

# Fraud Response Plan

June 2016

## 1. INTRODUCTION

- 1.1 The Royal Veterinary College (“the College”), and its subsidiaries and associates (“the RVC Group”) undertake activities that are supported by substantial public funds. As a publicly funded body and a charity, the College is accountable to its stakeholders and works to ensure the most efficient and effective use of its resources in support of the College’s approved strategy.
- 1.2 It is the responsibility of all officers, members of Council, committees and boards, members of staff, students, and suppliers and contractors to ensure the correct and honest use of all RVC Group resources and to report any circumstances which may indicate the improper use of these resources. Such reports shall be made to the Head of Department and/or the Director of Finance.
- 1.3 While prevention of fraud has to be the key objective when a fraud is suspected or suggested it is important that prompt and professional action is taken. Fraud is unpredictable, time consuming to investigate, very disruptive and unpleasant. In addition to potential financial loss there may also be a risk of reputational loss.

## 2. DEFINITION OF FRAUD

- 2.1 In general terms, a fraud may be defined as any deception that results in a gain to one party and/or a loss to another. The term fraud is a broad term used to describe a number of activities including false accounting, misappropriation, bribery and corruption and deception and collusion. The precise definition is laid down in the Fraud Act 2006 which includes three classes of fraud:
  - fraud by false representation;
  - fraud by failing to disclose information;
  - fraud by abuse of position.
- 2.2 In all three classes of fraud, the Fraud Act 2006 requires that, for an offence to have occurred, the person must have acted dishonestly and that they have acted with the intent of making gain for themselves or any other, or inflicting loss (or risk of loss) on another.

### 3. PURPOSE OF THE FRAUD RESPONSE PLAN

3.1 The purpose of the Fraud Response Plan is to define authority levels, clarify responsibility for taking action on allegations or suspicions of fraud and define reporting lines in the event of a suspected fraud or financial irregularity. The use of the Plan should allow the RVC Group to:

- respond quickly and professionally to any suspicion or suggestion of fraud or irregularity;
- prevent further loss;
- establish and secure evidence necessary for criminal or disciplinary action;
- notify HEFCE if the circumstances require reporting under HEFCE's Memorandum of Assurance and Accountability;
- minimise and recover losses;
- assign responsibility for investigating the incident, taking into account the potential scope and location of the suspected fraud;
- establish circumstances in which external specialists should be involved;
- establish circumstances in which the police should be notified and the lines of communication with the police;
- take appropriate action against those who have committed the fraud;
- deal with requests for references for employees disciplined or prosecuted for fraud;
- review the reasons for the incident, the measures taken to prevent a recurrence and any action needed to strengthen future response to fraud; and
- keep all persons with a need to know suitably informed about the incident and the College's response.

### 4. INITIATING ACTION

4.1 Suspicion of fraud or financial irregularity may be captured through a number of means, including the following:

- requirements for all members of the Group (staff, officers, members of Council, committees and boards and students) under the College's Financial Regulations to report fraud;
- the College's [Public Interest Disclosure Policy](#);
- the College's [Disciplinary Procedure](#) for staff;
- the College's [Policy and Procedure for Dealing with Allegations of Research Misconduct](#);
- concerns raised by or against a student of the College under the [RVC Charter](#) and the [Professional Requirements Procedure](#);
- planned audit work by internal auditors, external auditors or auditors appointed by other funders or regulators;
- operation of proper management controls and procedures;
- disclosure by the individual(s) concerned.

4.2 All actual or suspected incidents should be reported immediately either:

- in accordance with the Financial Regulations to the Head of Department or directly to the Director of Finance. The Head of Department should inform the Director of Finance (or in their absence the Assistant Director of Finance) or the Director of Human Resources; or
- via the Public Interest Disclosure Policy.

