



AHRC FRAUD RESPONSE PLAN

Reviewed August 2009

INTRODUCTION

1. The purpose of this Plan is to guide the necessary action required if an incidence of potential Fraud is reported or identified.
2. This plan should be read in conjunction with the AHRC's Anti-Fraud Policy. This Policy document identifies what risk is, and the roles and responsibilities of all those in the organisation for the management of fraud risk.
3. The AHRC's fraud risk register identified potential fraud risks, mitigating actions and responsibilities for managing those actions and preventing fraud.
4. Other related policies include the AHRC's Whistle-Blowing Policy, its Risk Management Framework, AHRC's Disciplinary and Grievance Procedures, the Staff Code of Conduct, the Code of Practice for Council, Committee and Panel Members, Panel Members' Handbooks, and the AHRC's Computer Use Policy.
5. AHRC staff and members of the AHRC's decision-making and advisory bodies are required to act, at all times, with integrity and to safeguard the public resources for which they are responsible.
6. The AHRC will not accept any level of fraud or corruption; consequently any suspected case will be investigated and dealt with appropriately.
7. If you suspect an incidence of fraud may be taking place you must report it. The Associate Director of Resources in liaison with corporate HR may take disciplinary action against anyone who knowingly fails to report incidences of fraud.

WHAT IS FRAUD

8. The anti-fraud policy gives some useful definitions of fraud which includes theft, false accounting, bribery and corruption, deception and collusion.

REPORTING SUSPECTED CASES OF FRAUD

If you suspect an incidence of fraud may be taking place

9. You must report it.
10. Read the Whistle-Blowing Policy – it states why you should be open and report any inappropriate behaviour, what your rights are and how you are protected by AHRC and the law in raising any genuine concerns.

11. Report it to someone in AHRC - the routes available include:
 - In the first instance, if you are able to and if it is appropriate, with your line manager
 - Or to the Associate Director of Resources
 - Or to the AHRC's Head of Internal Audit (and through this route your report may be made anonymously).
12. They will make a record of the discussion which you will have the opportunity to comment on for accuracy.
13. All cases will be treated with discretion and confidentiality.
14. The AHRC's Whistle-Blowing Policy gives further information about this process and reassurance about the legal protection offered to employees who identify potential fraud (or indeed misconduct more generally) within the AHRC (Public Interest Disclosure Act 1998), and the AHRC's cultural environment which encourages the challenge of inappropriate behaviour at all levels.

Line Managers

15. Line managers who are alerted to a potential incidence of Fraud should report it, irrespective of value or scale, *immediately* to the Associate Director of Resources who will record the incident and assess whether any further action or an investigation is required.

Fraud Co-ordinator (Associate Director of Resources)

The Associate Director of Resources will:

16. Assess the reported incidence, advise on and co-ordinate an appropriate and proportional course of action, commissioning the services of the KPMG Fraud Investigation Team as required (more information below).
17. Inform the Chief Executive (Accounting Officer) of any significant incidences identified and the progress of investigations underway.
18. Notify the AHRC Chair of Council, Chair of Audit Committee and Head of Internal Audit Service (RCIAS) of any significant investigations.
19. Arrange for a bi-annual fraud report to be submitted to Audit Committee, the details of which may appear in the Audit Committee's biannual report to Council. Additional exceptional reports may be made to Audit Committee as appropriate to the significance of the incidence.
20. Arrange for a response to the Government Annual Fraud Report. This requires a summary list of actual or attempted fraud to be reported annually in May to HM Treasury via BIS.
21. BIS also advise that they are informed of any attempted fraud so that awareness can be raised if it has wider implications on other government departments, such as new scams etc. In addition BIS must be informed of all cases of fraud over £20K.

EXPERT ADVICE

22. Where necessary the Associate Director of Resources will seek expert advice.
23. The AHRC has a framework agreement for the provision of fraud investigation and fraud risk management services with KPMG.
24. Legal advice may also be sought.
25. A full list of contacts is presented in Annex 1.

REFERRAL OF AN ALLEGATION

26. The Associate Director of Resources will evaluate the credibility and context of the reported concern and the evidence available to support the concern, assess what action is necessary, and co-ordinate the AHRC's response to any incidence of potential fraud.
27. Action taken will be proportional to the potential scale of the fraud, in terms of its value, frequency of incidence, potential public impact, and the number of people involved.
28. If the allegation concerned has a low potential loss, low frequency of occurrence, and low public impact the matter will be referred by the Associate Director of Resources to the suspect's line manager to investigate, except where the line manager is alleged to be or thought to be implicated, or where they are thought to have not responded appropriately or promptly to previous allegations.
29. It is the duty of the Associate Director of Resources to ensure the line manager is adequately equipped to deal with the matter (interview, and remedial course of action, and prevention of future losses). Advice from the HR department will be sought.
30. Even if the financial value of the action is small, the dishonesty that the action represents will be taken seriously and the disciplinary policy will be followed.
31. A list of considerations when evaluating how to proceed is attached at Annex 2.
32. Prompt action is required to ensure that any investigation is launched within 48 hours. Corrective steps taken within 48-72 hours of the initial reporting of an allegation can often be crucial to the success of an investigation.

