LIVERPOOL HOPE UNIVERSITY

Financial and Other Irregularities, including Fraud:

Policy and Procedures

Approved by:	**University Council**
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CONTENTS

Section

1. Policy

2. The Fraud Act (2006)/Definitions

3. Notification of suspected irregularity

4. Initial investigation

5. Subsequent investigation

6. Notification to external bodies

7. Notification to University Council and the Audit Committee

8. References for employees dismissed in connection with irregularities

9. Managing Public Relations

10. Recovery of losses

11. Improvements to systems

Appendix 1 List of contacts

Appendix 2 The Advantages of suspension

Appendix 3 Procedures for the conduct of interviews

Appendix 4 Proceeds of Crime Act 2002 and Money Laundering

1. POLICY

1.1 Liverpool Hope University is committed to the values of probity and accountability and requires all staff, at all times, to act honestly and with integrity and to safeguard the resources for which they are responsible.

1.2 The University's management is responsible for the prevention, detection and investigation of irregularities in the event of fraud and corruption and for the implementation of systems of internal control to minimise the risk of fraud and other irregularities within the area of their responsibility. To this end management must assess the types of risk involved, regularly review and test the control systems and ensure that controls are being complied with and continue to operate effectively.

In establishing and maintaining effective controls it is generally desirable that:-

- wherever possible, there is a separation of duties so that control of a key function is not vested in one individual.
- backlogs are not allowed to accumulate.
- in designing new systems, consideration is given to building in proper safeguards against internal or external fraud.
- there is clear definition of responsibility and authority delegated to heads of academic and support areas within the University.
- there is a comprehensive planning process supported by operational plans and budgets which are reviewed regularly and updated as necessary.
- an effective internal audit function complements an audit committee which approves the annual audit programme.

To address these matters the University has established a framework of internal control to deter fraud/corruption that includes:-

1. Documented Financial Regulations
2. Purchasing Policy and procedures including tendering procedures and the use of approved suppliers
3. Maintaining a register of interests
4. Procedures for preventing student finance fraud
5. The establishment of an Audit Committee of University Council with responsibility to keep under review the effectiveness of the risk management, control and governance arrangements.

6. Internal Audit
7. External Audit

Any system of control can only provide reasonable, but not absolute, assurance against fraud, corruption or other irregularity which may arise.

1.3 As part of its overall concern for high standards of integrity and probity, the University must be willing to receive and investigate complaints and allegations in respect of fraud or irregularity. Even though such matters may occur infrequently it is important that all staff are aware of the steps which are to be followed where there are allegations or suspicions of fraud, corruption or other irregularity.

1.4 The University will invoke Disciplinary Procedures against any member of staff or student who has committed fraud. This document should be read in conjunction with the University's Code of Conduct and Declaration of Interests, Code of Practice on Whistleblowing, Anti-Bribery Policy and in cases which involve, or may involve, students, the Code of Student Discipline.

2. THE FRAUD ACT (2006) and DEFINITIONS

2.1 The Fraud Act (2006) consolidated the law concerning fraud by creating a specific offence of fraud, which is split into three principal categories – Fraud by false representation; Fraud by failing to disclose information and Fraud by abuse of positions. Other offences include possession of articles for use in frauds, participating in fraudulent business and obtaining services dishonestly. The Act mad it easier to prosecute defendants as it focuses on what the perpetrator intended rather than what necessarily resulted which is a major change of emphasis in the law.

The key factor is that the actions are intentional and dishonest.

For detailed information regarding the Fraud Act 2006, please refer to

The Crown Prosecution Service - www.cps.gov.uk/legal/section8/chapter_d.html

The Office of Public Sector Information - www.opsi.gov.uk/acts/acts2006/ukpga_20060035_en_1

2.2 For the purposes of this Policy, fraud encompasses

i. Dishonestly appropriating the property of the University with the intention of permanently depriving the University of it.

ii. Dishonestly destroying, defacing, concealing or falsifying any account, record or document for any accounting purpose, with a view to personal gain or gain for another, or with intent to cause loss to the University, or furnishing information which may be misleading, false or deceptive

iii. Offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person with the intention of obtaining an advantage avoiding an obligation or causing a loss to the University or another party

iv. Any breach of the standards of financial integrity required by the University, including a breach of the Financial Regulations.

v. Falsifying or otherwise making dishonest, misleading or deceptive statements or claims on application forms or supporting documentation for study, employment or contracts with the University.

