

## Counter-Fraud Policy

<b>Responsibility for Policy:</b>	Finance Director
<b>Relevant to:</b>	All LJMU Staff, Governors, contractors, consultants
<b>Approved by:</b>	Audit and Risk Committee, June 2023
<b>Responsibility for Document Review:</b>	Finance Director
<b>Date introduced:</b>	June 2022
<b>Date(s) modified:</b>	June 2023
<b>Next Review Date:</b>	June 2024

### RELEVANT DOCUMENTS

### RELATED POLICIES & DOCUMENTS

- Anti-Bribery & Corruption Policy (including Gifts & Hospitality)
- Anti-Money Laundering & Terrorist Financing Policy
- Criminal Finances Act Policy
- Whistleblowing Policy
- Code of Conduct for Staff
- Staff Disciplinary Procedure
- Financial Regulations
- Register of Governors' Interests Policy

## 1. Purpose

Liverpool John Moores (the University) is committed to ensuring the proper use of funds, both public and private. Therefore, it is essential that everyone working for the University whether as an officer, employee, worker, intern, secondee, subcontractor, Governor, agent or in any other capacity (for the purposes of this Policy, collectively referred to as "Staff") are aware of the risk of fraud, corruption, theft and other activities involving dishonesty, in all its forms.

The University aims to reduce instances of fraud to the absolute practical minimum - and to also put in place arrangements that hold any fraud to a minimum level on an ongoing basis. The University's approach to counter-fraud will be comprehensive, cost-effective and professional, using specialist expertise if, as and when required

This policy sets out the roles and responsibility for staff, Committees, and other parties towards achieving this. Specifically, the sections which follow outline responsibilities for preventing and detecting fraud and set out how staff should respond if they suspect that a fraud is or has been taking place.

## 2. Scope

This policy applies to the University and all its subsidiary undertakings and all those working for it, whether as an officer, employee, worker, intern, secondee, subcontractor, Governor, agent or in any other capacity (for the purposes of this Policy, collectively referred to as "Staff").

## 3. Definitions

**Fraud** can be defined as (i) wrongful or criminal deception intended to result in financial or personal gain and (ii) a person or thing intended to deceive others, typically by unjustifiably claiming or being credited with accomplishments or qualities. Both definitions are, clearly, directly applicable to the Higher Education sector.

**Corruption** can be defined as dishonest or fraudulent conduct, typically involving bribery.

**Bribery** can be defined as the offering, giving, receiving or soliciting of any item of value (money, goods, favours or other forms of recompense) to influence the actions of an official or other person in charge of a public or legal duty.

## 4. Common types of University and Higher Education fraud

These can include, but are not limited to:

- Fraud involving cash, physical assets or confidential information
- Misuse of accounts
- Procurement fraud

- Payroll fraud
- Financial accounting fraud, including fees
- Fraudulent expense claims
- Reference, qualification and related employment fraud
- Recruitment and appointment fraud
- Bribery and corruption fraud
- Academic fraud including immigration, admissions, internships, examinations and awards
- Accommodation-related fraud, including preference and payment

Further examples of Fraud can be found in **Appendix 2**

## **5. Policy Statements Including the University Fraud Response Plan**

### **5.1. Counter Policy Objectives:**

The eight key objectives of the University's counter fraud policy are:

1. Establishment of a **counter-fraud culture**
2. Maximum **deterrence** of fraud
3. Active and successful **prevention** of any fraud that cannot be deterred
4. Rapid **detection** of any fraud that cannot be prevented
5. Effective **investigation** of any detected fraud
6. Effective internal and external **actions and sanctions** against people found to be committing fraud, including legal action for criminal offences
7. Effective **communication and learning** in relation to fraud, and
8. Effective methods of **seeking redress** when/where fraud has been perpetrated

The overriding objective of the University's counter-fraud activity is to ensure that; (i) fraud is seen as unacceptable by each and every stakeholder and (ii) counter-fraud is seen to have the unwavering focus of the University as a whole.

