



Fraud Prevention Policy

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Vice Principal Finance & Corporate Affairs

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Vice Principal Finance & Corporate Affairs

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1. Introduction

This Policy has been developed to minimise the risk of fraud within Forth Valley College.

Forth Valley College has a duty to ensure that it safeguards assets and the public money that it is responsible for.

The College expects the highest standards of conduct and integrity from all persons that have dealings with it, including staff, Board Members, contractors, volunteers, students and the general public.

The College is committed to the elimination of fraud, and to ensuring that all activities are conducted ethically, honestly and to the highest standards of openness and accountability so as to protect public safety and public money.

All suspicions or concerns of fraudulent or corrupt practice will be investigated. There will be no distinction made in an investigation and/or action between cases that generate financial benefits and those that do not.

2. Purpose

This policy is designed to protect the funds and assets of the College through the deterrence, detection and investigation of fraudulent and corrupt activity.

3. Definitions

Fraud – dishonest, irregular or illegal acts, characterised by a deliberate intent at concealment or false representation, resulting in the diversion of resources, whether or not for personal gain, for the benefit of an individual.

Corruption - lack of integrity or honesty (especially susceptibility to bribery); use of a position of trust for dishonest gain.

For the purposes of clarity in this document, any reference to fraud may be read to also include corruption.

4. Related Policies

- Whistleblowing Policy
- Gifts and Hospitality Policy
- Complaints Policy
- Staff Disciplinary and Dismissal Policy and Procedure

5. Scope

This policy outlines the approach for the prevention, detection, reporting and handling of fraud. Forth Valley College has 5 objectives in our approach to countering fraud:

- **Awareness:** We will prevent fraud by raising awareness of fraud and its safeguards within the College.
- **Prevention:** We will prevent fraud through improving our systems and controls to support our services.
- **Teamwork:** We will prevent fraud by removing silos and working together across the public sector to share information and develop combined approaches to countering fraud.
- **Investigation:** We will handle fraud by being proactive in analysing data to identify areas at risk of fraud, by being effective and professional in our investigations of specific cases and by maintaining a robust whistle blowing procedure.
- **Enforcement:** We will handle fraud by being tough on fraudsters;
 - in relation to employees we will initiate an investigation where there is a suspected breach of this policy, which may lead to disciplinary action and which may result in a finding of gross misconduct, immediate dismissal and reporting to Police Scotland
 - in relation to external parties we will report our concerns to Police Scotland.

This policy applies to:

- All members of staff and members of the College Board of Management;
- All geographical locations and all College functions/services; and
- All third parties, including subsidiaries, agency workers, consultants, suppliers, contractors and overseas agents.

6. Culture

Forth Valley College has a zero tolerance approach to fraud: there is no acceptable level of fraud. There is a role for all members of staff in establishing an effective counter fraud culture by engaging and being alert to the risk of external and internal fraud; identifying suspicious activities and control weaknesses; and reporting any suspicions quickly and appropriately.

Our approach to counter fraud aims to ensure that this zero tolerance culture is maintained and that fraud is effectively managed at all levels of service delivery as follows:

- Committing to clear ethical standards through a formal counter fraud policy.
- Communicating our attitude to fraud by raising awareness of our counter fraud policy to all staff.
- Supporting staff in their responsibilities in preventing and detecting fraud through guidance and training.
- Providing managers with support in designing, operating and reviewing internal controls.
- Maintaining comprehensive procedures for preventing and detecting fraud that must be carefully followed and monitored.
- Protecting members of staff through a confidential process for reporting suspicions of fraud.

- Responding to fraud effectively through a comprehensive Fraud Response Plan.
- Using data and technology from the college systems to combat fraud.
- Sharing knowledge of vulnerabilities and lessons learned through strong communication channels.

7. Leadership

Key determinants of the standards of behaviour in organisations are the standards observed by senior managers, and how these senior managers promote and enforce the organisation's internal policies.

The College's Board of Management and senior managers must therefore ensure that their behaviour is always of the highest standard. The Board will, therefore, produce and disseminate clear policies on:

- Code of conduct;
- Registration and declaration of interests;
- Accepting hospitality and gifts;
- Prosecution of perpetrators of fraud.

Police Scotland advises that prosecution is a particularly effective deterrent because of the risk of a custodial sentence and a criminal record. However, the threat of prosecution only deters if the threat is real. Therefore, each and every fraud case arising should normally be referred to Police Scotland, irrespective of the status of the individual. The decision to involve the police shall be taken by a member of the College's Senior Management Team, Chairperson of the Audit Committee or the Board of Management.