2.3 Fraud has to be distinguished from innocent, albeit inappropriate actions, which could give rise to losses to the University. This policy recognises that there are also dishonest actions that may not be regarded as criminally fraud but which involve grossly inappropriate use of University funds such as higher than necessary expenditure being claimed for travel and subsistence in connection with the University's activities at home or on overseas trips. While these may not lead to criminal charges, the University would take action under its own disciplinary procedures and they are therefore included within the general application of this policy.

Where criminal actively is involved the University will refer the matter to the police.

3. NOTIFICATION OF SUSPECTED IRREGULARITY

3.1 All members of staff, students or members of University Council are required to raise concerns they may have regarding any fraud or irregularity to have been carried out by a supplier to the University, any employee, student or customer of the University.

3.2 Suspected irregularity may be discovered in a wide variety of ways, but in all cases it is important that each member of staff feels able to report their concerns in confidence and that they are aware of the means by which they are able to do so.

3.3 An individual who suspects wrongdoing should, on no account, conduct their own investigations or interviews.

3.4 Where an individual has reasonable grounds to believe that irregularities, as defined in section 2 above, are occurring or have taken place, they are able to report concerns (preferably in writing) in the following main ways:-

i) To line management

If a member of staff discovers or suspects an irregularity then it must be reported to their line manager (at least Head of Department or Director level) who will report to the University Secretary as a matter of urgency. The University Secretary will bring this to the attention of the Vice-Chancellor and Rector and the line manager will make a report to the Vice-Chancellor & Rector who will act upon all reports in the first instance following the procedures set out within this policy.

ii) To University Secretary

In some cases a member of staff who discovers or suspects an irregularity may prefer to report their suspicion to an independent officer and in all cases other than 3.4iii below, this would be the University Secretary. The University Secretary will then inform the Vice-Chancellor and Rector as per 3.4i.

iii) To the Chair of the Audit Committee

In cases of **extreme** concern (e.g. allegations involving the Vice-Chancellor & Rector or the University Secretary), the notifying employee may report their suspicions to the Chair of Audit Committee. This must be in writing giving all necessary details. The Chair of the Audit Committee will appoint either the Vice-Chancellor & Rector or the University Secretary to lead the investigation, or in allegations involving both of those postholders, the Pro Vice-Chancellor (Resource Management & Planning). In such cases, it is essential that the Chair of University Council and Internal Audit are informed at the outset.

Please see Appendix 4 for additional reporting procedures where money laundering is suspected.

Where the allegation concerns a student, please refer to the Code of Student Discipline.

3.5 A list of contact points can be found in Appendix 1.

Should a situation arise where one or more of the officers referred to above are the subject of a possible or actual enquiry regarding an irregularity, they will not have any involvement in the procedures outlined regarding reporting or investigating.

3.6 Whichever path is followed, when reporting incidents or suspicions staff should provide as much detail as possible to assist an investigation. The detail should include:-

- who is involved
- when did the alleged incident(s) take place
- what irregularity has occurred, and
- what additional detail can be provided to assist the investigation

3.7 No allegation will be dealt with where the allegation is received anonymously and the University has adopted a Code of Practice on Whistleblowing which protects staff who wish to make a disclosure.

3.8 Any person making an allegation is guaranteed that the allegation shall be regarded as confidential to the receiver until a formal investigation is launched. Thereafter, the identity of the person making the allegation may be kept confidential, if requested, unless this is incompatible with a fair investigation, or if there is an overriding reason for disclosure (for example, if police involvement is required).

