

ROYAL COLLEGE OF ART

Counter-Fraud Policy and Fraud Response Plan

Policy owner: Chief Financial Officer

Approval route: **SMT (review and agree 26.10.21)**, Audit & Risk Committee (approve)

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Date of next review: November 2024

Related guidelines and procedures: Financial Regulations, Public Interest Disclosure (Whistleblowing) Policy, Anti-Bribery Policy, Anti-Money Laundering Policy & Procedures.

This policy will be reviewed every three years, unless there is a change in the UK legislative framework that requires it to be updated and reviewed sooner. Minor updates, for example name changes, will be made periodically on the authority of the Chief Financial Officer as required.

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1. Introduction

The Royal College of Art ('the College') is committed to the proper use and stewardship of all funds.

It is essential that everyone associated with the College- including contracted, visiting and temporary staff, students, members of the Council and co-opted members of its sub-committees, contractors and third-parties are aware of the risk of fraud, corruption, theft and other activities involving dishonesty, in all its forms.

The College aims to reduce instances of fraud, whether by internal or external parties, 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 College's approach to counter-fraud will be comprehensive, cost-effective and professional, using specialist expertise as appropriate.

2. Definitions

The [Fraud Act 2006](#) defines the criminal offence of fraud.

Fraud can be defined as:

- Wrongful or criminal deception intended to result in financial or personal gain and;
- a person or thing intended to deceive others, typically by unjustifiably claiming or being credited with accomplishments or qualities.

Both definitions given above are 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. Further details can be found in the [Anti-Bribery Policy](#).

3. Counter-fraud policy objective

The College adopts a multi-faceted approach to fraud. The eight key objectives of the College's Counter-Fraud Policy are:

- Establishment of a counter-fraud culture;
- Maximum deterrence of fraud;
- Active and successful prevention of any fraud that cannot be deterred;
- Rapid detection of any fraud that cannot be prevented;
- Professional investigation of any detected fraud;
- Effective internal and external actions and sanctions against people found to be committing fraud, including legal action for criminal offences;
- Effective communication and learning in relation to fraud, and effective methods for seeking redress when fraud has been perpetrated.

The overriding objective of the College's counter-fraud activity is to ensure that:

- Fraud is seen as unacceptable by each and every stakeholder and;
- Counter-fraud is seen to have the unwavering focus of the College as a whole.

This document sets out the College's policy and procedures for dealing with suspected cases of fraud, including corruption, and includes summarised instructions about what to do, and who to contact/notify, should any fraud-related concerns arise. This policy does not include theft and other criminal/illegal acts involving dishonesty. The College has an established Public Interest Disclosure (Whistleblowing) Policy and process which should be used as guidance for reporting suspected criminal/illegal behaviour or actions.

At a practical level, fraud is deemed to be deliberate intent to deprive the College (and its associate activities) of money or goods through the falsification of any records or documents (e.g. submission of false invoices, inflated expense claims and/or the use of purchase orders to obtain goods for personal use). This is an important distinction, intended to clarify the crucial difference between deliberate fraud and unintentional error, removing wherever possible any potential confusion or ambiguity.

Counter-fraud policy

The College is committed to the highest standards of honesty, accountability, probity and openness in its governance. As a direct consequence of this, the College is committed to:

- Reducing fraud associated with any of its activities, operations and locations to the absolute practical minimum and;
- to the robust investigation of any fraud issues that should arise. Any such investigation will be conducted without regard to factors such as position, title or length of service.

Where any acts of fraud or corruption are proven, the College will make every endeavour to ensure that the perpetrator(s) are dealt with to the full extent of the law and College's disciplinary policy processes (where a third-party is involved), and will also take steps to recover any and all losses in full. All sanctions will be explored, inclusive of criminal, civil, regulatory and disciplinary sanctions.

