

	PAPER NO: AC.34(12)	
Board/Committee:	Audit Committee	
Date:	20 June 2012	
Paper title:	Review of anti-fraud policy	
Author:	Richard Flatman – Executive Director of Finance	
Executive sponsor:	Richard Flatman – Executive Director of Finance	
Recommendation by the Executive:	That committee re-confirms approval of the existing anti-fraud policy.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	Audit Committee Policy and Resources	On: 2 February 2011 On: 10 March 2011
Further approval required?	N/A	
Communications – who should be made aware of the decision?	All staff	

Executive summary

LSBU has a fraud response plan which forms part of the University's financial regulations. However, until last year we did not have a separate document setting out policy in relation to fraud and the responsibilities for its prevention and detection.

The anti fraud policy was created last year and approved. A copy is enclosed. The policy is intended to ensure that all cases of suspected fraud are promptly reported, investigated and dealt with as necessary, thereby safeguarding the finances and resources of the University and its subsidiaries.

The policy is subject to annual review and approval. No changes are recommended at this stage and Committee is asked to recommend approval in the current form.

Anti fraud Policy

Originating Department:	<i>Finance</i>
Enquiries to:	<i>Financial Controller</i>
Approving Committee/Body:	Policy and Resources
Version No:	1.0
Last Approved:	March 2011
Next due for approval:	<i>March 2012</i>
Document Type (delete as appropriate):	POLICY
Mandatory Target Audience:	<i>All Staff & Students.</i>
Also of Relevance to:	
Brief Summary of Purpose:	The Anti Fraud Policy outlines LSBU's position on fraud and sets out responsibilities for its prevention and detection. The policy is intended to ensure that all cases of suspected fraud are promptly reported, investigated and dealt with as necessary, thereby safeguarding the finances and resources of the University and its subsidiaries.

	PAPER NO: PR.12(11)
Committee:	Policy and Resources
Date:	10th March 2011
Subject:	Anti Fraud Policy
Author:	Simon Blee, Financial Controller
Executive sponsor:	Richard Flatman, Executive Director of Finance
Recommendation by the Executive:	The Executive recommends that Committee approve the below anti fraud policy

Executive summary

LSBU has a Fraud Response Plan which is set out in Appendix A of the University's financial regulations. However, to date we have not had a document which sets out our policy on fraud and responsibilities for its prevention and detection. The attached is for consideration and approval.

The anti-fraud policy was approved by the Audit Committee subject to amendments that Audit Committee should be informed of suspected incidents of fraud at an earlier stage. These amendments have been made in the updated version of the policy attached which P&R committee is now asked to approve.

	Board/Committee	Date
Matter previously considered by:	Audit	02/02/11
Further approval required?	No	N/A

Communications – who should be made aware of the decision?	All staff
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Anti Fraud Policy

1. Introduction

The Anti Fraud Policy outlines LSBU's position on fraud and sets out responsibilities for its prevention and detection. The policy is intended to ensure that all cases of suspected fraud are promptly reported, investigated and dealt with as necessary, thereby safeguarding the finances and resources of the University and its subsidiaries.

It applies to all staff and students.

2. Policy

LSBU does not tolerate fraud in any form. We aim to prosecute anyone who commits fraud against the University.

The University requires all staff and students to act honestly, with integrity and to safeguard any University resources for which they are responsible at all times.

Holders of letters of delegated authority are formally responsible for ensuring that all staff are aware of the University's fraud reporting protocols and that all incidents of suspected theft, fraud, misuse of the University's assets or serious weaknesses in internal control are reported in accordance with the processes set out in this document.

3. Definition of fraud

Fraud can be defined as the use of deception with the intention of:

- Gaining an advantage, personally and/or for family or friends
- Avoiding an obligation
- Causing a financial loss to the University or any subsidiary or associated company, including SBUEL.

Whilst not a definitive list, the main types of fraud are:

- The theft of cash, assets or any other property of the University by staff or students
- False accounting – dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the University or furnishing information which is or may be misleading, false or deceptive
- Deliberate claiming of expenses that were not incurred on University business, or the use of University Purchasing Cards for the same purpose
- Abuse of position – abusing authority and misusing University resources or information for personal gain or causing loss to the University

- Entering into unfavourable contracts or arrangements with suppliers in order to benefit personally from the relationship.
- Attempting to make payments to the University with a stolen or unauthorised credit/debit card.

