

Fraud Policy

Approved by	Board of Governors (via Audit Committee)		
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FRAUD POLICY

1. Introduction

- 1.1 The Robert Gordon University, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way and to take into account both the requirements of funding bodies and the standards in public life enunciated in Lord Nolan's reports. The Robert Gordon University has a responsibility to the Scottish Funding Council (SFC), its staff, students, suppliers and the public in general to take all reasonable steps to prevent the occurrence of fraud. This policy sets out the university's policy statement on fraud as well as details on how the university will seek to prevent and detect fraud.
- 1.2 The objectives of this policy are to:
- encourage staff to be aware of fraud;
 - bring suspected fraud to notice;
 - provide a framework response plan for investigating and reporting fraud; and
 - ensure both alleged and proven fraud are dealt with in a consistent and timely manner.
- 1.3 The Robert Gordon University has a unique role to play in the community and any instances of fraud or corruption may be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices can have a direct effect on jobs and the level and quality of service provision. It is wrong to assume that actual financial losses are the only negative outcome of frauds. The full cost is usually much greater than the amount misappropriated as the costs associated with correction can often be substantial. Staff morale and the level of confidence of students, clients, suppliers and funding organisations may decline as a result of successful frauds.
- 1.4 Although the university recognises that the vast majority of staff are honest and diligent, there is no room for complacency. Vigilance is essential since all staff are responsible for ensuring that the best possible service is provided to the university's students and that value for money from the expenditure of public funds is obtained.
- 1.5 Successful fraud prevention involves creating an environment which inhibits fraud. Taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses, but also helps deter other frauds. A manager who is alert to the possibility of fraud and who acts accordingly on a day to day basis is a powerful deterrent against fraud.

2. Fraud Policy Statement

- 2.1 The Robert Gordon University is committed to taking all practical steps to prevent it being subjected to fraud, whether perpetrated by staff, students, contractors and suppliers, other public sector organisations or members of the public.
- 2.2 The Robert Gordon University will maintain robust control mechanisms to both prevent and detect fraud. All line managers have a responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with procedures and controls. The effectiveness of controls will be subjected to cyclical review by the university's internal auditors.
- 2.3 All members of staff have a responsibility to protect the assets and reputation of the university and are expected to be alert to the potential for fraud. Line managers will be expected to brief staff on the common types of fraud perpetrated in their areas of responsibility.
- 2.4 Confidential mechanisms have been established to allow staff to report suspected frauds to management. All reported suspicions will be investigated through the

university's Policy and Procedure on Disclosures in the Public Interest (Whistleblowing).

2.5 If this initial investigation suggests that suspicions are confirmed, the Investigation Panel will then decide which body is best placed to undertake further investigative work and will inform the auditors, the Scottish Further and Higher Education Funding Council and police as appropriate.

2.6 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.

3. Fraud Prevention - Definition

3.1 Fraud can be defined as 'any act of wilful dishonesty to gain individual or collective advantage'. It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised activity which results directly or indirectly in gain, whether financial or otherwise, to the perpetrator or a third party. Fraud can be perpetrated against the university by staff, students, suppliers, Government Agencies or Departments, or the public.

3.2 Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place an employee in a vulnerable position. For guidance, staff are reminded that the university's financial regulations provide more information and explanation on these matters, including the maintenance of a register of gifts and hospitality for the disclosure of any offers or acceptances where the estimated value is greater than £100.

4 Management Responsibility and Risk Management

4.1 The prime responsibility for preventing fraud lies with management through:

- the identification of risks to which systems and procedures are exposed;
- the implementation, documentation and operation of internal controls;
- establishing an environment that promotes compliance with internal controls;
- promoting fraud awareness amongst staff; and
- fostering an 'anti fraud' culture.

4.2 However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and take the necessary steps to minimise the risk to the university.

4.3 Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically both at organisational and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.

4.4 Management also has a responsibility to familiarise itself with common fraud techniques in areas for which it has control. This should include being alert to signs which may indicate that fraud is taking place, examples being:

- staff under stress without a heavy workload;
- staff always working late;
- prime documents being lost and replaced by photocopies;
- reluctance of staff to take leave;
- staff refusing promotion;
- unexplained wealth and sudden change in lifestyles;
- new staff resigning quickly;
- suppliers/contractors/customers insisting on dealing with a particular member of staff;
- cosy relationships with suppliers/contractors/customers; and
- sudden changes in behaviour.

