



Counter Fraud, Bribery and Corruption Strategy

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We are a publicly-funded organisation, committed to applying the highest standards of ethical conduct and behaviour. We have robust controls to prevent fraud, bribery and corruption.



1. Fraud, bribery and corruption Policy Statement

1.1 Introduction

RNN Group has zero-tolerance approach to fraud, bribery and corruption. It has controls in place to ensure compliance with policies, is committed to taking all necessary steps to prevent fraud, bribery and corruption, and will seek the appropriate disciplinary, regulatory, civil and criminal sanctions against those who commit fraud, bribery and corruption and, where possible, recover losses.

All staff have a responsibility to assist in preventing fraud, bribery and corruption and expected staff behaviours are contained within the Code of Conduct. This policy is supported and endorsed by the Executive Management Team (EMT) and Board.

Together, the following policies and procedures constitute the Group's Counter Fraud, bribery and corruption Strategy:

- Financial Regulations
- Fraud, bribery and corruption Policy Statement (Section 1 of this document)
- Procedure for Prevention and Detection (Section 2 of this document)
- Response Plan (Section 3 of this document)
- Investigation Checklist (Appendix A to this document)
- Gifts and Hospitality Policy
- Anti-Money Laundering Policy
- Staff and Governor Codes of Conduct

1.1 The Fraud Act 2006

Section 1 of the Act creates a general offence of fraud and introduces three ways of committing it set out in Sections 2, 3 and 4 of the Act.

- Fraud by false representation (Section 2);
- Fraud by failure to disclose information when there is a legal duty to do so (Section 3); and
- Fraud by abuse of position (Section 4).

In each case:

- the defendant's conduct must be dishonest;
- his/her intention must be to make a gain; or cause a loss or the risk of a loss to another.
- No gain or loss needs actually to have been made.

1.2 The Bribery Act 2010

The act replaced legislation that was previously used to deal with corruption and sets out four ways bribery may be committed as set out in sections 1, 2, 6 and 7.

- Bribing another person (section 1)
- Being bribed (section 2)
- Bribery of foreign public officials (section 6)
- Failure of commercial organisations to prevent bribery (section 7)

Bribery attempts to influence the application of rules, regulations and normal procedures and generally:

- There is a function or activity subject to the bribery
- There is an intention to corrupt, or expect improper performance of an activity or function by an individual or individuals.

1.3 Strategy Purpose

Economic crime is a serious risk to the RNN Group with fraudsters becoming ever more sophisticated in their attempts to steal from individuals and businesses; it is therefore imperative that all staff are aware not only of the dangers of fraud, bribery and corruption but the control systems used by RNN group to manage the risk of activities and behaviours subject to fraud, bribery and corruption.

This policy aims to provide direction and assistance to all staff, contractors and business partners who may suspect cases of fraud, bribery and corruption, bribery or corruption.

The Group will maintain robust control mechanisms to both prevent and detect fraud, bribery and corruption. All line managers have responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with procedures and controls. The effectiveness of controls will be subject to cyclical review by the Group's internal and external auditors.

All members of staff have a responsibility to protect the assets and reputation of the Group and are expected to be alert to the potential for fraud, bribery and corruption. Line managers should undertake periodic corruption risk assessments, as determined by EMT, and brief staff on the common types of fraud, bribery and corruption perpetrated in their areas of responsibility.

Confidential mechanisms have been established to allow staff to report suspected fraud, bribery and corruption to management. All reported suspicions will initially be investigated by the an investigation project group following the procedures set out in the Response Plan. The members of such a group shall be drawn from:

- Chief Executive Officer
- Deputy Chief Executive Officer
- Executive Director of Finance
- Financial Controller
- Executive Director of Human Resources
- Executive Director of Corporate Services

Should it not be considered appropriate to report to any of these individuals, the Chair of Governors and Chair of the Audit and Risk committee should be notified via the Clerk to Governors.

Further information for staff on reporting fraud, bribery and corruption and their role in the prevention and detection of fraud, bribery and corruption is provided in the Group's Procedure for Fraud, bribery and corruption Prevention and Detection in section 2 of this document.

2. Procedure for Prevention and Detection

2.1 Introduction

The Group's procedure for fraud, bribery and corruption prevention, detection and investigation is set out below. The objectives of the procedure are to:

- encourage staff to be aware of fraud, bribery and corruption
- bring suspected fraud, bribery and corruption to notice
- provide a framework response plan for investigating and reporting fraud, bribery and corruption set out in section 3
- ensure that both alleged and proven fraud, bribery and corruption are dealt with in a consistent and timely manner.

