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PART ONE

Article 1

Purpose of the regulation

- (1) Tomas Bata University in Zlín (hereinafter referred to as “TBU”), as a recipient of public funding, is obliged, among other things, to introduce such tools into its internal control system which are aimed to ensure that TBU effectively prevents situations that could lead to serious irregularities, i.e. fraud, corruption, double funding, conflict of interest, or other types of incidents that would be in contradiction to the Regulation (EU) 2021/241 of the European Parliament and of the Council issued on 12 February 2021, establishing the Recovery and Resilience Facility, or that would be in contradiction to the law of the European Union and of the Czech Republic.
- (2) Therefore, this Rector's Directive lays down the basic rules aimed at prevention of situations as described in the previous Paragraph and sets up the so-called “RED FLAGS” system of warning signals.

PART TWO

COMPONENTS AND RULES OF THE “RED FLAGS” SYSTEM

Article 2

System of warning signals – “RED FLAGS”

- (1) For the purposes of this Directive, a warning signal refers to a situation that could lead to serious irregularities, in particular to corruption, fraud, double funding or conflicts of interest (hereinafter referred to as “warning signals”).
- (2) The “RED FLAGS” system of warning signals (hereinafter referred to as the “system of warning signals”) is a set of measures aimed at preventing, capturing and dealing with warning signals and related irregularities in activities carried out at TBU.

- (3) All TBU employees are obliged to get themselves acquainted with the system of warning signals. Therefore, all TBU employees are obliged to get themselves acquainted with this Directive, as well as with other relevant internal regulations and internal rules.
- (4) Warning signs may be detected during any activity carried out at TBU. Therefore, every employee is obliged to monitor warning signals which may occur during their activities and to report those in accordance with the relevant legal rules and regulations.

Article 3

Prevention and detection of corruption

- (1) A multi-level control system shall be established in order to prevent corrupt conduct. This system is implemented at TBU in accordance with the relevant TBU internal regulations (Rector's Directive on Supervisory Activities, Bursar's Directive on Management Control – Circulation of Accounting Records).
- (2) Each TBU employee is obliged to comply with the anti-corruption measures and to actively ensure the prevention of criminal activity referring to corrupt conduct as specified in the relevant provisions of the Criminal Code (in particular § 331 – 333 and others).
- (3) All TBU employees are obliged to get themselves acquainted with the procedures related to the detection of corrupt conduct. For this purpose, the relevant employee is obliged to get himself/herself acquainted in particular with Appendix 4 to the TBU Statute – the TBU Code of Ethics, with the TBU Work Regulations and with this Directive. The above-mentioned internal rules and regulations are accessible to all employees on the Intranet.
- (4) The relevant employee has the right and obligation to file a complaint, submit a proposal, a suggestion or in any other manner report conduct that is inconsistent with legal regulations or with the TBU internal rules/regulations, report unethical conduct, and, if necessary, to propose measures for improvement. For this purpose, the relevant employee shall use internal communication channels, in particular the electronic form for reporting of breaches of the EU law (the so-called whistleblowing). More detailed procedures shall adhere to the relevant TBU internal regulation.
- (5) In the event that such conduct as specified in the previous Paragraph has been detected, the TBU Management Board is obliged to take the necessary corrective measures. These shall include a modification of internal rules/regulations, adoption of labour-law measures, compensation of the damage incurred, and notification of the relevant employees regarding the steps that have been taken in connection with the conduct detected.

Article 4

Fraud whistleblowing system

- (1) Fraudulent conduct refers to such undesirable conduct when an acting person has misled another person, has taken advantage of another person's mistake, has concealed material facts in order to gain an unfair advantage, benefit or enrichment for himself/herself or for others.
- (2) Fraudulent conduct is an undesirable phenomenon at TBU. Reporting of such undesirable conduct adheres to the TBU internal rules and regulations, in particular to the TBU Code of Ethics and to the TBU Work Regulations. According to the internal regulations listed,

TBU employees may submit complaints, notifications, comments and suggestions to the senior executive of the relevant component part within the TBU organizational structure.

- (3) In the event that, following a submitted suggestion/filed complaint, the senior executive of the relevant component part has justified suspicion of fraudulent conduct occurring in the course of the implementation of operations within a project, he/she is obliged to immediately pass on such information to the TBU Rector.
- (4) The TBU Rector shall ensure that suspicious conduct is investigated and, if the suspicion remains, he/she shall pass on information about such conduct to the relevant authorities. At the same time, the Rector shall take such corrective measures as to avoid that such fraudulent conduct be repeated.
- (5) All information that is passed on among TBU employees within the fraud reporting system described in this Article is of confidential nature; TBU employees are obliged to maintain confidentiality about it. A breach of this obligation may have corresponding labour-law consequences.
- (6) Another option available to TBU employees is to use the EU Whistleblowing System, which is specified in the relevant TBU internal regulation.