5 Internal Controls

- 5.1 Internal controls are the key element in preventing fraud. The Financial Regulations are just that; they are not the definitive record of the university's systems of internal control. Financial Procedures, however, should be definitive and all procedures should be fully documented and widely available to all staff, who should be reminded regularly as to the importance of compliance. It is the responsibility of management to ensure that controls in their areas of responsibility have been documented and communicated.
- 5.2 In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on cultural controls, not on increasing the volume of detailed operational and supervisory checks and controls.
- 5.3 Management should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control, with management being responsible for ensuring implementation and monitoring of the framework.
- 5.4 Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to management so that the need for controls can be re-evaluated.

6 Management Checks

- 6.1 The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential. The benefits from implementing a culture of strong management controls are:
- a deterrent effect when it is known that management is actively involved in ensuring that procedures are followed; and
 - the results of the checks will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

7 Corporate Governance

- 7.1 Development of best practice and recommendations arising from the reviews of corporate governance will continue to be important in the development of an environment in which awareness of responsibility for fraud prevention and detection can flourish.

8 Staff Training

- 8.1 Staff provide the best protection against fraud and corruption. It is important, therefore, that university policy on fraud prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.
- 8.2 The recruitment of suitable staff is the university's first defence in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on criminal records, written and verbal communication with referees and past employers and verification of educational and professional qualifications will be strictly adhered to.
- 8.3 Staff awareness of policy and procedures is fundamental to the effective operation of systems. The university will comply with best practice which includes:

- instruction and discussion on control and probity issues as part of staff induction;
- formal staff training on operational procedures;
- desktop instructions for specific tasks;
- publication of university policy on fraud; and
- regular staff notices regarding changes to Standing Orders and financial procedures.

9 Fraud Detection and Investigation

- 9.1 Proper and consistently applied procedures for reporting and investigating fraud will play an important part in preventing further fraud. The university expects that reported suspicions will be investigated. All such investigations shall be carried out under the university's Policy and Procedure on Disclosures in the Public Interest (Whistleblowing). Such investigations will by necessity remain confidential but management will ensure that the lessons to be learnt from each incident are disseminated to the appropriate members of staff.
- 9.2 The primary responsibility for detecting fraud lies with management through the implementation, documentation and operation of effective systems of internal control. The university's internal auditors, through their evaluation of the control framework, also have a role to play in preventing and detecting fraud although this is not the main function of internal audit.
- 9.3 All staff have a responsibility to be aware of the potential for fraud and take the necessary steps to minimise the risk to the university. Management should ensure staff in their areas of operation are familiar with the common types of fraud. The university is not advocating the creation of an overtly suspicious environment, but expects staff to be alert to the potential for fraud in areas where they operate.
- 9.4 Staff will often be the first to notice the potential for, or actual, fraud. Staff suspicious of fraud should in the first instance report their concerns to their Head of Department. If for any reason it is felt that reporting in this manner is inappropriate, staff may report directly to any of the officers named below. The respective internal telephone numbers are given below:
- The Director of Finance (extension 2498);
 - The Director of IT Services (extension 2750); or
 - The Director of Human Resources (extension 2014).
- 9.5 This requirement to alert management is not confined to suspicions about other members of staff, but includes any misgivings staff may have about students, contractors and suppliers, other public sector organisations or members of the public.
- 9.6 Whether it is a Head of Department or one of the individuals listed at paragraph 9.4 that is notified the individual must, in all cases, report the facts to the Principal in accordance with the university's Policy and Procedure on Disclosures in the Public Interest (Whistleblowing). It might be that a Head of Department can allay the staff member's concerns/suspicions quickly with further and better information and explanations that were not available to or not known by the staff member at the time he/she raised the suspicion of fraud. Even where, in the opinion of both the staff member raising the case and the Head of Department, this closes the case, full disclosure of the facts must still be made by the Head of Department to the Director of Finance.
- 9.7 Fraudulent or corrupt activity is regarded as a breach of contract and where there are reasonable grounds for suspicion then suspension, pending the outcome of enquiries, is likely.
- 9.8 Where fraud is detected then disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned. In all cases the University will co-operate fully with whichever investigating body has been appointed. In the

event that the Police become involved, the University will pursue prosecutions where possible.

- 9.9 Line managers should note that staff suspected of fraudulent activity have certain rights under the law and no action (such as interviewing staff) should be taken without prior consultation. Failure to allow established procedures in relation to investigating fraud and interviewing the staff involved can invalidate disciplinary action and compromise the success of any future investigation and/or prosecution. Human Resources must always be involved.