3.9 Provided the allegation has been made without malice and in the public interest, and in the reasonable belief that the allegations are true, the employment position of the person making the allegation will not be disadvantaged for reasons of making the allegation. Where a subsequent investigation finds that deliberately false and malicious accusations have been made, this may be dealt with under the University's disciplinary procedures. Every reported incident will be dealt with fairly, rigorously, and in strictest confidence. However, as described within the Whistleblowing policy, the University accepts no liability for the consequences of unfounded allegations, nor can the University provide protection from civil suit should the allegations be disproved and the aggrieved party takes civil action.

3.10 If during the course of an internal investigation senior management inform the police of the circumstances, the investigation may then proceed simultaneously with the police investigation. All employees are expected to co-operate fully with the police and any subsequent lawful request by them for information.

3.11 All proven incidents of fraud by employees of the University will result in summary dismissal and may lead to prosecution.

4. INITIAL INVESTIGATION

4.1 Once irregularity is suspected it is essential that any investigation is conducted in a professional manner.

4.2 All telephone calls, verbal allegations, letters or other forms of communication that suggest that fraudulent activity has occurred must be logged by the person receiving the information. The minimum detail required:-

- Date
- Time
- Method of communication E.g. whether a written communication (letter), email or verbal communication
- Nature of the allegation

4.3 Whoever receives the initial approach, the University Secretary must be notified immediately when an allegation has been received (whether the incident is to be pursued or not).

In cases which involve or may involve students, the Dean of Students will be informed by the University Secretary at the outset of the investigation.

4.4 For each allegation the most senior manager who is responsible for the area concerned and the University Secretary will appoint an "investigating officer" to take charge of the investigation on a day to day basis. The appointment of an appropriate investigating officer will be determined by the University Secretary on its merits depending upon the circumstances of the allegation considering the seriousness and complexity of the allegation. In lesser cases it may be appropriate for the investigating officer to be a manager within the relevant Faculty or Administrative Support area. However, complex and more serious allegations will usually be investigated by a Senior Manager. Where the investigation involves a student, refer to the Code of Student Discipline.

4.5 At this stage there is a need to assess whether there is a requirement for any member of staff to be suspended from duty or where the allegation involves a student, whether the student should be suspended. The decision to suspend an employee will be taken by the Vice-Chancellor & Rector , taking into account the

advice of the investigating officer and the Director of Personnel (See Appendix 2). If an employee is not suspended initially this aspect should be kept under review at all stages of the ensuing investigation. Whenever a member of staff is suspended from duty they will be informed of the reasons for their suspension.

It should be borne in mind that the suspension of an employee is **not** to be regarded as a disciplinary measure but as a means of carrying out further enquiries. It should be implemented only to enable a thorough investigation of the facts and/or where it is clearly undesirable for the employee to remain on duty.

Where the investigation involves a student, refer to the Code of Student Discipline.

4.6 The investigating officer will conduct an initial fact finding exercise. This will include:-

- arranging to interview staff (see 4.9 below)
- confirming events such as dates / times / staff involved
- identifying a course of action
- identifying the reporting process, ensuring that confidentiality is maintained

4.7 The investigating officer must open a file to record details of the facts and circumstances relating to the suspected irregularity. The file should be indexed and record details, no matter how insignificant they might appear, including details of:-

- telephone conversations
- face-to face-discussions / interviews
- a record of documents / computer files reviewed
- tests undertaken with results and conclusions drawn

Files must be marked confidential and must be held securely at all times. Where detail of allegations and any subsequent investigation are held digitally they must be password protected and file name(s) must not identify either the names of individuals or the nature of the allegation(s).

4.8 It is important at this stage to secure all relevant evidence so as to ensure it is not subsequently altered or destroyed. This should include:-

- prime documents
- certified copies of documents
- physical items
- computer data

NB The forensic examination of the digital contents of a computer is a skilled job and special procedures, techniques and tools are required to ensure that any information retrieved can be presented as evidence. Where computer/digital data is required as evidence, expert assistance should be sought.

