

Anti-Fraud & Corruption Policy (including Fraud Response Plan)

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This policy and procedure is subject to The Equality Act 2010 which recognises the following categories of individual as Protected Characteristics: Age, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief, Sex (gender), Sexual orientation, Disability.

1. INTRODUCTION

Milton Keynes College is committed to dealing rigorously with any instances of fraud or corruption which take place within its operations. The College will ensure robust procedures are in place to reduce the risk of fraud or corruption taking place within any of its operations. Counter fraud, fraud response and cyber security plans, which encompass the prevention, detection, investigation and recording of fraud and cyber security incidents, are in place and are regularly reviewed.

2. DEFINITION OF FRAUD, CORRUPTION AND THEFT

2.1 The College understands fraud and corruption to mean:

- **Fraud:** Intentional distortion of financial or other statements or records which are carried out to conceal the misappropriation of assets or otherwise for gain. This includes cyber-crime, criminal activity targeting or using a computer, a computer network or a networked device.
- **Corruption:** The offering, giving, soliciting or acceptance of inducements, rewards or bribes which might influence the actions taken by the College.
- **Theft:** Acting dishonestly to take or appropriate property, money or other assets belonging to or which are the responsibility of the College with the intention of permanently or temporarily depriving the College the use of it.

2.2 The College differentiates between acts which are intentional and dishonest and those acts which are innocent but inappropriate and could also lead to the College suffering loss. The College also recognises that there are intentional actions which would not necessarily be categorised as criminal, but which would be considered grossly unprofessional e.g. the incurring of higher than necessary expenditure on behalf of the College for travel, hospitality, accommodation, gifts etc.

2.3 The College understands that fraudulent or corrupt activity could potentially involve College employees at any level, College Governors, agents, or contractors with the College.

2.4 The College needs to remain vigilant to any unlawful activities which are external to the College but involve potential serious loss to the College e.g. deception to obtain money, credit, goods, services, or confidential information, commercial advantage etc.

3. RAISING CONCERNS ABOUT FRAUD OR CORRUPTION

- 3.1 If a staff member suspects fraudulent or corrupt practice either within the College, or by anyone who has dealings with the College in the first instance they should report their concern to their line manager as soon as possible, who will inform the Chief Operating Officer.
- 3.2 In the event the staff member does not feel it appropriate to raise the concern with their line manager the matter should be raised with one of the following:
- CEO & Group Principal
 - Chief Operating Officer
 - Group Chief People Officer
- 3.3 If the concern involves one of the above, the staff member should contact either the Chair of College Governors or the Chair of the College Audit Committee via the Head of Governance.
- 3.4 All concerns raised by staff will be treated seriously and with appropriate discretion. All concerns will be investigated thoroughly.

4. NON STAFF

- 4.1 Members of the public, customers, suppliers, contractors, and other organisations that the College deals with are also able to report concerns regarding fraud and corruption through either the College manager with whom they work or through the options outlined in 3.1, 3.2 and 3.3.

5. CONTROL FRAMEWORK

5.1 External Audit

The Joint Audit Code of Practice makes clear that it is not the duty of external audit to search specifically for irregularity or fraud and audit and that it should not be relied upon to disclose them. However, the auditor does have a duty to plan and conduct audit so that there is a reasonable expectation that irregularity would be detected.

5.2 Serious irregularity

Any serious irregularity identified by external audit should be reported to the CEO & Group Principal, Chair of the Corporation and Chair of the Audit Committee as soon as possible.

5.3 Internal Audit

If internal audit suspects or discovers irregularity or fraud they should immediately inform the Chief Operating Officer, the CEO & Group Principal, and Chair of the Audit Committee.

5.4 Audit & Risk Committee

Should the Audit committee have concerns over irregularities or fraud they should contact the internal auditor and fully report their concerns.

5.5 Notifying Funding Bodies

Where external or internal audit identifies serious irregularities or fraud these must be reported fully to the relevant authorities without delay usually by a member of the College Executive Leadership Team, or where this would be inappropriate because of the nature of the irregularities by the Head of Governance or the Chair of the Corporation or the Chair of the Audit & Risk Committee. Significant cases of actual or suspected fraud or cyber-crime must be reported to ESFA. All attempted or actual fraud and cyber-crime must be reported to Action Fraud, the UK national fraud and cyber-crime reporting centre.