### **5.2. Fraud Prevention**

The University recognises the importance of prevention in its approach to fraud and has in place various measures including denial of opportunity, effective leadership, auditing and employee screening.

Fraud is minimised through usefully designed and consistently operated management procedures which deny opportunities for fraud. In particular, financial systems and procedures take into account the need for internal checks and internal control. Additionally, the possible misuse of information technology is prevented through the management of physical access to terminals and protecting systems with electronic access restrictions where appropriate.

The University's Audit and Risk Committee provides an independent and objective view of internal controls by overseeing Internal and External Audit Services, reviewing reports and systems and procedures and ensuring compliance with the University's

Financial Regulations and the requirements of the OFS. These external reviews of financial checks and balances and validation testing provide a further deterrent to fraud and advice about system development/good practice.

The University has in place a number of policies and related guidance that assist in preventing fraud. **Please see Related Policies and Documents.**

### **5.3. Fraud Detection**

Whilst it is accepted that no systems of preventative measures can guarantee that frauds will not occur, the University has in place detection measures to highlight irregular transactions.

All internal management systems are designed with detective checks and balances in mind and this approach is applied consistently utilising wherever possible the expertise and advice of the University's Auditors.

The approach includes the need for segregation of duties, reconciliation procedures, the random checking of transactions and the review of management accounting information including exception reports.

As set out in the Whistleblowing Policy, concerns expressed by staff or others associated with the University are investigated by the University without adverse consequences for the complainant, maintaining confidentiality wherever possible.

The University views its preventative measures by management, coupled with sound detection checks and balances as its first line of defence against fraud.

### **5.4. Roles and Responsibilities for Preventing and Detecting Fraud**

All University senior managers and employees have a clear responsibility for the prevention and detection of fraud. The key responsibilities of individuals and groups are set out below.

#### **A. Board of Governors and Audit and Risk Committee**

The Board is ultimately responsible for ensuring that systems are in place for the prevention, detection and investigation of fraud, whilst day-to-day operation of relevant policies, procedures and controls is delegated to management.

The Council, together with the Audit and Risk Committee, are responsible for:

- Adopting and approving a formal fraud policy and response plan.
- Setting the framework with regard to ethos, ethics and integrity.
- Ensuring that an adequate and effective control environment is in place.
- Ensuring that adequate audit arrangements are in place to investigate suspected fraud.

## **B. Line Managers**

Line managers are responsible for implementing this Policy in respect of fraud prevention and detection and in responding to incidents of fraud. In particular, this involves ensuring that the high legal, ethical and moral standards are adhered to in their School or Professional Service area. The practical requirements of line managers are to:

- Have an understanding of the fraud risks in their areas and to consider whether processes under their control might be at risk.
- Have adequate processes and controls in place to prevent, deter and detect fraud.
- Be diligent in their responsibilities as managers, particularly in exercising their authority in authorising transactions [electronically or otherwise] such as timesheets, expense claims, purchase orders, returns and contracts.
- Provide support / resource as required to fraud investigations.

## **C. All Staff**

The University expects all Staff to be responsible for:

- Upholding the high legal, ethical and moral standards that are expected of all individuals connected to the University.
- Adhering to the policies and procedures of the University
- Safeguarding the University's assets
- Alerting the University Secretary (in accordance with the process at section 5.5.1 should they suspect that the possibility of a fraud exists.
- Being aware of the University policies and procedures to the extent they are applicable to their role

## **D. Internal Audit**

The University's Internal Auditors are not responsible for detecting fraud. As with all aspects of governance, control and risk management is the responsibility of management.

However, Internal Audit's role in respect of fraud is to:

- Regularly review fraud policies, procedures, prevention controls and detection processes making recommendations to improve these processes as required.
- Discuss with management any areas which it suspects may be exposed to fraud risk.
- Help determine the appropriate response to a suspected fraud and to support any investigation that takes place.
- Facilitate corporate learning on fraud, fraud prevention and the indicators of fraud.

