

CITY OF WOLVERHAMPTON COLLEGE

FRAUD POLICY

1. Introduction

1.1 The City of Wolverhampton College requires staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud is an ever-present threat to those resources and therefore must be a concern to staff. The College will not accept any level of fraud and corruption; consequently, any case will be thoroughly investigated and dealt with appropriately. The purpose of this document is to set out the College's responsibilities regarding the prevention of fraud and the procedures to be followed where a fraud is discovered or suspected. This policy supplements the College's policies on Whistleblowing, Fraud Response Plan, Disciplinary Policy, Surveillance Policy and Financial Regulations and, as such, should be read in conjunction.

2. Fraud, Corruption and Other Irregularity

2.1 The new Fraud Act 2006, came into force on the 15th January 2007, and fraud has been given a legal definition. The act introduces provision for a general offence of fraud which is broken into three sections

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

Fraud by false representation

Representation must be made dishonestly, and is made with the intention of making a gain or causing a loss or risk of loss to another.

A representation is defined as false if it is untrue or misleading and the person making it knows that it is, or might be, untrue or misleading. Representation can be stated by words or communicated by conduct i.e. written, spoken or by electronic means.

Fraud by failing to disclose information

Fraud by failing to disclose information details that a fraud will have been committed, if a person fails to declare information which he/she has a legal duty to disclose. There is a requirement that the person acts dishonestly and intends to make a gain for himself/herself, cause a loss to another or expose another to a risk of loss.

Fraud by abuse of position

Fraud by abuse of position requires a person who is in a privileged position to act dishonestly by abusing the position held; and by doing so, fails to disclose to another person, information which he/she is legally required to disclose. The dishonest act must be with the intention of making a gain for himself/herself or another. Alternatively it may be with the intention of causing a loss or risk of loss to another. The offence may be committed by omitting to make a declaration as well as by an act.

- 2.2 The introduction of the Fraud Act 2006, does not prevent the prosecution of offences under the various Theft Acts and Forgery and Counterfeiting Act, e.g. theft, counterfeiting and falsification of documents.

2.3 Corruption

Corruption is a specific type of fraud and involves:-

“The offering, giving, soliciting or acceptance of any inducement or reward which may influence the action of any person”

Corruption involves two or more people. Corruption does not always result in a loss, indeed the corrupt person may not benefit directly from their deeds.

2.4 Irregularity

An irregularity may be any significant matter or issue, other than fraud or corruption, which is so defined and prescribed by the Audit Committee as to fall within the general principles of this policy and which may warrant consideration or investigation under the related Fraud Response Plan.

For example, an irregularity may be where a member of staff makes a genuine error or mistake in the course of their duties/responsibilities, but where this error or

mistake is subsequently hidden from the College, perhaps to the on-going detriment to the College. Additionally, an irregularity may also involve consideration of the possible inappropriate use of College funds or assets, but which may not technically constitute fraud or corruption.

3. The College's Responsibilities

3.1 Overall responsibility for dealing with fraud and corruption rests with the Principal (The College's Accounting Officer).

3.2 As the College's Accounting Officer, the responsibilities of this post include;

- Establishing and maintaining a sound system of internal control to prevent fraud
- Establishing effective financial regulations, policies and procedures
- Establishing appropriate mechanisms for reporting fraud risk issues including reporting to Internal Audit, the Audit Committee and Learning and Skills Council where appropriate
- Ensuring that vigorous and prompt investigations are carried out
- Taking appropriate legal and/or disciplinary action where fraud is proven
- Ensuring that appropriate action is taken to minimise the risk of similar frauds in the future
- Taking appropriate action to recover assets and minimise the loss

3.3 Governors and staff in positions of financial responsibility and authorisation are required to provide the Clerk to Board of Governors with information concerning their direct or indirect pecuniary interests and keep that information up to date.

4. Line Management Responsibility

4.1 Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that those controls are effective. The responsibility for the prevention and detection of fraud therefore, rests primarily with the managers. There is a need for all managers to assess the types of risk that their individual department is exposed to; to review and test those control systems

regularly; to ensure that controls are being complied with; and to satisfy themselves that their systems continue to operate effectively.