Article 5

Conflict of interest

- (1) A conflict of interest refers to a situation where public interest comes into conflict with the personal interest of a particular person. The actual conflict of interest is not considered as corrupt conduct or a criminal offence, but it carries a potential risk of abuse of power or of strategic information for personal gain or the benefit of a third party.
- (2) Measures against conflicts of interest are preventive in nature and seek to prevent its possible abuse, thus preventing its occurrence in the first place.
- (3) Within the activities of TBU, a conflict of interest is considered to be a situation where the interests of a person involved in the implementation of a tender procedure, in the contractual provision of purchase of goods and services, in employee selection procedures as well as, generally, in decision-making or supervisory activities have or may have an impact on the outcome of the same person's actions, may threaten his/her impartiality or independence in connection with his/her actions.
- (4) Conflict of interest also arise when the impartial and objective performance of the duties of a financial actor or another person is jeopardized, namely:
 - for family reasons,
 - because of emotional ties,
 - for reasons of economic interest,
 - because of political, national or interest affinity,
 - for reasons of other direct or indirect personal interest.
- (5) The person referred to in Paragraph 3 or 4 has a conflict of interest (hereinafter referred to as the "person with a conflict of interest"). In accordance with Article 61 of the Financial Regulation (EU) 2018/1046, a person with a conflict of interest cannot participate in the management, selection, evaluation, control and monitoring of all specific actions taken within the scope of his/her activities at TBU.

- (6) Every TBU employee is obliged to report an imminent or existing conflict of interest occurring during the performance of his/her labour-law duties to his/her immediate superior. An infringement of this obligation is considered a particularly serious breach of obligations arising from legal regulations under the relevant provisions of the Labour Code.
- (7) After an employee has notified his/her immediate superior of the employee's imminent or existing conflict of interest (hereinafter referred to as the "employee in a conflict of interest"), the employee's immediate superior shall review the report and, if he/she finds that a conflict of interest actually exists or is imminent, the employee's superior is obliged to ensure that the employee in the conflict of interest terminates all activities in the given matter (both formally and factually) in such a manner that the employee can no longer influence the decision-making of other employees involved in the relevant activity. For this purpose, the superior shall
 - i) make an organizational change,
 - ii) transfer the relevant employee to another job, or
 - iii) take other steps in accordance with the Labour Code so as to avoid a conflict of interests.
- (8) In the event that a public tender is implemented at TBU, it is necessary to exclude a conflict of interest for all persons involved in the preparation of the public tender requirements, evaluation of bids and the decision on the award of a public contract. In this context, this Directive is further supplemented by the relevant Bursar's Directive governing the implementation of public tenders at TBU.

Article 6

Double funding

- (1) In order to prevent double funding at TBU, TBU has set up a system and procedures based on clearly defined rules and principles for assigning of duties, responsibilities and powers of payment mandators, of the budget administrator and the chief accountant, as well as of other persons involved in preliminary, continuous and subsequent management and public administration control in accordance with the Act on Financial Control in Public Administration. Further details are specified in the relevant internal regulation.
- (2) All financial operations carried out within the activities implemented by TBU are subject to control by means of the above-mentioned system in order to avoid double funding.

Article 7

Detection of warning signals

- (1) If any of the warning signals has been detected, the relevant employee in charge is obliged to:
 - i) suspend relevant activities,
 - ii) clarify the situation,
 - iii) examine whether the observed situation has or may have a financial or other impact,
 - iv) Further proceed in accordance with the relevant legal regulations and internal

rules and regulations issued by TBU in order to prevent illegal or unethical conduct.

- (2) It is the responsibility of the relevant senior executive to take appropriate measures.
- (3) If TBU suffers damage as a result of an employee's action, the employee who took the action shall be liable for such damage in accordance with generally binding legal regulations.

Article 8

Staff training

- (1) Each TBU employee is obliged to familiarize himself/herself in an appropriate manner with the issue of the "RED FLAGS" system of warning signals and with this Directive, as well as with the TBU Code of Ethics, TBU Work Regulations of TBU, and, if required, with other relevant documents; the output of such familiarization shall be a document signed by the employee and evidencing that the employee has become acquainted with the above-mentioned documents.
- (2) Each TBU employee shall always be acquainted with the above-mentioned issue upon commencement of employment or of other employment relationship, and, subsequently, no less than once per year.

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