



Fraud, Bribery, and Corruption Policy (including Money Laundering and Tax Evasion)

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Target Audience	
People who need a detailed knowledge of the document	All staff
People who need a broad understanding of the document	All staff
People who need to know that the Code of Practice exists	All staff

Annex of Modifications		
Version	Date of issue	Details of modification from previous version
1.1	31-05-2018	Updated to new template, for ethical business practices, Money Laundering Regulations 2017 and Criminal Finance Act 2017
1.1	27-06-2019	Policy reviewed, no amendments required
1.2	21-10-2020	Minor update in Section 13 to include FCDO "Reporting Concerns" contact information

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1 Introduction

- 1.1 LSTM is committed to the highest standards of ethical conduct and integrity in its activities in the UK and overseas. This policy outlines the LSTM approach to assessing, mitigating, controlling and avoiding incidents of fraud, bribery and corruption, money laundering and tax evasion, and the facilitation of tax evasion.
- 1.2 This policy outlines the LSTM position in countering fraud, bribery and corruption and upholding the relevant laws, particularly:
- The Fraud Act, 2006
 - The Bribery Act, 2010
 - The Public Interest Disclosure Act, 1998
 - The Criminal Finance Act 2017 (CFA 2017)
 - The Money Laundering Regulations 2017 (MLR 2017)

2 Policy Statement

- 2.1 LSTM will not tolerate any form of fraud, bribery, corruption or dishonesty by or of, its employees, agents or consultants or any person or body acting on its behalf in any jurisdictions. LSTM requires all individuals acting on its behalf to conduct business honestly, fairly and professionally.
- 2.2 This policy and its associated procedures applies to all employees, officers, temporary workers, consultants, contractors, agents and subsidiaries acting for, or on behalf of, LSTM in the UK and overseas. This includes employees of partner institutions who may be delivering LSTM grant/contract awards under a sub contract, collaboration or agreement. It also applies to students when they are acting on behalf of LSTM, either paid or voluntary.
- 2.3 LSTM employees or associated persons working on behalf of LSTM must not:
- Undertake in any fraudulent activity or offer to make a bribe, unauthorised payment or inducement of any kind to anyone
 - Solicit business either through fraudulent activity or by offering a bribe, unauthorised payment or inducement to a third party
 - Accept any kind of bribe, unauthorised payment or inducement that would not be authorised by LSTM in the normal cause of events
- 2.4 LSTM employees or associated persons working on behalf of LSTM must:

- Refuse any bribe, inducement or unauthorised payment in a form which could lead to a misunderstanding
 - Report any incidences of fraudulent activity and any offer of bribe, inducement or unauthorised payment either to their line manager or under the LSTM Whistleblowing Policy procedures
(https://lstmed.sharepoint.com/_layouts/download.aspx?SourceUrl=/SiteAssets/SitePages/Departments/Human%20Resources/Policies%20and%20Procedures/Whistleblowing.pdf)
- 2.5 Be aware of the regulations in relation to facilitation of tax evasion as laid out in the CFA 2017, and ensure they follow the relevant procedures and reporting processes
- 2.6 Be aware of the regulations in relation to money laundering as laid out in the MLR 2017, and ensure they follow the relevant procedures and reporting processes
- 2.7 Every employee and associated person acting on behalf of, and for, LSTM is responsible for maintaining the highest standards of conduct at all times
- 2.8 All employees and associated persons are required to familiarise themselves and comply with this policy and its associated procedures, including any updates that may be issued in the future
- 2.9 This policy should be read in conjunction with, and is supported by, the following LSTM regulations, policies and procedures:
- Financial Regulations
 - Financial Procedures
 - Procurement Policy
 - Procurement Fraud Policy
 - Procurement Procedures
 - Whistleblowing Policy
 - Disciplinary Procedures
 - Human Resources Policies as appropriate
 - Conflict of interest Policy
 - Safeguarding Policy
- 2.10 LSTM is committed to an open and transparent relationship with funders and donors and will therefore ensure that any incident, its investigation and subsequent corrective action of fraud, bribery or corruption is reported to the relevant funder or donor.

3 Breaching the Policy

- 3.1 Any allegation that an employee has acted in a manner that is illegal or inconsistent with this policy and its associated procedures is likely to constitute a serious disciplinary, contractual or

criminal matter for the individual concerned and may cause serious damage to the reputation and standing of LSTM. In this respect LSTM reserves the right to refer alleged instances to the relevant employee disciplinary procedures or the police authorities.

