



Finance Department

Fraud Response Plan

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University of York Fraud Response Plan

Introduction

The University's activities are supported by substantial public funds, and as a publicly funded body, the University is accountable to its stakeholders in ensuring the most efficient and effective use of its resources in support of the University's approved strategy.

It is the responsibility of all officers and members of staff to ensure the correct and honest use of all University resources and to report any circumstances which may indicate the improper use of these resources. Such report shall be made to the Head of Department and/or the Finance Director.

Whilst prevention of fraud has to be the key objective when a fraud is suspected or suggested it is important that prompt and professional action is taken. Fraud is unpredictable, time-consuming to investigate, very disruptive and unpleasant. In addition to potential financial loss there may also be a risk of reputational loss.

Primary responsibility for the prevention and detection of fraud rests with individuals who also have responsibility to manage the risk of fraud. Investigation of fraud is the responsibility of the Finance Director who may set up a project team to investigate each case. The project team could include the internal auditors if appropriate.

The Fraud Response Plan detailed below sets out the steps to be taken if fraud is reported or detected.

Definition of Fraud

The term fraud is a broad term used to describe a number of activities including, false accounting, misappropriation, bribery and corruption, deception and collusion and until the introduction of the Fraud Act 2006 there was no precise legal definition.

In general, a fraud may be described as any deception that results in a gain to one party/and or a loss to another. The Fraud Act 2006 includes three classes of fraud:

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

In all three classes of fraud, the Act requires that for an offence to have occurred, the person must have acted dishonestly, and that they have acted with the intent of making gain for themselves or anyone else, or inflicting loss (or risk of loss) on another.

This policy covers all of the above.

In terms of applying the Fraud Response Plan within the University, fraud may be defined as the use of deception with the intention of:

- Gaining an advantage, personally and for family and friends; or
- Avoiding liability; or
- Causing a financial and/or reputational loss to the University or one of its subsidiary companies.

The main types of irregularity are:

- Theft: this may include the removal, misuse of funds, assets or cash (Theft is not prosecuted as fraud but prosecuted under the various Theft Acts);
- False accounting: dishonestly destroying, defacing, concealing or falsifying any account, record or documents 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 subsidiary or furnishing information which is or may be misleading, false or deceptive;
- Abuse of position: this applies where fraud is committed in situations where someone by virtue of their position is expected to safeguard another's financial interests or not act against those interests.

In addition to the above, some examples of the classes of fraud in the context of how these might relate to the University are set out below.

Fraud by false representation

- Abuse of the University's expenses system by submitting claims for reimbursement of costs which are excessive, not reflective of actual activities or were never wholly incurred.
- Completing recruitment application details stating that particular qualifications and/or membership of professional bodies are held when they are not, in order to meet the person specification requirements.
- Using the University's logo or letterhead for personal reasons and to imply the University has sanctioned the content of the document (and/or to imply that the document is sent for and on behalf of the University).

Fraud by failing to disclose information

- Failure to disclose a criminal conviction which may impact on the ability to remain employed in a particular position at the University.

Fraud by abuse of position

- A representative/employee of the University is awarded monies from a third party to undertake research as a result of the position or work they have undertaken at the University. The University representative/employee fails to expend the grant monies in ways that were intended and funds are used for personal benefit/gain.

Fraud Response Plan

1. Purpose

The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or financial irregularity. The use of the plan should allow the University to:

- respond quickly and professionally to any suspicion or suggestion of fraud or irregularity;
- prevent further loss;
- establish and secure evidence necessary for criminal or disciplinary action;
- notify Office for Students if the circumstances are required by the Office for Students Terms and conditions of funding for Higher Education Institutions;
- minimise and recover losses;
- take appropriate action against those who have committed the fraud;
- 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;
- keep all persons with a need to know suitably informed about the incident and the University's response;
- assign responsibility for investigating the incident;
- establish circumstances in which external specialists should be involved;
- establish circumstances in which the police should be notified and the lines of communication with the police.

It is noted that the University of York has processes in place to reduce the risk of fraud as far as practicably possible, such as approval limits and segregation of duties.

2. Initiating Action

Suspicion of fraud or financial irregularity may be captured through a number of means, including the following:

- requirements on all staff to report fraud
- the University's "speak up" policy
- the University's disciplinary procedures
- planned audit work
- operation of proper management control and procedures
- disclosure by the individual(s) concerned.

All actual or suspected incidents should be reported immediately to the Finance Director. All such reports should be directed to fraud-group@york.ac.uk. If the Finance Director is suspected to be involved in the fraud, the incident should be reported to either the Vice-Chancellor, Registrar, and/or Chair of University Council and/or Chair of Audit & Risk Committee as appropriate.