4.9 As part of this process the employee(s) against whom allegations have been made will usually be interviewed and have the right to be accompanied by a representative. In any discussions with the employee(s) it should be stressed that, at this stage, the investigating officer is carrying out a fact finding investigation. The employee(s) will be told what allegations are being investigated; they will also be advised that, dependent on the outcome of the enquiry, a formal disciplinary hearing and/or the involvement of the police may be necessary.

4.10 At the conclusion of the initial investigation it will be appropriate to produce an interim report which will provide sufficient detail to allow an assessment to be made as to whether an irregularity has occurred. The interim report should:

- be addressed to the University Secretary and copied to the Vice-Chancellor & Rector.
- set out the findings to date
- set out the interim conclusions drawn from those findings
- seek approval to continue the investigation if this is considered appropriate

4.11 If it is decided to continue the investigation then future reporting arrangements and any changes to the original plan of action should be confirmed in writing by the University Secretary.

5. SUBSEQUENT INVESTIGATION

5.1 If the investigation is to be continued then the Vice-Chancellor & Rector and the University Secretary must consider whether the police should be informed of the circumstances. If the police decide that a formal investigation is necessary they will lead the investigation from that point conducting all necessary interviews and obtaining access to records and documents. All members of staff must co-operate fully with the police. Contact with the police following their initial involvement will be via the University Secretary.

5.2 Should the police decide to formally investigate a suspected irregularity this will not prejudice any internal disciplinary procedures. However, it is appropriate to allow the police to take the lead in any investigation. The police may advise that the member of staff is suspended if this has not already taken place; they may also advise on the need to secure certain records to prevent their destruction or alteration if this has not already been completed as part of the initial investigation.

5.3 After a reasonable period (say 4-6 weeks), if the internal investigation concludes that there has been a breach of the University's disciplinary codes, it would be appropriate for the University Secretary to inform the police that the University needs to carry out its internal disciplinary procedures. It is not usually appropriate to await the conclusion of the police investigations before commencing internal procedures since it usually takes several months for a case to reach court (during which time an employee may have been suspended on full pay).

5.4 During the course of any internal investigation which may well be running simultaneously with the police investigation, it is important for the University Secretary to liaise closely with the police to avoid taking any action which may prejudice or jeopardise the criminal investigation.

5.5 Arrangements for the internal investigation will be agreed with the investigating officer by the University Secretary in consultation with the Vice-Chancellor & Rector. The procedures adopted will depend upon the nature of the case but will take into account:-

- the need to protect evidence from tampering or removal
- the need to complete an investigation with all due speed, relative to the requirement for thoroughness
- the availability of the University's disciplinary procedures, including the power to suspend
- the possibility that external services, e.g., of a legal nature or Internal Audit, may be required to assist the enquiry

- the possibility of legal proceedings

- the requirement of natural justice for any person who may be involved

5.6 At the conclusion of the investigation a final report must be produced by the investigating officer, and will be the definitive document upon which the University will base its decisions.

The final report will normally be addressed to the University Secretary and the Vice-Chancellor & Rector for their consideration and any decisions will be taken by them based upon the content of the report. The format of the report may differ case by case but will normally contain details of :-

- how the investigation arose
- the employee(s) concerned, their position in the University and their responsibilities
- how the investigation was undertaken
- the facts and evidence identified
- the findings and recommendations regarding both the irregularity itself and any changes to systems arising from weaknesses identified during the course of the investigation

The University Secretary will provide a summary report of all investigations to Audit Committee.

5.7 Where the circumstances set out in the report indicate that there is a case to answer, then it will be appropriate to apply the University's internal disciplinary procedures. Where the outcome of the enquiry requires this, the Vice-Chancellor & Rector will arrange for any internal disciplinary proceedings concerning a member of staff or a student of the University to be implemented, by the Director of Personnel, using the University's established procedures or where the investigation involves a student, refer to the Code of Student Discipline.

5.8 The University is entitled to reach a decision (which could include dismissal) in advance of any police investigation.

5.9 If guilt is admitted to the police at the outset, it is possible that the case may reach court within a short timescale. In this situation it may be appropriate to defer the internal disciplinary process until after the court hearing.

5.10 If the police decide there is insufficient evidence to merit criminal prosecution the University may still decide to take action in accordance with internal disciplinary procedures.