- 3.2 LSTM may face criminal liability for unlawful actions taken by its employees or associated persons under the Bribery Act 2010, the CFA 2017 and the MLR 2017.
- 3.3 LSTM reserves the right to terminate its contractual arrangements with any associated person(s) providing services for, or on behalf, of LSTM where there is reasonable evidence that they or their staff have committed an act of fraud, bribery or corruption.
- 3.4 In addition to any internal procedure, LSTM may report suspected cases to the relevant authorities.
- 3.5 LSTM reserves the right to seek redress via civil proceedings against employees or associated persons whose acts or omissions have resulted in financial loss. This is regardless of whether the employee or associated persons were prosecuted.

4 Scope of Policy

- 4.1 LSTM is committed to conducting business in a responsible, ethical and transparent manner. The criminal activity of fraud, bribery or corruption can predicate related criminal activity therefore this policy also covers activities which are unacceptable practices for businesses or employees to be involved in, such as:

- Money laundering
- Tax evasion, and the facilitation of tax evasion
- Terrorism financing
- Aid diversion

5 What is Fraud?

- 5.1 The Fraud Act, 2006, came into force on 15 January 2007 and introduces provision for a general offence of fraud which is broken into three sections:
 - *Fraud by false representation*: representation is made dishonestly with the intention of making a gain or causing a loss or risk of loss
 - *Fraud by failing to disclose information*: if a person fails to declare information which they have a legal duty to disclose
 - *Fraud by abuse of position*: a person in a privileged position acts dishonestly by abusing the position held and by doing so fails to disclose information that they are legally required to disclose

6 What is Bribery and/or Corruption?

- 6.1 The Bribery Act 2010 came into force on 1 July 2011. A bribe does not have to be paid, nor does it need to take place in the UK. If any of those involved are British Citizens or people ordinarily resident in the UK, then the terms of the Bribery Act 2010 apply.

6.2 The Bribery Act 2010 sets out three groups of offences that both individuals and a corporate body/organisation can commit and one offence that relates to organisations only.

6.2.1 Offences committed by an individual or organisation:

Paying or offering a bribe: bribing another person by offering, promising or giving a financial or other advantage to that other person intending to induce or reward them for improper performance of a relevant function or activity

a) *Receiving or requesting a bribe:* being bribed by requesting, agreeing to receive or accepting a financial or other advantage intending there to be improper performance of a relevant function or activity

b) *Bribing a foreign public official:* offering, promising or giving a financial or other advantage to a foreign public official when they are acting in that capacity, intending to influence their conduct or obtain or retain business and/or an advantage in the conduct of business

6.2.2 Offence committed by an organisation (corporate offence):

a) *Failing to prevent bribery:* where a person associated with an organisation offers a bribe (as described in 5.2.1). A person is deemed to be associated with an organisation if he or she performs services on behalf of the organisation, regardless of whether he or she is an employee.

7 What is money laundering?

7.1 Money laundering is the process of taking profits from crime and corruption and transforming them into legitimate assets. There are three stages : placement, layering and integration. Placement is where the proceeds of criminal activity enter the financial system; layering distances the money from its illegal source through layers of financial transactions; and integration involves the re-introduction of the illegal proceeds into legitimate commerce by providing an apparently genuine reason for the funds.

7.2 In the UK severe penalties are imposed on individuals connected with any stage of laundering money. Offences include

- *Failure to report knowledge or suspicion of money laundering*
- *Failure to have adequate procedures to guard against money laundering*
- *Knowingly assisting or tipping off suspected money launderers*
- *Recklessly making a false or misleading statement in the context of money laundering*

7.3 The money laundering regulations 2017 address the shortcomings of the money laundering regulations 2007, including requiring a more risk based approach and changing the approach to customer due diligence

8 What is tax evasion and the facilitation of tax evasion?

8.1 The Criminal Finance Act 2017 came into force on 30 September 2017 and covers 3 main sections as follows:

- Part 1 : Proceeds of crime
- Part 2 : Terrorist Property
- Part 3 : Corporate Offence of failure to prevent the facilitation of tax evasion

8.2 LSTM needs to ensure compliance with Part 3. The legislation applies to all businesses and to all taxes. The offence is not about the organisation itself evading tax but about failing to prevent its employees/ agents/ associates from facilitating tax evasion by another party. There are 2 corporate offenses, a domestic and an overseas offence.

8.3 A successful prosecution could result in an unlimited fine, a public record of conviction and significant reputational damage

8.4 There is a defence of having reasonable prevention procedures in place, and LSTM has done a risk review and set in place communication and training procedures.

