



ANTI-FRAUD & IRREGULARITY

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SLT Approval:

Audit Committee:

Human Resources:

Corporation Approval:

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(further changes made)

Varndean College

Anti-Fraud & Irregularity Policy

INTRODUCTION

Varndean College aims to be an honest and open institution, and expects its staff to act with integrity to safeguard the public resources for which they are responsible. Fraud and corruption are a threat to these resources **and the reputation of the College**. This policy is intended to:

- encourage the prevention of fraud and corruption,
- promote its detection, and
- identify a clear pathway for its investigation.
- **Show that all appropriate sanctions will be taken where fraud, corruption or other wrongdoing has been found.**

The College will not tolerate fraud, corruption or other wrongdoing and will take the strongest possible action through disciplinary action, involving the Policy and pursuing financial recovery through the Courts.

What is fraud?

Under the Fraud Act 2006 fraud can be committed by:

- ***False Representation***
- ***Failing to disclose information***
- ***Abuse of position***

For practical purposes, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

Varndean College has a responsibility to:

- develop and maintain effective controls to prevent fraud, ***corruption or other wrongdoing***
- carry out vigorous and prompt investigations where fraud, ***corruption or malpractice is suspected***
- take appropriate disciplinary and/or legal action against perpetrators
- take disciplinary action against staff or their line managers where their failures have enabled fraud ***or other wrongdoing*** to occur

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Managers are responsible for:

- identifying the risks to which systems and procedures are exposed
- developing and maintaining effective controls to prevent and detect fraud
- ensuring that controls are being complied with by all staff
- ***ensuring that all staff receive adequate and appropriate training to provide awareness of the relevant codes of conduct, rules and regulations etc that are required to be followed.***

Individual members of staff have a responsibility to:

- act with ***honesty, integrity and*** propriety in the use of College resources and in the handling and use of public funds and resources when they are involved with cash, payments systems, receipts when dealing with contractors or suppliers, or any other aspect of College business.

PROCEDURES FOR THE PREVENTION OF FRAUD & CORRUPTION

The College will implement the following procedures to prevent incidents of fraud and corruption.

1. Maintain appropriate Financial Regulations, Procedures and Standing Orders.
2. Ensure all employees are aware of their responsibilities under the Financial Regulations and Procedures and staff Code of Conduct.
3. Recruit staff in accordance with the approved Recruitment and Selection Policy.
4. Draw attention to the responsibility of staff under the Financial Regulations and Procedures during staff induction.
5. Maintain a Register of Interests for Corporation members and staff with significant financial responsibilities
6. ***Encourage staff to discuss any perceived weaknesses in financial controls with the Resources Director through normal meeting sequences or direct discussion with the Resources Director.***
7. Encourage Internal Audit to review financial and other systems potentially subject to fraud and corruption on a risk-based cyclical basis.

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8. Ensure Internal and External Audit have access to all financial and other relevant documentation and appropriate reporting rights to the highest levels of the Corporation.
9. Review Internal and External Auditors' reports through meetings of the Senior Leadership Team, Audit Committee and appropriate meetings of the full Corporation.
10. Establish procedures for the reporting and investigation of fraud, corruption and other irregularities.

REPORTING / INVESTIGATION PROCEDURES FOR SUSPECTED FRAUD & CORRUPTION

1. If a member of staff suspects that fraud may be being attempted is occurring or has occurred he/she shall notify the Resources Director immediately. The member of staff must not discuss the matter with anybody else unless formally instructed to do so. If the Resources Director is suspected of fraud the Principal or designated alternate shall be notified and act in place of the Resources Director through out the investigation.
2. Alternatively, staff can raise their concerns using the College's Public Interest Disclosure ('whistleblowing') procedure. A copy of this can be found in the staff handbook or can be obtained from the Clerk to the Governors.
3. In conjunction with the Principal, the Resources Director will decide the appropriate course of action, including any steps to be taken under the disciplinary procedure, e.g. suspension pending investigation.
4. If it is clear that any possible irregularity is of minimal effect and has arisen by accident, the Resources Director will maintain a formal record of this conclusion and any action taken.
5. In any case of irregularity other than that of minimal effect arising by accident (see 4 above) the Resources Director shall advise the head of the IAS and the Chair of the Audit Committee. Evidence of fraud, corruption or any impropriety shall be referred to the Audit Committee which may commission a special investigation by the IAS or others.
6. If the suspected irregularity is of sufficient seriousness the Resources Director will notify the Chair of the Corporation, external auditors and the LSC. He/she will also arrange for the Police to be informed at the first indication of any serious concern. Such actions will take place in consultation with the Internal Auditors.
7. The Resources Director will agree arrangements for the investigation with the Head of the Internal Audit Service and will take account of:
 - i) the need to complete the investigation with all due speed provided that this does not compromise due professional care
 - ii) the applicability of the College's Disciplinary Procedures to the case
 - iii) the possibility of formal legal action
 - iv) the need to safeguard the integrity of any evidence, the safety of assets and the rights of persons involved.

