Fraud Prevention Policy

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Fraud Prevention Policy

1. Introduction

1.1. The Policy has been developed to minimise the risk of fraud within the College.

2. Purpose and Aims

2.1. The objective of this policy is to safeguard the proper use of the College's finances and resources. The College derives much of its income from public funds and, therefore, has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

2.2. For the purposes of this policy, fraud is defined as dishonest, irregular or illegal acts, characterised by a deliberate intent at concealment or false representation, resulting in the diversion of resources, whether or not for personal gain, for the benefit of an individual or group of individuals at a consequent loss to the College.

2.3. The aftermath of fraud is costly, time-consuming and disruptive. The major thrust of any anti-fraud strategy should therefore be prevention

2.4. The scope of this policy applies to:

- all members of staff and members of the College Board of Management;
- all geographical locations and all College functions/services;
- all legal entities within the City of Glasgow College group; and
- all third parties, including subsidiaries, agency workers, consultants, suppliers, contractors and overseas agents.

3. Denial of Opportunity

3.1. Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud.

3.2. The classic way to guard against fraud in financial systems is separation of duties, so that no individual has undue management of payments, income or assets.

4. Leadership

4.1. Key determinants of the standards of behaviour in most organisations will be the standards observed by senior managers, and the policies and approach to their enforcement promoted by the senior managers.

4.2. The College's Board of Management and senior managers must therefore ensure that their behaviour is always of the highest standard. The Board will, therefore, produce and disseminate clear policies on:

- Code of conduct;
- Registration and declaration of interests;
- Accepting hospitality and gifts;
- Prosecution of perpetrators of fraud.

4.3. The police advise that prosecution is a particularly effective deterrent because of the risk of a custodial sentence and a criminal record. However, the threat of prosecution only deters if the threat is real. Therefore, each and every fraud case arising should normally be referred to the police, irrespective of the status of the individual. The decision to involve the police shall be taken by a member of the College's Executive Leadership Team or Chairperson of the Audit and Assurance Committee.

5. The Role of Auditors

5.1. A continuous review of systems by internal audit may deter attempted fraud and should result in continuous improvements. The risk of fraud shall, therefore, be a factor in audit needs assessments and related audit plans. External audit's reviews of financial checks and balances and validation testing provide further deterrence, and advice about systems.

6. Employee Screening

6.1. Potential new members of staff should be screened before appointment, particularly for posts with financial responsibility. The screening process shall follow the procedures set out in the College's Recruitment & Selection Procedure and Protecting Vulnerable Groups (Disclosure Scotland) Policy for example:

6.2. References shall cover a reasonable, continuous period; and any gaps should be explained;

6.3. An official employer's reference shall be sought;

6.4. Doubts about the contents of the reference should be resolved before confirming the appointment;

6.5. Relevant qualifications shall be checked before making an offer of employment; and

6.6. Recruitment procedures shall require applicants to declare any associations with existing Board members or members of staff. Members of recruitment panels shall similarly be required to declare such associations.

7. Detection

7.1. No system of preventative measures can guarantee that frauds will not occur. The College does implement detection measures to highlight irregular transactions. These are considered in the following sections.

8. Procurement & Purchasing

8.1. Procurement activity is a recognised area of fraud risk in the education sector. The College will therefore ensure robust preventative measures are in place, fully aligned with the College's Procurement Policy and Procedures, to safeguard public funds and maintain the highest standards of integrity, transparency, and accountability.

8.2. Preventative measures will include:

- Adherence to College Procurement Policy and Procedures to ensure all procurement activity is lawful, ethical, sustainable, and delivers value for money.
- Effective budgetary control, ensuring all expenditure is monitored against approved budgets and authorised by the appropriate budget holder.
- Secure management of supplier data, with segregation of duties between the creation, amendment, and approval of supplier records within the finance system.
- Mandatory use of electronically authorised purchase orders for all goods, works, and services (except approved exemptions), in line with the College's *No Purchase Order, No Pay* policy.
- Full three-way matching of purchase order, goods/service receipting, and invoice prior to payment, ensuring accuracy and compliance.
- Separation of duties, so that no single member of staff can authorise all stages of a transaction. The individual approving an invoice must be different from the person who authorised the purchase order.
- Conflict of interest management, ensuring any actual, potential, or perceived conflicts are declared and recorded in accordance with college policy.
- Compliance monitoring, with periodic internal checks and audits to detect and address any non-compliant or irregular activity.

