
The LTE Group

Fraud and Irregularity Policy 2016



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1 Foreword

The Fraud and Irregularity Policy addresses two distinct areas:

- fraud and irregularity
- money laundering

The information contained in the policy can also be found in the Group Financial Regulations.

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Fraud and Irregularity

LTE Group management has responsibility for the prevention, detection and investigation of irregularities, including fraud and corruption. The Internal Audit Service assists by examining and evaluating the adequacy and effectiveness of action taken to fulfil this obligation. The Internal Audit Service should have sufficient knowledge of fraud and its characteristics, the techniques used to commit fraud and the types of fraud associated with the activities audited.

The work of the Group Internal Audit Service should be planned to take into account consideration of fraud, theft and corruption and risk assessment especially in those systems where a high potential for fraud exists. Systems should be tested to ensure that the risk of fraud, both internal and external, is minimised and auditors should be alert to any control weaknesses that allow fraud to occur.

The Group Internal Audit Service may be best placed to perform any investigations that may be required. This is provided that:

- the independence of the Internal Audit Service is not compromised;
- it has the appropriate skills and knowledge;
- it has sufficient resources without detriment to its core work of providing assurance on the whole system of internal control;
- investigations should not be performed at the expense of planned internal audit.

All members of the Board of Governors, the Executive Team, Senior Management and members of staff are expected to report any matter arising which involves, or is thought to involve, financial or accounting irregularities, or of any circumstances which involve or suggest the possibility of irregularities including those affecting cash, stores, property, remuneration or allowances of the Group or any suspected misdemeanor in the exercise of the functions of the Group. The Group Public Interest Disclosure Policy provides details of the measure of protection which may be allowed to individuals in making disclosures of potential irregularities, including fraud, corruption or impropriety.

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Matters arising which affect staff should be reported in accordance with the Group's Public Interest and Disclosure Policy and Procedure to the Company Secretary and General Counsel, who shall take such steps as are considered necessary in accordance with the Group Fraud Policy Statement.

Matters arising which affect senior managers and members of the Board of Governors shall be reported to the CEO who shall take such steps as are considered necessary, in accordance with the Group Fraud and Irregularity Policy, to investigate and report on any such matter in accordance with the Fraud Policy.

Matters arising which affect the CEO shall be reported to the Chair of the Audit Committee, who shall take such steps as are considered necessary in accordance with the Group Fraud Policy Statement to investigate and report on any such matter to the Company Secretary (as the designated assessor under the Public Interest Disclosure Procedure – 'Whistleblowing Policy') the Chair of the Board of Governors and subsequently the Board of Governors.

Where audit investigations produce a prima facie evidence of criminal activity the police will be consulted by the CEO or the Chair of the Board of Governors for matters concerning the CEO.

Serious weaknesses or an accounting breakdown should be reported without delay to the CEO, the Board of Governors, the Audit Committee and the SFA/EFA.

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Fraud and Irregularity and Money Laundering – Policy and Guidelines

Policy Statement

The Group requires all staff at all times to act honestly and with integrity to safeguard the public Finance for which the Board of Governors is responsible.

Fraud is an ever present threat to Finance. All members of LTE Group staff must, therefore, remain alert to the risk that fraud or irregularity could occur in their area of responsibility.

The Group will not tolerate any cases of fraud or its offices being used for money laundering or any criminal activity.

The purpose of this policy is to set out:

- a) Staff responsibilities regarding both the prevention of fraud and irregularity;
- b) The procedure to be followed where a fraud or irregularity is detected or suspected;
- c) The procedures to be used to comply with the money laundering legislation.

Definitions

Many of the offences referred to as fraud are covered by Thefts Acts of 1968 and 1978 and Fraud Act 2006. The term is usually employed to describe acts such as bribery, corruption, forgery, extortion, conspiracy, theft, embezzlement, misappropriation, false representation and concealment of material facts. For all practical purposes, fraud may be defined as: 'The use of deception with the intention of obtaining an advantage, avoiding a loss, or causing loss to another party.'

