



# **Fraud and Corruption Policy and Response Plan**

**Document Owner: Director of Finance**

**Date Last Approved by Council: 8 July 2014**

**Document updated: 21 February 2018**

**Reviewed by QMSE: 27 February 2018**

**Reviewed by Audit and Risk Committee: 8 March 2018**

**Recommended by Finance and Investment Committee: 13 March 2018**

**Approved by Council: 13 April 2018**

**Number of Years to Next Review: 3 Years – April 2021**

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## **1 Introduction**

- 1.1 This document details Queen Mary University of London (QMUL) policy and response towards detected or suspected acts of fraud or corruption whether relating to employees, council members, contractors or external bodies. QMUL has Financial Regulations and Financial Procedures, available on the QMUL intranet, which are designed to reduce the possibility of illegal acts occurring.
- 1.2 In addition to the Financial Regulations and the Fraud and Corruption Policy and Response Plan, the following policies are available on the QMUL intranet:
  - Scheme of Delegation of Financial Authority
  - Anti Bribery and Corruption
  - Anti Money Laundering
  - Standards of Business Conduct
  - Public Interest Disclosure (Whistle-blowing)
- 1.3 QMUL is a public sector organisation and one of the basic principles governing its actions is the proper use of public and donated monies.

## **2 Public Service Values**

- 2.1 It is a long established principle that public sector bodies, which include QMUL, must be impartial and honest in the conduct of their business, and that employees should remain beyond suspicion. The Seven Principles identified by the Committee on Standards in Public Life are included under Appendix B.
- 2.2 There are three fundamental public services values underpinning the work of QMUL namely:
  - **Accountability:** Everything done by those who work in the organisation must be able to withstand public and parliamentary scrutiny.
  - **Probity:** Absolute honesty and integrity should be applied in dealing with students, patients, assets, staff, suppliers and customers.
  - **Openness:** QMUL's activities should be sufficiently public and transparent to promote confidence between QMUL and its students, staff and the public.

## **3 QMUL's policy**

- 3.1 In accordance with the public service values QMUL is absolutely committed to maintaining an honest, open and well-intentioned atmosphere within its working environment. It is therefore committed to the elimination of wrong doing within its sphere of operation and to the rigorous investigation and taking any action required in such cases.
- 3.2 QMUL considers that this policy covers all persons involved with or working at QMUL in whatever way. whether a full time or part time member of staff, a person with an honorary appointment, an undergraduate or postgraduate student or somebody visiting QMUL for whatever reason.
- 3.3 QMUL wishes to encourage anyone having reasonable suspicions of suspected or actual fraud or malpractice to report them to their Line Manager or the Director of Finance.

3.4 It is QMUL's policy that no employee should suffer as a result of reporting reasonably held suspicions. For the purposes of this policy "reasonably held suspicions" shall mean any suspicion other than those, which are groundless and raised maliciously.

## **4 What is fraud?**

4.1 Fraud is a type of theft. To commit fraud is to deprive by deceit. The two essential elements of fraud are:

- a. deception or concealment
- b. deprivation or loss to the victim

4.2 Deception or concealment may be achieved in many ways, the most common of which are:

- a. unauthorised input, alteration, destruction, suppression or misappropriation of data or other records;
- b. inappropriate transactions with suppliers (e.g. resulting from undisclosed favours received/expected);
- c. deliberate misrepresentation of facts or manipulation of management information or company records including personal expenses.

4.3 Deprivation or loss may arise indirectly from the deception as well as directly, and occurs:

- a. if the person deceived is deprived of funds or assets; or
- b. if the person deceived fails to receive funds or assets which would, but for the fraud, have been received.

4.4 This policy covers all fraud committed by members of QMUL in their capacity as members, and in particular:

- a. fraud against QMUL; and
- b. fraud against third parties in their dealings with QMUL

4.5 This policy also covers all fraud committed against QMUL by persons other than members of QMUL.

4.6 Fraud is distinct from accidental error or negligence. Fraud may involve one or several people, from either within or outside of an organisation, in collusion with each other. Fraud may also include elements of corruption.

## **5 What is corruption?**

5.1 The dishonest offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person.

5.2 Corruption involves two or more people.

5.3 QMUL Anti Bribery and Corruption Policy is available on the QMUL intranet.

## **6 Computer misuse**

- 6.1 Fraud or corruption can be, and increasingly is being, carried out using computers. Deception by altering computer records or creating false records is just as much fraud as the falsification of paper documents and signatures.
- 6.2 Misuse of computers and their programs, whether fraudulent or not, is specifically covered by the Computer Misuse Act 1990. A person is guilty of an offence if they access a computer, program or data which they are not authorised to access and/or they cause unauthorised modification to the contents of the computer such that the operation or access to the computer program is hindered. Unauthorised access with intent to commit a serious criminal offence, including fraud, is also an offence under the Act and carries a greater penalty. An offence is only committed if the person has intent and knowledge at the time of the act.
- 6.3 In many cases, falsification of computer records will be both fraud and computer misuse.

## **7 Confidentiality**

- 7.1 Employees must not disclose any information about any suspected fraud or malpractice to anyone except their Line Manager, the Director of Finance and any other person nominated by the Director of Finance.
- 7.2 Employees must not make available any documentation concerning the case under review to anybody not falling within paragraph 7.1. If information must be released the express permission of the President and Principal or the Director of Finance is required.
- 7.3 If the matter has been referred to the Police, documents must only be released to the Police via the Director of Finance.
- 7.4 Under no circumstances should an employee communicate with the press, radio or to another third party about a suspected act of fraud or corruption or [a similar] irregularity.
- 7.5 QMUL has a policy on Whistleblowing, which offers guidance to College staff on the handling of allegations made by staff members relating to the running of QMUL or the activities of colleagues within the institution (referred to as 'whistleblowing'). The policy is based on the Public Interest Disclosure Act 1998, which sets out in detail when 'disclosures' by staff are protected by the Act. A copy of the Public Disclosure (Whistle-blowing) Policy is available on the QMUL intranet.

## **8 Responsibilities**

- 8.1 QMUL is responsible for:
  - developing and maintaining effective, visible controls to prevent fraud e.g. separation of duties, proper authorisation of expenditure
  - producing a clearly defined and publicised Fraud & Corruption Policy & Response Plan, which applies to everybody in QMUL and encourages open reporting of concerns
  - taking appropriate legal and or disciplinary action against perpetrators of fraud and taking disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud.

8.2 QMUL Managers are responsible for:

- identifying the risks to which systems and procedures are exposed
- developing and maintaining effective controls to prevent and detect fraud
- ensuring that controls are reviewed, updated and complied with.

8.3 QMUL staff are responsible for:

- acting with propriety in all QMUL activities. This includes the handling and use of any funds associated with QMUL, dealing with Contractors or Suppliers or any other aspect of QMUL business.
- ensuring that they do not receive gifts, hospitality or benefits of any kind from a third party, which might be seen to compromise their decision making or integrity or the integrity of QMUL. QMUL Standards of Business Conduct are available on the QMUL intranet – refer to Appendix D – Gifts and Hospitality Policy.
- communicating their concerns to their Line Manager or the Director of Finance.
- ensuring confidentiality about the matter under review.

8.4 The Director of Finance is responsible for directing and controlling fraud investigations. He/she may delegate this to Internal Audit, External Audit or some other suitable person.

## **9 The Fraud Response Plan**

9.1 Initial discussions

9.1.1 An employee should discuss his/her suspicions as soon as possible with their Line Manager and the Director of Finance in the first instance.

9.1.2 This assumes that the Line Manager/Director of Finance is not the subject of any allegations. He/she must inform the Director of Finance of any information or documentary evidence they hold supporting their suspicions as soon as possible. If the Line Manager is the subject of any allegations then the employee should go directly to the Director of Finance.

9.1.3 If the suspicion involves another Director, a Head of Department/School/Institute or a member of Queen Mary Senior Executive then the employee must contact the Director of Finance. If the allegation involves the Director of Finance, then the President and Principal should be informed. A flowchart is included as Appendix A to illustrate the reporting process. In the absence of the Director of Finance, arrangements for another member of staff to act as a deputy will be made.

9.2 Log of incidents

9.2.1 The Director of Finance will keep a log of all reported suspicions including those dismissed as groundless. It will contain details of actions taken and conclusions reached. Details of all entries in the log will be forwarded to the President and Principal at least quarterly. The Audit and Risk Committee will review the log at least annually.

9.2.2 Significant matters will be discussed by the Audit and Risk Committee who will report such information as is necessary to retain Confidentiality to Council.

### **9.3 Immediate action**

9.3.1 Where it would not prejudice any subsequent investigation, whether internal or external, the Director of Finance must take immediate action to end any losses and remedy any control weaknesses.

9.3.2 This might involve:

- the suspension of the employee(s) at the start of the investigation;
- securing the employee(s) desk contents and office, preferably with the employee present. They may wish to be represented by a Line Manager or Union Official;
- recovering the employee(s) office and desk keys;
- ensuring that the employee(s), if suspended, leaves the premises immediately and does not have the opportunity to remove/destroy any potential evidence;
- securing accounting, policy and other records including computer files and back up relevant computer data;
- cancelling the employee(s) network and other systems access rights;
- checking all current and future payments to the employee(s) during the course of the review;
- advising work colleagues of the suspension of the individual(s) and that no contact should be made with him/her/them until further notice. All contact should be through the Director of Finance.

