

University of Birmingham

Fraud Response Policy

1. Purpose

- 1.1 The purpose of this policy is to define responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the policy should assist in enabling the institution to prevent further loss, establish and secure evidence necessary for any disciplinary and/or criminal action, undertake a systematic investigation process, recover losses where possible, and notify all relevant parties. The policy applies to the University and to all subsidiary and associated companies and to suspected frauds or irregularities undertaken by staff, students or third parties.
- 1.2 The Fraud Act 2006 created a specific offence of fraud, defining it as a dishonest act, through false representation, failure to disclose information or abuse of position, with the intent of causing a gain for self, or loss to another. It shifted the emphasis to showing the intent of the perpetrator, from the previous legislative position of demonstrating the loss to the victim. Fraud can be perpetrated by persons outside as well as inside an organisation. The criminal act is the attempt to deceive and therefore attempted fraud is treated as seriously as accomplished fraud.
- 1.3 The University's Policy and Procedure on Public Interest Disclosure and "Whistle blowing" is available on the Council pages of the University [website](#). The policy is designed to allow staff, students and all members of University bodies (e.g. University Committees) to raise, at high level, concerns or information which they believe in good faith provides evidence of malpractice or impropriety. This Fraud Response Policy supplements the Whistleblowing Policy, and should be used where a member of the University has actual or strong suspicion of fraud or financial irregularity.

2. Initiating Action

- 2.1 Suspicions of fraud can be identified through many different routes. This can include the routine operation of controls, alerts from external stakeholders, concerns raised by staff and students, internal and external audit activity or a variety of other sources. It is the duty of all members of staff to report any actual or suspected incidents of fraud or irregularity. How this is done will depend on the situation encountered, and may include procedures documented in the University's Whistleblowing Policy. Ultimately these should be reported without delay to the Registrar and Secretary, who will decide on the appropriate actions to be taken. It may be necessary to convene a meeting of the following Fraud Response Group to decide on the initial response:
 - Registrar and Secretary (Chair)
 - Chief Financial Officer (Deputy Chair)
 - Director of Human Resources
 - Head of Internal Audit
 - Other senior staff as determined by the Registrar and Secretary (e.g. Director of Legal Services, Chief Information Officer, Academic Registrar, Director of External Relations).
- 2.2 If the suspected fraud or financial irregularity involves or implicates the Registrar and Secretary, then the matter should be referred to the Vice-Chancellor. If the suspected

fraud or financial irregularity involves or implicates the Vice-Chancellor, then the matter should be referred to the Chair of University Council and/or the Chair of Audit Committee as appropriate.

- 2.3 The Fraud Response Group will decide on the action to be taken. This will normally be an investigation led by the Head of Internal Audit; however the action will be contingent on the scale and circumstances of the suspected incident. The decision by the group to initiate a fraud investigation shall constitute authority to the Head of Internal Audit to use time provided in the Internal Audit Plan for special investigations, or contingency time, or to switch internal audit resources from planned audits. Where the suspected fraud could have significant legal, financial or reputational consequences, the initiation of the investigation will be from the Director of Legal Services to the Head of Internal Audit to ensure that it is performed under legal privilege.
- 2.4 The Fraud Response Group will also consider whether any specialist resource such as staff from Finance, IT, Legal Services, Human Resources, Campus Services, Academic Services or Estates are required to assist in the investigation, and will ensure that this resource is made available to the Head of Internal Audit. The Fraud Response Group will approve the appointment of external specialists to assist with, or undertake, the investigation if required.
- 2.5 Confidentiality will be maintained, however the Fraud Response Group will be responsible for ensuring that the Vice-Chancellor and Chair of Audit Committee are kept informed of the progress of the investigation, and will consider the need for a wider communication to stakeholders.

3. Prevention of Further Loss

- 3.1 Where an initial investigation provides reasonable grounds for suspecting a member or members of the University of fraud, the Fraud Response Group will decide how to prevent further loss after consultation with the Police or the University's external solicitors, as necessary. This may require a lock-down of the relevant offices, and suspension, with pay, of suspect(s) who are members of staff. It may be necessary to plan the timing of suspension to prevent the suspect from destroying or removing evidence that may be needed to support disciplinary or criminal action. The act of suspension should be undertaken in accordance with HR procedures.
- 3.2 In these circumstances it may be appropriate for the suspect to be approached unannounced. They should be supervised at all times before leaving the University's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the University. Any security passes, keys to premises, offices and furniture should be returned. At this point fraud has not been proven and the process should be undertaken with respect.
- 3.3 The Head of Security will advise on the best means of denying access to the University while the suspect remains suspended. Depending on the circumstances, consideration will be given to requesting that the Chief Information Officer withdraw, without delay, access permissions to the University's computer systems.

