POLICY SCHEDULE

<table>
<thead>
<tr>
<th>Policy title</th>
<th>Counter-Fraud Policy and Fraud Response Plan</th>
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<tbody>
<tr>
<td>Policy owner</td>
<td>Director of Finance, <a href="mailto:R.A.Spencer@sussex.ac.uk">R.A.Spencer@sussex.ac.uk</a>, Tel 01273 678307</td>
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<tr>
<td>Approving body</td>
<td>Audit Committee</td>
</tr>
<tr>
<td>Date of approval</td>
<td>19 July 2017</td>
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<tr>
<td>Related legislation</td>
<td>Theft Acts</td>
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<td>Responsibility for review</td>
<td>This policy will be reviewed annually by the Director of Finance for fitness of purpose and after each use of the Fraud Response plan. Amendments will be approved by Audit Committee.</td>
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1. Introduction

This document sets out the University’s policy concerning fraud and procedures for dealing with suspected cases of fraud. It includes instructions about what to do should any fraud-related concerns arise.

The policy is supported and endorsed by senior management and Council, the University’s governing body.

2. The scope of this policy

The policy applies to all parties associated with the University in a paid or unpaid capacity including staff, students, contractors and other third-parties delivering services to the University whether or not these are remunerated.

3. The objectives of this policy

In common with most organisations, the University seeks to adopt a multi-faceted approach to fraud. The eight key objectives of the University’s counter-fraud policy are:

- Establishment of a counter-fraud culture
- Maximum deterrence of fraud
- Active and successful prevention of any fraud that cannot be deterred
- Rapid detection of any fraud that cannot be prevented
- Full investigation of any detected fraud using specialist expertise as required
- Effective internal and external actions and sanctions against people found to be committing fraud, including legal action for criminal offences
- Effective communication and learning in relation to fraud, and
- Effective methods of seeking redress when/where fraud has been perpetrated
4. **Definition of fraud for the purposes of this policy**

The term fraud is a broad and widely-used term to describe a number of fraudulent-type activities that include theft, false accounting, misappropriation, bribery, corruption, deception and collusion.

For the purposes of this policy the University defines fraud as follows:

“Any action deliberately designed to cause loss to the University, or to obtain any unauthorised benefit, whether or not this is received personally or by others.”

At a practical level, fraud is deemed to be deliberate intent and not unintentional error.

For the purposes of this policy references to fraud refer to fraud and financial irregularity.

The main types of financial irregularity are:

- **Theft**: this includes the removal and/or misuse of funds, assets or cash (although prosecuted under specific theft legislation, theft is considered as a fraud within the scope of this policy).

- **False accounting**: dishonestly destroying, defacing, concealing or falsifying any account, record or documents required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the University or subsidiary or furnishing information which is or may be misleading, false or deceptive.

- **Abuse of position**: where fraud is committed by a person or people by virtue of their position, or authority where they are expected to safeguard the University’s financial interests or not act against those interests.

Whilst they can be very varied in nature, some examples of financial irregularities within the University context include, but are not limited to:

- Abuse of the expenses process and system
- Use of the University logo and/or letterhead for personal financial gain
- Abuse of the research grants, including misrepresentation and/or ‘siphoning’ of funds for personal gain
- Abuse of procurement processes
- Payroll fraud
- Conflicts of Interest leading to financial gain

This policy does not apply to fraud with academic implications which is addressed in the Academic Misconduct Policy or non-financial employment fraud such as falsification of references which is addressed through the University Disciplinary Policy.

5. **Counter-fraud policy**
The University is committed to the highest standards of honesty, accountability, probity and openness in its governance and to the proper use of funds, both public and private.

The University is committed to, and will uphold, all laws relevant to countering fraud and corruption.

The University has zero tolerance towards fraud or any form of dishonesty in its transactions in the UK and overseas.

As a direct consequence of this, the University is committed (i) to reducing fraud associated with any of its activities, operations and locations to the absolute practical minimum and (ii) to the robust investigation of any fraud issues that should arise.

The University’s approach to counter-fraud will be comprehensive, cost-effective and professional, using specialist expertise if, as and when required.

Any investigation of fraud will be conducted without regard to factors such as position, title or length of service.

Where any acts of fraud or corruption are proven, the University will make every endeavour to ensure that the perpetrator(s) are dealt with to the full extent of the law and University Disciplinary Procedure or contractual processes where a third-party is involved) and will also take every step to recover any and all losses in full.

