

# FRAUD RESPONSE PLAN

## Purpose

The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the College to:

- prevent further loss
- establish and secure evidence necessary for criminal and disciplinary action
- notify the OfS in accordance with OfS guidance on Reportable Events
- recover losses
- punish the culprits
- deal with requests for reference for employees disciplined or prosecuted for fraud
- review the reasons for the incident, the measures taken to prevent a recurrence, and action needed to strengthen future responses to fraud
- keep all personnel with a need to know suitably informed about the incident and the College's response
- inform the police
- assign responsibility for investigating the incident
- establish circumstances in which external specialists should be involved
- establish lines of communication with the police

## Initiating action

1. All actual or suspected incidents should be reported without delay to the Director of Finance. The Director of Finance should, within 24 hours, hold a meeting of the following project group to decide on the initial response: Deputy Director, Director of Finance and the Head of Finance.
2. The project group will decide on the action to be taken. This will normally be an investigation, led by the Internal Auditors. The decision by the project group to initiate a special investigation shall constitute authority to the Internal Auditors to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

## Prevention of further loss

3. Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.
4. In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove property belonging to the College. Any security passes and keys to premises, offices, and furniture should be returned.
5. Advice should be obtained on the best means of denying access to the college while suspects remain suspended (for example, by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the College's computer systems should be withdrawn without delay.
6. The Internal Auditors shall consider whether it is necessary to investigate systems, other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the College's assets.

## Establishing and securing evidence

7. A major objective in a fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The College will follow disciplinary procedures against any member of staff who has committed fraud. The College will normally pursue the prosecution of any such individual, and will establish and maintain contact with the police where appropriate.
8. Internal Audit will:
  - maintain familiarity with the College's disciplinary procedures, to ensure that evidence requirements will be met during a fraud investigation
  - establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act
  - ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings

## Notifying the OfS

9. The circumstances in which the College must inform the OfS about actual or suspected frauds are detailed in the OfS guidance on reportable events. The Director is responsible for informing the OfS of such incidents.

## Recovery of losses

10. Recovering losses is a major objective of a fraud investigation. Internal audit shall ensure that in all fraud investigations, the amount of loss will be quantified. Repayment of losses should be sought in all cases.
11. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The College would normally expect to recover costs in addition to losses.

## Reference for employees disciplined or prosecuted for fraud

12. The staff handbook includes a requirement that a request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Head of HR who shall prepare an answer to a request for a reference having regard to employment law.

## Reporting to governors

13. Any incident matching the criteria in the Audit Code of Practice shall be reported without delay by the Director to the chairs of both the Council and Audit Committee.
14. Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the chairs of both the board of governors and the Audit Committee.
15. On completion of a special investigation, a written report shall be submitted to the Audit Committee containing:
  - a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
  - the measures taken to prevent a recurrence
  - any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken
16. This report will normally be prepared by internal audit.

## Reporting lines

17. The project group shall provide a confidential report to the chair of the Council, the chair of the Audit Committee, the Director and the external audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of the report shall include:
  - quantification of losses
  - progress with recovery action
  - progress with disciplinary action
  - progress with criminal action
  - estimate of resources required to conclude the investigation
  - actions taken to prevent and detect similar incidents

## Responsibility for investigation

18. All special investigations shall normally be led by internal audit. Special investigations shall not be undertaken by management, although management should co-operate with requests for assistance from internal audit.
19. Some special investigations may require the use of technical expertise which internal audit does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

## Review of Fraud Response Plan

20. This plan will be reviewed for fitness of purpose whenever the Financial Regulations are reviewed. Any need for change will be reported to the Audit Committee for approval.

**Director of Finance**

Rachel Harris

May 2021

**Policy reviewed by**

Audit Committee

May 2021