- 3.4 The Head of Internal Audit will be supported by the Fraud Response Group to consider whether it is necessary to investigate systems or people other than those which gave rise to the initial suspicion, through which the suspect may have had opportunities to misappropriate the University's assets.
- 3.5 The Fraud Response Group will ensure that the University's insurers are notified as soon as possible of the fraud.

4. Establishing and Securing Evidence

- 4.1 The University will usually follow disciplinary procedures against any staff or student member of the University who has been proved to have committed fraud. The University will also normally pursue the prosecution of any such individual, and the Fraud Response Group will be responsible for determining who should initiate contact with the Police, Action Fraud and/or other law enforcement authorities and when this contact should occur. Where the Police or Action Fraud are not notified of a suspected or actual fraud, the Audit Committee should be advised of the reason.
- 4.2 The Head of Internal Audit will:
- Maintain familiarity with the University's disciplinary procedures and regulations, to ensure that disciplinary evidence requirements will be met during any fraud investigation;
 - Establish and maintain contact with the Police, Action Fraud and/or other law enforcement authorities if instructed to do so by the Fraud Response Group;
 - Liaise with the Police, Action Fraud and/or other law enforcement authorities or the Director of Legal Services to ensure that all staff involved in a fraud investigation are familiar with and follow rules on the admissibility of documentary and other evidence in criminal and civil proceedings.

5. Recovery of Losses

- 5.1 The Head of Internal Audit will ensure that in all fraud investigations best endeavours are made to quantify the amount of any loss, noting the challenges that can arise. Repayment of losses will normally be sought in cases where it is economical to do so.
- 5.2 Where the loss is substantial, the Director of Legal Services will be responsible for providing legal advice about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice may also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The University would normally expect to try to recover costs in addition to losses.
- 5.3 Any request for a reference for a member of staff or a student to whom a disciplinary penalty for fraud has been issued, or who has been prosecuted for fraud shall be referred to the Director of Human Resources or Academic Registrar respectively, who will advise on any answer to a request for reference.

6. Reporting to University Council

6.1 The Vice-Chancellor or their nominee shall report as soon as reasonably practicable any incident of actual or suspected fraud to the Chair of Council and the Chair of the Audit Committee if any of the following circumstances apply:

- The sum of money involved is, or potentially could be, in excess of £10,000.
- The particulars of the fraud are novel, unusual or complex.
- The fraud is part of a pattern of similar activities.
- There is likely to be public interest because of the nature of fraud or the individuals involved.

6.2 Significant departures from the approved Fraud Response Policy should be reported promptly to the Chair of Council and the Chair of the Audit Committee by the Registrar and Secretary.

7. Notifying the OfS

7.1 The circumstances in which the University must inform the OfS about actual or suspected frauds are detailed in [Regulatory Advice 16: Reportable Events](#). The Vice-Chancellor, as Accountable Officer, is responsible for informing the OfS of any such incidents, and this will be done in accordance with University procedures. The Head of Internal Audit will brief the Chief of Staff, who is responsible for OfS reporting matters, as soon as possible to provide advice to the Vice-Chancellor as Accountable Officer on reporting the matter to the OfS.

8. Reporting

8.1 The Head of Internal Audit, the Director of Legal Services or other nominated senior staff member shall provide the Fraud Response Group and the Vice-Chancellor with regular reports (which may be oral or in writing) on the progress of ongoing special investigations. Reports will usually include quantification of losses; progress with civil recovery action; progress with disciplinary action; progress with criminal action; progress with any insurance claims; estimates of resources required and timescales to conclude the investigation; actions taken to prevent and detect similar incidents. On completion of a special investigation, an oral or written report shall be submitted to the Vice-Chancellor and to Audit Committee by the Head of Internal Audit, the Director of Legal Services or other person nominated by the Fraud Response Group containing:

- A description of the incident, including the value of any loss, the people involved and the means of perpetrating the fraud.
- The measures taken to prevent a recurrence.
- The outcomes of actions taken.
- Any actions needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

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