8. Prevention

8.1 System of Control

Appropriate preventive and detective controls should be put in place to counter the risk of fraud. Procedures set up to prevent and detect fraud must be proportional to the risk involved and be carefully followed and monitored.

- **Preventive controls** are designed to limit the possibility of a fraud occurring e.g. separation of duties.
- **Detective controls** are designed to spot errors, omissions and fraud after the event e.g. supervisory checks and reconciliations. Support for managers in establishing appropriate controls is provided by the appropriate finance staff and internal audit.

Managers with responsibility for awarding contracts, making payments, and other financial transactions must ensure they have clear control procedures. It is important that:

There is adequate separation of duties and proper authorisation processes for payments;

- Staff dealing with these procedures are familiar with them;
- Accounting and other records, such as cash balances, bank balances, physical stock counts, are reconciled with the actual position;

- Staff who are bankrupt or insolvent are not employed on duties which might permit the misappropriation of funds.

8.2 Separation of Duties

The risk of fraud can be reduced by ensuring proper separation of duties so that, for example, more than one person has to be involved in ordering, receiving and authorising payments for goods or services.

The separation of key functions forms an integral part of systems control and is essential to minimise the potential scope for irregularity by staff acting on their own. The need for proper separation of duties applies as much to income generation processes as it does to procurement procedures.

Without adequate separation of duties, the effectiveness of other control measures is undermined. Where resources are limited and separation of duties is not possible, alternative management controls – such as supervisory checking must be employed.

9 Responsibilities

9.2 Lines of Responsibility

The Senior Management Team and the Leadership Management Team have functional responsibility for ensuring that fraud and corruption are prevented, and any suspected or known occurrence is immediately reported to the Vice Principal of Finance & Corporate Affairs. The Vice Principal of Finance & Corporate Affairs has overall responsibility for the College's Anti-Fraud & Corruption Policy.

The Director of Finance is responsible for the consistent application of the policy.

9.3 Responsibilities of Board Members

As nominated representatives, all members of the College Board have a duty to protect the College and public money from any acts of fraud and/or corruption. This is achieved through existing practice, compliance with the Code of Conduct for Members, the College's Constitution including Financial Regulations and Policies and relevant legislation. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Board Secretary advises members of new legislative or procedural requirements.

9.4 Responsibilities of the Senior Management Team

The Senior Management Team are responsible for the communication and implementation of this policy. They are also responsible for ensuring that their staff members are aware of the College's policies and procedures, the College's Financial Regulations and Standing Orders and that the requirements of each are being met.

The Senior Management Team are expected to create an environment in which their staff are able to approach them with any concerns they may have about suspected irregularities. Special

arrangements may be applied from time to time, for example, where employees are responsible for cash handling, which should be supported by relevant training, and internal control checks.

The College recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as much as possible, the honesty and integrity of all potential employees. As in other public bodies checks are undertaken for employees working with, or who may have, contact with children or vulnerable adults.

9.5 Responsibilities of the Vice Principal Finance & Corporate Affairs

All suspected instances of fraud or corruption should be reported to the Vice Principal of Finance & Corporate Affairs.

The responsibilities of the Vice Principal of Finance & Corporate Affairs include:

- Making arrangements for the proper administration of the College's financial affairs and shall have the responsibility for the administration of those affairs.
- 'Proper administration' of those affairs encompasses all aspects of College financial management including:
- Compliance with the statutory requirements for accounting and internal audit;
- Managing the financial affairs of the College;
- The proper exercise of a wide range of delegated powers, both formal and informal, as shown in the College's Financial Regulations and specific policies.

Should the suspicions relate to the Vice Principal Finance & Corporate Affairs this should be raised directly with the Principal or in case with of the Principal, with the Chair of the Board of Management.

9.6 Responsibilities of Employees

Each employee is governed in their work by the College's Financial Regulations, and other College policies. Included in the College policies are guidelines on gifts and hospitality, and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the College. In addition, employees are responsible for ensuring that they follow any instructions given to them, particularly in relation to the safekeeping of the assets of the College. Employees are expected always to be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management.

9.7 Role of Internal Audit

Internal audit plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal audit may be requested to investigate cases of suspected financial irregularity, fraud or corruption, in accordance with agreed procedures/requirements. Internal auditors are empowered to:

- Have access at all reasonable times to any College premises or land.
- Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary.
- Have access to records belonging to third parties, such as contractors, if required.