5.11 Police investigations, because they are in pursuit of a criminal conviction, are governed by the Police and Criminal Evidence Act (PACE) and there are particular rules followed by the Police regarding the interviewing of suspects. Internal investigations are not covered by the PACE regulations. However, interviews of employees in connection with allegations of misconduct, where statements by the employee may be used as evidence in any subsequent disciplinary process against the interviewee or any other employee, must be carried out in accordance with guidelines for the recommended conduct of such interviews as set out in Appendix 3.

5.12 There could be instances where, during the course of interviewing an employee, it becomes quite clear to the investigating officer that this person has committed an irregularity. In such situations it is not always practicable or desirable to terminate the interview to obtain the authorisation of the Vice-Chancellor & Rector or Chair of Audit Committee to inform the police. Where the investigating officer considers that a delay may provide an opportunity for the concealment of the irregularity or fabrication of a plausible explanation for the matters under review, the investigating officer should obtain authorisation from the University Secretary or in the absence of the University Secretary another member of the Rectorate Team.

6. NOTIFICATION TO EXTERNAL BODIES

The Accountability and Audit Code of Practice of the Higher Education Funding Council for England (HEFCE) requires that the following bodies are notified of irregularities occurring within the University.

HEFCE

Significant fraud or irregularity must be reported to the HEFCE Accounting Officer. Significant is defined in the Accountability and Audit Code of Practice as where one or more of the following applies:-

- The sum(s) of money involved are, or potentially are, in excess of £20,000
- The particulars of the fraud are novel, unusual or complex
- There is likely to be public interest because of the nature of the fraud or irregularity or the people involved.

The University Secretary will be responsible for providing appropriate details of irregularities to HEFCE.

If a matter requiring report to HEFCE is discovered by internal or external audit in the normal course of their work and it has not been reported, the auditors must report directly to the Chair of the University's Audit Committee, the Chair of University Council and the HEFCE Accounting Officer.

Police

As may be seen from the preceding paragraphs, it is the policy of the University to involve the police, where appropriate, at an early stage in any investigation of suspected irregularity after an initial fact finding review has been carried out. Where the police are not notified, management should advise Audit Committee of the reason.

External Audit

The University has a duty to report all suspected irregularities to its external auditors. This will be done by the University Secretary at the earliest opportunity.

Other Grant Funding Bodies

The University Secretary will inform the relevant grant funding body in accordance with the terms and conditions of the grant in any case where the allegation of fraud or irregularity concerns abuse of the funds of that body.

7. NOTIFICATION TO UNIVERSITY COUNCIL AND THE AUDIT COMMITTEE

Any incident involving significant fraud must be reported without delay by the University Secretary and/or the Vice-Chancellor & Rector to the Chairs of both University Council and Audit Committee.

In certain circumstances, due to the timing of Audit Committee meetings and/or the significance of the irregularity, details will be provided directly to the Chair of University Council by the University Secretary and/or the Vice-Chancellor & Rector.

8. REFERENCES FOR EMPLOYEES DISMISSED IN CONNECTION WITH IRREGULARITIES

8.1 If the University receives a request for a reference in respect of an employee who has been dismissed, disciplined or prosecuted as the result of an investigation into fraud, then the advice of the Director of Personnel must be sought.

9. MANAGING PUBLIC RELATIONS

9.1 Any requests for information from the press or anyone outside the University concerning any investigation of irregularity must be referred directly to the University Secretary who will make any necessary statements to the media in consultation with the Corporate Brand & Media Relations Manager and the Vice-Chancellor & Rector. Under no circumstances should the investigating officer or other manager/employee provide statements to press or external persons.

10. RECOVERY OF LOSSES

10.1 The Director of Finance shall take appropriate action for the recovery of any loss. Where the loss is substantial, legal advice should be obtained about the need to freeze the subject's assets through the courts, pending conclusion of the investigation. Legal advice should also be obtained about the prospects of recovering losses through the civil court, where the perpetrator refuses repayment. The University would normally expect to recover costs in addition to losses.