4. Prevention of fraud

Fraud is costly, both in terms of reputational risk and financial loss, as well as time consuming to identify and investigate. Therefore minimising the risk of fraud is a key objective.

The University has established systems and procedures in place which incorporate effective and efficient internal financial controls. One of the main objectives of these controls is to minimise the risk of fraud and allow fraud to be detected promptly. These systems and processes are embodied in the Financial Regulations, and it is therefore important that all staff are aware of, and follow, the Financial Regulations.

All staff should be vigilant and consider the risk of fraud within their areas. Staff should notify their line manager if they believe an opportunity for fraud exists because of poor procedures or lack of effective supervision. The Finance Department can provide guidance where procedures need to be improved.

Managers should be aware that certain patterns of behaviour may indicate a desire for concealment. These include, but are not limited to:

- Taking few holidays
- Resistance to delegation
- Resentment to normal discussion of work issues
- Frequently working alone late or at weekends

Managers should consider the risk of fraud when these patterns of behaviour are apparent in their staff.

5. Reporting a suspected fraud

Any member of staff who suspects with good cause that fraud has been committed must report the matter immediately to their line manager. The line manager should then immediately inform the relevant Executive Dean/Head of Support Department and the Executive Director of Finance.

LSBU has a whistleblowing policy which may be used by staff who, for any reason, wish to submit information outside of the management chain described above. This policy can be viewed at http://www.lsbu.ac.uk/foi/documents/PublicInterestDisclosure_.pdf

All reported cases of suspected fraud will be investigated.

The internal and external auditors have their own procedures for reporting any incidences of suspected fraud that they discover during the course of their audit work.

6. Fraud Response plan

Fraud may be identified by any of the following means:

- A report from any member of staff
- Internal or External audit work
- Operation of financial controls

When an incidence of fraud is identified, there is an immediate need to safeguard assets, recover losses and secure evidence for legal and disciplinary processes. In order to meet these objectives, the University has a fraud response plan which is clearly set out in the University's financial regulations (Appendix A). All staff and students are required to act in accordance with the fraud response plan.

The University's response to reported fraud will be led by the Executive Director of Finance who will:

- Take action to mitigate the potential loss to the University
- Immediately inform the Vice Chancellor, the University Secretary, the Internal Audit manager and the University's Employee and Officers insurers. If the fraud is significant (see below for definition), members of the Audit Committee (via email), the Chair of the Board of Governors and HEFCE should also be informed.
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary. The Internal Auditors should undertake the investigation.
- Decide immediately whether or not to treat this incident as a criminal investigation and involve the police and/or accredited fraud investigators
- Take steps to prevent a recurrence of such an irregularity or breach of internal controls.

A significant fraud is one where:

- The sums of money involved are significant
- The particulars of the fraud or irregularity are novel, unusual or complex
- There is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

In the event of a suspected fraud involving the Finance Department, the Vice Chancellor will initiate action. The Executive Director of Finance will not be involved in the subsequent investigations.

In the event of a suspected fraud involving the Vice Chancellor, the Executive Director of Finance will inform the Chair of the Board of Governors directly.

Investigation of a suspected fraud

The Executive Director of Finance, the University Secretary and the Internal Auditors must conduct an investigation on a timely basis, observing the principles of natural justice and preserving confidentiality.

All staff must cooperate in an investigation or action to mitigate loss and must observe reasonable expectations of confidentiality.

The Vice Chancellor may take action during the investigation against any member of staff who is potentially implicated in the suspected fraud. This action may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks

Result of investigation

In the event that an allegation is substantiated, the action taken by the Vice Chancellor as a consequence will be recorded in writing. Such action should be proportionate to the allegation but may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks
- Summary dismissal or dismissal under notice
- Notification to police and commencement of criminal proceedings
- Civil action against the perpetrator in order to recover losses
- Disciplinary action against the perpetrator's line manager if failure of supervision is a contributory factor

All incidences of fraud should be reported to the next scheduled meeting of the Audit Committee.

Where the fraud is significant, or where the fraud involves members of the Executive and/or the Senior Management Group, the Chair of the Audit Committee should be informed immediately and an extraordinary meeting of Audit Committee may be convened to consider action already taken, or proposed to be taken.