



# Countering Fraud, Bribery and Money Laundering



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## 1 Introduction and purpose

- 1.1 De Montfort University (DMU) believes that the creation of a culture of honesty and openness is a key element in tackling fraud, money laundering, bribery and corruption, as is raising the level of awareness and understanding of the key policies and procedures and their role in preventing or detecting these activities. In its commitment to maintaining the highest standards of governance, the university has defined acceptable behaviour which staff are expected to follow through its Code of Conduct and supporting policies and procedures.
- 1.2 The university is committed to protecting the public funds with which it has been entrusted. To ensure resources are used for their intended purpose of providing higher education and undertaking research, it is essential that losses due to fraud and corruption are minimised.
- 1.3 This policy outlines the university's approach, as well as defining roles and responsibilities, for dealing with the threat of fraud, bribery, corruption and money laundering, both internally and externally.
- 1.4 The policy relies on the series of comprehensive and inter-related policies and procedures across the university that provide a corporate framework to counter and deter inappropriate activity.
- 1.5 The purpose of this policy is to ensure adherence to relevant legislation including the Bribery Act 2010, Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 and to set out clear expectations, standards and parameters in relation to activities to counteract fraud, bribery, corruption and money laundering at the University.

## 2 Scope

- 2.1 Compliance with this policy is compulsory for all university employees and representatives of the university or its subsidiary undertakings and partnerships. This includes members of the Board of Governors (including members of sub-committees of the Board), and the Chancellor. It also includes those who may be working for or on behalf of the university but are not directly-employed including contractors, agency workers (e.g. Unitemps) and volunteers.
- 2.2 A failure to comply with any aspect of this policy may lead to disciplinary action up to and including dismissal (for university employees) or equivalent sanctions for those who are not







4.4.2 In order to meet these objectives, and to clarify its approach when fraud is suspected, the university has a Fraud Response Plan. This is included as *Appendix B* and seeks to:

- prevent further loss
- establish and secure evidence necessary for criminal and/or disciplinary action
- notify the Office for Students (OfS), if the relevant thresholds are breached
- recover losses
- take appropriate action against those who have committed fraud
- review the reasons for the incident, the measures taken to prevent a recurrence, and any remedial actions needed to strengthen future responses to fraud
- keep all personnel, on a 'need to know' basis, suitably informed about the incident and the university's response
- assign responsibility for investigating the incident
- establish circumstances in which external specialists should be involved
- establish lines of communication with the Police, if appropriate

## 5 Countering money laundering

### 5.1 What is money laundering?

5.1.1 The Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 define money laundering and the range of activities where this can apply. It is not just a concern for banks and the financial sector but applies to all companies and institutions, including universities. This section of the policy therefore sets out the process to be followed if money laundering is suspected and defines the responsibility of individual employees in the process.

5.1.2 Money laundering is the process by which money or other assets obtained through criminal activity are exchanged for 'clean' money or other assets with no obvious link to their criminal origins.

5.1.3 Money laundering may take any form, including money or money's worth, securities, tangible property and intangible property. It also covers money which is used to fund terrorism. The regulations apply to property, equipment, cheques, cash or bank transfers including cash transactions with agents or third parties.

5.1.4 Money laundering activity includes:

- Acquiring, using or possessing criminal property
- Handling the proceeds of crime such as theft, fraud and tax evasion
- Knowingly being involved in any way with criminal or terrorist property
- Entering into



## 5.2 University and Staff Obligations

### 5.2.1 The university has a responsibility to:

- Appoint an officer to receive, consider and report as appropriate, disclosure of suspicious activity reported by employees (see 'Appointed Officer' section below)
- Implement a procedure to enable the reporting of suspicious activity
- Maintain customer identification procedures to 'know your customer', in relevant circumstances
- Maintain adequate records of transactions.

### 5.2.2 Some of the practical steps being taken by the university to prevent money laundering activities are laid out in Appendix C.

### 5.2.3 Money laundering legislation applies to all staff, as well as the university as a legal entity. Potentially any member of staff could be committing an offence under the money laundering statutes if they suspect money laundering or if they become involved in some way and fail to appropriately report the facts. If any individual suspects that money laundering activity is or has taken place or if any person becomes concerned about their involvement it must be disclosed as soon as possible to the Appointed Officer (see 5.4 below).

