
LSE POLICY AGAINST BRIBERY AND FRAUD

A. Introduction

1. The objective of this policy is to safeguard the proper use of the School's finances and resources, including the finances and resources of its subsidiary companies. The School is committed to conducting its business fairly, honestly and openly and in accordance with relevant legislation, and to the highest standards of integrity. As the School is both a Company limited by Guarantee and a charity which derives much of its income from public funds, benefactions and charitable organisations, it has a particular responsibility and concern to ensure that income and resources are used solely for the purposes intended to protect its reputation and its funders, donors, staff and students from the detriment associated with fraud and other corrupt activity.
2. This policy applies to every employee of the School (including student employees). It also applies to those working on behalf of the School, such as contractors, and associated academics (e.g. visiting research fellows), office-holders, and members of Council and Court ('**associated persons**'), although any investigation or action into such persons may be more appropriately undertaken by their immediate employer or the police.

B. Definitions

3. Fraud is an offence under the Fraud Act 2006. Section 1 of the Act creates a general offence of **fraud** and introduces three ways of committing it, which are set out in subsequent sections:
 - i) Fraud by false representation (Section 2);
 - ii) Fraud by failure to disclose information when there is a legal duty to do so (Section 3); and
 - iii) 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. The maximum sentence is 10 years' imprisonment.
4. The Bribery Act 2010 makes it an offence to offer, give, accept, receive, or request any form of 'advantage' to, or from, any individual, company or Government (including anyone working for a Government), if to do this would involve a breach of an expectation that the transaction be conducted in good faith, with integrity, and fulfilling any obligation of trust. The Act creates two general offences of bribing another person ('active bribery') and being bribed ('passive bribery'). It also creates a discrete offence of bribery of a foreign public official; and creates a new offence of failure of commercial organisations to prevent bribery by persons associated with them. Schedule 1 provides a definition of **bribery**.
5. Schedule 1 also defines other words or phrases that appear in bold in this Policy. Schedule 1 forms part of this Policy.

C. The School's approach to bribery and fraud

6. The School has no tolerance of **fraud** or **bribery** and its employees and **associated persons** must not engage in any form of **fraud** or **bribery** in connection with or relating to any activity carried out on behalf or in the name of the School.
7. As a separate obligation, no employee or **associated person** shall offer, promise, make or agree to make a **facilitation payment**. The only exceptions are where the employee or associated person is in a vulnerable position arising from the circumstances in which the payment was demanded (for example where s/he is in personal danger). In such exceptional cases, the payment should be reported to the

Chief Financial Officer in advance, or if that is not possible, as soon as reasonably practicable afterwards.

8. Whereas it is not the School's intent to penalise diligent employees or **associated persons** who make an honest mistake in good faith, it is the School's policy to pursue action in the case of such breaches of law or of Financial Regulations arising from improper behaviour that expose the School to loss or damage, whether or not there was intent to cause loss or damage and whether or not a loss or damage actually occurs.

The action in the event of breach may include disciplinary action including dismissal, civil recovery proceedings, and/or reference to professional bodies and/or the police or other appropriate criminal investigation agency. Suspected criminal acts by employees or **associated persons** involving the School will normally be referred to the police.

9. Suspected or actual cases of malpractice involving students (who are not otherwise acting as employees of the School) shall be dealt with according to the appropriate student-related policies, including the School's Disciplinary Procedures for Students. The School will decide which procedures to use in light of the circumstances of each case.
10. From time to time staff may receive offers of gifts and hospitality during the course of their work. For guidance into the School's approach to gifts and hospitality and what to do in such instances, staff should consult the [School's Gifts and Hospitality Procedure](#).
11. This Policy should be read in conjunction with the [Financial Regulations](#); the LSE Procedure against Bribery and Fraud (section E below); the [Public Interest Disclosure Procedure](#); the [Ethics Code and Ethical Guidelines](#) (in particular for guidance on the proper handling of potential and actual grants and donations); the School's [Disciplinary Procedures for Students](#); and the School's [Procedures for the receipt of Gifts and Hospitality](#).