5.6 Investigation

The Audit & Risk committee may wish to hold an investigation into the irregularity or fraud. Subject to the outcomes of this, then the relevant funding bodies may need to be informed.

6 PROCEDURES FOR DEALING WITH IRREGULARITY, FRAUD OR CORRUPTION

6.1 Involving members of staff

- a) Where staff are suspected of irregularity, fraud or corruption the College's staff disciplinary procedure will be applied using the procedures relevant to gross misconduct. This includes all matters concerning investigations, panel hearings, appeals and timescales. If appropriate, internal auditors may be invited to take the lead for conducting some or all of the procedures relating to any investigation. In the event that a member(s) of the Executive Leadership Team is subject to the investigation the internal auditors will assume full responsibility for the investigation.
- b) In all cases of irregularity, fraud or corruption the investigating officer will take appropriate legal advice and / or advice from the police to ensure that the evidence gathered will meet the legal standards required for any subsequent proceedings.
- c) Where internal auditors are requested to lead or support an investigation into irregularities, fraud or corruption they should confirm that the staff who will undertake the investigative work are trained to undertake such work and have been fully briefed on the nature of the investigation.
- d) Staff who are subject to investigation may be suspended from work if appropriate. In addition, care should be taken to ensure that the staff concerned do not have access

to any College property, IT systems, databases, information, or accounts which would enable evidence or assets relevant to the investigation to be disposed of.

- e) In all cases the appropriate disciplinary procedure will be followed – (Staff Disciplinary Procedures)

6.2 Involving suppliers, contractors, organisations, and other individuals

- a) In instances where suppliers, contractors, organisations, and individuals are involved, the Audit & Risk Committee will request that the Internal Auditors conduct the investigation in close liaison with the appropriate member of the Executive Leadership Team.
- b) The internal auditors will be asked to confirm their arrangements for carrying out the investigation and to ensure that staff who will be undertaking the investigative work are trained to undertake such work and have been fully briefed on the nature of the investigation.
- c) Where there is a suspicion that the investigation may reveal criminal activity the Audit & Risk Committee may determine to involve the police from the outset.
- d) Any outcomes of the investigation including specific recommendations into irregularity, suspected fraud or corruption will be determined by the Audit & Risk Committee after the investigation report has been presented to them.

6.3 Involving Members of the Corporation

In the event of a member(s) of the corporation being suspected of irregularity, fraud, or corruption this will be reported as soon as is possible to the Head of Governance in the first instance.

6.4 Control Framework for prevention or reporting of Fraud & Corruption

The main mechanisms for this are contained within:

- Financial Regulations and Procedures
- External Audit arrangements
- Internal Audit Annual action plan
- Corporation committees' terms of reference
- Public Interest and Disclosure Policy (Whistleblowing Policy)

Annex 1 - FRAUD RESPONSE PLAN

The Fraud Response Plan defines authority levels, responsibilities for action and reporting lines to ensure that all allegations and reports of fraud, corruption or theft are properly followed up, are considered in a consistent and fair manner and that prompt and effective action is taken to:

- Assign responsibility for investigating the fraud.
- Minimise the risk of any subsequent losses.
- Reduce any adverse operational effects.
- Specify the degree of confidentiality required.
- Implement damage limitation (to assets and reputation).
- Establish and secure evidence necessary for disciplinary action (and potential criminal action).
- Improve the likelihood and scale of recoveries.
- Inform the Police and liaise with insurers.
- Review the reasons for the incident and improve controls to mitigate future fraud risks.

Associated policies

The Fraud Response Plan is to be followed in conjunction with:

- The Anti-Fraud and Corruption Policy
- The Staff Disciplinary Policy and Procedures
- The Public Interest Disclosure (Whistleblowing) Policy and Procedures
- The College Financial Regulations
- The College Financial Handbook (2024)
- The Post 16 Audit Code of Practice (ACOP)

The main elements of the College's plan are as follows:

1. INITIATING ACTION

Reporting of any suspicions of fraud or irregularity

Staff are encouraged to come forward and give information where they believe someone may have committed or be about to commit an act of fraud or corruption. A Public Interest Disclosure (Whistleblowing) Policy is in place to provide a framework for this and to afford protection to employees who supply information, provided this is undertaken in good faith and without malice.

