

1. BACKGROUND

The Institute is committed to protecting itself against acts of fraud and corruption. It has an anti-fraud and anti-corruption strategy and anti-bribery which are designed to implement this objective. This plan will be used should there be evidence of fraud or irregularity. It is based on, and is consistent with, advice from the Higher Education Funding Council for England.

2. 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 Institute to establish whether fraud or irregularity has actually occurred and, if this is the case, to:

- prevent further loss;
- establish and secure evidence necessary for appropriate action;
- recover losses;
- where staff have been disciplined for fraud or irregularity deal with requests for references;
- assign responsibility for investigation of any suspected fraud or irregularity;
- determine whether and how external authorities, including the police, will be involved;
- review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud or irregularity;
- establish reporting lines to ensure the appropriate personnel, with a need to know, are suitably informed about events and the Institute's response;
- report any suspected fraud to the Chair of the Audit Committee and the Director;
- notify the HEFCE, if the circumstances are covered by the mandatory requirements of the Audit Code of Practice.

3. INITIATING ACTION

3.1 Suspicion of fraud or irregularity may be generated through a number of means, including the following:

- the requirement on all personnel under the financial regulations to report fraud or irregularity to the internal auditor or an appropriate officer of the Institute;
- policy and procedure for accepting gifts and hospitality (appendix 1);
- the registering of personal or financial interests;
- the Public Interest Disclosure ("Whistleblowing") policy and procedures;

- planned audit work;
- normal operational procedures.

3.2 All actual or suspected incidents should be reported as soon as possible to the Pro-Director for Strategy and Organisation, the Director of Finance and Estates or the Internal Audit Service. If the initial report is not made to the Pro-Director for Strategy and Organisation, s(he) should be notified immediately. The Pro-Director for Strategy and Organisation should, as soon as practicable (and within 24 hours if possible), convene a meeting of the following officers to decide on the action to be taken:

- Director of Finance and Estates;
- Internal Auditor; and
- Head of Human Resources

3.3 Based on the advice of this group, the Pro-Director for Strategy and Organisation will decide on the action to be taken. This will normally be an investigation carried out by an appropriate individual or body as recommended by the Internal Auditors and under the overall guidance of, and reporting to, the Pro-Director for Strategy and Organisation. The decision of the Pro-Director for Strategy and Organisation to initiate such an investigation shall constitute authority to the Internal Auditor to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

4. PREVENTION OF FURTHER LOSS

4.1 Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Pro-Director for Strategy and Organisation, advised by the fraud response group identified in paragraph 3.2 above, will decide how to prevent further loss. In some cases it may be necessary to suspend staff and if this is the case, consideration should be given to the timing of such suspension if it is possible that evidence may be destroyed or removed. Where suspension is necessary, the Head of Human Resources will advise on the appropriate course of action to be followed. If it is necessary to deny a staff member access to one or more of the Institute's buildings, the Director of Finance and Estates will advise on the appropriate course of action. It may also be necessary to request the Head of Information and Communication Services to withdraw access to the Institute's computer systems.

4.2 The Pro-Director for Strategy and Organisation and the Internal Auditor shall consider whether it is necessary to investigate systems other than those which have given rise to suspicions, it is felt that there was a risk of misappropriation of the Institute's assets.

5. ESTABLISHING AND SECURING EVIDENCE

5.1 The Institute will follow its established disciplinary procedures against any member of staff who is suspected of or who has committed fraud. If it is felt

appropriate, and after taking legal advice, the Institute will normally seek the prosecution of any such individual.

5.2 The appointed investigators will:

- maintain familiarity with the Institute's disciplinary procedures, to ensure that evidence will be met during any fraud investigation;
- where appropriate, establish and maintain contact with the police;
- where appropriate, 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 appropriate rules on the admissibility of documentary and other evidence.

6. NOTIFYING THE HEFCE

The circumstances in which the Institute must inform the HEFCE about actual or suspected frauds are detailed in "Accountability and Audit: HEFCE Audit Code of Practice" (available on-line at www.hefce.ac.uk/pubs/hefce/2004/04_27.htm). The Director is responsible for informing the HEFCE of any such incidents. The Director must also notify the chair of Council and the Chair of the Audit Committee.

7. RECOVERY OF LOSSES

7.1 Recovering losses is also a major objective of any fraud investigation. The Internal Auditor shall ensure that in all fraud investigations, the amount of any loss will be quantified.

7.2 Where a loss has occurred and this loss is substantial, legal advice should be sought with a view to retaining amounts due from any individuals dismissed because of fraud, or freezing a suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about the prospects for recovering losses through the civil court, where the perpetrator refuses payment. The Institute would normally expect to recover costs in addition to losses.

8. REFERENCES FOR EMPLOYEES DISCIPLINED OR PROSECUTED FOR FRAUD

Any request for a reference for a member of staff who has been disciplined or prosecuted shall be referred to the Head of Human Resources. The Head of Human Resources shall prepare any answer to a request for a reference having regard to employment law.

9. REPORTING TO COUNCIL

9.1 Any fraudulent incident shall be reported without delay by the Director to the Chairs of Council and the Audit Committee.

- 9.2 Any actions taken which are not consistent with this approved fraud response plan, together with reasons for the variation(s), shall be reported promptly to the Chairs of both the Council and the Audit Committee.
- 9.3 On completion of a special investigation, a written report shall be prepared, normally by the Internal Auditor, and submitted to the Audit Committee containing:
- a description of the incident, including the value of any loss, the means of perpetrating the fraud, and where appropriate the names of people involved;
 - the measures taken to prevent a recurrence;
 - any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

10. REPORTING LINES

Until the conclusion of the investigation, the Pro-Director for Strategy and Organisation shall provide a confidential report to the Chair of Council, the Chair of Audit Committee, the Director, the External Audit Partner and the head of the Marketing and Development Unit 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 any police action;
- estimate of resources required to conclude the investigation;
- actions taken to prevent and detect similar incidents.

11. RESPONSIBILITY FOR INVESTIGATION

All special investigations shall normally be undertaken in accordance with the advice of the Internal Auditor. The Pro-Director for Strategy and Organisation may appoint external specialists to lead or contribute to the special investigation on advice from the Internal Auditors. Special investigations shall not normally be undertaken by management, although management should co-operate with requests for assistance from Internal Audit or the appointed investigator.

12. REVIEW OF FRAUD RESPONSE PLAN

This plan will be reviewed for fitness of purpose at least every three years or after each occasion when it is used. Any need for changes will be submitted to the Audit Committee for approval.