### 5.2.4 Failure to do so may result in you being personally liable to prosecution.

### 5.2.5 Guidance on how to raise any concerns is included in this policy (see 5.5 below).

## 5.3 Know Your Customer

### 5.3.1 It is important that controls are in place to undertake customer due diligence i.e. steps to identify the student, customer or other party dealing with the university. Satisfactory evidence of identity must be obtained at the time of enrolment.

### 5.3.2 Examples of identification include:

- Passport or visa
- Birth certificate
- Correspondence with students at their home address and for third parties, letters or documents proving name, address and relationship.

### 5.3.3 If an organisation or agent is not known to the university, actions may include:

- reviewing letter-headed documents
- checking web-sites
- requesting credit checks
- aiming to meet or contact key sponsors as you feel appropriate to verify the validity of contact.











- Failing to prevent bribery - the offence by a commercial organisation of failure to prevent bribery by any person associated with it including staff, agents or other representatives of the university.

6.2.2 In addition, if a senior officer of the university consents to or connives in an act of bribery by the university they can be separately prosecuted.

6.2.3 It is important to note that the Act focuses on conduct and not results, and as such there is no need for the transaction to have been completed.

6.2.4 The only defence available for the university is to prove that adequate procedures were in place to prevent bribery from being committed by those performing services on its behalf.

6.2.5 The maximum sentence for individuals is up to ten years' imprisonment and/or an unlimited fine. Organisations would face an unlimited fine and/or other measures including the confiscation of assets.

### 6.3 **Scope of the Bribery Act 2010**

6.3.1 Acts of bribery committed by anyone in the UK or, if overseas, by a British citizen or any other person with a close connection with the UK can be prosecuted. This also includes those senior officers at the university who consent or connive to any such offence.

6.3.2 The Act also covers the failure to prevent bribery by organisations, and this too can be committed in the UK or overseas, and has a much broader application in that those people only need to be associated with it, and as such it also includes the actions of agents and subcontractors acting on behalf of an organisation.

6.3.3 Staff must fully adhere to the Bribery Act 2010 and ensure all preventative action is taken to avoid any breach of the Act. An ethical approach to engaging external organisations and individuals must be taken undertaken at all times.

### 6.4 **Risk Areas**

6.4.1 The key risk areas and activities for the university include:

- International operations
- Procurement
- Commercial contracts
- Advancement / fundraising
- Recruitment of students and awards of degrees
- Gifts and donations to or from the university or its staff
- Sponsorship and partnerships
- Estate and property management
- Appointment of UK or overseas agents or representatives on behalf of the university
- Relationships with other academic institutions, regulatory or funding bodies



- Overseas research in jurisdictions where there are particular corruption risks

## 6.5 Hospitality, Promotional and Business Expenditure

6.5.1 The Government guidance in this area is that “Bona fide hospitality and promotional, or other business expenditure which seeks to improve the image of (the university), better to present products and services, or establish cordial relations, is recognised as an established and important part of doing business and it is not the intention of the Act to criminalise such behaviour. The Government does not intend for the Act to prohibit reasonable and proportionate hospitality and promotional or other similar business expenditure intended for these purposes.”

6.5.2 See Business Travel and Expenses Policy and Gifts and Hospitality Policy for further information.

## 6.6 Facilitation Payments

6.6.1 The Act provides in clear terms that it is a crime to bribe a public official. This includes “facilitation payments” – money or goods given to a public official to perform, or speed up the performance of an existing duty. Staff must not take any action that could be, or perceived to be, a facilitation payment.

## 6.7 Control Measures

6.7.1 The university has a number of control mechanisms to manage risk and support compliance with the Act, including but not limited to:

- Top level commitment by senior officers
- Bribery Act Focus Group (BAFG) with oversight of this section of the policy and relevant procedures
- Risk assessments conducted by BAFG
- Due diligence checklists and pro-formas
- Training for staff
- Conditions embedded in to contracts

6.7.2 The university, via BAFG, will continue to monitor and review its processes to provide the highest level of protection for both the university and its staff.