8.3. These controls are designed to prevent and detect fraud, support sound financial management, and protect the College's reputation.

9. Asset Management

9.1. The effective management and safeguarding of College assets is essential in preventing fraud, theft, and misuse. The College will maintain robust controls, aligned with the Asset Management Policy, to ensure that all assets are accurately recorded, secured, and managed throughout their lifecycle.

9.2. Preventative measures will include:

- Accurate asset recording – All assets with a value of £500 or above, and all mobile IT devices, will be recorded in the central Asset Register, maintained by the Asset Manager.
- Asset tagging – All capital and non-capital assets will be uniquely identified with an asset tag in accordance with College procedures to enable effective tracking and verification.

- Clear stewardship responsibilities – Asset Stewards, normally the relevant Senior Manager, are accountable for the proper use, care, and security of assets under their control, ensuring that any change of use, location, or status is reported to the Asset Manager.
- Secure storage and restricted access – Assets will be kept in secure locations appropriate to their value and risk, with access limited to authorised personnel.
- Control over removal and loan – Assets may not be removed from College premises without prior authorisation from a Senior Manager and completion of an Asset Updating Form.
- Annual verification – All assets will be subject to annual physical or digital verification, with spot checks conducted by the Asset Manager. Any discrepancies, including missing or damaged assets, will be reported promptly to the Associate Director, Procurement and Asset Management, and/or the Chief Financial Officer.
- Controlled disposal and sale – Assets will be disposed of, donated, or sold only in accordance with the Asset Disposal and Sale of Assets Procedures, ensuring compliance with College Financial Regulations and environmental requirements.
- Reporting of missing assets – Any suspected theft, loss, or fraudulent use of College assets must be reported immediately in line with the College's Fraud Prevention Policy.

9.3. These measures are designed to ensure that College assets are safeguarded against fraud and irregularity, remain fit for purpose, and are managed transparently in the best interests of the College and its stakeholders.

10. Internal Management Systems

10.1. This is the most important measure because the risk of processing an irregular transaction is minimised where every transaction is reviewed systematically. Detective checks and balances should be designed into all systems and applied consistently. This would include the separation of duties, reconciliation procedures, random checking of transactions, and review of management accounting information, including exception reports.

10.2. Systems should identify transactions, which have not followed normal procedures. However, deception may be used to make improper transactions appear legitimate. The detective elements in each system

should therefore be complemented by a general detective approach, to capture suspicions identified through chance, exit interviews and tip-offs.

10.3. This includes controls within the College's ePurchasing system (PECOS) and Asset Management system, with periodic reconciliation to the Asset Register.

11. Public Interest Disclosure ('Whistle-Blowing') Procedure

11.1. The Committee on Standards in Public Life advocated the adoption of public interest disclosure procedures. These should guarantee that concerns expressed in good faith would be looked into, without adverse consequences for the complainant. The Associate Director of Governance and Risk shall ensure the College's Whistle-Blowing Policy is made widely available.

12. Role of Audit in Detection

12.1. The first lines of defence against fraud are robust preventative measures by management, coupled with sound detective checks and balances. Audit should be regarded as the complementary to strong internal controls.

12.2. However, where a high risk of fraud is identified, auditors may use special techniques to identify fraudulent transactions. Given the sensitivity of fraud, there should be an effective two-way flow of information between internal and external audit.

13. Warning Signs

13.1. Patterns of behaviour among staff, which might indicate a desire for concealment (such as taking fewer holidays, regularly working alone late or at weekends, resistance to delegation, and resentment of questions about work), should be investigated by senior managers. Any indication of addiction to drugs, alcohol or gambling should be addressed by the

appropriate line manager in conjunction with the HR Department as early as possible, both for the welfare of the individual and to minimise the risks of fraud.

14. Reporting Suspected Fraud

14.1. All actual or suspected incidents should be reported without delay to the Chief Financial Officer or in his/her absence another member of the Executive Leadership Team. If the allegations are against a member of the Executive, then the Chairman of the Board or the Chair of the Audit and Assurance Committee should be contacted.

14.2. Where the suspected fraud relates to procurement or asset management, the Associate Director, Procurement and Asset Management, should also be informed.

15. Investigation

15.1. Fraud or irregularity occurs unpredictably, in any part and at any level in an organisation. It frequently causes disruption, which is out of proportion to the sums involved. Once a fraud is suspected, prompt action is needed to safeguard assets, recover losses and secure evidence for effective legal and disciplinary processes. Meeting these objectives, when the full facts of a case may be unknown, clearly requires contingency planning. This aspect is covered by the College's Fraud Response Plan (see appendix 1).