The Group has a unique role to play in the community and any instances of fraud, bribery and corruption may be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices can have a direct effect on jobs and the level and quality of service provision. Vigilance is essential since all staff are responsible for ensuring that the best possible service is provided to the Group's students and that value for money is secured from public funds.

Successful fraud, bribery and corruption prevention involves creating an environment which inhibits these corrupt activities. Taking immediate and vigorous action if fraud, bribery and corruption is detected is not only necessary to prevent future losses, but also helps deter corrupt activities. A manager who is alert to the possibility of fraud, bribery and corruption and who acts accordingly on a day-to-day basis is a powerful deterrent to fraud, bribery and corruption.

2.2 Fraud, Bribery and Corruption Prevention

Fraud can be defined as any act of wilful dishonesty to gain individual or collective advantage. It is taken to include misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party. Bribery can be defined as any act where one party provides another party with a gift (cash, gifts and hospitality) to corrupt behaviour or influence decisions to the benefit of those providing the gift. Fraud, bribery and corruption can be perpetrated against staff, students, suppliers, government agencies or departments or the public.

Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and other service providers may place employees in a vulnerable position (see the financial regulations and gifts and hospitality policies).

2.3 Management Responsibility for Risk Management

The prime responsibility for preventing fraud, bribery and corruption lies with management through:

- identifying risks to which systems and procedures are exposed
- designing, implementing, documenting and operating internal controls
- establishing an environment that promotes compliance with internal controls
- promoting fraud, bribery and corruption awareness amongst staff
- fostering an anti-fraud, bribery and corruption culture.

However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud, bribery and corruption and to take the necessary steps to minimise risk to the Group. Managing the risk of fraud, bribery and corruption is the same in principle as any other business risk. It is best approached systematically both at organisation and at operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.

Managers also have a responsibility to familiarise themselves with common fraud, bribery and corruption techniques in the area for which they have control. Managers should also ensure that staff in their areas of operation are familiar with common types of fraud, bribery and corruption.

2.4 Internal Controls

Internal controls are the key element in preventing fraud, bribery and corruption . They include both financial and non-financial controls, for example annual leave records, and those that are in place to safeguard the misuse of Group assets, including computing systems. The financial regulations are one example of these controls. The Group's financial and other non-financial procedures are the definitive guide and are available to all staff. It is the responsibility of management to ensure that controls in their area of responsibility have been documented and communicated.

In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on creating a culture of honesty and fraud, bribery and corruption detection, not increasing the volume of detailed operational and supervisory checks and controls unnecessarily.

2.5 Management Checks

The prevention and detection of fraud, bribery and corruption and impropriety is only possible where strong internal controls are present and consistently applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential. The benefits of implementing a culture of strong management controls are:

- a deterrent effect – regular management checks to ensure procedures are followed are a recognised deterrent for fraudsters,
- regular checks will assist management to identify any gaps in compliance and control. This may lead to further interrogation of the control gaps to determine whether systems have been exploited.

Periodic monitoring of compliance with controls by management will be supported and reinforced by reviews conducted by internal audit. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control with management being responsible for ensuring the implementation and monitoring framework.

Common excuses for non-compliance with controls is that they are no longer applicable, there is insufficient time available or they are not appropriate. It is important that such comments are reported to line managers so that the need for such controls is evaluated.

2.6 Staff Communication and Training

Having a clear policy and process and communicating these will assist and support staff when identifying and raising a concern. This provides the Group with the best protection against fraud, bribery and corruption and corruption. It is important, therefore, that the Group's policy on fraud, bribery and corruption prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

The recruitment of suitable staff is the Group's first defence in preventing fraud, bribery and corruption . Best practice recruitment polices such as a detailed application form that includes a signed declaration regarding the accuracy of the information provided by the candidate is essential.

Appropriate checks must be undertaken to establish the veracity of the information provided for example:- criminal records (DBS checks), communication with referees and past employers and verification of educational and professional qualifications.

Staff awareness of policy and procedures is fundamental to the effective operation of systems. The Group will comply with best practice, including:

- instruction in and discussion of control and probity issues as part of staff induction
- formal staff training on operational procedures
- desktop instructions for specific tasks
- publication of the Group's policy on fraud, bribery and corruption
- regular staff notices regarding any changes to financial procedures.