D. Responsibilities

12. As the governing body of the School, Council and its members are ultimately responsible for the School's anti-fraud and anti-bribery Policy and Procedures.
13. If an employee or **associated person** has a reasonable suspicion of actual or attempted **bribery** or **fraud**, s/he may seek confidential advice in the first instance from their line manager or the School Secretary, the Chief Financial Officer, or the Finance Director. Contact details are provided in section H at the end of the Procedure below. Unless advised otherwise, or the initial advice is adequate to allay reasonable suspicion, s/he should submit a written report as soon as possible thereafter to the Chief Financial Officer, or the Finance Director, following the Procedure against Bribery and Fraud (section E below).
14. The Chief Financial Officer and Finance Director shall have the following responsibilities:
 - 14.1 to initiate and coordinate an investigation into any reports of suspected actual or attempted **bribery** or **fraud** according to the Procedure set out in section E below;
 - 14.2 to maintain a register of the incidents of **bribery** and **fraud** that are reported to him or her and to report such incidents annually to the Finance Committee and to the Audit Committee at or before approval of the annual report and accounts by these committees. The register shall be held in the Finance Division. The report will state what breach was suspected, what any investigation found, what disciplinary or other action was taken, and if appropriate what actions were or are to be taken to reduce the probability of similar breaches in the future. The Chief Financial Officer and Finance Director will thereby contribute to the monitoring of this Policy and are to

recommend any changes to the Policy which may, from time to time, become appropriate;

14.3 to ensure that any standard School documents and procedures reflect the requirements of this Policy;

14.4 to coordinate the School's response to any investigation or charge;

14.5 to communicate clearly and regularly the School's commitment to preventing **bribery** and **fraud** to the School's employees and **associated persons**, or nominate others to do so, and ensure the delivery of appropriate training (see Section G in the Procedures below for further information about training).

E. Procedure against Bribery and Fraud

15. This Procedure should be read together with the Policy against Bribery and Fraud above, the [Financial Regulations](#); the [Public Interest Disclosure Procedure](#); the [Ethics Code and Ethical Guidelines](#) (in particular for guidance on the proper handling of potential and actual grants and donations); the School's [Disciplinary Procedures for Students](#); and the School's Procedures for the receipt of Gifts and Hospitality [link].

16. As per paragraph 13 of the Policy against Bribery and Fraud above, if an employee or **associated person** has a reasonable suspicion of actual or attempted **bribery** or **fraud**, s/he may seek confidential advice in the first instance from their line manager or the School Secretary, the Chief Financial Officer, or the Finance Director. Contact details are provided in section H at the end of this Procedure. Unless advised otherwise, or the advice is adequate to allay reasonable suspicion, s/he should submit a written report as soon as possible to the Chief Financial Officer or the Finance Director.

The written report should include:

- The name(s) of the person(s) allegedly involved;
- A brief description of the alleged irregularity, the loss or potential loss involved;
- Relevant dates and timeframes;
- Documentary or other evidence to support the allegations or irregularity, where possible.

17. In the event that the suspicion of actual or attempted **bribery** or **fraud** involves the Chief Financial Officer, or the Finance Director, the report should be made to the one of the others. If the suspicion involves the Chief Financial Officer and the Finance Director together, the report should be made to the School Secretary, who will undertake the responsibilities required by the Policy and Procedure.

18. All persons concerned with the investigation must treat the information in strict confidence. Where necessary, information will be transmitted in confidence to relevant regulatory bodies. An unwarranted breach of confidence may be the subject of disciplinary action, and malicious or vexatious complaints may result in disciplinary action.

19. Where an allegation is made in good faith, the School will protect and support the employee or **associated person** against harassment or victimisation.

20. In the event that the employee or **associated person** feels under duress or where it is important that the identity of the person making the report is not disclosed, s/he may report the matter anonymously as under the School's Public Interest Disclosure Procedure, ('whistleblowing policy').

21. In the event that an employee or **associated person** is uncertain whether an irregularity has been committed, s/he is encouraged to seek guidance from the School Secretary, Chief Financial Officer or Finance Director.

