
- references should cover character, in addition to academic or other achievement
- an official employer's reference should be obtained
- doubts about the contents of the reference should be resolved before confirming the appointment; if this is done by telephone, a written record of the discussion should be kept
- essential qualifications should be checked before making an offer of employment, for example by requiring original certificates at the interview
- where a post carries significant financial responsibility, Criminal Records Bureau (CRB) or Disclosure Scotland checks should be considered; the University Secretary's Office should be consulted



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Cash

6. Management of cash should include the following:

- Segregation of duties - systems should prevent one person from receiving, recording and banking cash. Where there are many outlets, the system should incorporate additional supervisory management, and unannounced spot checks. Segregation of duties should continue during periods of leave or sickness absence.
- Reconciliation procedures - an independent record of cash received and banked may deter and detect fraud. Documents used in reconciliation processes, such as paying-in slips, should not be available to the officer responsible for banking.
- Receipts should be issued in return for cash received, to provide an audit trail.
- Physical security, such as key pad controlled cashiers' offices and safes; keys and access codes should be kept secure.
- Frequent banking.

Cheques

7. Cheques are often completed in ways which facilitate opportunist fraud. Cheques are sometimes intercepted by organised criminals who falsify payee and value details using sophisticated techniques. Debtors may also be told to make cheques payable to a private account, possibly using an account name which is similar to that of the University.

8. The following preventative measures should be taken:

- Physical security - unused, completed and cancelled cheques should never be left unsecured. If cheques are destroyed, more than one officer should be present, and a record of the serial numbers should be maintained.
- Frequent bank reconciliations - some frauds have gone undetected for long periods because accounts have not been reconciled promptly, or because discrepancies have not been fully investigated.
- Segregation of duties.
- Use of bank account names which it is difficult to represent as personal names, to prevent the simple theft of cheques in the post and their conversion into cash.
- Clear instructions to debtors about correct payee details and the address to which cheques should be sent. The address should normally be the accounts department, not the department which has provided the goods or services.
- Central opening of all post by more than one person, and recording of all cash and cheques received.
- Rotation of staff responsibilities, including the regular rotation of counter-signatories in accounts departments, to reduce the risk of collusion.
- Training in secure completion of cheques.
- Use of electronic funds transfer (EFT) as an alternative to cheques.
- Occasional checks with local banks of accounts including the University's name.



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Purchasing

9. Many of the largest frauds suffered by higher education institutions have targeted the purchase ledger. Preventative measures should be taken as follows:

- Minimising little used or unusual account codes.
- Ensuring that all account codes are effectively monitored and approved by line management.
- Segregation of duties.
- Secure management of the creditors' standing data file, including segregating the origination and approval of new or amended data.
- Requiring purchase orders for the procurement of all services, as well as goods.
- Matching the invoice amounts to the purchase order commitment in all cases. Where service order variations occur, these should be supported by an authorised variation order
- A certified delivery note should be matched to the invoice for payment.

10. All suppliers should be vetted to establish that they are genuine and reputable companies before being added to lists of authorised suppliers.

Checks and balances

11. Detective checks and balances will be designed into all relevant systems and applied consistently, including segregation of duties, reconciliation procedures, random checking of transactions, and review of management accounting information, including exception reports. Systems should identify transactions which have not followed normal procedures.

Behaviour patterns

12. Suspect patterns of behaviour among staff dealing with financial transactions should be investigated, for example living beyond apparent means, taking few holidays, regularly working alone out of normal hours and resistance to delegation. Any indication of addiction to drugs, alcohol or gambling should be addressed promptly, for the welfare of the individual and to minimise the risks to the University.

Code of Practice on Reporting Malpractice

13. Anyone suspecting fraud may use the University's Code of Practice on Reporting Malpractice ("Whistleblowing").

7 Jan 2010



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Document control

Author	
Approver	
Signature of approver	
Date approved	7 Jan 2010
Section responsible for policy maintenance & review	Counter Fraud Group

Change Control record

Approval date	Amendment made	Approved by: