

# **EDINBURGH NAPIER UNIVERSITY**

## **Policy for Fraud Prevention, Detection and Investigation**

### **Fraud Policy statement**

1. Edinburgh Napier University is committed to taking all practical steps to prevent it being subjected to fraud
2. We 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 all procedures, regulations and controls. The effectiveness of controls will be subject to cyclical review by our internal auditors.
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.
4. Confidential mechanisms have been established to allow staff to report suspected frauds to management or our internal auditors. All reported suspicions will in the first place, be investigated by the Fraud Response Group.
5. If this initial investigation suggests there is a case for further investigation, the University, SFC, and our auditors, will be immediately informed. The University will then decide which body is best placed to undertake the further investigation and will inform the Police if it is believed that criminal activity has taken place.
6. If fraud is found proven, and to involve staff, disciplinary action will be taken. Such action may be considered not only against those found to have perpetrated the fraud, but also against staff whose negligence may have facilitated it.

### **Purpose and objectives of this policy**

7. The purpose of this policy is to -
  - ensure fraud prevention and detection, and
  - specify the procedures for investigating and reporting of fraud;

8. 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 is dealt with in a consistent and timely manner.
9. 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.

## **Fraud Prevention**

### **Definitions**

10. 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 act which results directly or indirectly in financial gain to the perpetrator or a third party. Fraud can be perpetrated against the University by staff, students, suppliers, and other educational institutions, Government Agencies or Departments.
11. Staff and members of Court should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place them in a vulnerable position. Even when offered and accepted in innocence, such gifts may be misconstrued by others. Offers of gifts and hospitality of an unreasonable nature should be reported to the line manager in the case of an employee and to the Chairman of Court for Court members.

### **Management Responsibility and Risk Management**

12. The prime responsibility for preventing fraud lies with management through -
- 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.

13. 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.**
14. 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.
15. Management also have a responsibility to familiarise themselves with common fraud techniques in areas for which they have control. This should include being alert to signs, which indicate that fraud is taking place. These may include-
- Staff under stress without a heavy workload.
  - Staff always working late
  - .Unexplained wealth and sudden change in lifestyles
  - .New staff resigning quickly.
  - Prime documents being lost and replaced by photocopies.
  - Suppliers/contractors/customers insisting on dealing with a particular member of staff.
  - Excessive use of correcting fluids.
  - Cosy relationships with suppliers/ contractors/customers
  - Reluctance of staff to take leave.
  - Sudden changes in behaviour.
  - Staff refusing promotion.

### **Internal Controls**

16. Internal controls are the key element in preventing fraud. They should be documented, communicated to all staff and the importance of compliance regularly reminded to staff. It is the responsibility of management to ensure controls in their areas of responsibility have been documented and communicated. The Financial Regulations are just that - they are not the definitive record of the University's systems of internal control.
17. 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.
18. 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.

19. 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 the controls can be re-evaluated.

### **Management Checks**

20. 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. There are two benefits from implementing a culture of strong management controls-

- A deterrent effect when it is known that management are 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.

### **Corporate Governance**

21. The subject of Corporate Governance in the public sector has been addressed most recently in the Langlands Report

### **Staff/Training**

22. 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.

23. Staff awareness of policy and procedures is fundamental to the effective operation of systems. Best practice 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 corruption; and
- Regular staff notices regarding changes to Standing Orders and financial procedures.

### **Reporting and Investigating Fraud**

24. Having proper and consistently applied procedures for reporting and investigating fraud will have an important part to play in preventing further fraud. The University has designed a plan for investigating and reporting of all suspected frauds (see section 3). 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.

## **Fraud Detection and Reporting**

25. The primary responsibility for detecting fraud lies with management through the implementation, documentation and operation of effective systems of internal control. Our internal auditors, through their evaluation of the control framework also have a role to play in preventing and detecting fraud, however this is not the main function of internal audit.
26. 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.
27. Staff will often be the first to notice the potential for, or actual, fraud. ***Staff suspicious of fraud should in the first instance if appropriate report their concerns to their Line Manager.*** 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, suppliers etc. If for any reason it is felt reporting in this manner is inappropriate staff may report confidentially to the Finance Director or other Member of the fraud Response Group
28. A Fraud Response Group has been established to investigate all reported frauds. This group comprises-
  - The Finance Director
  - The Director of Human Resources
  - The University Secretary
29. Staff should not be dissuaded from reporting actual or suspected fraud as all cases will be treated in the strictest confidence. The University is fully committed to supporting and protecting staff who raise legitimate concerns and the anonymity of individuals who report any suspicions will be preserved if requested unless this is incompatible with a fair investigation. Provided the allegations have been made lawfully, without malice and in the public interest, the employment position of the person will not be disadvantaged for reasons of making this allegation.
30. Any action to prevent the reporting or any attempts at intimidation will be treated seriously and the University will immediately report such action to the Police.
31. A Fraud Response Plan, the details of which remain confidential, has been prepared. The plan provides a consistent framework for investigating and reporting fraud. The plan requires that, after an initial in house

investigation to establish if there is substance to any suspicions, all suspected frauds will be reported to the Police.

32. 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. Where there are genuine grounds to suspect that fraud has occurred or where there is direct evidence of fraud, the University's policy in all cases is to advise the Police. The Police will be solely responsible for deciding whether a criminal investigation is required.
33. Where fraud is detected then disciplinary procedures will be instigated and is likely to lead to dismissal of the individual concerned. In all cases the University will co-operate fully with the Police and pursue prosecutions where possible.
34. Line managers should note that suspects have certain rights under the law and no action (such as interviewing staff) should be taken without prior consultation with a Member of the Fraud Response Group. Failure to follow 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.

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