**A (brief) Introduction to Fraud in HE**

What is Fraud?

Fraud is any act of deception intended for personal gain or to cause a loss to another party. This includes both financial and non-financial gain and loss.

In a University this means:

**Misappropriation or theft** of cash, stock, or other assets - this might include the theft of stationery for private use, or the unauthorised use of University vehicles, computers or other equipment

**Purchasing fraud** – this can include approving or paying for goods not received, paying inflated prices for goods and services, or accepting any bribe

**Misstating claims** or eligibility for other benefits – such as overstating or making false travel and subsistence claims

Accepting **pay for time not worked** – this can include failing to work full contracted hours, making false overtime claims, or falsifying sickness

**Record fraud**, often via computers - such as altering or substituting records, duplicating or creating spurious records, or destroying or suppressing them

**Intellectual Property (IP) theft** - such as claiming university intellectual property as your own, or otherwise using or selling university IP for your own personal gain

How big a problem is it?

Fraud is, by its nature, hidden, which means it’s hard to know exactly how big a problem it is. However, experts think that the average level of fraud within organisations is over 5% of turnover[[1]](#footnote-1), which could mean an annual loss of £10million or more for a medium size university (with a turnover of £200million).

Unfortunately, financial loss is only part of the picture. Fraud also poses a reputational risk to large organisations such as universities. In today’s 24-hour news cycle, universities that publicly suffer frauds can face a significant hit to their standing in the community and with other stakeholders. Even when frauds don’t become public knowledge, the subsequent investigations and actions can drain staff time and energy, and negatively impact staff morale. All this has a hidden cost.

Who does it involve?

Relatively few frauds are committed by professional fraudsters or organised criminals, and many aren’t even premeditated. The uncomfortable reality is that most people have the capacity to commit fraud under the right circumstances. The likelihood that someone, such as a member of staff, will commit fraud depends on three things:

**Motivation** – this is the financial or emotional pressure or incentive to commit fraud. It might stem from the sudden need to increase income, such as if a partner loses their job. It might be the desire to purchase something expensive, or a financial need to meet an addiction. It may even be driven by an abusive relationship or blackmail.

**Opportunity** – this is the capacity and opportunity to commit fraud without getting caught. People in positions of relative power, where there are insufficient checks and oversight, can have many opportunities to commit fraud. Opportunities can also arise just from poor management or insufficient management processes.

**Rationalisation** – this is the ability of fraudsters to excuse or justify their actions. Very few fraudsters are psychopaths. The likelihood of someone committing fraud depends on if they can justify it to themselves. They might tell themselves that no one will be a victim or get hurt. They might say that they need the money more than the organisation does. They might say that it’s only a small amount, so it doesn’t really matter.

What can you do about it?

You have two options. You can stick your head in the sand and pretend that your institution doesn’t have a fraud problem, and hope that no frauds get exposed on your watch. In our current day and age, this is a risky strategy.

The second option is to start now in implementing an effective counter-fraud programme that prevents much potential fraud, identifies and minimises frauds that do occur, and actively manages the post-fraud situation to mitigate reputational risk and maintain morale.

This involves a range of activities and approaches, many of which are mentioned or covered in the rest of this toolkit. These include:

* Assessing the risk of fraud in your institution
* Raising awareness of fraud across the institution
* Putting in place appropriate policies and governance structures
* Implementing effective internal controls in areas of risk
* Enabling safe fraud-reporting and effective internal communication
* Keeping abreast of fraud and counter-fraud developments, and updating the above as necessary

Perhaps most importantly of all - and something that your whole institution can play a part in - is to nurture a positive, friendly, healthy working culture where all staff know they are valued, respected, and appropriately remunerated.

1. The Financial Cost of Fraud Report 2013, BDO and the Centre for Counter Fraud Studies, University of Portsmouth [↑](#footnote-ref-1)