22. On receipt of a report of suspected or actual irregularity, Chief Financial Officer or Finance Director shall, in consultation with the other and, if necessary, on the advice of the School's legal representatives, determine what further investigative action is required. Whenever and wherever the circumstances allow, the investigation will be referred to the police at the earliest opportunity, in order to pursue criminal proceedings.
23. In all cases where the police are involved, the School reserves the right, where it would be reasonable to do so, to proceed with its own disciplinary procedures and/or with civil proceedings.
24. Where a full internal investigation is required, the Chief Financial Officer shall appoint a Fraud Investigation Panel, normally consisting of the Chief Financial Officer as Chair, the Finance Director, the Director of Human Resources, and, if appropriate, the relevant head of department or research centre. The Panel will meet without delay to consider:
 - the appointment of an independent Investigation Officer;
 - the objectives and strategy of the investigation, with particular consideration given to restricting the scale of loss and maximising recovery of assets;
 - the make-up of the investigation team (to include, where necessary, staff from backgrounds appropriate to the nature of the investigation, especially where computerised records are involved, or interviews under Police and Criminal Evidence Act 1984 (PACE) conditions may be required);
 - instruction for any immediate action required at the point of discovery, especially as regards the protection of evidence;
 - the need to use other external advisers, such as the School's solicitor or insurers;
 - the need to complete the full investigation with all due speed, though without compromising a comprehensive and thorough examination of the evidence available;
 - the need to safeguard the rights of any staff involved in, or affected by, the investigation;
 - the need to protect the complainant from harassment or victimisation for reporting their suspicions;
 - the need to protect the rights of the respondent, particularly as regards providing an opportunity at the appropriate time to comment on the allegations made;
 - the need to minimise disruption to operational activities and routines.
25. In cases which they deem to require a smaller scale of investigation, the Chief Financial Officer and Finance Director may appoint an independent Investigation Officer directly to consider the points in paragraph 23 above.
26. In line with HEFCE stipulations, the Chief Financial Officer shall report any material adverse change (such as a significant and immediate threat to the School's financial position, significant fraud or major accounting breakdowns, without delay to all of the following:
 - the Chair of the Audit Committee
 - the Chair of Council
 - the School's head of internal audit
 - the external auditors
 - the HEFCE Chief Executive.

The chairs of the Audit Committee and of the Finance Committee shall also be kept informed of any on-going investigation in advance of the reporting outlined in section F below.

27. In line with HR disciplinary procedures, any employee or **associated person** who is suspected of **bribery** or **fraud** may be suspended immediately on full pay pending a full investigation. In some cases it may also be necessary to suspend other staff in order to conduct a proper investigation. When suspension of an employee or **associated person** is being considered, the line manager will normally first consult

the relevant HR Partner. A manager will then meet the employee or **associated person** and explain the reason for the suspension. The suspension will subsequently be confirmed, in writing, within three working days of the meeting. In certain cases, it may be appropriate for a manager other than the immediate line manager to undertake the suspension. In such circumstances, the employee or **associated person** will be advised, in writing, of the reason.

Suspension is not a disciplinary act and does not imply a finding of misconduct. It is a neutral act to allow an effective investigation to take place. Suspension will normally occur within one working day of the start of a disciplinary investigation, and be for as short a period as possible.

However, given the serious nature of allegations of **bribery** or **fraud**, the School reserves the right to suspend an employee or **associated person** at any stage of a disciplinary investigation into **bribery** or **fraud**, or where conduct of the investigation is being, or may be, affected by the presence at work of the employee. Suspension may also be considered in circumstances where the disciplinary investigation is causing distress to the employee or **associated person**.