INVESTIGATION

33. For more serious allegations an investigation should be undertaken in line with this policy.
34. The Police may need to be involved in any criminal investigation. If so, they are to be involved at the outset of the investigation. The Associate Director of Resources in liaison with other relevant members of senior management and KPMG, and ultimately the Chief Executive will agree whether police action is required. The Chair of the Council, the Chair of Audit Committee, the Head of Internal Audit Service (RCIAS) and BIS will be informed.

35. The Associate Director of Resources will contact KPMG expert fraud investigators to undertake fraud investigations.
36. Investigations need to be prompt. Corrective steps need to be taken within the first 48-72 hours. A timetable for the investigation will be established from the outset.
37. Advice will be sought (from KPMG, HR dept, and/or IS dept as required) as to how to secure and preserve evidence without alerting the suspect(s) at the outset of an investigation.
38. Evidence must be carefully preserved, it should not be handled and no marks made on an original document, a record will be kept of anyone handling the evidence.
39. Fraud Investigators are likely to use specialist forensic software to secure electronic records and files. Members of the IS department may be informed and involved as required in order to assist in securing electronic evidence, while maintaining AHRC's core services.
40. The Associate Director of Resources will work with KPMG investigators to agree whether and how staff should be interviewed. The Associate Director of Resources in liaison with HR department will make the necessary arrangements for such interviews. KPMG experts will lead in any interviews of staff under suspicion of fraud. (They are trained and equipped to carry out investigations under PACE.)
41. KPMG will provide regular progress reports of any investigations to the Associate Director of Resources. Each investigation will be completed with a final written report. Such reports from KPMG will not be disclosed, copied or quoted without prior consent. Indemnity against third party claims will be sought by AHRC if required to allow interview transcripts and reports to be released.
42. In the event that the incidence of fraud implicates the Associate Director of Resources, Chief Executive or Chair of Council, the Chair of Audit Committee will liaise with KPMG to agree an appropriate process for investigation.

THE RIGHTS OF STAFF AND MEMBERS INVOLVED IN AN INVESTIGATION

43. Genuine whistle-blowers are protected by law as outlined in the Whistle-Blowing Policy as set out in the Public Interest Disclosure Act 1998.
44. The AHRC is seeking to establish a culture that encourages the challenge of inappropriate behaviours at all levels.
45. The AHRC will not tolerate the harassment or victimisation of a genuine whistle-blower and will treat such conduct as gross misconduct which may, if proven, result in dismissal.
46. AHRC staff will be required to co-operate fully with any investigation.
47. The AHRC will work within its HR policies (such as its disciplinary procedures) and comply with employment law and related acts (including the Human Rights Act and Policy and Criminal Evidence Act (PACE)).

48. Potential suspects and interviewees will be advised of their rights - which include the right to be represented.

PREVENTING FURTHER LOSS

49. The authority, powers, physical and electronic access of suspects will be reviewed and may be withdrawn during the investigation.
50. Remote and on-site computer access, passwords, and data access will be reviewed and may be withdrawn during an investigation.
51. Staff or members suspected of fraud may be suspended, in line with the Disciplinary Policy, on full pay during an investigation. Any decision will be taken in conjunction with the HR department and legal advice may be sought.
52. The Associate Director of Resources, Line Manager, and corporate HR may make alternative staffing arrangements to cover workload during a period of suspension or limited access to facilities.
53. Advice may be sought to trace and freeze assets, prevent the release of assets, and obtain search orders as necessary.

RECOVERY

54. AHRC will make the necessary arrangements to recover lost assets. This may be through voluntary repayment, civil or criminal courts as appropriate; legal advice will be sought.

DEALING WITH THE MEDIA

55. The Associate Director of Resources will alert the Director of Policy and Public Affairs for advice on media handling if necessary.
56. The Director of Policy and Public Affairs will co-ordinate the issue of statements externally on this matter.
57. Preparation of a defensive briefing may be required.
58. Agreement will be made on what information may be released within the terms of the fraud investigation framework agreement, and without prejudicing the investigation or the AHRC's business processes.
59. A record of information which is released and to whom, will be maintained by the Associate Director of Resources.
60. Staff, Council members, Audit Committee members and BIS representatives will be informed before any incidence is presented in the public domain.

PREVENTING FUTURE FRAUD

61. If a case of dishonesty is uncovered, the Associate Director of Resources working with the line manager will investigate other areas of the individual's

work and may also investigate the possibility of collusion between the employee and third parties.