6. The University's expectations in relation to fraud

The University will not tolerate fraud or any form of dishonesty in its transactions, and expects the following standards of conduct and behaviour:

- All its members (staff, managers, Council members and students) should behave in a fair and honest way in any dealings related to the institution. This applies equally to both internal conduct, and also externally in relation to our suppliers, partners and other business associates.

- All staff and managers to apply themselves diligently to their work and the execution of their duties. Specifically to have due regard to the need to rigorously apply those internal controls, rules and regulations which are designed to prevent, deter and detect fraud.

- As well as operating within the law and any specific agreements or contracts, all external organisations dealing with the University, must conduct themselves in accordance with normal ethical business standards consistent with our Charitable status and public-sector funding.

- Any member, supplier, partner or associate to promptly report all legitimate concerns about suspected fraud or financial irregularity according to the provision of the University fraud response plan at appendix 1 to this policy. The University will treat all such concerns raised in the strictest of confidence.

7. Responsibilities
The University’s Financial Regulations set out a number responsibilities with direct relevance to this policy.

Compliance with the Financial Regulations is compulsory for all members of staff and others connected with the University including those not directly employed by the University but who have responsibility for the administration or management of University funds, for example visiting and honorary staff, contract staff and contractors’ staff acting on behalf of the University. Members of Council and co-opted members of Council Committees are also required to comply with the Financial Regulations.

Key roles and responsibilities are as follows:

7.1 University Council

In addition to individual responsibilities of its members, the Memorandum of assurance and accountability between HEFCE and institutions, and related guidance from HEFCE requires that Council ensures, *inter alia*, that the University has a robust and comprehensive system of risk management, control and corporate governance. With regards to this policy this should include the prevention and detection of corruption, fraud, bribery and irregularities.

7.2 University Vice Chancellor

The Vice-Chancellor, as the Accountable Officer appointed by Council, is the principal academic and administrative officer of the University and is responsible to Council for all financial administration.

7.3 Director of Finance

The Director of Finance exercises delegated financial authority from the Vice-Chancellor as set out in the Council Scheme of Delegation.

The Director of Finance is responsible for issuing the Financial Regulations on the directions of the Vice-Chancellor and for issuing and updating financial policies and procedures that set out directions for the application of the Financial Regulations.

The Director of Finance will advise the Heads of School and Directors of Professional Services in executing their financial management and monitoring responsibilities and provide them with such information as is necessary to enable them to carry out their responsibilities.

In the context of this policy the Director of Finance is responsible for the maintenance and review of this policy and associated procedures, the investigation of potential fraud and the provision of training and other resources to enable compliance with this policy.

Where the Director of Finance considers a breach of the Financial Regulations to be serious they will report to the Vice-Chancellor and to the Audit Committee as appropriate. Council will be notified of any such breach through the Audit Committee.
The Fraud response plan (Appendix 1 to this policy) sets out the specific responsibilities for reporting suspected or actual fraud to Audit Committee and to HEFCE.

### 7.4 Heads of Schools, Directors of Professional Services and other Managers and Budget Holders

By virtue of their positions of leadership within the University, Heads of School and Directors of Professional Services are responsible for the proper application of resources and for financial management within their area of responsibility including ensuring that day-to-day monitoring is undertaken effectively in order to ensure the propriety of transactions.

In the context of this policy there is a responsibility for Heads of Schools and Directors of Professional Services to ensure adequate anti-fraud risk assessment and to ensure staff and managers are appropriately trained and supported to meet their responsibilities under this policy.

All managers and budget holders, including Heads of School and Directors of Professional Services have a responsibility to ensure compliance with the University’s approved systems of financial controls in their areas of financial responsibility. They should also advise and support staff or third parties who report any fairly based suspicions of fraud or corruption in their areas to them and to ensure that suspicions are properly reported through the appropriate University channels.

### 7.5 Members of staff and others connected with the University

The University Financial Regulations state that all members of staff of the University and others connected with the University have a responsibility for the security of the University’s property, for avoiding loss, for being efficient in the use of resources and for ensuring value for money in the University’s transactions. They must comply with the approved systems of financial controls and ensure that they have a full understanding of their responsibilities and seek training or guidance where required.

In the context of this policy this includes a responsibility for the prevention and detection of fraud and to report any fairly based suspicions of fraud or corruption through the appropriate channels.

