
HE Update: Fraud Awareness

August 2013



Why fraud awareness is important

Fraud:

- leads to direct financial losses;
- damages the reputation of universities with the public and funders;
- results in high cost investigations by external specialists;
- can lead to financial penalties if the fraud involves the theft of personal data or Intellectual Property; and
- diverts significant amounts of management time to complete investigations.

The indirect costs of frauds, both financial and reputational, can significantly exceed the value of the fraud itself.

The financial pressures faced by individuals, the decline in staff loyalty arising from less secure employment conditions, and increased use of IT have increased the likelihood of fraud.

While a number of fraud surveys report trends in fraudulent activity across sectors and national boundaries, no specific information is available for the HE sector.

Sector approach and developments

The Financial Memorandum requires universities to report frauds of over £25k (£20k in Wales) to the Funding Council. Frauds should also be reported if there are systemic weaknesses which may be present in other institutions or reporting the fraud is in the public interest. For example, if senior managers are involved. The HEFCE website outlines a cross section of the frauds reported. This is a useful source of information on the type of frauds occurring in the sector.

The Serious Fraud Authority became concerned at the low level of reported fraud across the HE sector. In England, HEFCE worked with the British University's Finance Directors' Group (BUFDG) to raise awareness of fraud within the sector. This has culminated in BUFDG subscribing to the National Fraud Network on behalf of all universities. This enables universities to receive updates on relevant frauds carried out or attempted elsewhere. It also enables universities to upload details of frauds attempted or perpetrated on them.

Universities UK has already alerted the sector to the increased incidence of Cyber Crime identified in the generic surveys (a separate Uniac briefing paper is being prepared on this issue).

Detected Frauds

The HEFCE web site and alerts from the National Fraud Network identify the following types of fraud or attempted fraud currently being experienced by the sector:

- Diversion by staff of income due to universities to personal bank accounts;
- Changes to supplier bank account details by staff or third parties to obtain money due to University suppliers;
- Unauthorised use of University equipment and staff time to produce items for private sale;
- False claims for expenses or casual work;
- Attempts by third parties to set up direct debit mandates against University accounts.

Fraudsters have also recruited students to engage in money laundering activities using their personal bank accounts, potentially leading to a jail term for the students involved.

Frauds reported include some with estimated losses or potential losses in the region of £1m.

Barriers to Fraud Awareness and Detection

Many managers find it difficult to believe that fraud could occur in their areas. People are reluctant to believe that colleagues who they know well may be dishonest.

Staff may be unaware of what constitutes fraud. For example, the unauthorised free use of university equipment and staff time by individuals for private work may not be recognised as fraud by the staff involved.

When fraud does occur it may go undetected because staff responsible for monitoring transactions and budgets may be reluctant to ask difficult questions. Alternatively, responses may be taken at face value allowing frauds to continue.

The other pressures and risks facing universities mean that fraud risks may not be considered during mainstream institutional and departmental risk assessment exercises.

The Uniac approach to Fraud Awareness

We offer Fraud Awareness Workshops designed to overcome the barriers to Fraud Awareness. These have been developed in conjunction with and based on feedback from managers at the universities involved. The workshops focus on key risk areas and provide a facilitated risk assessment and action plan for the areas of activity involved.

If you would like to find out more, please contact our Fraud Specialist:



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