62. The possibility of similar frauds in other divisions within AHRC will be considered.
63. AHRC's controls will be reviewed and improved as appropriate after every incidence of potential fraud. The Associate Director of Resources will co-ordinate this activity with the Director or other Senior Manager responsible for that area and ensure that lessons learned are disseminated throughout the organisation.
64. The AHRC maintains a corporate Risk Register which includes the AHRC main areas of fraud risk and the controls in place that mitigate those risks. SMT maintain this register and review it quarterly with EMT representatives, Audit Committee and Council.
65. The Associate Director of Resources will ensure that a record of all incidences of suspected fraud is maintained and reviewed annually (the AHRC Fraud Report) so that any patterns can be identified and acted upon.
66. The Fraud Policy and Whistle-Blowing Policy are available to all staff and members on the AHRC's website at:
www.ahrc.ac.uk/about/ahrc_policy_corporate_documents.asp.
67. These policies will be promoted to new staff and members as part of their induction material.
68. The process of identifying, investigating and resolving any incidence of fraud will be recorded, reviewed and lessons learned acted upon.
69. The Fraud Response Plan will be reviewed biennially.

CONTACTS

Fraud Response Co-ordinator: Alison Lennon, Associate Director of Resources

AHRC Chair: Sir Alan Wilson

Chair of AHRC Audit Committee: Dr Ivon Asquith

KPMG Fraud Investigation Unit:

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Director, KPMG LLP
KPMG LLP
Forensic
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Internal Audit:

Research Councils Internal Audit Service (RCIAS)
Mr Ray Harris
Head of RCIAS
Polaris House
North Star Avenue
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Tel: 01793 413335
Fax: 01793 413376
Ray.Harris@bbsrc.ac.uk

Lawyers:

Bond Pearce LLP
3 Temple Quay
Temple Back East
Bristol
BS1 6DZ

Tel: 0845 415 0000
Fax: 0845 415 6900

Regulatory body: Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman
Millbank Tower
Millbank
London
SW1P 4QP

Helpline 0845 015 4033
email phso.enquiries@ombudsman.org.uk
fax us on 020 7217 4000

Sponsor Department: Department of Business, Innovation and Skills (BIS)
Contact: John Neilson
Kingsgate House
66-74 Victoria Street
London
SW1E 6SW
Tel: 020 3300 8761

SOURCES OF FURTHER INFORMATION

AHRC Fraud Response Policy
AHRC Whistle-Blowing Policy
AHRC Disciplinary Policy
AHRC Code of Practice Covering the use of Computer Facilities and
Communication Systems
HMT: Managing the Risk of Fraud: A Guide for Managers May 2003.

REPORTING LINES

What to do if I suspect a potential fraud may be going on

1. Know that it must be reported (it is a potential disciplinary offence not to).
2. Check out the Whistle-Blowing Policy & Fraud Policy – know your rights.
3. Report it to
 - a) Your line manager (who will notify the Associate Director of Resources)
 - b) The Associate Director of Resources
 - c) KPMG
4. The Associate Director of Resources will decide upon a course of action.
5. If the matter is to be dealt with internally, the individual's line manager may wish to talk to you.
6. If an investigation by KPMG is required the following will be informed
 - a) Line manager (as above)
 - b) Associate Director of Resources (as above)
 - c) Accounting Officer (Chief Executive)
 - d) KPMG fraud investigators
 - e) Audit Committee Chair
 - f) Head of Internal Audit Service (RCIAS)

If it is likely to receive publicity

 - g) AHRC Chair
 - h) Council members
 - i) BIS

The Police may also be called.

If the police are called the Chief Executive must agree to this course of action (unless they themselves are implicated).

If an external fraud is reported, eg within an HEI or supplier, the employer institution will be approached to take action.

Issues to consider when evaluating a referral of potential fraud

To

- Assess the credibility and context in which allegations are made or suspicions reported
- Evaluate the quality and accuracy of evidence provided
- Evaluate other potential sources of evidence
- Decide whether external investigation is required

In particular the following factors should be considered:

1. Is there already an investigation into the same matter?
2. Has there been an investigation in the near past into the same or similar matter?
3. Is supporting documentation available or is the allegation / suspicion based on hearsay?
4. What is the likely quality and accuracy of the evidence provided?
5. Are there other potential sources of evidence that might be required?
6. Has more than one person corroborated the allegation?
7. Is there any history of a bad relationship between the whistleblower and the accused?
8. Would the whistleblower gain in any way by action being taken against the accused?
9. Is it likely that all the evidence has been made known?
10. Is there a possibility of collusion between employees and third parties?
11. How serious are the implications of what you now know if it were proved to be true?
12. Are the risks of not fully investigating the allegation known and understood?
13. Is the AHRC sufficiently experienced to conduct an investigation effectively or is external expertise required?
14. Is it appropriate for the Line Manager or another team member to investigate the referral? For example, does it concern a member of senior management team, are the potential HR implications, might the line manager be involved.

Theoretical examples

Theoretical example of incidences that might be dealt with internally – theft of a packet of post it notes for personal (ie non-work related) business. – lack of declared interest in a close relative receiving an award – theft of a box of paper from the stationary cupboard – knowingly claiming unearned time of in lieu.

Theoretical example of a more significant or major scale incidence that might require external investigation - collusion by HR and Finance to create fictitious employee records for theft of salary – misuse of computer ID's for identity related fraud.

This Plan is proposed to support only the investigation of suspected incidences of fraud (as defined in the anti-fraud policy).

The Fraud Risk Register includes identification of potential fraud risks and mitigating action.