## **E. External Audit**

External Audit is not responsible for detecting fraud. However, should the impact of fraud, as with all material misstatements, be of such magnitude as to materially distort the truth and fairness of the financial statements, the external auditors should detect the fraud and report it to the Audit and Risk Committee.

## **5.5. Response to Suspected Frauds**

Members of staff are key to ensuring that the University's stance on fraud is effective. All staff are positively encouraged to raise any concerns that they may have. All such concerns will be treated in confidence, wherever possible, and will be impartially investigated.

The information below sets out the detailed approach to reporting suspected frauds and how they will be investigated through to action and formal reporting.

### **5.5.1. Initial Report**

If a member of staff believes that they have reason to suspect a colleague, contractor or other person of fraud or they are being encouraged to take part in fraudulent activity, they must immediately report this to the University Secretary and General Counsel (**University Secretary**)

Employees or managers should not initiate their own investigations or enquiries.

If a member of staff believes that they have reason to suspect the **University Secretary**, they must immediately report this to the **Finance Director**.

If a member of staff believes that they have reason to suspect both the **University Secretary** and the **Finance Director**, they must report this to either the **Vice Chancellor** or the **Chair of the Audit & Risk Committee**.

### **5.5.2. Initial Investigation**

The **University Secretary** and the **Finance Director** will meet to consider the most appropriate response. This meeting should usually take place within 24 hours of the incident being reported.

Usually, an initial confidential investigation will take place with an appropriate investigating officer ("the Investigating Officer") being appointed.

Depending on the nature of the suspected fraud and the facts that have already been established, the University Secretary and Finance Director will consider reporting the suspected fraud to the police, internal audit, the Audit and Risk Committee Chair or others ahead of the initial investigation.

The purpose of the initial investigation is to gather all relevant information and documentation to determine if there is a prima facie case for further formal

internal/external investigation. This investigation will be undertaken urgently and confidentially.

The University Secretary and the Finance Director will then consider whether:

- There is a case for further investigation / action. If there is no case for further investigation/ action, there should be an appropriate communication to the staff member who reported the suspected fraud.
- There are immediate measures that would prevent any further losses including the suspension of staff.
- Where appropriate, to approach external parties such as the internal or external auditors or specialist legal advisors, for advice on how an investigation of this type will proceed and to take advice on searching for, securing and preserving information, including documentary and electronic evidence and systems of all types.
- To determine whether specialist expert advice will need to be engaged.
- The matters reported constitute minor misconduct or other matters, which may be delegated for further investigation or management to other suitable managers using the appropriate University policies and procedures. If this course of action is taken, the Finance Director and the University Secretary will retain overall oversight and may choose to take further formal action as evidence emerges.

In the case of allegations against the University Secretary, the Vice Chancellor and Finance Director will meet to consider the most appropriate response. This meeting should usually meet within 24 hours of the incident being reported.

In the case of allegations reported to the Vice Chancellor or the Chair of the Audit and Risk Committee against both the Finance Director and University Secretary, the Chair of Audit and Risk Committee and the Chair of Board of Governors will meet to consider the appropriate response. This meeting should usually take place within 24 hours of the allegation being reported.

### **5.5.3. Further Formal Investigation**

Where there is a case for further formal action or investigation, the University Secretary and the Finance Director will, as soon as reasonably practical, take steps to initiate a Formal Investigation.

The Vice-Chancellor and, if involving a member of staff, the Director of Human Resources, should be informed that this investigation is being carried out and should be kept apprised of its progress.

Under these circumstances, an individual, or group of individuals should normally be advised of the concerns relating to them. Where those under suspicion are members of staff, the Staff Disciplinary Procedure should be

adhered to wherever possible, and advice should be taken from the Director of Human Resources accordingly.

When an individual or group of individuals are advised of suspicions or allegations they will immediately be suspended in accordance with the Staff Disciplinary Procedure and all access to internal files and papers (electronic and otherwise) will be disabled. Any prearranged meetings or tasks including planned visits to external locations should be reassigned to other staff. The Investigating Officer should seek advice on any such actions from the Director of Human Resources.