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Fraud can be committed by persons outside as well as inside the LTE Group. In the Group context, fraud or irregularity could include:

- pilfering of stock;
- use of Group telephone/fax internal facilities for personal gain;
- unauthorised use of Group equipment (including computers);
- theft of cash or equipment;
- improper manipulation of computer programs or data collusion with others for illicit gain;
- falsification of claims for travel and subsistence or other allowances;
- improper/inaccurate claims for overtime or time off in lieu.

External attempts at fraud or irregularity could include:

- offers of bribes/inducements;
- submission of false invoices;
- demands for payment of unsolicited goods;
- contractor frauds involving overcharging, sub-standard work, bid rigging and/or collusion in competition for services;
- fraudulent claims for Group funds.

The money laundering legislation which is covered by this procedure covers similar areas of risk to those described above. The legislation covers any fiscal or economic benefit derived from any criminal activity that can touch any organisation in its normal daily activity. Money laundering can include anything from which individuals or companies can derive a pecuniary benefit and can include the following crimes: fraud, theft, bribery, corruption, tax evasion, false accounting, false reporting, identity and fraud. Given the broad definition of money laundering offences it has been decided to incorporate the procedures for this within the existing fraud and irregularity policy. It is also a criminal offence if the Group fails to adequately provide procedures to safeguard against potential money laundering activities. The responsibility for these procedures rests with the Executive Team and the Money Laundering Reporting Officer.

Prevention of Fraud, Irregularity and Money Laundering

The management and financial systems of the College have been designed to incorporate appropriate controls for preventing fraud and potential money laundering activities. These controls include, inter alia:

- supervisory checks;
- management checks;
- appropriate organisational structures;
- complete, accurate and up-to-date records;
- physical security of assets/stocks;
- segregation of duties;
- clearly defined written responsibilities;
- clearly defined lines of reporting;
- regulations and associated procedure guides;
- stock checks;
- procedures for the payment of tuition fees from overseas students.

Responsibility for Prevention

All line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility. The responsibility for the prevention and detection of fraud, therefore, rests primarily with Senior Postholders, Cost Centre Managers and other Managers and budget holders who should assess the types and risk involved with the operations for which they are responsible.

The Group Finance Director and the Group Internal Auditors are able to offer advice and assistance on control issues.

In the case of money laundering activities the Company Secretary and General Counsel will act as the Money Laundering Reporting Officer (MLRO). The MLRO will be supported by the Head of Finance and Financial Accountant in the operational control of the related procedures.

Identification of Fraud, Potential Financial Irregularity or Money Laundering

Any member of staff, student or individual connected to the LTE Group, who is found, through no fault of their own, to be either directly or indirectly involved in such matters should report such matters to the Deputy CEO/CFO who is the Money Laundering Reporting Officer. For the purposes of the money laundering regulations, any member of staff, including internal audit who suspects a potential fraud or financial irregularity should contact the Deputy CEO/CFO.

The only exception to this rule is where either the Deputy CEO/ CFO or the CEO may be potentially involved. If the Deputy CEO/ CFO or CEO is potentially implicated notifications should be direct to the Chair of the Audit Committee.

In the event that the member of staff believes that his/her suspicions need to be escalated further, the escalation route is first to the CEO and thereafter to the Chair of the Audit Committee.

Decisions Relating to Required Action

Except where the CEO may have a potential involvement the decision on the action to be taken must be made by the CEO, normally in consultation with the Deputy CEO/CFO. If in certain cases, e.g. small thefts, the responsibility for decision is to be delegated to the Deputy CEO/CFO, the authority should be in writing specifying the limit of his/her authority. In addition to this the head of HR must be notified of all cases of theft.

If the CEO has a potential involvement, the Chair of the Audit Committee should determine the necessary action, normally in consultation with either the Internal Auditor Manager or exceptionally, the Financial Statements Auditor or the SFA/EFA Audit Service.

Initial Potential Actions by the CEO

Normally the CEO will determine necessary action in consultation with the Deputy CEO/CFO.