All actual or suspected incidents should be reported in line with the College Anti-Fraud and Corruption Policy (Section 3) or via Speak Out (the College Whistleblowing hotline) as soon as possible. Any reports will be treated in absolute confidence. Notes of any relevant details

such as dates, times and names should be written, and evidence collected in preparation to hand over to the appropriate Investigating Officer.

The person reporting the fraud should not:

- Contact the suspect to determine facts or demand restitution.
- Discuss case facts outside of the College.
- Discuss the case with anyone within the College other than those named in the Anti-Fraud and Corruption Policy (Section 3).
- Attempt to carry out investigations or interviews unless specifically asked to do so by the Chief Operating Officer.

Fraud Response Group

As soon as is practicably possible and usually within one working day the Chief Operating Officer will hold a meeting with the CEO & Group Principal and the Chief People Officer to consider the initial response, dependent upon the nature of the report. These staff will agree the membership of the Fraud Response Group (FRG) and the Chief Operating Officer (or agreed nominee) will act as Chair of the Fraud Response Group.

Dependent on the nature and likely exposure the meeting may take the form of an email exchange or MS Teams Meeting which will be formally recorded.

The Chief Operating Officer will be responsible for informing the Chair of the Audit and Risk Committee where the gross amount of the loss (that is before any insurance claim) is in excess of £5,000.

The FRG will determine what further investigative action (if any) is necessary. The following issues will be considered:

- Who to involve in the investigation.
- Where applicable, who to appoint as Investigating Officer to lead the investigation. This could be either a College manager or independent auditors (who would normally be the College's existing Internal or External Auditors)
- Whether there should be any restrictions on who needs to know about the suspected fraud and level of confidentiality.
- The suitable timing of Police involvement as necessary (see below), and/or whether civil action is required.
- Whether more specialist expertise may be required to assist with the investigation.
- Action under the terms of the College's insurance policy to ensure prompt reporting.
- Action to ensure that, in the short-term, damage to the College is limited by:
 - Isolating the employee from the immediate work environment.
 - Preventing access to College computers, network, and the workplace.

- Restricting the movement of assets.
- Ensuring compliance with People Services policies.
- Ensuring any interview is timely and has clear objectives.

In line with the Anti-Fraud and Corruption Policy, the main exceptions to this process will be:

- If any suspected fraud directly involves the Chief Operating Officer, CEO and Group Principal, or Chief People Officer, then the FRG will be chaired by the Chair of the Board of Governors or the Chair of Audit and Risk Committee.
- In the event of a member(s) of the corporation being suspected of irregularity, fraud, or corruption this will be reported as soon as is possible to the Head of Governance in the first instance to determine the appropriate course of action.
- In instances where external suppliers, contractors, organisations, and individuals are involved, the Chair of the Audit & Risk Committee will request that the College Internal Auditors conduct the investigation in close liaison with the chair of the FRG and/or the Chief Operating Officer.

Reporting incidents to the Police

The Chief Operating Officer, in liaison with the Chair of Audit and Risk Committee, will report a fraud incident to the Police where criminal act has been determined from preliminary investigations.

It is essential that any action or gathering of evidence does not prejudice the College's ability to prevent fraudulent activity or recover losses incurred through fraud. Staff reporting fraud should follow advice from the Chair of the FRG or the independent auditors acting on behalf of the College.

2. PREVENTION OF FURTHER LOSS

Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the FRG will decide how to prevent further loss. This may require the suspension of those under suspicion, in line with the Staff Disciplinary Policy and Procedures. It may be necessary to plan the timing of suspension to prevent the destruction or removal of evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect(s) should be approached unannounced. The suspect(s) should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision but should not be able to remove any property belonging to the College. Any security passes and keys to premises, offices, and furniture should be returned.

Advice should be obtained on the best means of denying access to the College while suspects remain suspended (for example, by informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the College's computer systems should be suspended without delay.

The Investigating Officer shall, after approval by the FRG, consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to commit the fraudulent activity.