If the disclosure involves or implicates the Director of Finance, the Secretary to Council or the Director of Human Resources then the disclosure should be made to the Principal and/or Chairman of Council and/or Chairman of Audit Committee (see Appendix A below for a list of key personnel involved in fraud reporting and/or investigation and Appendix B2 for the constitution of the Fraud Response Team).

4.3 In most cases the Director of Finance shall assess the initial allegation or disclosure. Where the evidence suggests that the alleged or apparent malpractice does not constitute material financial irregularity, the Director of Finance may use their discretion to request another senior member of staff to undertake an informal investigation so that the issue may be dealt with under other more appropriate staff or student policies and procedures. In any event, allegations against senior management personnel shall be formally considered under this Fraud Response Plan.

4.4 All reports of fraud (whether unfounded or not) shall be logged in a Fraud Reporting Log which shall be available to internal and external auditors and members of Council and of Audit Committee. A summarised and anonymised report of Counter Fraud activity (including the Fraud Reporting Log) will be submitted to Audit Committee on an annual basis.

4.5 Assessment, review and investigation of fraud allegations will be conducted in a professional manner aimed at ensuring that the current and future interests of both the College and the suspected individuals are protected (suspicion must not be seen as guilt to be proved). The College undertakes to protect the identity of notifying employees and not to release the source of information at any time during the investigation unless required to do so by statutory or professional obligation (information may be provided in court if legal proceedings are necessary).

## 5. FRAUD RESPONSE TEAM

5.1 Where the disclosure or report indicates a fraud that requires investigation, as soon as practicable, ideally within 24 hours, a meeting (virtually by teleconference or in person) should be convened normally consisting of a minimum of three of the following group to decide on the initial response:

- Director of Finance *or* the Secretary to Council *or* a Vice Principal nominated by the Principal, to act as Chair of the Fraud Response Team;
- the Director of Human Resources (or their nominee) *and/or* the Academic Registrar (or their nominee);
- the Assistant Director of Finance;

- an appropriate Head of Department; and (where appropriate or feasible)
- the Internal Audit Partner (or their nominee).

It may also be appropriate to involve colleagues from Library and Information Systems Division, Estates and Campus Services, Academic Registry or Marketing where there are specific issues involving use of IT resources, security issues, student welfare or external communications issues.

**5.2** The Fraud Response Team will advise the Chair on the actions required, specifically to enable the Chair to decide:

- whether a formal investigation is required under the Fraud Response Plan or whether an alternative procedure (such as the staff disciplinary procedure) is more appropriate;
- who should lead an investigation;
- the composition of any project team set up to support and co-ordinate the investigation;
- whether and at what stage Internal Audit need to be involved in the investigation;
- whether the individual(s) who appear(s) to be involved should be suspended; and
- whether the matter should be reported to the police.

**5.3** If the Chair of the Fraud Response Team, in consultation with the Team, decides to ask Internal Audit to undertake a special investigation then this shall constitute authority to use time provided in the internal audit plan for special investigations or contingency time or to switch planned audits. For the purposes of this Plan, a “special investigation” is an investigation that requires special knowledge of fraud detection or prosecution, or an investigation where it is anticipated that there is potential for a criminal prosecution or a civil action for damages.

**5.4** The Chairman of the Audit Committee should be advised at the earliest possible time that an investigation is taking place and of the planned approach towards undertaking an investigation.

## **6. RESPONSIBILITY FOR INVESTIGATION**

**6.1** In all cases the Chair of the Fraud Response Team will nominate a lead Investigating Officer to co-ordinate the investigation.

**6.2** All special investigations shall normally be led by Internal Audit. Such investigations should not be undertaken by management, although all management should co-operate with requests for assistance from Internal Audit.

**6.3** Some special investigations may require the use of technical expertise which Internal Audit may not possess. In these circumstances the Fraud Response Team may approve the appointment of external specialists to lead on or to contribute to the special investigation.

