



FRAUD & THEFT POLICY & RESPONSE PLAN

POLICY OWNER:	Corporation
AUTHOR:	Liam Nevin
DATE OF REVIEW:	August 2018
DATE OF APPROVAL:	August 2018
FOR APPROVAL BY:	Corporation
NEXT REVIEW DATE:	August 2019

POLICY STATEMENT

1. Birmingham Metropolitan College has a duty to its stakeholders to take all reasonable steps to prevent fraud and theft occurring, whether perpetrated by staff, students, contractors and suppliers, other organisations or members of the public.
2. The College will maintain robust control mechanisms to both prevent and detect fraud and theft. All members of staff have a responsibility to protect the assets and reputation of the College and are expected to be alert to the potential for fraud and theft. Mechanisms are in place for staff to report suspected frauds to management and in confidence.
3. This policy sets out procedures for fraud prevention, detection and investigation. The objective of the procedures is to encourage staff to be aware of fraud, bring suspected fraud to notice, provide a response plan for investigating and reporting fraud and ensure that alleged and proven fraud are dealt with in a consistent and timely manner.

FRAUD & THEFT PREVENTION

4. Fraud is one or more of the following:
 - (i) False representation. "False" in this respect means the representation must be untrue or misleading, and the person making it must know it is, or might be, untrue or misleading.
 - (ii) Failing to disclose information that one is under a legal duty to disclose
 - (iii) Abuse of a position in which one is expected to safeguard, or not act against, the financial interests of another person. To commit this offence the person's conduct must be dishonest with the intention of making a gain or causing a loss to another.
5. Theft means dishonestly appropriating property, including money or other assets.

EXAMPLES OF FRAUD

- Timesheet fraud – for example Associate Lecturers claiming payment for lectures they have not delivered
- False expenses claims – for example false claims for travel
- Fraudulent job applications – for example false qualification claims
- Working for another organisation whilst claiming sick pay from the College
- Falsely ordering goods or services for personal benefit
- Data fraud – for example knowingly submitting falsified records to funders.

For the purpose of this policy an act will be considered fraudulent if it involves the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party (including the College).

6. The best protection against fraud and theft is through staff adhering to College procedures and not being inhibited to challenge matters which do not appear to be correct. A lack of guidance or ignorance of procedures is often the first excuse used by offenders.
7. The first defence in preventing fraud and theft is through the recruitment of staff, using best practice policies, and managers being seen to comply with controls. The emphasis throughout is a culture which values ethical behaviour and financial probity and has a zero tolerance policy towards fraud and theft.

RESPONSIBILITIES AND OBLIGATIONS

8. All staff are responsible for reporting practices which they think may be fraudulent. However, prime responsibility for preventing fraud and theft lies with the Executive through
 - a. Identifying risks
 - b. designing, implementing and operating internal controls
 - c. fostering an environment that promotes compliance with internal controls
 - d. promoting fraud awareness amongst staff
 - e. fostering an anti-fraud culture.
9. The Executive will be supported by the Director of Finance who shall be responsible for implementation and management of this policy.
10. The Audit Committee shall be responsible for overseeing this policy and ensuring that, subject to compliance with any directions from the Education and Skills Funding Agency, all allegations of fraud are properly investigated and that appropriate action is taken.
11. All staff have a responsibility to be aware of fraud and to take steps to minimise risk of theft to the College. To this end staff should be aware of the Public Interest Disclosure process (Whistleblowing Policy) which is available on the College intranet.
12. The College is obliged to notify, through the Chief Finance Officer, the Skills Funding Agency if fraud is deemed 'significant' eg the sum in question is potentially in excess of £10,000; the details of the offence are novel, unusual or complex or they are likely to excite public interest.

PROCEDURE

13. The prevention and detection of fraud and theft is made possible by having strong internal controls constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential especially in those areas where risk of fraud and theft is greatest.
14. The primary responsibility for the prevention and detection of fraud and theft lies with management through the implementation, documentation and operation of effective systems of internal control. Monitoring of compliance with controls by management will be reinforced by reviews conducted by internal audit. However it should be emphasised that internal audit's prime function is evaluating the overall control framework operating in the College.
15. Proper and consistently applied procedures play an important part in preventing fraud and theft. The College expects that suspicions about fraud and theft will be reported and investigated. The College's response plan, annexed to this policy, must be implemented when fraud is suspected.
16. Wherever possible an attempt will be made to prosecute to recover any sums lost through fraud or theft using the civil and/or criminal law and relevant insurance policies.

RESPONSE PLAN

PURPOSE

1. This response plan provides a documented framework for managers and staff to follow in the event that fraud or theft is suspected or reported.
2. It seeks to ensure that in the event of fraud and theft, timely and effective action is taken to prevent further losses, identify fraudsters, safeguard evidence, minimise adverse effect on the organisation and learn lessons.