9.3.3 Any QMUL assets in the possession of the employee(s) should be retrieved as soon as possible.

9.3.4 If it is suspected that a computer has been used or tampered with, then instructions must be given to preserve the computer and its data.

### **9.4 Control improvement**

9.4.1 In committing fraud against QMUL it is likely that existing weaknesses in existing controls will have been exploited. In order to prevent recurrence, it is essential that these weaknesses are fully understood by QMUL and addressed. The following actions must be taken by the Director of Finance:

- isolate the underlying control weaknesses. Each weakness should be quantified in terms of its contribution to the fraud and the risk of recurrence if not addressed;
- agree effective solutions with the appropriate manager; and
- document the above in a report and action plan.

### **9.5 Informing HEFCE, Audit and the Police**

9.5.1 The Director of Finance will consider the need to inform HEFCE, Internal and External Audit, Police and other bodies.

- 9.5.2 The Memorandum of assurance and accountability between HEFCE and institutions requires HEIs to notify the HEFCE Chief Executive; **auditors and chairs of audit committee and Council** of any **material adverse change including significant fraud (> £25k), or impropriety or major accounting (July 2017/08 paragraph 57) breakdown:**
- 9.5.3 HEFCE's Audit Service will not investigate a fraud or irregularity in an individual HEI, but they can be consulted for advice and will in the case of novel, unusual or complex frauds seek to ensure that similar instances do not happen in other HEIs.
- 9.5.4 The Director of Finance may inform Internal and External Audit of any suspected fraud or irregularity and the actions taken to investigate the matter and to remedy any control weaknesses.

The Director of Finance may instigate an internal investigation of the matter or refer the matter directly to the Police. Properly organised investigations conducted by members of staff or auditors with a working knowledge of QMUL's processes, would be of great assistance to any subsequent police enquiry. Liaison with the Police may begin as soon as the issues involved are identified. The Director of Finance will ensure that lines of communication are established with the Police.

- 9.5.5 It should be noted that the Police's priorities and decision to take up a case differ from that of QMUL, with obtaining sufficient reliable evidence to obtain a criminal prosecution being their main objective rather than recovery of any losses to QMUL.
- 9.5.6 The decision to involve the Police will include the following considerations:
- prosecution of the perpetrator(s) through criminal action. A successful prosecution can often assist recoveries via the civil court;
  - potential seriousness of the malpractice involved;
  - whether the malpractice is fraudulent;
  - amount of available reliable evidence;
  - involvement of organisations outside of QMUL
  - the need to take deterrent action; and
  - adverse publicity.

## **9.6 Involvement of a member of QMUL Staff**

- 9.6.1 When the suspected fraud or irregularity involves an employee or employees, then the Director of Human Resources must be involved by the Director of Finance at the earliest opportunity. Consideration should be given to suspension of the employee(s), with pay, at the start of the investigation. This is for the protection of the employee(s) as much as to ensure objectivity during the course of any subsequent investigation.

## **9.7 Disciplinary action**



9.7.1 The Director of Human Resources must be involved with any case involving a member of staff. QMUL's Personnel Policies must be followed during the course of any disciplinary actions. Disciplinary action may be undertaken by QMUL whether or not any prosecution has or is due to take place.

## **9.8 Internal investigations**

9.8.1 Any internal investigation should be carried out with great care and with due consideration of the possibility of future criminal proceedings. An internal investigation may be carried out by QMUL Staff, Internal Audit or consultants with relevant experience. Advice may be obtained from HEFCE, External and Internal Audit as to the selection of an appropriate person or organisation to undertake an internal investigation.

9.8.2 In order to maximise the effectiveness of fraud investigations, it is crucial that clear objectives are set at the earliest opportunity. Whilst these are driven to an extent by the Fraud and Corruption Policy and Response Plan, each fraud will require a unique response. At the highest level the objectives will be one, or any combination, of the following:

- a. to establish the facts;
- b. to prevent repetition and deter others; and
- c. the recovery of funds.

## **9.9 External bodies**

9.9.1 If the suspected fraud or malpractice concerns an external body such as a supplier, partner organisation or funding body then the procedures outlined above should be followed excluding the steps of informing the Director of Human Resources.

9.9.2 In the case of contractors, QMUL may have a clause in the agreement between QMUL and the Contractor allowing for the examination of records supporting payments claimed on behalf of the contractor, for example - time records, expense records and so on. The Director of Finance may decide whether QMUL should ask under the terms of any agreement to inspect these records.

9.9.3 Following the investigation, the Director of Finance will determine whether or not he/she wishes to continue trading or otherwise with the external body concerned.

