PROCEDURE FOR FRAUD PREVENTION, DETECTION AND INVESTIGATION

INTRODUCTION

The College's procedure for fraud prevention, detection and investigation is set out below. The objectives of the procedure are to:

- encourage staff to be aware of fraud
- bring suspected fraud to notice
- provide a framework response plan for investigating and reporting fraud (set out at Appendix K (iii))
- ensure that both alleged and proven fraud are dealt with in a consistent and timely manner.

The College has a unique role to play in the community and any instances of fraud or corruption may be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices can have a direct effect on jobs and the level and quality of service provision. Vigilance is essential since all staff are responsible for ensuring that the best possible service is provided to the College's students and that value for money is secured from public funds.

Successful fraud prevention involves creating an environment which inhibits fraud. Taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses, but also helps deter frauds. A manager who is alert to the possibility of fraud and who acts accordingly on a day-to-day basis is a powerful deterrent to fraud.

FRAUD PREVENTION

Fraud can be defined as _**any act of wilful dishonesty to gain individual or collective advantage.**_ It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third part. Fraud can be perpetrated against staff, students, suppliers, government agencies or departments or the public.

Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and other service providers may place employees in a vulnerable position (see the financial regulations).

MANAGEMENT RESPONSIBILITY FOR RISK MANAGEMENT

The prime responsibility for preventing fraud lies with management through:

- identifying risks to which systems and procedures are exposed
- designing, implementing, documenting and operating internal controls
- establishing an environment that promotes compliance with internal controls
- promoting fraud awareness amongst staff
- fostering an anti-fraud culture.

However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and to take the necessary steps to minimise risk to the College. Managing the risk of fraud is the same in principle as any other business risk. It is best approached systematically both at organisation and at operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.

Managers also have a responsibility to familiarise themselves with common fraud techniques in the area for which they have control. Managers should also ensure that staff in their areas of operation are familiar with common types of fraud.

INTERNAL CONTROLS

Internal controls are the key element in preventing fraud. They include both financial and non-financial controls, for example annual leave records, and those that are in place to safeguard the misuse of College assets, including computing systems. The financial regulations are one example of these controls. The College's financial and other non-financial procedures are the definitive guide and are available to all staff. It is the responsibility of management to ensure that controls in their area of responsibility have been documented and communicated.

In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on creating a culture of honesty and fraud detection, not increasing the volume of detailed operational and supervisory checks and controls unnecessarily.

MANAGEMENT CHECKS

The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential. The benefits of implementing a culture of strong management controls are:

- a deterrent effect when it is know that management is actively involved in ensuring that procedure are followed
- the results of the check will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

Periodic monitoring of compliance with controls by management will be supported and reinforced by reviews conducted by internal audit. It should be emphasised that the prime function of internal audit

is to evaluate the effectiveness of the overall framework of internal control with management being responsible for ensuring the implementation and monitoring framework.

Common excuses for non-compliance with controls is that they are no longer applicable, there is insufficient time available or they are not appropriate. It is important that such comments are reported to line managers so that the need for such controls is evaluated.

STAFF TRAINING

Staff adhering to procedures, and who are not inhibited to challenge matters which do not appear to be correct, provide the best protection against fraud and corruption. It is important, therefore, that the College's policy on fraud prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

The recruitment of suitable staff is the College's first defence in preventing fraud. Best practice recruitment polices such as detailed application forms including a statement on criminal records, communication with referees and past employers and verification of educational and professional qualifications must be strictly adhered to.

Staff awareness of policy and procedures is fundamental to the effective operation of systems. The College will comply with best practice, including:

- instruction in and discussion of control and probity issues as part of staff induction
- formal staff training on operational procedures
- desktop instructions for specific tasks
- publication of the College's policy on fraud
- regular staff notices regarding any changes to financial procedures.

FRAUD DETECTION

The primary responsibility for the detection of fraud lies with management through the implementation, documentation and operation of effective systems of internal control. The College's internal auditors through their evaluation of the control framework also have a role to play in preventing and detecting fraud.

All staff have a responsibility to be aware of potential fraud and to take necessary steps to minimise risk to the College.

Proper and consistently applied procedures for reporting and investigating fraud play an important part in preventing further fraud. The College expects that reported suspicions will be investigated. The College's fraud response plan, set out at Appendix