REPORTING FRAUD & THEFT

3. All actual or suspected incidents of fraud and theft should be reported to the Director of Finance without delay. Where the Director of Finance is suspected of fraud or theft the report should be made to the Company Secretary.
4. When reports of fraud or theft are made, the suspicions will be treated seriously and all details provided will be recorded accurately and in a timely manner. The decision by someone to report a suspected fraud may be traumatic for them, and those reporting fraud are assured that all information will be treated in the strictest confidence. Anonymity will be preserved if requested and where it is reasonably practicable to do so.
5. The Director of Finance will be responsible for liaising in a timely manner with the Chief Finance Officer, and Internal Audit.
6. At this stage, management should take steps to prevent further losses, for example by suspending payments without compromising evidence or alerting the alleged fraudsters.
7. Management should consider whether the potential seriousness of the fraud or theft is such that the College's insurers and / or funding body should be advised on the likelihood of a fraud report.

INITIAL ENQUIRY

8. On receiving details of a suspected theft or fraud, an initial review will be undertaken on the further action that will be required. The Director of Finance will be responsible for this and for liaising in a timely manner with the Chief Finance Officer, and Internal Audit. The further action may include referral to:
 - the Director of HR: fraudulent activity is a breach of contract and where there are reasonable grounds for suspicion, then suspension of the suspects may be required pending the outcome of enquiries. It may be necessary to plan the timing of suspension to prevent the suspects from accessing, destroying or removing evidence. The rights of staff on suspension must be acknowledged for example a right to union representation and to be informed of the reason for their suspension.

- the Internal Auditors
- West Midlands Police: delays in contacting the Police may prejudice the gathering of evidence and future enquiries.

CONDUCTING AN ENQUIRY

9. Once it is determined that there is sufficient evidence to justify a fuller investigation, a decision should be made as to whether an internal investigation is appropriate, led by College or Internal Audit staff, or the matter referred to the police.
10. For internal investigations, the detailed remit and scope of the investigation should be decided; for example is it to confirm there is sufficient evidence to support the allegations, to gather evidence for handing to the police, or to quantify the potential loss involved? Other elements to be decided are who should undertake the investigation, reporting deadlines and procedures, and regular review points. No decision should be taken in respect of an internal investigation without first liaising with the police and where relevant the Crown Prosecution Service. It is imperative that the College does not prejudice a criminal investigation
11. All details should be recorded fully and accurately, bearing in mind that documentation will be required for any future action or possible prosecution.

RECOVERY OF LOSSES

12. Any losses suffered by the College should be fully and accurately recorded, and costs / loss of income correctly apportioned. In addition to the direct cost of losses attributable to fraud, costs associated with the enquiry should be recorded. These will be needed under loss reporting procedures for insurers and potentially by the courts if the decision to prosecute is taken.
13. It will be important to consider, in the event of a loss of income involving grant funded activity, to have regard to funders 'lagged funding' methodology. This involves claiming lost income not just in the year incident happened (Year 0), but also up to Year +4.
14. Where the loss is substantial, there should be consultation with insurers about legal advice for recovering losses through the courts, including if relevant, freezing the suspect's assets pending conclusion of the investigation.

STAFFING ISSUES

15. The College will follow its disciplinary procedures against any member of staff who has, or is reasonably suspected of committed fraud.
16. Any interviews with suspects should be undertaken strictly in accordance with established procedures. No interviews should take place without first seeking advice from the Director of HR and, if necessary, the police on the relevant procedures to be followed, having regard to the need to avoid prejudicing any criminal proceedings.

17. If fraud is proven which involves staff, appropriate disciplinary action will be taken. Such action may be considered not only against those found to have perpetrated the fraud, but also against managers whose negligence may have facilitated it.

REPORTING DURING THE INVESTIGATION

18. Confidential reports about the investigation should be communicated to the Chair of the Governing Body, the Chair of the Audit Committee, the Principal, Company Secretary and auditors. Where necessary, reports should be provided to the relevant Funding Body.
19. The scope of the report should include: quantification of losses; progress on recovery action and criminal prosecution; progress with disciplinary action; actions taken to prevent and detect similar incidents; next steps.

CONCLUDING AN INVESTIGATION

20. At the end of the investigation, irrespective of the outcome, it is important to review the position and see what lessons can be learned. Such reviews will help identify any weakness in internal control that initially led to the fraud and should highlight any deficiencies that should be addressed.
21. On completion, a written report should be submitted to the Audit Committee for consideration. The report should cover the description of the incident, the loss incurred, the people involved and means of perpetrating the fraud. It should set out the measures taken to prevent a recurrence and any timetabled actions for monitoring. It should also cover the proposed route to recover losses, prosecute offenders and the steps to manage risks to organisational reputation.