### 7.6 Internal and External Auditors

In the context of this policy the role of internal and external audit includes the review of controls and systems and ensuring compliance with financial instructions. Both Internal and External Audit have a duty to pass on any suspicions of fraud, bribery or corruption to the relevant individuals in the University. In the first instance this will usually be the Director of Finance. The outcome of any investigation may necessitate further work by internal or external audit to review systems.

### 8. Raising concerns regarding suspected fraud and corruption
Where there is suspicion that fraud or corruption has occurred, or is about to occur, then it is essential that the appropriate person within the University is contacted immediately in accordance with the University’s fraud response plan at Appendix 1 to this policy.

Guidance for staff, managers and others who have concerns regarding a potential fraud is included at Appendix 2 to this policy.

9. **Investigation and reporting of fraud**

The Fraud Response Plan at Appendix 1 to this policy sets out the process that will be followed to investigate the suspicion and the circumstances in which notifications will be made to Audit Committee and Council, the Internal and External Auditors and to HEFCE.

10. **Dissemination of this policy**

It is essential that everyone associated with the University – including staff, students, contractors and third-parties - are aware of the risk of fraud, corruption, theft and other activities involving dishonesty, in all its forms, of their responsibilities and the consequences of fraudulent behaviour or actions.

This policy is published on the University website maintained by the Director of Planning, Governance and Compliance and is available through the external University website.

The policy can be accessed directly via the electronic version of the University Financial Regulations and through the University Fraud Awareness e learning module.

Fraud awareness raising for staff and students will be carried out through periodic ‘hints and tips’ and case studies published through University communication routes, including signposting to this policy and the associated e learning.

Heads of Schools, Directors of Professional Services will be reminded of their responsibilities under this policy on an annual basis through communication by the Finance Division.

Fraud Awareness e learning is published and maintained by the Director of Finance and is strongly recommended to all staff within the University and especially to all senior staff, officers and budget holders and other third parties associated with the University in a paid or unpaid capacity including students, contractors and others delivering services to the University, whether or not these are remunerated.

The University procurement function will draw this policy to the attention of existing and new suppliers to the University as appropriate.

11. **Review of this policy**
This policy will be reviewed annually by the Director of Finance to ensure its continuing effectiveness and also after each use of the Fraud Response plan.

Amendments will be approved by Audit Committee.

12. **Appendices to this policy**

The following appendices should be read in conjunction with this policy

Appendix 1 - Fraud response plan

Appendix 2 - Dos and Don'ts for staff, students and others identifying a potential fraud against the University
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PURPOSE

1. The use of the Fraud Response Plan will enable the University to:

   Establish an effective response to the suspected fraud or irregularity
   • assign responsibility for investigating the incident;
   • establish the circumstances in which external specialists should be involved; and
   • notify the Police where appropriate and establish lines of communication with them.

   Safeguard its assets
   • prevent or minimise further loss;
   • recover losses that have already occurred; and
   • review the reasons for the incident, the measures taken to prevent a recurrence; and any action needed to strengthen future responses to fraud.

   Ensure consistent and appropriate consequences for the perpetrators
   • establish and secure evidence necessary for criminal and disciplinary action; and
   • deal with requests for references for employees disciplined or prosecuted for fraud.

   Ensure consistent and appropriate reporting to stakeholders
   • keep all personnel with a need to know suitably informed about the incident and the institution's response; and
   • comply with the requirements of the HEFCE Memorandum of assurance and accountability.

STATUTORY AND GOOD PRACTICE CONTEXT

2. This Plan has been drawn up in the context of the following statutory and good practice guidance:

   • The Crown Prosecution Service provides detailed guidance on the law relating to fraud, including guidance on what prosecutors will look for in assessing whether to prosecute for fraud, on its website at http://www.cps.gov.uk/legal/d_to_g/fraud_act/
   • HEFCE has developed and maintains an online portal containing information about the processes and policies it follows when dealing with allegations, incidents and fraud in the higher education sector at http://www.hefce.ac.uk/reg/Notifications/Fraud,updates/
   • The British Universities Finance Directors Group (BUFDG) has developed a Counter-fraud toolkit containing a collection of higher education sector specific resources produced by its Counter-Fraud Working Group and a range of other collaborators from across the sector at http://www.bufdg.ac.uk/fraud/toolkit