9 Guiding Principles

9.1 This policy takes account of the six guiding principles detailed in the Bribery Act 2010 and the Criminal Finance Act 2017 and has extended these to cover fraud, corruption, money laundering and the facilitation of tax evasion.

Guiding Principle	LSTM Approach
Proportionate procedures	LSTM procedures to prevent fraud, bribery or corruption, money laundering and facilitation of tax evasion by persons associated with it will be proportionate to the identified risks, taking account of the nature, scale and complexity of its activities
Top-level commitment	Senior Management is committed to implementing effective measures to prevent, monitor and eliminate fraud, bribery and/or corruption, money laundering and the facilitation of tax evasion. The implementation of this policy will be controlled and monitored through internal procedures, staff awareness sessions and internal audit risk assessments
Risk assessment	LSTM has established detailed financial and project delivery risk management procedures. A large proportion of LSTM operations occur outside the UK but the risk management procedures have been designed at preventing, detecting and prohibiting fraud, bribery or corruption, money laundering or facilitation of tax

	evasion across all activities, regardless of the physical location of the activity
Due diligence	Due diligence assessments will be carried out on all new partner organisations A rolling programme of due diligence assessments will be conducted on all existing partner organisations Due diligence is also conducted on new donors and suppliers
Communication	All existing employees will be made aware of this policy through targeted training sessions and regular dissemination channels (monthly staff newsletter, intranet pages, video training sessions) All new employees will be made aware of the existence of this policy at their induction meeting All new contracts with partner organisations will receive a copy of the LSTM policy
Monitoring and Review	Application of this policy and associated procedures will be subject to regular review through the LSTM risk management and internal/external audit processes

10 Working Overseas

- 10.1 A large proportion of LSTM activities occur outside the UK but this policy applies irrespective of the physical location of activity. LSTM will not tolerate any form of fraud, bribery or corruption, money laundering or facilitation of tax evasion, regardless of the where the work is taking place.
- 10.2 For employees working away from their usual place of work, they may be at greater risk of being exposed to bribery or unethical conduct and they therefore must be extra vigilant when conducting international business. LSTM maintains a duty of care to those employees working overseas ensuring appropriate support, help and guidance is available at all times. If an employee has any concerns they must raise it with their line manager in the first instance.
- 10.3 Due diligence will be undertaken on all overseas partners, agents and suppliers. The assessment will identify any special procedures that must be implemented to prohibit fraud, bribery or corruption, money laundering or facilitation of tax evasion. These procedures will be included as specific clauses within the contractual documentation with the partner.
- 10.4 Employees and associated persons are required to cooperate with LSTM's Risk Management procedures and to report suspicions of fraud, bribery, corruption, money laundering or facilitation of tax evasion immediately.
- 10.5 While any suspicious circumstances should be reported, employees and associated persons are required particularly to report:
- Close family or personal ties that a prospective agent, representative or joint-venture partner may have with government or corporate officials, directors or employees

- A history of corruption in the country in which the business is being undertaken. While this is included in the formal due diligence assessment undertaken by LSTM when establishing a new partnership, where an individual or associated person may have specialist knowledge they are asked to make this known.
- Requests for cash payments
- Requests for unusual payment arrangements, for example, via a third party
- Requests for reimbursements of unsubstantiated or unusual expenses
- A lack of standard invoices and proper financial practices

10.6 If an employee or associated person is in any doubt as to whether or not a potential act constitutes fraud, bribery or corruption, money laundering or the facilitation of tax evasion the matter should be referred to their line manager.

11 Gifts, Entertainment and Hospitality

11.1 The occasional exchange of gifts or invitations to entertainment events or functions in matters connected with business is meant to create goodwill and enhance relationships. These activities are acceptable provided they are not excessive or create a sense of personal obligation on the part of the recipient.

11.2 Staff may accept business courtesies provided these do not interfere with their judgement and must not create an appearance of impropriety. Corporate hospitality and gifts (whether received or provided) must be transparent, auditable and proportionate. Modest gifts and hospitality may be accepted unless an advantage is intended or suspected.

11.3 In no circumstances must any gift of money be made or received by a member of staff or official of LSTM.

11.4 When evaluating what is reasonable, consider:

- What is the intent – is it to build a relationship or is it something else?
- How would this look if these details were on the front of a newspaper?

If you find it difficult to answer one or more of the above questions, there may be a risk involved which could potentially damage the reputation and business of LSTM.