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8. After completing the investigation the Internal Auditors will produce a written report and send it to the Chair of the Audit Committee, the Resources Director and External Auditors. This report will include the following:
 - i) a conclusion as to whether there has been a fraud or other irregularity
 - ii) its nature and extent
 - iii) its effect on the College
 - iv) who was involved, if this is known
 - v) potential for recovery
 - vi) recommendations to improve systems of control
9. The Chair of the Audit Committee may ask the Clerk to the Corporation to call a special meeting of the Audit Committee to consider the report and its consequences. The Chair will also make a full report to a meeting of the Corporation.
10. All suspected cases of fraud will be treated as confidential and external enquiry referred to the Resources Director ***or other designated persons.***

Autumn Term 2009

Appendix – Extracts on fraud and irregularity from the *Audit Code of Practice December 2004*

1. Minimum terms of reference for Audit Committee (p5 Annex B Supplement B) state:
 - “To ensure that allegations of Fraud and Irregularity are properly followed up.”
2. Minimum terms of reference for *FE Colleges Internal Audit Services* (para.25 p10 Annex D Supplement B) state:
 - “The head of the IAS shall be informed when evidence of potential irregularity, including fraud, corruption, or any impropriety, is discovered so that he or she can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of the IAS is not to investigate the irregularity unless commissioned to do so.”
3. Supplement A – The Audit Code of Practice Section 3 Clause 97 – 101 Fraud and Irregularity state:
 - *The financial statements auditor of each FE College has a duty to plan and conduct the audit so that there is a reasonable expectation of detecting material mis-statements in the accounts arising from the irregularities, including fraud, or breaches of regulations. Financial statement auditors do not have a duty to search specifically for irregularities and fraud and their audit should not be relied upon to disclose them. Where the financial statements auditor identifies a serious weakness or an accounting or other control breakdown it must be reported to the Principal, the Chair of the Corporation and the Chair of the Audit Committee without delay.*
 - *The head of the IAS must issue written procedures to auditors on the action to be taken if they suspect or discover fraud or irregularity and must arrange to be informed by the FE College, as soon as possible, of all suspected or discovered fraud, whether internal or external. The Principal and Chair of the Audit Committee must also be informed. Where the Audit Committee feels there is evidence of irregularity, fraud, corruption or any impropriety, the Chair of the Audit Committee must notify the Chair of the Corporation, who must raise the matter at the next meeting of the Corporation. Where the matter is considered significant, the Governors must consider holding a special meeting.*
 - *All FE Colleges must have a written policy on the process to be followed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered. The policy must include referral to the Audit Committee or special investigations by the IAS or others. This must be set out in the FE College’s financial regulations or specified separately in a fraud policy statement. The head of the IAS must also be informed so that he or she can consider the adequacy of the relevant controls, evaluation the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate.*

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- *The FE College, where appropriate (subject to the requirements of the Proceeds of Crime Act 2003), its funding auditor (if appointed), its financial statements auditor or its IAS must report to the LSC's Chief Executive, and copy to the local LSC's . Executive Director, without delay, serious weaknesses, significant frauds, major accounting and other control breakdowns of which they are aware. A serious weakness would be one which may result in a significant fraud or irregularity, and may include cases of irregularities in expenditure which could lead to suspicions of fraud. Significant fraud is usually where one or more of the following factors are involved – The sums of money are in excess of £10,000; the particulars of the fraud are novel, unusual or complex; there is likely to be great public interest because of the nature of the fraud or the people involved.*
- *There may be circumstances that do not fit this definition. In these cases or any others, advice or clarification can be sought from the PFA Regional Audit Manager.*