6.7.3 The Chief Operating Officer has executive responsibility for oversight of the framework that supports the university’s compliance with the Bribery Act 2010. The Chief Operating Officer delegates operational responsibility to the Director of Governance and Legal. The BAFG provides oversight of the framework of policies and procedures, with the Audit Committee charged with gaining assurance on the effectiveness of the framework and overall compliance with the Bribery Act 2010.

6.7.4 If any member of staff has any queries in relation to the Bribery Act 2010, they must direct their enquiries to the Legal Services team.





## **Appendix A: Examples and indicators of fraud**

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## **Appendix B: Fraud response plan**

### **Purpose**

The purpose of the Fraud Response Plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected or actual fraud or irregularity.

### **Initiating Action**

Suspicion of fraud or irregularity may be captured through a number of means. All actual or suspected incidents should be reported without delay to the Financial Controller or, in their absence, the Deputy Chief Finance Officer. If there is a reason not to speak to the Financial Controller/Deputy Chief Finance Officer, the matter should be brought to the attention of the Chief Finance Officer, Chief Operating Officer or the Head of Internal Audit.

The Financial Controller will review any allegation, record on the central fraud register and discuss with the university's independent Counter Fraud Team (an external body), preferably within two working days of being made aware of the allegation.

Following advice from the Counter Fraud Team, the Financial Controller will identify a course of action and notify the Chief Finance Officer. In most cases, the initial response will be to undertake fact finding on the circumstances surrounding the investigation, leading to one of the following outcomes:

- No evidence found to support the allegation; no further action planned
- There are grounds to explain why the allegation has been made and the Financial Controller to commission the Counter Fraud Team to conduct further enquiries
- A significant fraud, corruption or other economic crime event is suspected and a formal fraud investigation process is required

The course of action and outcome must be recorded on the central fraud register.

### **Formal Fraud Investigation**

When a formal fraud investigation process is required, the Financial Controller is required to make the Director of Governance and Legal aware of the issue as soon as practicably possible and preferably within two working days of determining the matter to be significant.

Where the suspicion relates to the Director of Governance and Legal, then the Chief Operating Officer shall be informed.

The Director of Governance and Legal should, as soon as practicable and preferably within two working days, convene a meeting of the following Project Group or their nominees to decide on the initial response:

- Chief Operating Officer (who shall chair the Group) or an alternative Executive Board member of



- Other officer





The Vice-Chancellor must inform, without delay, the OfS of any 'reportable event' (see Raising Serious Concerns: Whistleblowing Policy for definition), including serious weaknesses in controls, significant fraud or major accounting breakdown. The Vice-Chancellor (or delegated representative) should also inform the university's external auditors.

A Reportable Event to OfS will also include fraud or irregularity that meets the criteria set out in the OfS guidance 'Regulatory Advice 16: Reportable Events'

<https://www.officeforstudents.org.uk/media/768cbcfb-1669-4f97-abe6-6e61a81d8d75/regulatory-advice-16-reportable-events.pdf>

There may be circumstances that do not fit this definition and, in this instance, the Project Group should seek guidance from regulators, auditors and other sources, where required.

### **Recovery of losses**

Recovering losses is a major objective of any fraud investigation. The Project Group will ensure that, in all fraud investigations, the amount of any loss is recovered. @1Wv3/F1 12 Tf1 0 0 1 295.32 841.92 reW\*nBT/F1 12 Tf1



## **Appendix C: Examples of steps taken to prevent money laundering activities**

### Example 1

The university does not permit cash payments for student tuition fees.



## **Appendix D: Risk factors related to possible money laundering**

It is not possible to give a definitive list of ways to spot money laundering or how to decide whether to make a report to the Appointed Officer. The following are types of risk factors which may, either alone or collectively, suggest the possibility of money laundering activity.

- A new customer, business partner or sponsor not known to the university.
- A secretive person or business e.g. that refuses, without a reasonable explanation, to provide requested information.
- Payment of any substantial sum in cash (over £2,000).
- Concerns about the honesty, integrity, identity or location of the people involved.
- Involvement of an unconnected third party without a logical reason or explanation.
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