16. Process of Investigation

16.1. Fraud investigations should normally be independent of management, to ensure impartiality of reporting. Investigations shall normally be undertaken by internal audit, which combine independence, investigative techniques and local knowledge. If an investigation is carried out by internal audit, then the auditor shall adhere to the College's Disciplinary procedure.

16.2. If a culprit is aware that an investigation is in progress, he or she may try to frustrate disciplinary or legal action by destroying or removing evidence.

The fraud response plan shall cater for the summary dismissal or suspension, with pay, of personnel under suspicion. Suspects should be given as little notice as possible so that they have no opportunity to destroy or remove property.

17. Fidelity Insurance

17.1. Under the provisions of the Scottish Public Finance Manual the College will not normally be allowed to hold commercial fidelity insurance. The Chief Financial Officer shall keep this situation under review. If fidelity insurance is permissible, then insurance will be secured to provide a level of cover in the event of losses through misconduct by employees.

18. Standard Tender and Contract Documentation

18.1. The Associate Director, Procurement and Asset Management shall ensure that all tender and contract documentation includes robust anti-corruption clauses. While such clauses do not extend the College's legal rights in the event of attempted or actual corruption—since these are already protected under legislation—they act as a clear and consistent reminder to contractors, suppliers, and College employees that integrity, impartiality, and selflessness are fundamental to all commercial relationships.

18.2. All tendering and contracting activity must:

- Fully comply with the College's Procurement Policy, Procurement Procedures, and Financial Regulations.
- Be conducted in line with relevant legislation, including the Procurement Reform (Scotland) Act 2014, the Public Contracts (Scotland) Regulations 2015, and the Procurement (Scotland) Regulations 2016.
- Follow the Scottish Procurement Journey and be managed in a manner that ensures fairness, transparency, and equality of opportunity for all suppliers, including SMEs, supported businesses, and third-sector organisations.

- Include proportionate measures to address sustainability, Fair Work First, climate, and circular economy requirements where relevant to the contract.
- Incorporate evaluation criteria and scoring methodologies that are transparent, justifiable, and free from bias, with all decisions documented for audit purposes.

18.3. All contracts shall be signed in accordance with the College's Procurement Policy, with no verbal commitments or unauthorised agreements permitted. Contract documentation will be retained in accordance with records management requirements, and contract management will be carried out by the designated budget manager to ensure ongoing compliance and performance monitoring.

19. Registration and Declaration of Interests

19.1. Open cultures are less conducive to fraud and irregularity than secretive ones. For this reason, the Second Report of the Committee on Standards in Public Life stressed the need for Board Members to declare and register their interests.

19.2. There is a need for staff to declare and register their interests where appropriate. Staff at many levels will have an opportunity to influence the choice of suppliers and contractors. Management procedures should recognise this and should ensure that the selection of suppliers and contractors always reflects the best interests of the College, and not the personal or family interest of any member of the College.

19.3. The Vice Principal People and Corporate Support shall ensure a register of interest is maintained by the College's senior managers and other resource managers. The register entry for each member of staff shall be checked by his/her line manager plus a member of the Executive Leadership Team.

19.4. The Associate Director of Governance and Risk shall maintain the Board's register of interest, which will be updated annually.

19.5. All procurement-related conflicts of interest, whether actual, potential, or perceived, must be declared to the Associate Director, Procurement and Asset Management, in line with the College Procurement Policy.

20. Gifts

20.1. The College has separate regulations on members of staff and Board members accepting or giving gifts, hospitality or entertainment. These regulations are contained in the College's Anti-Bribery & Corruption Policy. The policy makes clear that staff should not accept any gift, reward or hospitality from any organisation or individual with whom they have contact in the course of their work as an inducement either for doing something or not doing something in their official capacity.

