

**COUNTER FRAUD TEAM**

**2016–17  
COUNTER FRAUD  
REPORT**

# INTRODUCTION FROM SIR CIARÁN DEVANE



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The past year has brought with it an increased focus on our Counter Fraud activities, from both outside as well as internally. To successfully deliver our organisational objectives, it is paramount that we continue to uphold the highest standards of compliance and governance and seek to manage fraud risk as effectively as possible.

March of this year saw the Public Accounts Committee hearing on the subject of tackling fraud, followed by a timely call for increased transparency in relation to fraud cases. This annual review is a key element of the response to this recommendation. From an internal perspective, over the past year the Counter Fraud function has been formally launched – with Fraud Awareness Month running throughout October 2016 – and a suite of key documents to support a successful Counter Fraud function are now in place.

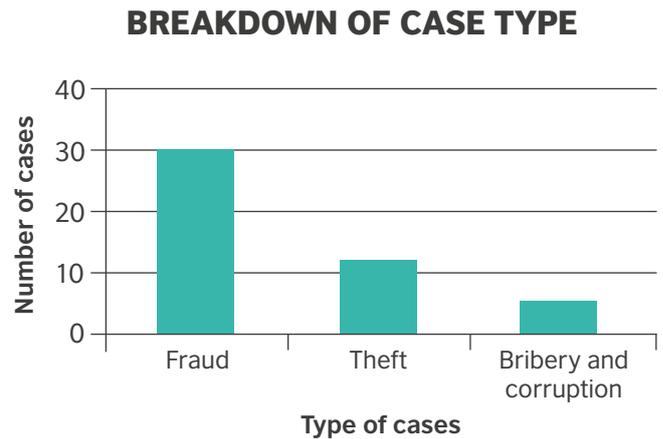
One of the four principal activities of the Counter Fraud function is to raise awareness across the globe of the risks we face in relation to fraud, bribery and corruption, as all members of our organisation have a responsibility to remain vigilant to the risks we face and to report any concerns appropriately. The potential impact of fraud, bribery and corruption reaches far beyond simple financial losses alone, as mismanagement in this area can have severe repercussions for our reputation and the confidence of our stakeholders and clients in us.

I am delighted that we are able to publish this document highlighting the progress that has been made to date and to reinforce the importance of working together to create an organisation that is as resilient and hostile to fraud as possible.

**Sir Ciarán Devane,**  
Chief Executive, British Council

# FRAUD DATA AND STATISTICS FOR FINANCIAL YEAR

Total cases	47
Percentage internal	64%
Losses (gross)	£104,312
Percentage recovered	39%
Members of staff dismissed	20
Cases reported to police	10



## NUMBER OF CASES BY REGION



# TRENDS IN LESSONS LEARNED

The Counter Fraud Team's primary goal is to work on the prevention of fraud, bribery and corruption. One way to prevent fraud is to identify areas of risk and put in place appropriate mitigations. Two key activities have supported this over the past year: taking forward recommendations arising from investigations, and working with staff to identify potential risks and corresponding mitigations.

Below are a few of the key areas of improvement that have been highlighted through investigations.

- **Put it in writing:** policies and procedures should be up to date and documented, as well as roles and responsibilities. Also, ensure that key decisions are documented and evidenced.
- **Carry out reconciliations in a timely manner:** both income reconciliations and bank reconciliations need to be carried out in a timely manner, so any irregularities can be dealt with appropriately.
- **Manage conflicts of interest:** conflicts of interest need to be managed transparently.
- **Managing procurement:** due diligence on vendors needs to be carried out robustly and panels of staff used to create approved supplier lists, for example.
- **Relationships with vendors:** must be managed professionally and vendors selected in line with policy. Only transfer funds to business bank accounts, not personal bank accounts.
- **Trust is not a control:** there is over-reliance on trusting colleagues to comply without verification.
- **The importance of the role of approver:** non-compliance and misuse of credit cards not flagged consistently. Role of the approver is critical to ensure compliance with policies and procedures.
- **Control assets appropriately:** lack of clear policies for logging and managing assets, including when staff leave the organisation, leaves the British Council vulnerable to thefts and losses.