4.2 Line managers must be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

4.3 Internal Audit is a valuable resource for advice and assistance on control issues. They are responsible for providing an opinion to the Accounting Officer on the adequacy of arrangements for managing the risk of fraud and assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls. In terms of establishing and maintaining effective controls it is generally desirable that:

- a) There is separation of duties so that control of a key function does not rest with one staff member
- b) When new systems are being designed, safeguards against fraud are considered at an early stage

5. Staff Responsibilities

5.1 It is the responsibility of all members of staff within the College to ensure that public funds controlled by the College are safeguarded against fraud. Staff must alert their line manager if they believe an opportunity for fraud exists because of poor procedures or controls. Staff must report any suspicion of fraud immediately to their line manager (or other person in authority where appropriate) who should record this and report it to the Clerk to the Board of Governors or, in the event that the allegations of malpractice are to be made against the Clerk to the Board of Governors, to the Vice Principal (Quality, Standards and Services). Staff are required to cooperate fully with any internal checks, reviews or fraud investigations. All staff are required to comply with policies and procedures. Failure to comply may result in disciplinary action.

5.2 All employees have the right to 'blow the whistle' on what they perceive to be a cause of serious concern or malpractice. All staff should familiarise themselves with the College's Whistleblowing' policy and in particular the protection afforded them

under the Public Disclosure Act 1998. The Board of Governors assures all staff that they will not suffer in any way as a result of reporting reasonably held suspicions.

- 5.3 The Corporation subscribes to the seven principles of public life set out in the Nolan Committee's first report, Standards in Public Life.

The Seven Principles of Public Life

Selflessness - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

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

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

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

Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

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

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

6. Fraud Response Plan

6.1 The College has a fraud response plan, which can act as a guide to follow in the event of a fraud being detected or suspected. It covers:

- a) Initial actions
- b) Reporting procedures
- c) Investigating
- d) Securing evidence
- e) Informing the Police
- f) Disciplinary action
- g) Prevention of losses
- h) Financial Recovery
- i) Handling the Media
- j) Contact details

7. Creating an Anti-Fraud Culture

7.1 The creation of an anti-fraud culture underpins all other work to counter fraud. Staff within the College must understand the risk to fraud faced by the organisation, that fraud is serious and that it diverts valuable resources from its primary objective. The College recognises the importance of training in the delivery of high quality services and the College supports the concept of fraud awareness training for key staff involved with internal control systems.

8. Detection and Investigation

8.1 Where a fraud is detected or suspected, initial responsibility for investigating the matter rests with the Clerk to the Board of Governors who has been nominated as the College's Investigating Officer. In her absence, or if the Clerk to the Board of Governors is in any way alleged to be involved in the fraud, responsibility for investigating the matter rests with the Vice Principal (Quality Standards and Services). The Investigating Officer shall inform and consult with the Principal in all cases except where the Principal is the alleged perpetrator. Investigations will be commenced as soon as possible.

8.2 The Investigating Officer does not have authority to determine the process for undertaking the investigation independently of Internal Audit. Internal Audit will be

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able to offer specialist advice and should be consulted at the first opportunity. If it is established that a fraud may have occurred then a comprehensive investigation must be carried out by an experience fraud specialist or referred to the police.

8.3 It is essential that all material that may be of evidential value must be recovered and preserved for further investigation if required. Additionally, the College must consider whether to suspend any individual, under the College's disciplinary procedures, who is the subject of the investigation. Suspension does not imply guilt; it may be necessary to safeguard further evidence that may be used to prove or disprove the allegation.

9. Sanction & Redress

9.1 The College's disciplinary procedures provide for offences such as fraud, theft and deliberate falsification of College registers, reports, accounts, expense claims and self-certification forms to be regarded as gross misconduct which may result in dismissal. The College will take disciplinary action in all cases where it is considered appropriate.

9.2 In cases where fraud is proven the College will notify the police of the outcome. The College will co-operate fully with the investigating body and will always seek to recover funds lost through fraud. It may be necessary for the College to initiate a Civil Action against the fraudsters. If, during the course of the investigation any failure of supervision is identified the College must consider whether disciplinary action is appropriate for those involved.

10. Learning from the Experience

10.1 Where fraud has occurred it is vital that management recognises the need to examine systems and procedures and make necessary changes to ensure that similar frauds will not occur. Internal Audit can provide advice in respect of changes to systems and procedures.

11. Conclusion

11.1 Whilst the circumstances of fraud will undoubtedly vary it is important that each individual case is subjected to the same rigorous process of investigation and redress. The College values its dedicated and loyal staff but it wishes to reiterate

however, that it views fraud very seriously and will not hesitate to take the appropriate action in every case.

12. Review of Fraud Policy

12.1 The Fraud Policy will be reviewed periodically.