- Require and receive such explanations as are regarded necessary concerning any matter under investigation.
- Require any employee of the College to account for cash, stores or any other College property under their control or possession.

Internal auditors liaise with senior management to recommend changes in procedures to reduce risks and prevent losses to the College. They also have direct access to the Chairs of both the Audit Committee and Board.

9.8 Role of Audit Scotland and External Audit

Independent external audit is an essential safeguard of the stewardship of public money. This is currently overseen by Audit Scotland through specific powers in appointing the College's external auditors. The external auditor's reviews are designed to test (amongst other things) the adequacy of the College's financial systems and arrangements for preventing and detecting fraud and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their attention.

9.9 Role of Students and Public

This policy, although primarily aimed at those within, or associated with, the College, enables concerns raised by college students and the wider public to be investigated, as appropriate, by a relevant College staff member.

9.10 Conflicts of Interest

Board members and employees must ensure that they avoid situations where there is potential for a conflict of interest. Such situations can arise with outsourcing of services, procurement tendering, planning and daily transactions etc. Effective role separation and internal controls will ensure that decisions taken are impartial and avoid questions about improper disclosure of confidential information.

10 Identification and Reporting

External and internal fraud is not always easy to identify. Often suspicion may be raised but it is not acted on and reported. Fraud is often committed where there is:

- **Opportunity** to commit fraud. This is where internal controls are weak and access to assets and information allows fraud to occur.
- **Rationalisation** that justifies fraudulent behaviour, which can be for a variety of reasons. Forth Valley College has a zero tolerance approach to fraud.
- **Motivation** or a need for committing fraud. This can be for financial reasons or other motivating factors.

Managers and staff must always be alert to the risk of fraud, theft and corruption. Danger signs of external fraud include:

- Photocopies of documents when originals would be expected;

- Discrepancies in information e.g. signatures and dates;
- Unexpected queries from stakeholders or suppliers e.g. bank account detail changes;
- Requests for non-standard types of payment;
- Unexpected trends or results e.g. from reconciliations.

Danger signs of internal fraud include:

- Evidence of excessive spending by staff in cash/contract work;
- Inappropriate relationships with suppliers;
- Reluctance of staff to take annual leave;
- Undue possessiveness of, or anomalies between, work records;
- Pressure from colleagues to avoid normal control procedures;
- Abnormal Travel and Subsistence claims, overtime or Flexible Working Hours patterns.

The danger signs highlighted in this policy are not exhaustive and any indication of fraudulent activity should be reported. Managers and staff must always be alert to the risk of fraud, theft, bribery and corruption.

Staff should report any suspicions either to their line managers or the Vice Principal Finance & Corporate Affairs or in their absence another member of the Senior Management Team.

11 Initial Action

11.2 Audit Committee

Once a concern has been raised to the Vice Principal of Finance & Corporate Affairs he/she must then liaise with the appropriate line manager.

When suspected fraud is identified by the College's internal auditors during the course of their regular work programme, the Audit Manager will bring this to the attention of the Vice Principal of Finance & Corporate Affairs.

When an allegation of fraud arises, the Vice Principal of Finance & Corporate Affairs will consult with the Principal and the Chair of the Audit Committee to determine the course of action to be taken.

The Chair of the Audit Committee will inform the Chair of the Board of Management of all instances of fraud, and detail the investigative action to be taken in line with the **Fraud Response Plan (Appendix 1)**.

11.3 Investigation

Following notification of suspected fraud, and after consultation with the Chair of the Audit Committee, the Vice Principal of Finance & Corporate Affairs or the Principal will commence a full investigation into the allegations.

In the interests of a full investigation, the Vice Principal of Finance & Corporate Affairs or Principal will assign the relevant SMT member to oversee the immediate and safe collection of all relevant data, documents and computer records. This information will form the basis of the investigation.

If a suspected culprit is aware that an investigation is in progress, they may try to frustrate disciplinary or legal action by destroying or removing evidence. The Fraud Response Plan shall cater for the immediate suspension, with pay, of personnel under suspicion. Suspects should be given as little notice as possible so that they have no opportunity to destroy or remove property.

As a general rule, either the College's internal or external auditors will be asked to assist in the investigation and submit a report on their findings to the Audit Committee. In the event of a lengthy investigation process, interim reports will be submitted to the Audit Committee.