There are four potential courses of action:

Contact Police

Direct invitation to the Police to carry out a review – where prima facie evidence exists that a fraud or theft has occurred.

No further action

Where the CEO considers that there are no grounds for action, the CEO will set out in writing his/her reasons for reaching this decision. This document will be held by the Clerk to the Board of Governors.

Complete a review

Carry out a review explaining the concerns raised.

Suspicious activities

In the case of potential money laundering the Company Secretary and General Counsel, who is the Money Laundering Reporting Officer, can make a suspicious activity report (SARs) to the authorities.

Completing a Review and Review Team Options

If the CEO considers that a review is necessary, he/she must determine the nature and extent of the review and the senior staff member or team required to perform it. Under normal circumstances, a member of the Executive Team will conduct any review, unless he/she is directly involved. The decision will be determined by the nature of the initial evidence. The CEO may call for advice from the College Internal Auditors.

The CEO will appoint a member of the Executive Team to coordinate and conduct the review and may involve other senior staff in the review.

In the case of potential money laundering activities this will be the Company Secretary and General Counsel.

Any review team will be dependent on the issue concerned but could include persons drawn from a list of the Deputy CEO/ CFO, relevant Managers and Internal and Financial Statements Auditors.

Components of the Review

The CEO should agree the terms of reference of the review which will be determined by the type of problem being addressed but which will include:

- limits of work to be completed;
- timescale;
- working arrangements; and
- reporting lines and requirements.

A member of the Executive Team will conduct the review including conducting any necessary interviews and will prepare and present a draft report to the CEO incorporating recommendations for action which may be:

- no further action;
- invite police involvement; or
- identify further work in specific areas.

The CEO will make a decision and action required on the recommendations.

Interviews

Internal Auditors and other review team members are not court officers and are not bound by judges' rules, and they should not seek to interview with judges' rules in mind, e.g. warning that 'anything you say', etc.

The interviews need to be carried out in a formal setting, however, with the realisation that potentially something could be related which could later become court evidence.

The following minimum requirements must be followed:

- Where formal interviews are completed with those who have potentially carried out a crime, extreme care must be taken to avoid making allegations. In short no allegations should be made, although a direct question, e.g. 'Did you take this money?', may be reasonable.
- Notes should be taken of each interview at the time of the interview.
- Statements may be helpful in certain reviews.

Cash Controls

Wherever cash or cash equivalents are involved, two people must verify the cash levels. This is particularly important where cash theft is a potential issue.

Reporting

The nature of the draft report should be determined by the specifics of the situation, but may include:

- introduction;
- terms of reference;
- executive summary;
- action/recommendations;
- review methods;
- findings;
- copies of documentation and evidence.

Action Following Review

If the evidence points to a material fraud or financial irregularity, the CEO may:

- inform the police;
- suspend any members of Group staff suspected of involvement pending further investigation
- recover any College property that has been unofficially removed from College premises.

If necessary, this matter may also be referred by any interested party to the Company Secretary and General Counsel for action on behalf of the Board of Governors.

A formal request on the outcome and resolution of any suspected fraud or irregularity however, will be presented at the earliest available meeting of the Board of Governors Audit Committee.

Disciplinary Action and Suspension

It is for the CEO to decide whether suspension of members of staff is necessitated while a review is carried out. Normally suspension should only be enforced following initial consideration of the first report where a CEO considers further work or the involvement of the Police is merited.

Policy Implementation

Staff invoking this policy must do so whilst being aware of the requirements of other Group policies, including Disciplinary and Public Interest Disclosure (Whistleblowing). The appropriate policy to be adopted will be dependent on the issue. The Principal will advise at the initial stage.

Review

This policy will be subject to review as determined by the Group Governing Body and will be modified dependent on the requirements of the Group's organisational structure.

Risk

The above policy, responsibilities for prevention and control measures should reasonably ensure that the potential for prevention of Fraud, Irregularity and Money Laundering is minimised. The Group considers however that an increased level of risk is posed in relation to UK and overseas transactions relating to overseas learners. Consequently, a specific procedure is provided covering overseas and UK transactions related to overseas learners.