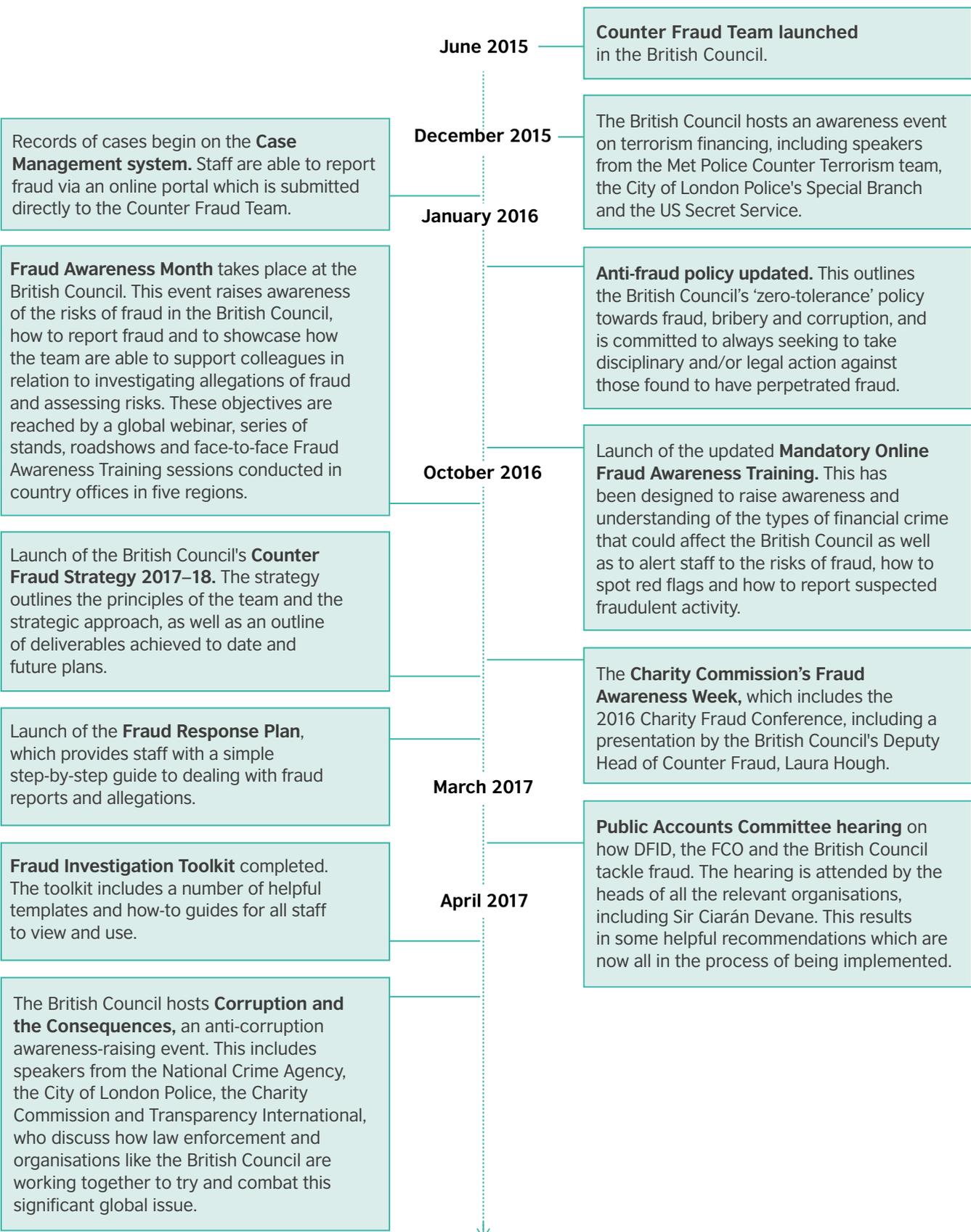
Trends emerging from the work carried out with country office teams to identify key risks and associated mitigations have been highlighted below. Many of these areas are mitigated by a reduction in trust and an increase in transparency of operations and accountabilities.