FRAUD RESPONSE PLAN - STAGE 1

Activation of Stage 1

3. Stage 1 of this plan is activated through the identification and reporting of suspected fraud to the Director of Finance, Chief Operating Officer or Vice Chancellor (in accordance with paragraphs 5, 6 and 7)

4. Identification and reporting may arise from several different means including:
Fraud Response Plan

- The University Financial Regulations requirement (section 2.3) that members of staff, students or members of Council suspecting fraud or financial irregularity in the University should report it as soon as possible to the Director of Finance or the University Chief Operating Officer;
- The University's procedure on raising concerns ('whistleblowing' policy);
- The operation of effective systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures; and
- The work of the internal auditors, in reviewing the adequacy and effectiveness of the internal control systems.

5. Where suspicion of fraud or financial irregularity is captured through any route, including those set out above, it should be reported as soon as possible to the Director of Finance.

6. If any suspected fraud or financial irregularity relates personally to the Director of Finance, or the Director of Finance is unavailable, members of staff, students or members of Council should refer the matter to the University Chief Operating Officer.

7. If the suspected fraud or financial irregularity relates personally to the Director of Finance and the University Chief Operating Officer, members of staff, students or members of Council should refer the matter to the Vice Chancellor or the Deputy Vice Chancellor.

8. References within the remainder of this Fraud Response Plan to the Director of Finance refer to either the Director of Finance or the University Chief Operating Officer or the Deputy Vice-Chancellor depending on who contact has been made with under paragraphs 5, 6 and 7 above.

Action Plan

9. The Director of Finance will undertake a preliminary investigation in order to gather factual information and reach an initial view as to whether further action is required.

10. The findings, conclusions and any recommendations arising from the preliminary investigation will be considered by the Director of Finance who will determine the response based on a risk assessment of the known facts.

11. If it is assessed that a fraud has not taken place and that there have been no real losses then it is likely that no further action is required. If the action taken establishes that it is likely that a fraud has taken place then Stage 2 of the Fraud Response Plan, as set out in the remainder of this document, will be activated.

FRAUD RESPONSE PLAN – STAGE 2

Activation of Stage 2

12. Stage 2 of the Fraud Response Plan is activated where a preliminary investigation carried out under Stage 1 indicates it is likely that a fraud has taken place.

Action Plan

13. The Director of Finance will notify the Internal Audit Partner and agree appropriate action. This may include:
Fraud Response Plan

- A full investigation which will be led by an Investigating Officer nominated by the Director of Finance and who may be the Internal Audit Partner. The investigating team might include representatives from other specialist areas. The Director of Human Resources should be included where an investigation could lead to disciplinary action against a member of staff.
- Suspension of a member of staff and/or disciplinary action, under the guidance of the Director of Human Resources.
- Notification to the Police.
- Action against those determined to have carried out a fraud.

14. The Internal Audit Partner will also consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate University assets.

15. The Director of Finance will advise the Vice Chancellor and the Chair of Audit Committee whenever Stage 2 of the Fraud Response Plan is invoked and
   - it appears that the potential value of the fraud may be considered significant under the HEFCE definition (fraud of £25,000 or higher); or
   - the Director of Finance and the Head of Internal Audit consider this to be appropriate. For example where there is notification to the Police or suspicion of widespread or systematic irregularities; or
   - in specific circumstances specified in the University’s Financial Regulations.

16. The HEFCE Memorandum of assurance and accountability (ref 2014/12, paragraph 57) sets out that the Vice Chancellor is required to report significant fraud to all of the following without delay:
   - Chair of Audit Committee
   - Chair of Council
   - Internal Auditor
   - External Auditor
   - HEFCE chief executive

17. The University does need to know the identity of the person who is reporting a suspected fraud or financial irregularity. However, if an individual wants to raise a concern confidentially, the University will make every effort to keep his/her identity confidential during and after the investigation.

SAFEGUARDING OF UNIVERSITY ASSETS

18. Where the Stage 2 investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Director of Finance (as advised by the Investigating Officer) will decide how to prevent further loss. This may require the suspension, with or without pay, of the member(s) of staff suspected.

19. The Director of Finance will ensure that, where possible, the amount of any loss will be quantified for all fraud investigations. Repayment of losses will be sought in all cases.