The Investigating Officer involved in the initial review shall, under normal circumstances, be requested to lead the formal investigation. The University Secretary/Finance Director may consider appointing an external person to lead this work if it is more appropriate.

The Investigating Officer shall be provided with all assistance that he or she reasonably requires or requests including assistance with fulfilling their day-to-day duties which will be subordinated to the investigation.

The Investigating Officer may delegate tasks to other members of staff subject to ensuring that such members of staff maintain the confidentiality of the tasks assigned to them and, with the prior agreement of the University Secretary / Finance Director wherever this prior agreement is practical to obtain.

The Investigating Officer will also consider whether external specialists are required to assist with the investigation such as forensic accountants or internal audit.

The Investigating Officer, as advised by the University's Director of Human Resources or where appropriate based on legal advice, may communicate with appropriate members of staff for the purposes of gathering information and evidence and will, unless it will compromise the investigation, consult relevant senior staff of the School / Professional Service whose area the issue under investigation has arisen, always ensuring the maintenance of confidentiality.

The Investigating Officer shall liaise with and take advice from the Director of Human Resources over all matters related to the rights of staff potentially affected by the investigation including the alleged perpetrator. They will also aim to minimise disruption to operational activities and routines.



#### 5.5.4. Formal Investigation Report

A formal report of the investigation and key outcomes will be presented to the University Secretary/ Finance Director as a basis for their decision upon any subsequent actions including:

- Any formal Disciplinary Hearing.
- Liaison with the Police and potential legal action.
- The nature and timeline of any system review.
- Liaison with the Chair of the Audit and Risk Committee
- The requirement to formally notify OFS.

Any suspension of an individual suspected of fraud will be carried out in accordance with the Staff Disciplinary Procedure. If a case of fraud is proven, the University will act accordingly, and disciplinary proceedings may lead to dismissal.

The University will seek prosecution of any individual where a criminal offence has been committed and the evidence obtained is sufficient to achieve a criminal conviction. In addition, the University will follow civil proceedings to recover money where appropriate.

#### 5.6. Formal Reporting of Frauds

Any fraudulent activity will be reported on the **fraud register** irrespective of whether the University suffered a financial loss.

The University must report, without delay, any significant fraud (defined as those where the financial loss is over £25,000) or impropriety, to all of the following:

- The chair of the Audit and Risk Committee
- The chair of the Board of Governors
- The Internal Auditors
- The External Auditors
- OFS as a "Reportable event" (only if deemed a reportable event)

The timing of such a report will depend upon the nature of the fraud and investigation. In all relevant cases, the Formal Investigation report should be summarised and provided to these individuals and bodies:

##### Audit and Risk Committee

It may be appropriate, subject to agreement with the Chair of the Audit and Risk Committee, to keep the Audit and Risk Committee itself apprised of an ongoing fraud investigation.

If this is the case, on completion of any Formal Investigation, a written report will be submitted to the Audit and Risk Committee containing:

- a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
- the action that has been taken against the perpetrator(s)
- 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.

This report will normally be prepared by the Investigating Officer with external assistance where appropriate.

### The Police

Consideration of whether and when to report an incident to the police will be taken by the University Secretary / Finance Director and a report may be made at any stage during the investigation process.

Whilst reporting to the police of fraud or serious financial irregularity is likely to be the norm, depending on the nature of the incident, immediate reporting may not be appropriate until a body of material can be put before the police. It should be noted that under some types of insurance, a report to the police may be obligatory and this should be confirmed with Finance.

The Investigating Officer shall liaise and co-operate with the police in any case where there has been a report to the police which the police decide to investigate.

All police contact, including the arrangement of visits by the police, shall be arranged through one of the Investigating Officer / Finance Director / University Secretary unless otherwise delegated by them.

Where the police ask to see members of staff or their work or records, the Director of Human Resources must first be involved before any visit is voluntarily agreed or arranged.