## **7. PREVENTION OF FURTHER LOSS**

- 7.1** Where the initial investigation provides reasonable grounds for suspecting a member or members of staff (and/or officers, committee members or students) of fraud, the Fraud Response Team will decide on how to prevent further loss. This may require the suspension of the individual(s) suspected of fraud and removal of physical and systems access rights. It may be necessary to plan the timing of suspensions to prevent individuals from destroying or removing evidence that may be needed to support the investigatory process.
- 7.2** Suspension of staff or students will be in accordance with the College's procedures.
- 7.3** Estates and Facilities should advise on the best method of denying access to campus services and facilities while individuals remain suspended. Similarly, the Director of LISD should be instructed to withdraw without delay access permission to the College's computer systems. These steps shall take into account the advice of Human Resources and of Academic Registry.
- 7.4** The Investigating Officer shall consider whether it is necessary to investigate IT systems (other than that which has given rise to suspicion) through which the individuals may have had opportunity to misappropriate the College's assets.

## **8. ESTABLISHING AND SECURING EVIDENCE**

- 8.1** The College will follow established disciplinary procedures against any member of staff who has committed fraud. The College will also normally pursue the prosecution of any such individual.
- 8.2** The Investigating Officer will:
- maintain familiarity with the College's disciplinary procedures, ensuring that these procedures will not be jeopardised during any fraud investigation;
  - obtain approval from the College's senior management prior to establishing and maintaining contact with the police; and
  - ensure that staff involved with fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

## **9. NOTIFYING HEFCE AND OTHER REGULATORS**

- 9.1** The College (along with all higher education institutions ["HEIs"]) is required to report all material fraud or irregularity to HEFCE as its principal regulator. The circumstances in which the College must inform HEFCE about actual or suspected frauds are detailed in the Memorandum of Assurance and Accountability. These include incidents which result in, or could result in, a significant loss of funds or a significant risk to the College's property, work, beneficiaries or reputation.
- 9.2** The College is required to report loss of assets through fraud, theft or other causes where the value of the loss is in excess of £25,000.

- 9.3 Any serious incident which touches on or directly relates to the Royal Veterinary College Animal Care Trust (“the ACT”) will also need to be reported to the ACT’s principal regulator, the Charity Commission.
- 9.4 There may be cases of fraud or other impropriety or irregularity which fall outside the above criteria. In such cases or where is any doubt about the definition or criteria, the College may seek advice or clarification from HEFCE.
- 9.5 The Principal is responsible for informing HEFCE of any such incidents.

## **10. REPORTING LINES DURING THE INVESTIGATION**

- 10.1 In cases of serious or significant fraud, the Fraud Response Team shall provide a confidential report to the Chairman of Council, the Chairman of Audit Committee, the Principal, the Chairman of Finance and General Purposes Committee (where relevant), the Secretary to Council, the Internal Audit Partner and the External Audit Partner at an agreed frequency. The scope of the report shall include:
- the circumstances surrounding the case and contributory factors;
  - progress with the investigation; and
  - an estimate of resources and a description of the actions required to conclude the investigation.

## **11. RECOVERY OF LOSSES**

- 11.1 Recovering losses is a major objective of any fraud response investigation. Internal Audit or those investigating the incident should ensure that in all fraud investigations the amount of any loss is quantified. Repayment of losses should be sought in all cases.
- 11.2 Where the loss is substantial, legal advice should also be obtained without delay about the need to freeze an individual’s assets through the courts pending conclusion of the investigation. Legal advice should be sought about the prospects for recovering losses through the civil courts should the perpetrator refuse repayment of any identified losses. The College would normally seek to recover costs in addition to losses.
- 11.3 The College will also liaise with its insurers if appropriate.

## **12. REFERENCES FOR EMPLOYEES OR STUDENTS DISCIPLINED OR PROSECUTED FOR FRAUD**

- 12.1 It is a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to Human Resources. Human Resources shall prepare any answer to a request for a reference having regard to employment law.
- 12.2 Any request for a reference for a student who has been disciplined or prosecuted for fraud shall be referred to the Academic Registrar. In preparing any answer to such a

request the Academic Registrar shall have regard to the relevant legislation as well as to the professional conduct requirements of any relevant professional bodies.