3. ESTABLISHING AND SECURING EVIDENCE

The College will follow the process detailed in the Staff Disciplinary Policy and Procedures with any member of staff who has committed fraud, corruption, or theft. Additionally, the College will normally consider prosecution of any such individual. The Investigating Officer, in liaison with the FRG, if applicable, will ensure that either directly, or through collaboration with the Police, that:

- Evidence standards are met during any fraud investigation.
- Staff involved in performing fraud investigations are familiar with the rules on the admissibility of evidence in criminal proceedings.

When interviewing employees under suspicion the processes outlined in the Staff Disciplinary Policy and Procedures will be followed at all times.

If it is decided that formal questioning is needed because potential involvement in a criminal offence is suspected, then the College will liaise with the Police on the appropriate course of action.

Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record, and the witness can be given a copy of the statement if desired. It is also very important to keep contemporaneous notes on file, in the event that they are needed for future reference (e.g. court, tribunal or disciplinary hearing).

4. ASSOCIATED RESPONSIBILITIES, LEGAL ADVICE, CONFIDENTIALITY

Responsibility for investigation

All investigations shall normally be led by an appointed Investigating Officer under the direction of the FRG or the Chair of Audit and Risk Committee. Some investigations may require the use of technical expertise which the Colleges Internal Audit and External Services does not possess. In these circumstances, the FRG or the Chair of Audit and Risk Committee may approve the appointment of external specialists to lead or contribute to the investigation.

Legal advice

The need and scope for legal advice should be considered on a case-by-case basis.

Confidentiality

The need for confidentiality must be explained to, and maintained by, relevant parties during any investigation.

References for employees disciplined or prosecuted for fraud

Any requests for a reference for a member of staff who has been disciplined or prosecuted for fraud, corruption or theft shall be referred to the Chief People Officer. People Services should prepare any answer to such a request.

5. RECOVERY OF LOSSES

Recovering losses is a major objective of any fraud investigation. The Investigating Officer, in liaison with the FRG or the Chair of Audit and Risk Committee shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's (employee or external) assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court where the perpetrator refuses payment. The College would normally expect to recover costs in addition to losses.

The College insurers should be made aware of the pursuit of any such claims.

6. INTERNAL CONTROL ASSESSMENT

The Chief Operating Officer and/or the Chair of Audit and Risk Committee will, at an appropriate time, consider the results of the investigations and assess whether there is a weakness in the College's systems of internal control which needs to be addressed urgently, and will report accordingly.

7. REPORTING

On completion of an investigation, a written report, prepared by the Investigating Officer, will be submitted to the Chief Operating Officer and/or the Chair of Audit and Risk Committee. The report will include:

- A description of the incident, including the value of any loss, the people involved and the means of perpetrating the fraud.
- The outcome of the investigation.
- The measures taken to prevent a recurrence (including lessons learned).

Identified Frauds

Termly Fraud reporting will be a standard agenda item at Audit and Risk Committee. This will include reporting on fraud assurance and where applicable a summary of fraud related incidents during the previous period.

Notifying the Funding Body

The Accounting Officer (CEO & Group Principal), and where appropriate, the funding auditor, the financial statements auditor or the Internal Audit Service must report to the funding body, without delay, serious weaknesses, significant frauds, major accounting, and other control breakdowns of which they are aware.

The new Colleges Financial Handbook 2024 details where fraud is identified, colleges must inform the Chair of the Audit and Risk Committee, External Auditors and Internal Auditors (if applicable) as soon as practically possible. The ESFA, and any other relevant college funder, must also be informed as soon as possible when the fraud, or suspected fraud, is significant. Significant Fraud must be reported via the 'allegations' mailbox at:

allegations.mailbox@education.gov.uk

Significant fraud is where there is one or more of the following factors (though this list is not exhaustive):

- the gross amount of the loss (that is before any insurance claim) is in excess of £5,000.
- there is likely to be public interest because of the nature of the fraud or the people involved, especially when the fraud is committed by a governor or senior employee, regardless of the amount.
- the particulars of the fraud are novel or complex.
- the fraud is systematic or unusual in nature.

8. FRAUD POLICY AND FRAUD RESPONSE PLAN REVIEW

This policy will be reviewed for fitness of purpose every two years or after each use. Where fraud, corruption or theft have been identified, the College will take a 'lessons learnt' approach to establish continuous improvements and prevent reoccurrence. Any need for change to the Anti-Fraud and Corruption policy (including the Fraud Response Plan) will be reported to the Audit and Risk Committee for approval.