It is the responsibility of everyone associated with the College - including staff (both contracted and temporary), students, contractors, Council members and co-opted members of sub-committees and third parties - to report any fairly based suspicions of fraud or corruption. The College has a "no retaliation" policy for people reporting reasonably-held suspicions, and concerns can be raised if necessary under the College's Public Interest Disclosure Policy.

This policy applies to any fraud, or suspected fraud involving everyone and anyone associated with the College - including staff, students, employees (contracted and temporary), Council members, co-opted members of sub-committees, contractors and third parties.

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
- 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

Counter-fraud actions, including ‘Dos and Don’ts’

Where there is suspicion that fraud or corruption has occurred, or is about to occur, it is essential that the appropriate person within the College is contacted immediately. The full procedure for reporting is documented in the [Public Interest Disclosure Policy](#). Initial steps are:

- In the first instance, disclosures should be to the line manager
- If this is inappropriate or has proved ineffective, the individual should make the disclosure to the College Secretary who has been designated by the Council as the person responsible for considering such allegations (Investigating Officer).
- If the disclosure is related to the College Secretary, then the disclosure may be made to the Chief Operating Officer.
- If the individual does not wish to make the disclosure to either of the above he or she may raise the matter with the Chair of the Audit and Risk Committee, who can be contacted through the College's internal auditors:

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One Chamberlain Square, Birmingham, B3 3AX

Some ‘Dos and Don’ts’

- **Do** report your concerns, as above; 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 as detailed in the Public Interest Disclosure Policy [insert link]. All reports will be dealt with in confidence. Only staff who need to know will be informed. Maliciously making a false allegation is a disciplinary offence.
- **Don’t** contact the police directly – that decision is the responsibility of the appropriate person and other senior College officers.
- **Don’t** under any circumstances suspend anyone if you are a line manager without direct advice from Human Resources and other appropriate person(s).

The College has a no retaliation policy for people reporting reasonably held concerns and suspicions, and any retaliation against such people including victimisation and deterring/preventing reporting will result in disciplinary action. Equally, the abuse of process by reporting malicious allegations will also result in disciplinary action.

Any contravention of the no-retaliation policy should be reported through the dedicated process contained in College's Public Interest Disclosure Policy.

Fraud with academic implications

Fraud can often be associated with direct financial gain, such as procurement and invoicing fraud. However, in the Higher Education sector, academic fraud is a further possibility, including fraud related to immigration, admissions, internships, examinations and awards.

Such a fraudulent activity could be very high-profile, with potentially significant consequences for the College. In such cases, it is again essential that an appropriate person is contacted at the earliest opportunity, together with other senior College officer(s), as deemed appropriate. As each case of this type is different, it is not possible to produce comprehensive and definitive guidance to follow.

Investigation of such a fraud may involve a number of stakeholders, including the police, internal audit and professional bodies, but decisions regarding their involvement generally remain the purview of senior College officers. To ensure that the investigation is not compromised, however, it is vital that the number of people aware of the investigation is kept to an absolute minimum. Notwithstanding, it should be recognised that some frauds of this nature will involve the police initiating their own investigation.

Guidance for managers on receiving a report of fraud

Managers who receive a report of a fraud should:

- Listen to the concerns of your staff and treat every report you receive seriously and sensitively. Make sure that all staff concerned are given a fair hearing, bearing in mind that they could be distressed, upset and/or frightened.
- Reassure your staff that they will not suffer because they have told you of their suspicions, as long as they are made in good faith.
- Get as much information as possible. Do not interfere with any evidence and make sure it is kept in a safe place.
- Ask the member of staff to keep the matter fully confidential in order that it can be investigated without alerting the suspected/alleged perpetrator.
- Contact the College Secretary to report the fraud/suspected fraud. If the College Secretary is suspected, contact the Chief Operating Officer.

Establishing and securing evidence

The College will follow standard and established disciplinary procedures against any member of staff who has committed fraud. Additionally, the College will normally consider prosecution of any such individual. The College Secretary (Investigating Officer) will give consideration to the composition of the Fraud Response Team and investigation planning.