As soon as practicable, ideally within 24 hours, a meeting should be convened normally consisting of the following group to decide on the initial response:

- Vice-Chancellor;
- Finance Director
- Registrar & Secretary.

It may also be necessary to involve colleagues in External Relations if there are potential public relations/media issues.

This group will decide:

- whether an investigation is required;
- who should lead the investigation;
- who should undertake the investigation and the composition of any project group set up to co-ordinate the investigation;
- whether and at what stage internal audit need to be involved in the investigation;
- whether the individual needs to be suspended; and
- whether the matter should be reported to the police.

If the project group decide to ask internal audit to undertake a special investigation then this shall constitute authority to use time provided in the Internal Audit plan for special investigations or contingency time or to switch planned audits.

The project group will call on staff within the Finance department for internal fraud investigation in the first instance unless specialist expertise is required. This may either be provided by the University's internal auditors, or where necessary, other external specialists.

The Chair of the Audit & Risk Committee should be advised at the earliest possible time that an investigation is taking place and of the planned approach toward undertaking the investigation.

3. Prevention of further loss

Where the initial investigation provides reasonable grounds for suspecting a member(s) of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension of the individual(s) suspected of fraud and removal of physical and systems access rights. It may be necessary to plan the timing of suspensions to prevent individuals from destroying or removing evidence that may be needed to support the investigatory process.

Suspension will be in accordance with University's disciplinary procedures.

Colleagues in Estates/ Facilities Management and Human Resources should advise on the best method of denying access, while individuals remain suspended. Similarly, the Director of Information Services should be instructed to withdraw without delay access permission to the University's computer systems.

The Internal Auditor and/or investigatory officers shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the individuals/respondents may have had opportunity to misappropriate the University's assets.

4. Establishing and securing evidence

The University will follow established disciplinary procedures against any member of staff who has committed fraud. The University will normally pursue the prosecution of any such individual.

Internal Audit or those investigating the incident will:

- maintain familiarity with the University's disciplinary procedures, ensure that evidence requirements will be met during any fraud investigation;
- obtain approval from University management prior to establishing and maintaining 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.

5. Notify Office for Students

The circumstances in which the University must inform the Office for Students about actual or suspected frauds are detailed in the Terms and Conditions of Funding for Higher Education Institutions.

The University is required to report all material fraud or irregularity to the Office for Students.

The Terms and Conditions of Funding for Higher Education Institutions requires Higher Education Institutions ("HEI") to report loss of assets through fraud, theft or other cause where the value of the loss is in excess of £25,000.

The Office for Students is also the principal regulator of HEIs which it funds and which are exempt charities and institutions must also report serious incidents to the Office for Students. These include incidents which result in, or could result in, a significant loss of funds or a significant risk to the charity's property, work, beneficiaries or reputation.

There may be cases of fraud or other impropriety or irregularity which fall outside the above criteria. In such cases the University may seek advice or clarification from the Office for Students.

The Vice-Chancellor is responsible for informing the Office for Students of any such incidents.

6. Recovery of Losses

Recovering losses is a major objective of any fraud response investigation. Internal Audit or those investigating the incident should ensure that in all fraud investigations the amount of any loss is quantified. Repayment of losses should be sought in all cases.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze an individual's assets through the courts pending conclusion of the investigation. Legal advice should also be sought about the prospects for recovering losses through the civil court; where the perpetrator refuses repayment. The University would normally expect to recover costs in addition to losses. The University may also liaise with its insurers if appropriate.

7. References for employees disciplined or prosecuted for fraud

It is a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to Human Resources. Human Resources shall prepare any answer to a request for a reference having regard for employment law.

8. Reporting to Council

Any incident matching the criteria in the Office for Students Terms and Conditions of Funding for Higher Education Institutions shall be reported without delay to the Vice-Chancellor, the University Registrar & Secretary and to the chairs of both Council and the Audit & Risk Committee. It will also be reported to the Chair of Finance Committee.

Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the University Registrar & Secretary and to the chairs of both the Council and Audit & Risk Committee.

On completion of the investigation the project group will submit to the Audit & Risk Committee a report 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 recurrence;
- any action needed to strengthen future responses to fraud with follow up report on whether the actions have been taken.

9. Reporting lines during the investigation

The project group shall provide a confidential report to the Chair of Council, the Chair of Audit & Risk Committee, the Vice-Chancellor, the Chair of Finance Committee (where relevant), the University Registrar & Secretary and the external audit partner at an agreed frequency. The scope of the report shall include:

- the circumstances surrounding the case and contributory factors;
- progress with the investigation;
- an estimate of resources and actions required to conclude the investigation.