

### **1. INTRODUCTION**

The purpose of this plan is to formalise the responsibilities and action plan in the event of a suspected fraud or irregularity. The purpose is to achieve the following:

- quantification of loss to the University;
- prevention of further loss to the organisation;
- notification to HEFCE in accordance with the Audit Code of Practice;
- reporting to the Police;
- notification to the University Insurers; and
- reviewing the circumstances of the incident to ensure that the University systems are adequately designed to prevent re-occurrence.

### **2. CURRENT REQUIREMENTS**

The University's management is responsible for the prevention, detection and investigation of irregularities in the event of fraud and corruption. The suspicion of fraud and irregularity is currently captured through a number of means as follows:

- the Financial Regulations and underlying procedures are designed to ensure financial probity whilst maintaining operational efficiency;
- the University's Audit Code of Practice, being compliant with the HEFCE Audit Code, requires audit arrangements to assess the adequacy of arrangements in place to detect fraud and corruption. The associated risks are incorporated into the internal audit needs assessment and resultant strategic and operational planning. Where there are serious weaknesses in system design, or there is a significant degree of non compliance, the Head of Internal Audit (*HIA*) immediately informs the Finance Director;
- the staff handbook includes a procedure for the disclosure of information on the grounds of public interest (Whistleblowing). The purpose of the procedure is to clarify the way in which staff may express concerns regarding malpractice within the University via a "qualifying disclosure". As such this process can act as a reporting mechanism where a member of staff is suspected of carrying out a fraudulent act.

In addition the following procedures are in place to deter fraud / corruption:

- the University and KUSCO operate a tendering procedure which is subject to rigorous annual review by Internal Audit;
- a register of Governors' interests is maintained in the University Secretary's Office;
- lists of approved suppliers are reviewed and updated;
- financial Regulations require written quotes to be obtained for purchases over specified financial limits. These regulations are issued to all departments and subject to annual compliance check by Internal Audit;
- the Expenses and Benefits document includes a section on Gifts and third party benefits;
- the internal audit needs assessment covers areas susceptible to the risk of fraud and corruption over the following general headings:
  - a. segregation of duties;
  - b. dependency on specific members of staff;
  - c. security of cash and cheques;
  - d. purchasing / tendering procedure;

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- e. expenses and overseas travel;
  - f. financial reconciliations;
  - g. IT security;
  - h. Physical security of assets.
- Where there is evidence of an act of fraud or corruption being committed, the staff handbook includes the disciplinary procedure to be followed.

### 3. ACTION TO BE TAKEN IF FRAUD IS SUSPECTED

#### *Initial action*

- It is the responsibility of the relevant member of the Executive (Deans, Heads of Corporate Sections) to take the necessary action in the case of fraud or corruption. In every case the matter must be reported to the Finance Director and the HIA within 24 hours. They must then immediately decide what course of action to take. The decision on the course of action will be agreed by the following (*the Project Group*):
  - Finance Director;
  - Head of Internal Audit;
  - Personnel Director;
  - Relevant member of the Executive whose department the area relates (Head of Investigation).
- The usual circumstance will involve an initial fact finding investigation led by the HIA to determine the evidence available and whether any specialist advice is required. In all circumstances of this nature, the HIA will have the authority to use time allocated in the audit plan for investigations, or switch resources from planned internal audit work.
- One of the main factors to be determined from this initial work is to quantify (or estimate) the loss to the University as a result of the incident. The Project Group will then decide the appropriate course of action and whether a further investigation is necessary.

#### *Further investigation*

- The purpose of pursuing further investigative work will be done for two reasons; firstly to prevent further loss to the University, and secondly to establish and secure evidence as part of a disciplinary procedure. In these circumstances, the project group will need to decide the course of action over the following:
  - deciding whether the suspension should be with or without pay;
  - how the suspect is approached and supervised from the premises;
  - security of the University's property while the suspect is suspended;
  - denial of access to University systems (particularly via the network from home).
- At this stage of the process, the University disciplinary process must apply, and the investigation will be led by the relevant member of the Executive. As part of the project team, the HIA will be required to carry out further investigative work and the two important principles to be observed in these circumstances are as follows:
  - a) **Police and Criminal Evidence Act (PACE)**; the only evidence admissible in court is that obtained according to PACE. This relates to how written evidence is documented, and how any interviews (verbal evidence) is recorded; and

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- b) **University HR procedures** – for a prosecution of an employee to be successful, it has to be demonstrated that University HR procedures have been followed.
- The Head of Investigation will normally nominate the HIA to lead on an evidence gathering exercise. In the course of further investigative work, the HIA will need to make a judgement as to whether specialist advice is required. This will cover areas such as legal advice in terms of evidence gathering, and forensic experts. The use of such advice, and the resultant costs, need to be weighed up against the benefits in terms of the value of the loss being recovered. The use of any such advice will require the approval of the Finance Director. The Project Group will prepare a confidential report covering the following areas:
  - quantification of losses (or best estimate);
  - strategy for recovery of these losses;
  - progress (if appropriate) of disciplinary action;
  - progress (if appropriate) with any criminal action;
  - a summary of resources taken to complete the work;
  - actions taken to prevent and detect similar incidents; and
  - recommendations on system design to reduce the risk of re-occurrence.

#### 4. REPORTING THE INCIDENT

- As a result of any preliminary or further investigation outlined in section 3 above, the Project Group will produce a report on the incident and its outcome. This report will normally be produced by the HIA. The following reporting structure will be used for all such reports:
  - **HEFCE** – the designated officer (Vice Chancellor) is responsible for reporting serious weakness, significant fraud or major accounting breakdown to the HEFCE Accounting Officer. If he/she refuses to do so, then the auditors must report directly. The Audit Code of Practice defines such serious incidents as follows:
    - a. the sums of money exceed £10,000;
    - b. the particulars of the incident are novel, unusual or complex; and
    - c. there is likely to be a public interest because of the nature of the fraud or the people involved.
  - **Governing Body** – the same report is required to be made to the Chair of the Audit Committee, and the Chair of the Board of Governors;
  - **Audit Committee** – the written report will be submitted to the Audit Committee in order for that Committee to consider the nature of the incident and how the fraud was perpetrated, the measures taken to prevent a recurrence, and any actions required to strengthen systems and responses to fraud. The HIA will need to submit a further follow up report to ensure that recommendations have been actioned;
  - **Police** – instances of serious fraud or corruption (as determined by the Project Group) must be reported to Kingston CID; and
  - **University Secretary** – where the University has suffered a loss, the University Secretary will need to check the requirement to inform the University Insurers and the Financial Controller.