20. Where the loss is substantial, legal advice will be obtained without delay about the options available. The University would normally expect to recover costs in addition to any losses.
CONSEQUENCES OF FRAUDULENT ACTIVITY

21. Where any fraud is committed against the University, consideration will always be given to seeking the appropriate sanctions against those responsible. This will include reporting criminal conduct to the police disciplinary action against staff or other appropriate measures through legal and/or civil means.

22. Any requests for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Director of Human Resources. The Human Resources division shall prepare any answer to such a request.

REPORTING

Reporting by the Investigating Officer

23. The Investigating Officer will provide periodic confidential reports during the investigation to the Director of Finance summarising:

- Circumstances surrounding the case, contributing factors etc;
- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action;
- Progress with criminal action;
- Estimate of resources required to conclude the investigation; and
- Actions taken to prevent and detect similar incidents.

Reporting by the Director of Finance

24. Where the matter has been notified to the Chair of Audit Committee and Vice Chancellor (VC) under paragraph 18 the Director of Finance will provide confidential updates summarising the information above. In all cases the Director of Finance will continue to consider on an ongoing basis the need to inform the Chair of Audit Committee and Vice Chancellor (VC) and others including the External Auditors, Director of Communications or Director of Human Resources.

Reporting by the Vice Chancellor

25. The HEFCE Memorandum of assurance and accountability (ref 2014/12, paragraph 57) sets out that the Vice Chancellor is required to report significant fraud (defined as fraud of £25,000 or higher) to all of the following without delay:

- Chair of Audit Committee
- Chair of Council
- Internal Auditor
- External Auditor
- HEFCE chief executive

Reporting to Audit Committee

26. Regular reporting to each meeting of Audit Committee within the appropriate standing agenda item will include the outcome of each investigation completed under Stage 2
Fraud Response Plan

of this plan. The report will include:

- a description of the incident, including the value of any loss, the persons involved, and the means of perpetrating the fraud;
- the measures taken to prevent a recurrence; and
- any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

27. The content of this report will normally be prepared by the Investigating Officer and presented by the Director of Finance.

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

REVIEW OF THE FRAUD RESPONSE PLAN

29. This plan will be reviewed by the Director of Finance for fitness of purpose annually and after each use. Changes will be reported to the Audit Committee for approval.
Appendix 2 - Dos and Don'ts for staff, students and others identifying a potential fraud against the University

Things to do:

- Stay calm - remember you are a witness not a complainant
- Consider the possible risks and outcomes of any immediate action you may take
- Make sure that your suspicions are supported by facts, as far as is possible at this stage
- Remember that you may be mistaken or there may be an innocent or good explanation - but this will come out in any investigation
- If possible, write down your concerns immediately - make a note of all relevant details such as what was said in phone or other conversations, the date, the time and the names of anyone involved
- If possible, retain or copy any relevant document(s). This holds documents for use in any subsequent investigation and avoids any documents being accidentally - or purposely – destroyed
- Remember that the response and investigation process may be complex and relatively lengthy. Dependent on the circumstances you may not be advised of the outcome. Moreover, the situation may lead to a period of disquiet or distrust in the University despite you having acted in good faith.

Things not to do:

- Don’t become a private detective and personally conduct an investigation or interviews
- Don’t approach the person/persons potentially involved (this may lead to conflict, violence, destruction of evidence etc.)
- Don’t discuss your concerns with anyone other than those persons nominated in your area of responsibility.
- Don’t contact the Police directly - that decision is the responsibility of senior University officers.
- Don’t use the process to pursue a personal grievance

Managers who receive a report of a potential fraud should:

- Listen to the concerns of the person making the report and treat every report seriously and sensitively. Make sure that those concerned are listened to with respect and in an appropriate environment, bearing in mind that they could be distressed, upset and/or frightened
- Reassure them that they will not suffer because they have told you of their suspicions, as long as they are made in good faith
- Advise the person concerned to raise their concerns through the University ‘raising concerns’ process and support them in doing this, if you feel that is warranted. In some urgent cases it may be necessary to follow an ‘emergency route’ in which case it may be appropriate to support them in doing this dependent on the circumstances.
- Get as much information as possible in the circumstances. Do not interfere with any evidence and make sure it is kept in a safe place
- Ask the person raising the issue to keep the matter fully confidential in order that it can be investigated without alerting the suspected/alleged perpetrator

Managers should not in any circumstances suspend any member of staff without direct advice from Human Resources and other appropriate person(s).