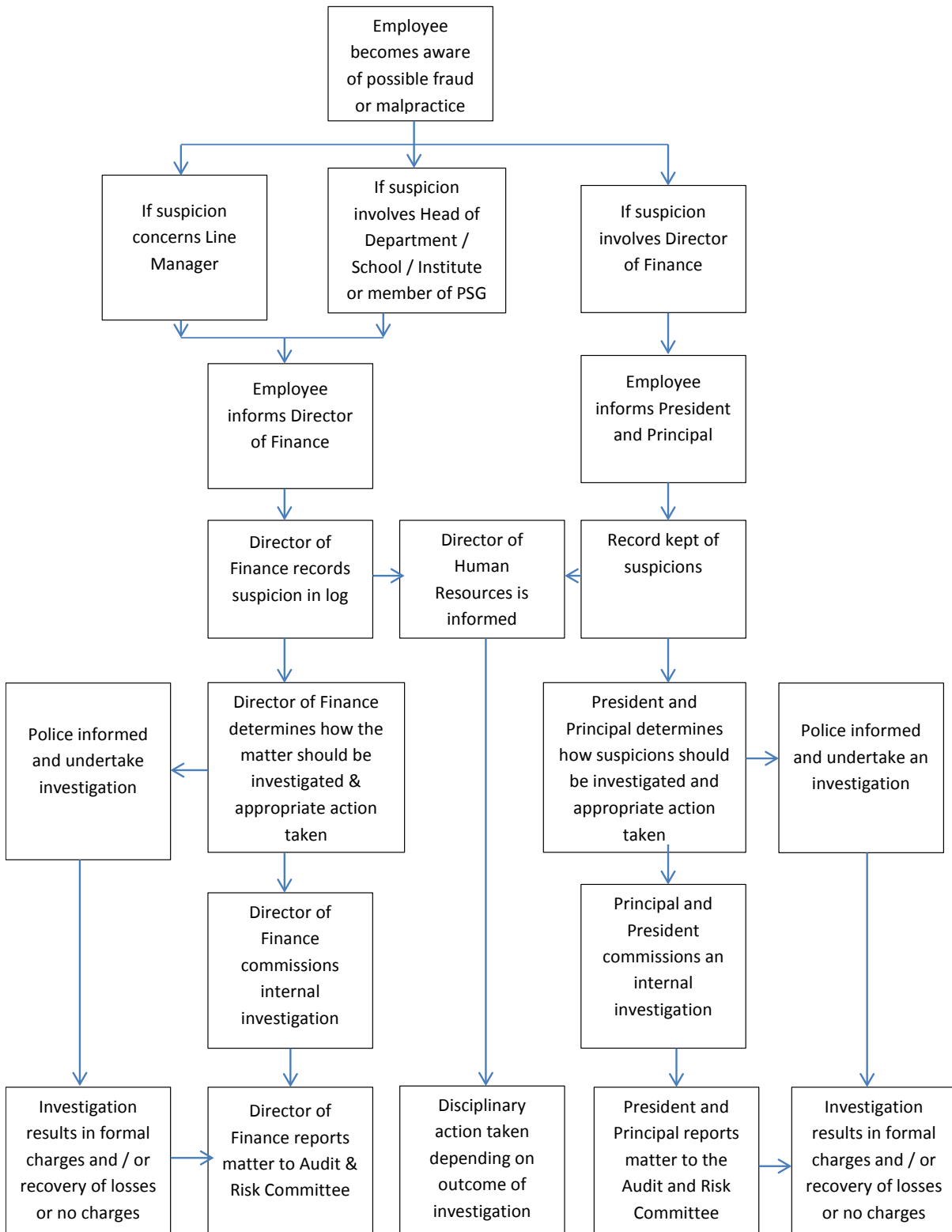
## **9.10 Recovery of loss**

9.10.1 The possibility of recovering a loss must be considered as part of any investigation, including taking civil action where appropriate. Where recovering a loss is likely to require a civil action, it will be necessary to seek legal advice. QMUL procedures for taking legal advice should be followed.

## **9.11 Review events with Police**

9.11.1 If the case has been handed to the Police, then the Director of Finance will maintain close liaison with the police to monitor the progress of the case, to keep QMUL apprised of any issues arising and ensure that any necessary support required is available.

# 10 Appendix A – Procedure for reporting possible fraud or malpractice



## **11 Appendix B: Seven Principles identified by the Committee on Standards in Public Life (formerly known as the Nolan Committee)**

### **1. Selflessness**

Holders of public office should act solely in terms of the public interest.

They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

### **2. Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

### **3. Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **4. Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### **5. Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take.

They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **6. Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **7. Leadership**

Holders of public office should promote and support these principles by leadership and example.