11. IMPROVEMENTS TO SYSTEMS

11.1 Whenever irregularity is found to have taken place, the relevant systems and procedures shall be reviewed critically by the Internal Auditor in order to recommend improvements to the processes so as to preclude any repetition.

Appendix 1

LIST OF CONTACTS

TITLE	NAME	TELEPHONE
Vice-Chancellor & Rector	Professor Gerald Pillay	0151 291 3403
PA to the Vice-Chancellor & Rector	Mrs Pat Kemble	0151 291 3403
University Secretary	Mr Graham Donelan	0151 291 3756
Chair of Audit Committee	Mr Frank Cogley	0151 291 3235
Pro Vice-Chancellor (Resources & Planning	Dr Ian Vandewalle	0151 291 3099
Director of Personnel	Mr Andy Catterall	0151 291 3931

Appendix 2

THE ADVANTAGES OF SUSPENSION

i) it deprives the suspended employee of any opportunity to continue with the fraud or to cover up the fraud committed

ii) it prevents the suspended employee from having access to documentary evidence which may be destroyed or falsified

iii) it prevents witnesses from being influenced

iv) it protects the suspended employee from suspicion if the irregularity continues in his/her absence

v) it enables work to continue unhampered by strained relationships based on suspicion

Appendix 3

PROCEDURES FOR THE CONDUCT OF INTERVIEWS

In order to discharge his/her duties the investigating officer will need to obtain such information and explanations as he/she believes necessary.

In the interview process, the following rules should be observed:

(1) The interview should be arranged at a reasonable time of day (having taken into account the estimated time which will be required to carry out the full interview). The interviewee should be given the opportunity to be accompanied at the interview by a representative

(2) The procedure to be followed, including the arrangements for recording and making available a record of the interview, should be explained to the interviewee at the start of the interview

(3) Interviewers should ensure that an accurate written record is made of any interviews. The employee or his/her representative will be responsible for keeping their own notes of the interview

(4) Interviewers should not seek to obtain information by threat (e.g. disclosure of suspected wrongdoing to a third party) or other oppressive conduct. Nor should any inducement be offered in an attempt to get the interviewee to answer questions. An interviewer should not suggest to an interviewee that if he/she gives the information required, the interviewer will put in a good word for him/her; nor should the interviewer indicate that the interviewee will not be allowed to go home until he/she does answer the questions

(5) Interviewers should not accept money in restitution or enter into any discussion on "doing a deal" whereby the interviewee will make restitution in return for the matter not being taken further

(6) An offer of resignation should be discussed with the Director of Personnel. However, the employee should be advised that, as regards any police investigation, the decision as to whether or not to continue with that investigation is a matter for the police

Appendix 4

PROCEEDS OF CRIME ACT 2002 AND MONEY LAUNDERING

The University shall comply at all times with the Proceeds of Crime Act (2002) and any other regulations on suspected money laundering. Should staff have cause to suspect that any transaction with the University may be a cover for such activity, they must inform the University Secretary without delay. Under no circumstances must any other member of staff be informed, other than in the University Secretary's absence in which case the report must be made to the Director of Finance.

*Money laundering is defined as **any** transaction which involves handling the proceeds of crime.*

Possible signs of money laundering include:

- A person or company makes a large cash payment to the University, but fails to provide proper evidence to confirm their identity and address.

- A persons or company doing business with the University lacks proper paperwork. (Examples may include invoices that exclude VAT, fail to quote a VAT number or invoices issued by a limited company that lack the company's registered office and number. Such information can be verified on the Companies House website, www.companies-house.gov.uk).

- A person or company attempts to engage in "circular transactions", where a payment to the University is followed by an attempt to obtain a refund from the University's accounts. (This may occur where a student pays a significant sum in fees, and then withdraws and seeks a refund).

- Unusual or unexpected large payments are made into the University's accounts.

The University Secretary shall report all suspected incidents of money laundering to the competent authorities. Under the Proceeds of Crime Act, this requires a Suspicious Activity Report to be forwarded to the National Criminal Intelligence Service.