RISK AREA	MITIGATION
<b>Misappropriation of assets/inventories:</b> through lack of systems and controls.	Written processes and procedures in place for logging and managing assets/inventories.
<b>Weak contracting process:</b> allows staff members/contractors to take advantage.	Contracting process needs to be more rigorous. Staff responsible need to follow up.
<b>Bribes</b> given to staff members to influence <b>grant-awarding process.</b>	Clear/transparent selection procedure. Decision made by panel/committee.
<b>Procurement – vendors:</b> selection open to abuse/fake vendors created/no contract in place.	Clear process and segregation of duties. Periodic assessment of the vendor list. Reduce staff number able to create vendor. No payment without a contract.
<b>Undisclosed/unmanaged conflicts of interest:</b> may mean that the British Council does not achieve value for money, operates inefficiently and suffers losses from fraud.	Raising awareness of conflicts of interest. Annual conflict of interest declarations. Declare of conflict of interest in advance of recruitments/procurements and ensure that staff members' conflicts are managed effectively.
<b>Gifts and hospitality:</b> may be bribes to carry out certain activities or award contracts/grants.	Clear policy and register on gifts and hospitality. Train vendors in fraud awareness/reporting.
<b>Expenses (both travel and operational expenses):</b> submission of fake or inaccurate claims and supporting documentation.	Approvers held accountable for approving claims. All trips are planned in advance and approved. Follow-up and spot checks carried out.
<b>Cash handling:</b> lack of clear policies and procedures around cash handling may expose the organisation to loss or theft of funds.	Segregation of duties. Cash movements must be recorded appropriately and counter-signed by another individual.

### Top tips from capacity-building visits

1. Focus on 'tone from the top' – managers need to set an example and set the cultural tone.
2. Limit management override – this should be the exception rather than the rule.
3. Reinforce the role of the approver and budget-holder – the role of the supervisor cannot be underestimated as a Counter Fraud measure.
4. Spot checks of one function by another to check that processes and procedures have been followed.
5. Focus on empowering those functions traditionally regarded as 'support' functions so that they are able to challenge appropriately.
6. Ensure that there are clear inventory and asset-management processes in place.
7. If there is a local process adapted from a global one, ensure that it is documented and consistently used.
8. Consider putting a procurement tracker in place so that all procurements can be seen in a single place.

# TIMELINE



# CASE STUDIES

An unused generator was put up for external sale as it was no longer needed by the British Council office in question. A buyer was identified and an invoice raised, in line with policy, and payment anticipated in the British Council bank account. However, the money was not paid into the bank account and it transpired that a member of staff had taken receipt of the money in cash instead, furnishing the buyer with a document by way of receipt. Following a disciplinary process, the staff member was dismissed and the money recovered from salary.

Members of staff were asked to pay bribes at a border entry point – this was refused and the matter reported to the relevant authorities both locally and in the UK.

A laptop and other property were snatched from a member of staff as they walked along a roadside – this was reported to the police.

A staff member on the cash handling desk was stealing money handed over for payment, but only taking a small amount per transaction – the individual was dismissed and reported to the authorities.

Receipts for meals had the value increased and then submitted for payment – this was identified and the individuals concerned had their contracts revoked.

A member of staff used PDF software to alter procurement invoices, prior to forwarding these on for processing. No financial loss resulted from this case, but the individual concerned was dismissed following an appropriate disciplinary process.

An agent was providing receipts to the British Council as proof of payments which had stamps from the bank that turned out to be fake. Some payments went through before the error was identified.

Personal purchases were made on a corporate card and then false documents produced to support the claim – the individual was dismissed and reported to the police.

An individual working for the British Council was also running their own company. This conflict of interest was not declared and they were stealing intellectual property – they were dismissed.

A number of vouchers were taken from a drawer and used for private purchases – four members of staff were dismissed as a result.

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