Membership of the panel should include (at least):

- Vice-Chancellor
- Chief Operating Officer
- Chief Financial Officer
- Director of People and Change
- Legal Counsel

In securing and handling evidence it should be assumed that all evidence may need to be presented in legal proceedings and will therefore be treated accordingly. All evidence should ideally be gathered and retained by the Investigating Officer in line with the Police and Criminal Evidence Act 1984 (PACE), Criminal Procedure Investigations Act 1996 (CPIA) and any other relevant (or local legislation if outside of the UK).

The Fraud Response Team will need to quickly determine the following:

- whether an investigation is necessary
- who will lead the investigation
- any necessary additional resources required to support the investigation
- any immediate need for police or other law enforcement involvement
- a timetable for the lead investigator to report back progress on the investigation
- any additional support requirements (e.g. IT facilities, a secure room, secure fax and phone facilities, administrative support etc.)
- any immediate need for legal advice
- any immediate need for external, technical support (e.g. forensics, accredited investigators)
- a PR/media strategy for dealing with the case (both internally and externally)
- any immediate need to suspend staff; conduct searches and remove staff access (e.g. to files, buildings, computers/systems (including remote access) etc.)
- any immediate need to report the potential fraud externally (e.g. external auditors, other funders/donors, HMRC, the police etc.).

For smaller, less complex frauds, it may not be appropriate to establish a Fraud Response Team. In this case, the Fraud Response Team may simply comprise the (VC / Chief Financial Officer etc).

Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the College will act to prevent further loss. This may require the suspension of the individual(s) suspected of fraud and removal of physical (i.e. campus, building and office) and systems access rights. Any suspension will be in accordance with College's disciplinary procedures but it may be necessary to plan the timing of suspensions to prevent individuals from destroying or removing evidence that may be needed to support the investigation process. However, it should be recognised that there may occasionally be circumstances where it is decided to allow a fraud - and associated losses - to continue to identify, for example, further culprits.

Police involvement

All frauds, irrespective of size will be reported to the Police through the Action Fraud website [http:// www.action.fraud.police.u k/](http://www.action.fraud.police.uk/). The College Secretary will also report the fraud to the College's Audit & Risk Committee. For significant frauds, the College Secretary will contact the police and arrange a meeting. All contact with the police should be channelled through the College Secretary.

Recovery of losses

Recovering losses is clearly a priority for a fraud response investigation. Internal Audit or those investigating the incident should ensure that in all fraud investigations the amount of any loss is quantified. Repayment of losses should be sought in all cases. Where the loss is (potentially) substantial, legal advice should be obtained without delay about the need to freeze an individual's assets through the courts pending the conclusion of the investigation. Legal advice should also be sought about the prospects for recovering losses through the civil court in circumstances where the perpetrator(s) refuse repayment. The College would normally expect to recover costs in addition to losses. The College's insurers should be involved in such cases. The Chief Financial Officer will be the channel for all communication with the insurers, internal audit and the College's lawyers.

Reporting to the regulators

The College Secretary will provide a confidential report to the Audit & Risk Committee. The Chief Financial Officer, Vice-Chancellor and the external audit partner/ director will be notified of the fraud and the College's actions. The report should include the circumstances surrounding the case including value of losses, contributory factors and progress with the investigation.

Any incident meeting the criteria for a report to the regulators should be reported without delay to the Vice-Chancellor, the Chair of Council, the Chair of the Audit & Risk Committee and the Chair of the Planning & Resources Committee where there is a (potential financial loss). The College will also consider if incidents not meeting the criteria should be reported both to the regulator as well as to sector fraud alert networks (e.g. via BUFDG), to anonymously warn other sector bodies of potential risks.

Communication of findings & closure

In addition to the reporting noted above, the College Secretary and Chief Financial Officer will consider the merits of wider communication within the College. Such communications may include all staff emails to raise awareness, more detailed reporting to managers included by not limited to the Senior Management Team. Such communications increase levels of awareness and help to establish a counter-fraud culture in the College.