### **13. REPORTING TO GOVERNORS**

- 13.1** Any incident matching the criteria set out in the HEFCE Memorandum of Assurance and Accountability shall be reported without delay to the Principal, the Secretary to Council, the Chairman of Council and the Chairman of Audit Committee. It will also be reported to the Chairman of Finance and General Purposes Committee (where there is a potential financial loss).
- 13.2** Any variation from the approved Fraud Response Plan, together with reasons for the variation, shall be reported promptly to the Secretary to Council and to the Chairman of Council and the Chairman of Audit Committee.
- 13.3** On completion of their investigation, the Investigating Officer will provide a written report to the Fraud Response Team.
- 13.4** The Fraud Response Team will submit to the Audit Committee a report 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 recurrence; and
  - any action required to strengthen future responses to fraud together with a follow-up report on whether the actions have been taken.

### **14. REVIEW OF FRAUD RESPONSE PLAN**

- 14.1** This Plan will be reviewed for fitness of purpose annually or after each use. Future changes to this Policy will be reported to the Audit Committee.
- 14.2** If any suspected fraud directly involves an officer referred to in this document, then the relevant reference should be replaced by their line manager.

#### **Approval History**

Responsibility for the Document:	Director of Finance
Approved by:	Audit Committee
Date of approval:	6 June 2016
Author:	Assistant Director of Finance (Financial Accounting)

## APPENDIX A: KEY CONTACTS

### Reporting of Fraud

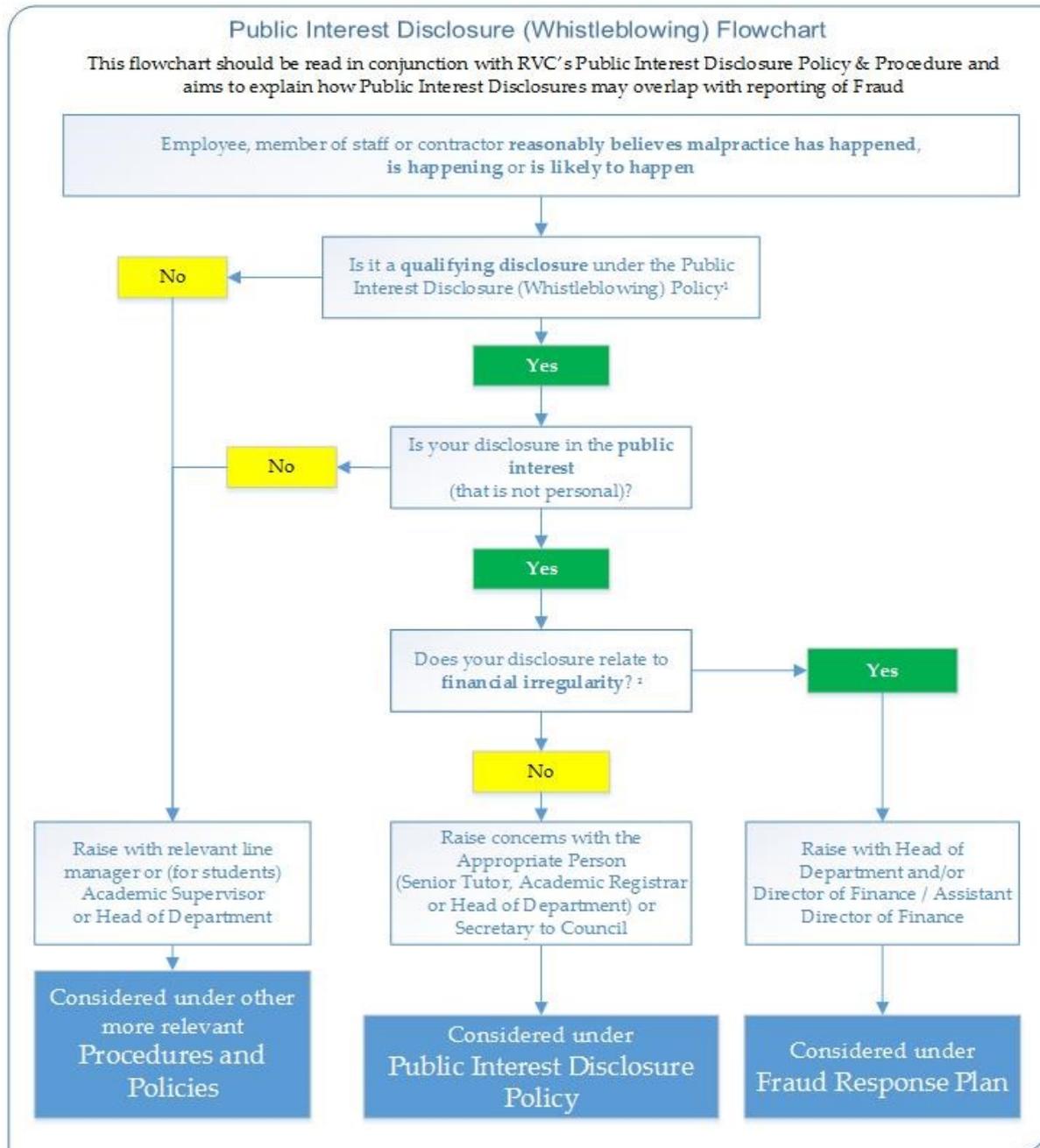
Initial reports should be made as follows:

<b>Suspect</b>	<b>Initial Report</b>	<b>Initial Report passed on To</b>
Student	Head of Department	Academic Registrar
Member of Staff	Director of Finance	Principal and Secretary to Council
Director of Human Resources	Secretary to Council	Principal and Director of Finance
Director of Finance	Principal	Secretary to Council and Chairman of Council
Vice Principal	Principal	Secretary to Council and Director of Finance
Secretary to Council	Principal	Chairman of Council and Chairman of Audit Committee
Principal	Chairman of Council	Chairman of Audit Committee and Secretary to Council
Member of Council	Secretary to Council	Chairman of Council and Principal
Chairman of Audit Committee	Secretary to Council	Chairman of Council and Principal
Chairman of Council	Secretary to Council	Chairman of Audit Committee and Principal

Any of the above may be contacted by emailing either the Governance team ([dhardymanrice@rvc.ac.uk](mailto:dhardymanrice@rvc.ac.uk)) or by emailing the Finance mailbox ([finance@rvc.ac.uk](mailto:finance@rvc.ac.uk)). Further contact details are published on the Staff Intranet under Finance.

## APPENDIX B: DECISION TREES AND FLOWCHARTS

### B1: Relationship of Public Interest Disclosure Policy and Procedure to Fraud Response Plan

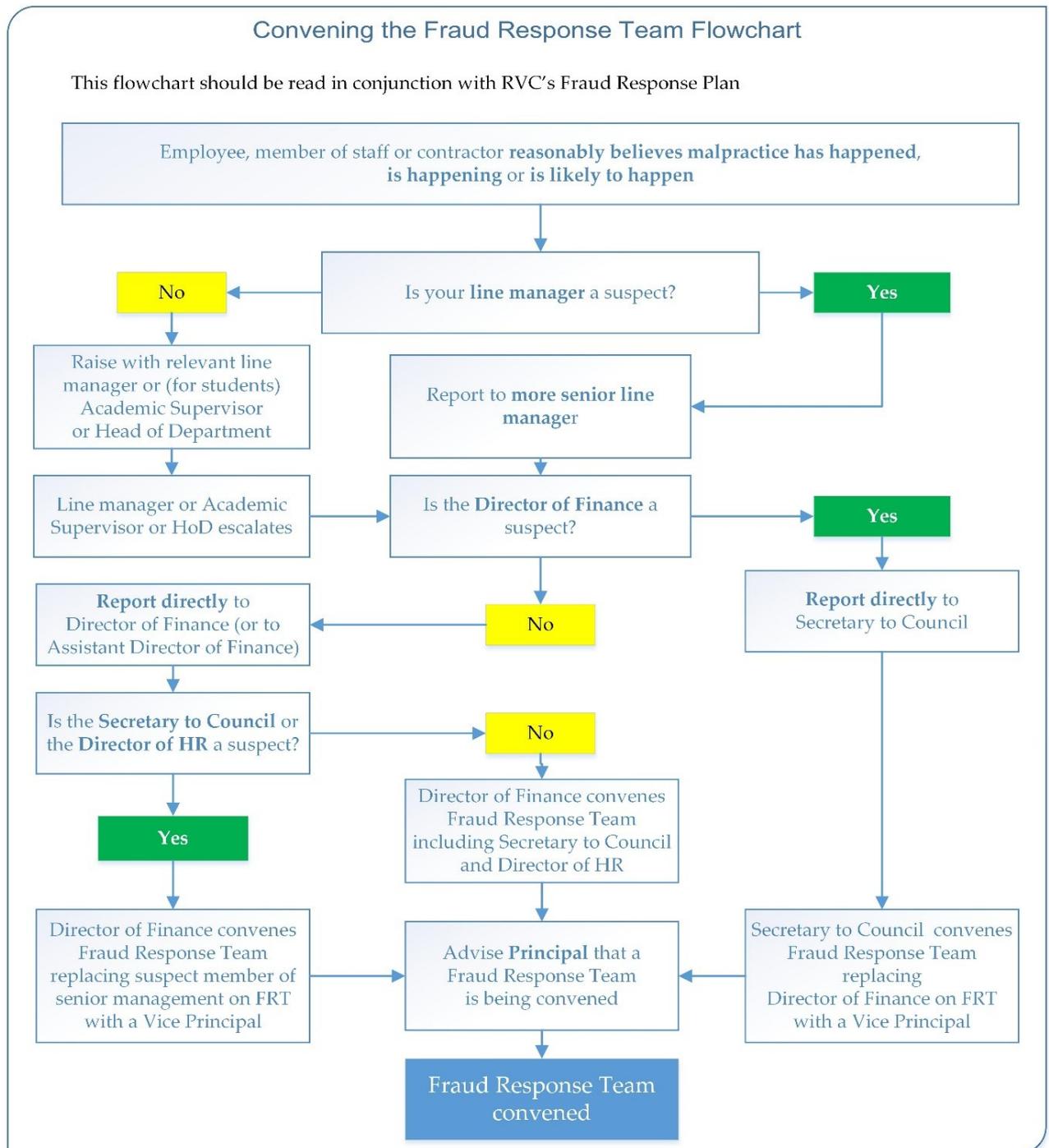


**Notes:**

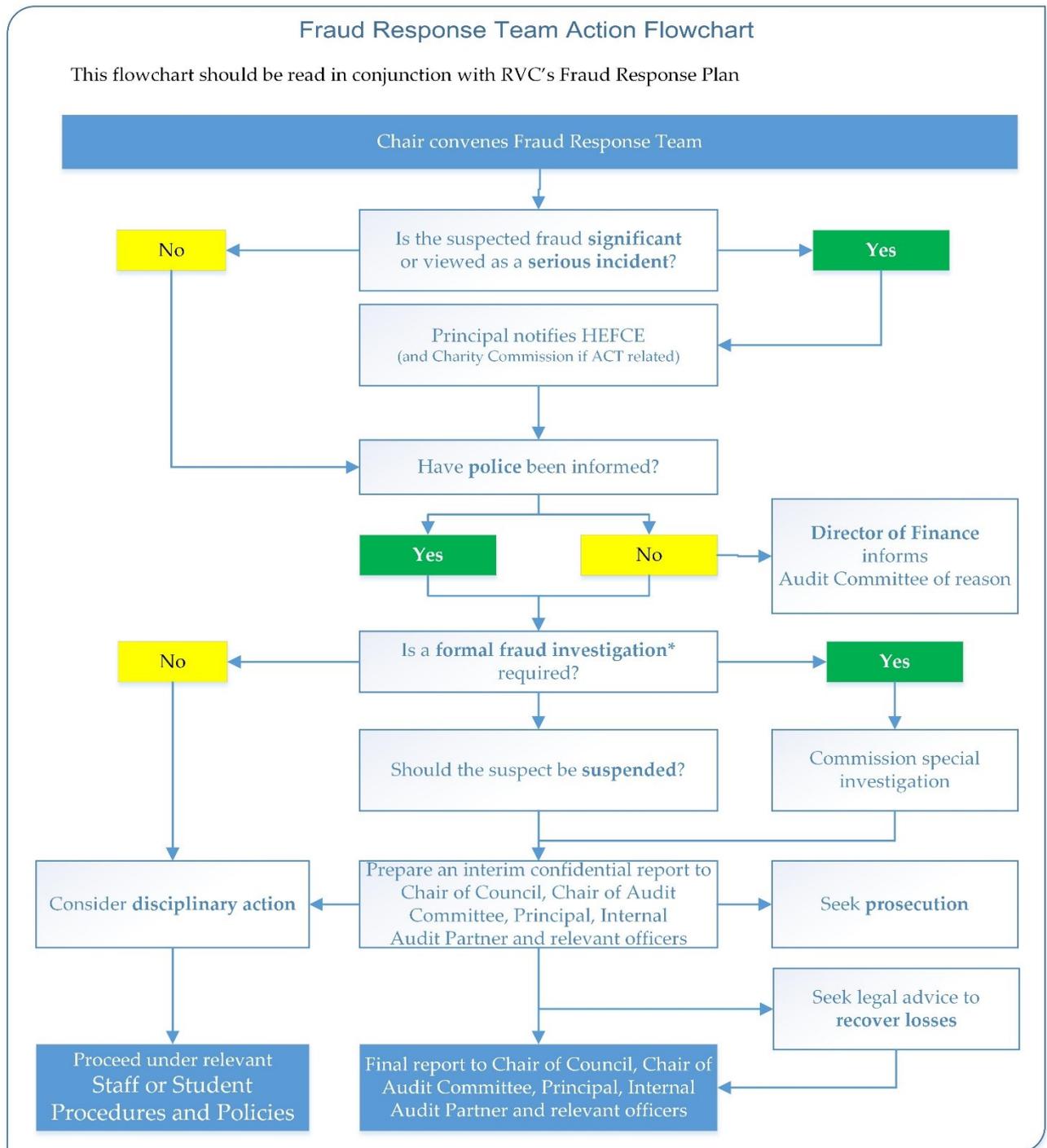
<sup>1</sup>Qualifying disclosures under the Public Interest Disclosure Policy are defined on page 4 of the College's Public Interest Disclosure Policy.

<sup>2</sup>Should a disclosure under the Public Interest Disclosure Policy cover issues other than issues of financial irregularity to be addressed under the Fraud Response Plan, then the Secretary to Council (or another appropriate senior person as outlined in the Public Interest Disclosure Policy) shall consider those issues under the Public Interest Disclosure Policy.

## B2: Convening the Fraud Response Team



### B3: Fraud Response Team Action Flowchart



\* A formal fraud investigation will usually be a special investigation undertaken by Internal Audit or external specialists (see Fraud Response Plan, section 5.2).