21. Definitions

SFC	Scottish Funding Council

22. References

22.1. Policy Framework

Associated Policies and Procedures	Title
Policy	Whistle-Blowing Policy
Procedure	Disciplinary procedure
Policy	Anti-Bribery & Corruption Policy

22.2. Other College Policies and Procedures

Policy / Procedure	Title
Procedure	Recruitment & Selection Procedure
Policy	Protecting Vulnerable Groups (Disclosure Scotland) Policy

22.3. External References

Source	Title
Scottish Government	Scottish Public Finance Manual
Audit Scotland	Audit Code of Practice

23. Document Control and Review

Approval Status	Approved
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Lead Department	Finance
Lead Officer(s)	Chief Financial Officer
Board Committee	Finance Committee
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24. Revision Log

Version Date	Section of Document	Description of Revision
v1		Initial post merger policy
v2		Regular update June 2014
v3		Regular update March 2016
v4	Several & job titles	Update in response to recent incident
v5		Regular review August 2022 – minor changes

V6	Section 8	Update Procurement & Purchasing Section
	Section 9	Include Asset Management Section
	Section 10	Update Internal Management Section
	Section 14	Update Reporting Suspected Fraud Section
	Section 18	Update Standard Tender & Contract Documentation
	Section 19	Update Registration & Declaration of Interests Section
		Overall review and update to reflect new structure/Job Titles
V7		No changes

Appendix 1 - FRAUD RESPONSE PLAN

1. PURPOSE

1.1. The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the College to:

- Prevent further loss;
- Establish and secure evidence necessary for criminal and disciplinary action;
- Notify the Scottish Funding Council if the circumstances are covered by the mandatory requirements of the Audit Code of Practice;
- Recover losses;
- Punish the culprits;
- Deal with requests for references for employees disciplined or prosecuted for fraud;
- Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud;
- Keep all personnel with a need to know suitably informed about the incident and the institution's response;
- Inform the police and establish lines of communication with the police;
- Assign responsibility for investigating the incident; and
- Establish circumstances in which external specialists should be involved.

2. Initiating Action

2.1. All actual or suspected incidents should be reported without delay to the Chief Financial Officer or in his/her absence another member of the Executive Leadership Team. If the allegations are against a member of the Executive, then the Chairman of the Board or the Chair of the Audit Committee should be contacted.

2.2. The Chief Financial Officer (or other appropriate person) shall, normally within 24 hours, call an Executive Leadership Team meeting to decide on the initial response and agree membership of a fraud project group.

2.3. The project group will decide on the action to be taken. This will normally be an investigation, led by the internal auditor. The decision by the project group to initiate a special investigation shall constitute authority to the internal auditor to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

2.4. The College's external auditors should be informed of the suspected fraud and kept up-to-date on the work of the above-mentioned project group.

3. Prevention of Further Loss

3.1. Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension, with pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

3.2. In these circumstances, the suspect(s) should be approached unannounced. They 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 keys to premises, offices and furniture should be returned.

3.3. The IT Director should be required to advise on the best means of denying access to the College and its ICT systems, while suspects remain suspended (for example by changing locks and informing security staff not to admit the individuals to any part of the premises).

3.4. The internal auditor shall 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 misappropriate the College's assets.

4. Establishing the Facts and Securing Evidence

4.1. A major objective in any fraud investigation will be to establish the facts and facilitate appropriate disciplinary action as well as to act as a deterrent to other potential perpetrators. The College will follow disciplinary procedures against any member of staff who has committed fraud. The College will normally pursue the prosecution of any such individual.

4.2. The Chief Financial Officer in conjunction with the internal auditor will:

- Ensure that evidence requirements will be met during any fraud investigation;
- Establish and maintain contact with the police; and
- Ensure that members of staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

5. Notifying the Scottish Funding Council (SFC)

5.1. The circumstances in which the College must inform the SFC , about actual or suspected frauds are detailed in the Audit Code of Practice.

6. Recovery of Losses

6.1. Recovering losses is a major objective of any fraud investigation. The internal auditor shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

6.2. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's 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 repayment. The College would normally expect to recover costs in addition to losses.

7. References for Employees Disciplined or Prosecuted for Fraud

7.1. The College's Policy on the Provision of Employee References shall include a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Vice Principal People and Corporate Support .

8. Reporting to the Board of Management

8.1. Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the chairs of both the Board and the Audit and Assurance Committee.

8.2. On completion of a fraud investigation, a written report shall be submitted to the Audit and Assurance Committee. If fraud has been established, then the report shall contain:

- A description of the incident, the people involved, and the means of perpetrating the fraud;
- The measures taken to prevent a recurrence;
- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action;
- Progress with criminal action;
- Actions taken to prevent and detect similar incidents;
- The internal auditor will normally prepare this report.

9. Responsibility for Investigation

9.1. The internal auditor shall normally lead all fraud investigations. Management shall not normally undertake fraud investigations, although management should co-operate with requests for assistance from internal audit.

9.2. Some special investigations may require the use of technical expertise, which the internal auditor does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.