Where an information provider has approached the police directly, rather than the University, with the report of a suspicion and the police contact the University for further information, the enquiries should be referred to the Finance Director/ University Secretary before any further action is taken.

## **5.7. The Fraud Register**

A Fraud Register is maintained by the University Secretary and General Counsel including all irregularities reported under the policy. It should contain:

- Date of the occurrence
- A description of the incident
- Whether a fraud was proved
- The cost or adverse impact on the University

- Details of police involvement
- Details of any communications to external authorities
- Date reported to Vice Chancellor and Audit Committee
- Outcome of any investigation
- Actions taken to improve the control environment

## **5.8. Managing Public Relations**

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. The advice of the Communications Team will be taken into consideration by the University Secretary prior to issuing any statements. Under no circumstances should the Investigating Officer or other manager/employee provide statements to press or external persons.

## **5.9. Appendices**

Appendix 1: Guidance for Staff  
Appendix 2: Examples of Fraud

## Appendix 1: Guidance for Staff

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; a list of how to contact them is contained in Section 5.5.1 of this Policy.

- **Do** report your concerns; reports will be treated as confidential.
- **Do** persist if your concerns remain.
- **Do** 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.
  
- **Don't** be afraid to seek advice from an appropriate person.
- **Don't** confront an individual or individuals with your suspicions.
- **Don't** discuss your concerns with colleagues or anyone else other than an appropriate person.
- **Don't** contact the police directly - that decision is the responsibility of the appropriate person and other senior University officers.
- **Don't** under any circumstances suspend anyone if you are a line manager without direct advice from the HR Department and other appropriate person(s).

The University has a no retaliation approach for people reporting reasonably held concerns and suspicions, set out in section 8.3 of the University's Whistleblowing Policy and any retaliation against such people - including victimisation and deterring/preventing reporting - will be treated as a gross misconduct under the University's Staff Disciplinary Procedures. Equally, however, abuse of process by reporting malicious allegations will also be regarded as a disciplinary issue.

## **Appendix 2: Examples of Fraud**

### **Fraud involving cash, physical assets, intellectual property or confidential information:**

- Theft of University property
- Unauthorised removal of University property
- Passing on company data or intellectual property
- Unauthorised disclosure of confidential information
- False invoices being created

### **Misuse of accounts:**

- Accessing bank accounts
- Fraudsters impersonate innocent victims to obtain products or services in their name, also known as identity fraud.
- Attempting to change bank account details of suppliers and payees
- Identity theft where staff are persuaded to reveal login and passwords details

### **Procurement fraud:**

- Falsely creating or diverting payments
- Bid rigging
- Diverting goods or services for personal use
- Colluding with suppliers to accept inferior goods or services
- Payoffs and kickbacks
- Conflicts of interest with third parties and acquaintances

### **Senior Staff fraud:**

- Fraudsters impersonating senior staff to demand that a bank transfer is made to an improper account

### **Payroll fraud:**

- Unauthorised changes to HR or payroll system
- Inputting incorrect details in e.g. hours worked
- Dummy or ghost employees
- Faking self-certified / doctors' sick notes

### **Financial accounting fraud, including fees:**

- Falsifying accounting or other records
- Falsifying financial returns or claims
- Use of the University name, logo or letterhead for personal reasons
- Embezzlement
- Internal theft
- Under recording income
- Unauthorised removal or destruction of records
- Forgery or alteration of documents

### **Fraudulent claims:**

- Overstated mileage
- Mileage for personal use
- Falsifying or manipulating receipts
- False / duplicate expense claims

- Paying oneself into accounts such as paypal

**Reference, qualification and employment fraud:**

- Fraudulent Curriculum Vitae (CV)
- Fraudulent references
- Misrepresenting qualifications / certificates
- Employing family and friends over better candidates
- Falsifying documents such as passports and visas or other identification

**Bribery and corruption fraud:**

- This is dealt with in the Anti-Bribery and Corruption Policy

**Academic fraud:**

- Plagiarism
- Aiding illegal Immigration
- Internships
- Falsifying examination results and awards