11.5 It is a requirement that a record of gifts, benefactions, donations and hospitality to ensure transparency. The LSTM Financial Regulations <https://lstmed.sharepoint.com/SitePages/Departments/Support/Finance/Financial%20Regulations.aspx>) gives details of how to report and record any such receipt of a gift, entertainment or hospitality.

12 Facilitation Payments

12.1 In some countries, it may be common business practice to make payments to officials in order to speed up or facilitate a process, but these are considered bribes under UK law. LSTM therefore prohibits its employees or associated persons from making or accepting any facilitation payments.

- 12.2 Employees and associated persons are required to act with greater vigilance when dealing with government procedures overseas. Where a public official has requested a payment, employees or associated persons should ask for further details of the purpose and nature of the payment in writing.
- 12.3 If the public official refuses to give further details in writing, this should be reported immediately to the Head of Research Management Services. If the public official provides written details, the Head of Research Management Services will consider the nature of the payment and may take legal advice.
- 12.4 If any member of staff or associated persons acting on behalf of LSTM is forced to pay under duress, the matter should be reported to the Director of Strategic Operations and recorded appropriately to reflect the underlying situation and context.
- 12.5 Where the payment is considered to be a facilitation payment, the employee will be instructed to refuse to make the payment and notify the public official that LSTM is required to report the matter to the appropriate authorities.

13 Reporting suspected incidents

- 13.1 LSTM depends upon its employees and associated persons to ensure that the highest standards of ethical conduct are maintained in all its dealings. Employees and associated persons are requested to assist LSTM and to remain vigilant in preventing, detecting and reporting fraud, bribery and corruption, money laundering and facilitation of tax evasion.
- 13.2 Employees and associated persons are encouraged to report any concerns that they may have to their line manager as soon as possible. Issues that should be reported include:
- Any suspected or actual attempts at fraud, bribery or corruption, money laundering or facilitation of tax evasion
 - Concerns that other employees or associated persons may be being involved in fraud, bribery or corruption, money laundering or facilitation of tax evasion
 - Concerns that other employees or associated persons may be involved in fraud, bribery or corruption, money laundering or facilitation of tax evasion with third parties, such as clients or government officials
 - Concerns that partner organisations, their employees or associated persons may be involved in fraud, bribery or corruption, money laundering or facilitation of tax evasion
- 13.3 If an issue or a suspected allegation of aid diversion, fraud, money laundering or counter terrorism financing arises on a grant/project funded by the Foreign, Commonwealth and Development Office (FCDO, formally DfID), it is mandatory to report this to the FCDO directly via email: reportingconcerns@fcdo.gov.uk or by telephone on +44 (0)1355 843551.
- 13.4 LSTM is committed to ensuring its employees have a safe and confidential way of reporting suspected wrongdoing. Employees are therefore encouraged to immediately report incidents of suspected fraud, bribery or corruption, money laundering or facilitation of tax evasion to their line manager in the first instance, who is responsible for reporting these to the Director of Strategic Operations.

- 13.5 Should the matter or practice concern their line manager, or if a member of staff does not feel comfortable approaching their line manager, then it should be reported to Human Resources under the whistleblowing policy procedures (<https://lstmed.sharepoint.com/SitePages/Departments/Human%20Resources/Policies%20and%20Procedures.aspx>). Any such reports will be thoroughly and promptly investigated in the strictest confidence. Employees and associated persons will be required to assist in any investigation into possible or suspect fraud, bribery, corruption, money laundering or facilitation of tax evasion.
- 13.6 Employees or associated persons who report instances of fraud, bribery or corruption, money laundering or facilitation of tax evasion in good faith will be supported by LSTM. LSTM will ensure that the individual is not subjected to detrimental treatment as a consequence of their report. The employee can request anonymity which will be protected as far as possible within legislation.
- 13.7 Any instances of detrimental treatment by a fellow employee because an employee has made a report may be dealt with in accordance with the LSTM disciplinary procedures.
- 13.8 An instruction to cover up wrongdoing is itself a disciplinary offence. If told not to raise or pursue any concern, even by a person in authority such as a manager, employees and associated persons should not agree to remain silent. They should report the matter to the Director of Strategic Operations.

14 Equality and Diversity

- 14.1 LSTM is committed to promoting equality of opportunity, combatting unlawful discrimination and promoting good community relations. We will not tolerate any form of unlawful discrimination or behaviour that undermines this commitment and is contrary to our equality policy.