2.7 Fraud, Bribery and Corruption Detection

The primary responsibility for the detection of fraud, bribery and corruption lies with management through the implementation, documentation and operation of effective systems of internal control. The Group's internal auditors through their evaluation of the control framework also have a role to play in preventing and detecting fraud, bribery and corruption .

All staff have a responsibility to be aware of the opportunity for fraud, bribery and corruption and to take necessary steps to minimise risk to the Group.

Having appropriate and consistently applied procedures for reporting and investigating fraud, bribery and corruption play an important part in preventing fraud, bribery and corruption. The Group expects that all suspicions of fraud, bribery and corruption will be thoroughly investigated. The Group's fraud, bribery and corruption response plan, set out in section 3 of this document, provides guidance on what to do if staff have any concerns about fraud, bribery and corruption taking place within the Group.

2.8 Governance and Reporting

The Board, via the Audit and Risk Committee, has a statutory duty under the Audit Code of Practice to oversee the corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing, and ensure:

- the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
- that investigation outcomes are reported to the audit committee
- that the external auditor (and internal auditor if applicable) are informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned
- that all significant cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework are reported to the ESFA, and other relevant funding authority, as soon as possible
- risks around fraud have been identified and controls put in place to mitigate them.

All reported cases of alleged or proven fraud, bribery and corruption will be reported to the Audit and Risk Committee through the Chair and Clerk to the Corporation, as they occur.

In addition, management will bring an Annual Report of Fraud, bribery and corruption and Whistleblowing cases to the Audit and Risk Committee setting out the outcomes of any investigations, subsequent action taken and assurance that these policies and procedures have been followed as appropriate in each case.

3 Fraud, Bribery and Corruption Response Plan

3.1 Objectives

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 Group to:

- Prevent further loss;
- Establish and secure evidence necessary for criminal and disciplinary action;
- Notify the Education Skills Funding Agency (ESFA) 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, bribery and corruption;
- Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud, bribery and corruption;
- Keep all personnel with a need to know suitably informed about the incident and the institution's response;
- Inform the police;
- Assign responsibility for investigating the incident;
- Establish circumstances in which external specialists should be involved;
- Establish lines of communication with the police.

3.2 Initiating Action

All actual or suspected incidents should be reported without delay to the EDoF, or in his/her absence, the Financial Controller. The EDOF shall immediately inform the Chair of Governors, the Chair of the Audit and Risk Committee, the Clerk and the CEO of any actual or suspected incidents of fraud, bribery and corruption .

If the actual or suspected incident of fraud, bribery and corruption involves the CEO, EDOF, Principal, Financial Controller or Human Resources Directors, it should be reported directly to the Chair of Governors and Chair of the Audit and Risk Committee via the Clerk.

The EDOF should, as soon as practicable, hold a meeting of the following to decide on the initial response and form an appropriate project group;

- Chief Executive Officer
- Deputy Chief Executive Officer
- Executive Director of Finance
- Financial Controller

- Executive Director of Human Resources
- Executive Director of Corporate Services

If the actual or suspected fraud, bribery and corruption is believed to involve the CEO or EDOF, or any other project group member, the Chair of Governors and Chair of Audit Committee and Clerk shall convene a group, drawing upon the input of other staff or governors as required.

The project group will decide on the action to be taken. This will normally be an investigation, led by a suitably qualified party. In the case that a decision is made by the Project Group to engage the internal auditors to undertake a special investigation, this may constitute authority to 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.

In some circumstances, investigators may suggest the initial investigation is carried out by Group staff with this work then subject to subsequent independent review.

3.3 Prevention of Further Loss

Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, bribery and corruption, the Project Group will decide how to prevent further loss. This may require the suspension, with or without 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.

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

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

Investigators 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 Group's assets.

3.4 Establishing and Securing Evidence

A major objective in any fraud, bribery and corruption investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The Group will follow disciplinary procedures against any member of staff who has committed fraud, bribery and corruption. The Group will normally pursue the prosecution of any such individual.

External investigators will:

- Maintain familiarity with the Group's disciplinary procedures, to ensure that evidence requirements will be met during any fraud, bribery and corruption investigation;
- Establish and maintain contact with the police where appropriate;
- Establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act;
- Ensure that staff involved in fraud, bribery and corruption investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

3.5 Notifying the Funding Agency, FE Commissioner (or other relevant Bodies)

The circumstances in which the Group must inform the ESFA or other appropriate Funding Body about actual or suspected fraud, bribery and corruption s are detailed in the Audit Code of Practice. The CEO is responsible for informing the SFA of any such incidents.