F. Reporting

28. On completion of the investigation, the Investigation Officer shall provide a written report for the Panel (or in smaller cases directly for the Chief Financial Officer and Finance Director) to include:
 - a conclusion as to whether the allegations of fraud, corruption or other financial irregularity have any substance;
 - the comments of the respondent in respect of the allegations made;
 - the nature and extent of any irregularity;
 - its effects upon the School;
 - who was involved (including those staff and/or management whose failure to exercise appropriate supervision or control may have contributed to the fraud);
 - an assessment of any weaknesses in internal controls which may have allowed the irregularity to occur, with recommendations to improve those systems of control.
29. Following consultation with the Investigation Officer, and with the Panel if one has been appointed, the Chief Financial Officer will provide an executive summary of the Investigation Officer's report for the Director, as well as a report for the Audit Committee and for the Finance Committee. Where the irregularity is of sufficient seriousness (as defined in the HEFCE Audit Code of Practice), the Chief Financial Officer will also notify the HEFCE.
30. The Chief Financial Officer shall consult the School Secretary to consider whether the School should proceed with legal action, whether criminal or civil; whether to proceed with disciplinary procedures against any employee or **associated person**; whether any action is necessary to prevent or detect further irregularities at the School.
31. Any legal proceedings will be directed by the School Secretary in consultation with the School's legal advisors. In cases where the School Secretary has been the subject of the investigation, the Director shall appoint another officer for this purpose.
32. Any disciplinary action shall be taken in line with the School's Disciplinary Procedures.

G. Training

33. Training for staff is coordinated by the Ethics Manager in the Governance, Legal and Planning Division according to the Action Plan approved by Audit Committee on 5 November 2013. Those routinely included are new Heads of Academic Departments, new Office Holders, and new Governors; and those in high-risk posts such as Finance Division and Research Division. An online training module for all staff is

available on Moodle from Michaelmas Term 2014. For more information, please contact the Ethics Manager (see Contact details in section H below).

H. Contact details

- The Chief Financial Officer – email d.c.webb@lse.ac.uk or write to the Chief Financial Officer, London School of Economics and Political Science, Houghton Street, London WC2A 2AE.
- The Finance Director – email m.ferguson@lse.ac.uk or write to the Finance Director, London School of Economics and Political Science, Houghton Street, London WC2A 2AE.
- The School Secretary (the Designated Person, for the purposes of the Public Interest Disclosure Policy) – email secretary@lse.ac.uk or write to The School Secretary, London School of Economics and Political Science, Houghton Street, London WC2A 2AE.
- The Ethics Manager – email ethics@lse.ac.uk.

Schedule 1

Associated person – anyone working on behalf of the School, such as contractors, and associated academics (e.g. visiting research fellows), office-holders, and members of Council and Court, who is not a regular employee or student employee of the School.

Bribery – a) offering, promising, giving, requesting, or accepting a financial or other advantage in circumstances occurring inside or outside the UK which are intended to induce or reward **improper** performance of a function or activity that:

is of a public nature, performed in the course of a person's employment, connected with a business or trade, or performed on behalf of a body of people; and

a reasonable person in the UK would expect to be performed in good faith, impartially or in accordance with a position of trust;

b) offering or giving financial or other advantage to a public official outside the UK (or somebody else nominated by that official) intending to influence the official in the performance of their official functions in order to obtain or retain business or a business advantage.

Facilitation payments – payments intended to secure or expedite routine or necessary Government action by a **public official**. A facilitation payment may include a payment to a public official to do their job properly as well as payment to do their job improperly.

Fraud – offences outlined in the Fraud Act 2006 are:

- i) fraud by false representation (Section 2);
- ii) fraud by failure to disclose information when there is a legal duty to do so (Section 3); and
- iii) 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.

In practice, and for the purposes of this Policy, fraud includes acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, money-laundering, false accounting, false representation, concealment of material facts and collusion, and dishonest, irregular or illegal acts, characterised by a deliberate intent at concealment or false representation, resulting in the diversion of resources, whether or not for personal gain, for the benefit of an individual or group of individuals at a consequent loss to the School.

Improper – a) a failure to perform a function or activity in good faith, impartially or in accordance with a position of trust; or b) not performing the function at all. In deciding whether

a function or activity has been performed **improperly** outside the UK, any local custom or practice must be disregarded unless it is permitted or required by the written law of the country in which it is performed.

Public official – someone who holds a legislative, administrative or judicial position of any kind, whether appointed or elected; someone who exercises a ‘public function’ for any country or territory (or any subdivision of such a country or territory); or an official of or agent of a public international organisation (for example the UN, EU, World Bank).

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