When, in the opinion of the Chair of the Audit Committee and the Vice Principal of Finance & Corporate Affairs or Principal, there is sufficient evidence to suggest that a crime may have been committed, Police Scotland shall be notified immediately. The College will seek Police Scotland advice on how best to proceed with the investigation in a manner that will not impair any future Police enquiry.

The Vice Principal of Finance & Corporate Affairs or Principal will be responsible for referring suspected fraud to Police Scotland and will nominate a main point of contact between the College and the Police Scotland.

Appendix 1 - 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 irregularity. The use of the plan should enable the College to:

- Prevent further loss;
- Establish and secure evidence necessary for criminal and disciplinary action;
- Notify the Scottish Funding Council, if the circumstances are covered by the mandatory requirements of the Audit Code of Practice;
- Recover losses;
- Punish the culprits;
- 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 personnel with a need to know suitably informed about the incident and the institution's response;
- Inform the police and establish lines of communication;
- Assign responsibility for investigating the incident;
- Establish circumstances in which external specialists should be involved; and
- Notifying the Office of the Scottish Charity Regulator (OSCR)

2. Initiating Action

All actual or suspected incidents should be reported without delay to the Vice Principal of Finance & Corporate Affairs or in his/her absence another member of the Senior Management Team (SMT). If the allegations are against a member of the SMT, then the Chair of the Board or the Chair of the Audit Committee should be contacted.

The Vice Principal Finance & Corporate Affairs (or other appropriate person) shall, normally within 24 hours, meet with the Principal to decide on the initial response, and on the action to be taken. This will normally be an investigation, led by the internal auditor. Where necessary legal advice will also be sought.

The decision to initiate a special investigation shall constitute authority to the internal auditor to use time provided within the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

The College's external auditors should be informed of the suspected fraud and kept apprised of the work of the above.

3. Prevention of Further Loss

Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Vice Principal Finance & Corporate Affairs will consider how to prevent further loss. This may require the suspension, with pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the destruction or removal of evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the College. Any keys to premises, offices and furniture should be returned to the College.

The Head of IT and Head of Estates should be asked to advise on the best means of denying access to the College and its ICT systems, while suspects remain suspended (for example by changing locks and informing facilities staff not to admit the individuals to any part of the premises).

The internal auditor shall consider whether it is necessary to investigate systems other than those which have given rise to suspicion, through which the suspect may have had opportunities to misappropriate College assets.

4. Establishing the Facts and Securing Evidence

A major objective in any fraud investigation will be to establish the facts and facilitate appropriate disciplinary action as well as to act as a deterrent to other potential perpetrators. The College will instigate the disciplinary investigation procedures on any member of staff who is alleged to have committed fraud. The College will normally pursue the prosecution of any such individual.

The Vice Principal Finance & Corporate Services in conjunction with the internal auditor will:

- Ensure that evidence requirements will be met during any fraud investigation;
- Establish and maintain contact with Police Scotland; and
- Ensure that members of staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

5. Notifying the Scottish Funding Council (SFC)

The circumstances in which the College must inform the SFC, about actual or suspected frauds are detailed in the Audit Code of Practice.

6. Recovery of Losses

Recovering losses is a major objective of any fraud investigation. The internal auditor shall ensure that in all fraud investigations, the amount of any loss will be 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 the suspect's assets through the Courts, pending conclusion of the investigation. Legal advice should also be obtained about the prospects for recovering losses through the Civil Court, where the perpetrator refuses to make repayments. The College would normally expect to recover costs in addition to losses.

7. Responsibility for Investigation

The internal auditor shall normally lead all fraud investigations. Management shall not normally undertake fraud investigations, although management should co-operate with requests for assistance from internal audit.

Some special investigations may require the use of technical expertise, which the internal auditor does not possess. In these circumstances, the Vice Principal Finance & Corporate Affairs may approve the appointment of external specialists to lead or contribute to the special investigation.

8. Reporting to the Board of Management

Any variation from the approved Fraud Response Plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the Board and the Audit Committee.

On completion of a fraud investigation, a written report shall be submitted to the Audit Committee. If fraud has been established, then the report shall contain:

- A description of the incident, the people involved, and the means of perpetrating the fraud;
- The measures taken to prevent a recurrence;
- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action, if already initiated;
- Progress with criminal action, if already initiated;
- Actions taken to prevent and detect similar incidents.

The internal auditor will normally prepare this report

9. References for Employees Disciplined or Prosecuted for Fraud

The College's Policy on the Provision of Employee References shall include 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 the Vice Principal Finance & Corporate Affairs.