3.6 Recovery of Losses

Recovering losses is a major objective of any fraud, bribery and corruption investigation. Internal Audit shall ensure that in all fraud, bribery and corruption 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 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 Group would normally expect to recover costs in addition to losses.

3.7 References for Employees Disciplined or Prosecuted for Fraud, bribery and corruption

Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud, bribery and corruption shall be referred to the CEO and Head of Human Resources. If the individual concerned is the CEO or another senior postholder, the Chair of Governors must be consulted. The Head of Human Resources shall prepare any answer to a request for a reference having regard to employment law.

3.8 Reporting to Governors

A record of all actual or suspected incidents that require the use of the Fraud, bribery and corruption Response Plan will be held by the Clerk to the Governors (the 'Fraud, bribery and corruption Register').

Any incident matching the criteria in the Audit Code of Practice shall be reported without delay by the CEO to the Chairs of both the Governing Body and the Audit and Risk Committee.

Any variation from the approved fraud, bribery and corruption response plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the Board of Governors and the Audit and Risk Committee.

On completion of a special investigation, a written report shall be submitted to the Audit and Risk Committee containing:

- A description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud, bribery and corruption;
- The measures taken to prevent a recurrence;
- Any action needed to strengthen future responses to fraud, bribery and corruption, with a follow- up report on whether or not the actions have been taken.

This report may be prepared by the Clerk or special external investigators when used.

3.9 Reporting Lines

The Project Group shall provide a confidential report to the Chair of the Governing Body, the Chair of the Audit and Risk Committee, the CEO and the External Audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of this report shall include:

- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action;
- Progress with criminal action;
- Estimate of resources required to conclude the investigation;
- Actions taken to prevent and detect similar incidents.

3.10 Responsibility for Investigation

Investigations shall normally be led by a suitably qualified independent party, which may be the internal Audit provider, although in some circumstances the initial work may be undertaken by management, with subsequent independent audit review.

Some special investigations may require the use of technical expertise. In these circumstances, the Project Group may approve the appointment of external specialists to lead or contribute to the special investigation.

3.11 Review of Fraud, bribery and corruption Response Plan

This plan will be reviewed for fitness of purpose at least annually or after each use. Any need for change will be reported to the Audit and Risk Committee for approval.

Appendix A

Fraud, bribery and corruption Investigation Checklist

Checklist upon the discovery or suspicion that fraud, bribery and corruption has taken place

The following is a checklist of points for consideration following the reporting of an alleged fraud, bribery and corruption to management:

- Do not rush in – consider all options and plan the approach.
- Establish as many facts as possible without alerting anyone.
- Maintain confidentiality.
- Make an immediate note of everything reported. Repeat these notes to whoever is reporting the details to ensure clear understanding.
- Take steps to minimise any immediate further losses.
- Secure any evidence.
- Inform the Chief Operating Officer, or a member of the fraud, bribery and corruption investigation group. If this is not possible, inform the Chair of the Board and Chair of Audit and Risk Committee via the Clerk.

Checklist for the Fraud, bribery and corruption project Group

The following is a checklist of points for consideration following the reporting of an alleged fraud, bribery and corruption by line management to a member of the Fraud, bribery and corruption Investigation Group:

- Convene a meeting of the group to consider the allegation.
- Conduct an initial investigation to establish the substance of the allegation.
- Consider legal implications.
- Consider the requirements of the funding agencies (ESFA and/or Office for Students), and other regulatory requirements as set out in the Audit Code of Practice (ACOP) and other guidance.
- If substantiated, inform the Chief Executive, the Clerk, the Chair of the Audit Committee, the Group auditors and the ESFA in line with the ACOP
- Maintain confidentiality, agree who needs to know and why.
- Agree if further investigation is required and who will undertake it.
- Agree a remit, and establish scope and reporting deadlines for the investigation.
- Ensure the investigating team has adequate resources, including secure storage.
- Prepare for interviews thoroughly.
- Ensure existing staff disciplinary procedures are followed.
- Secure any evidence.
- Assume the worst-case scenario in terms of losses and staff involved.

- If not already requested to undertake the investigation, inform the police and the funding body as appropriate.
- Hold regular progress meetings at which progress and agreed action are documented.
- Identify all internal and external sources of information and evidence.