University of Manchester
Fraud Response Plan (FRP)
2017

1. Introduction

1.1 Fraud can be defined as including any of the following: theft, false accounting, bribery, corruption, money laundering, forgery, deception and collusion or other financial malpractice.

1.2 The University of Manchester is keen to promote efficient, transparent and accountable working practices for all staff in all areas of its business, and to protect its financial and other assets. Under no circumstances should staff feel that they must tolerate the abuse of systems employed at the University by other staff members or outside persons in ways that may be classed as potentially fraudulent.

1.3 University General Regulation VIII: Public Interest Disclosure Procedures (see: http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=28) protects staff who report serious concerns that they believe indicate malpractice or wrongdoing, and provides a procedure for the investigation of such allegations. General Regulation VIII lists several areas that such concerns may include, one of which is “financial malpractice, impropriety or fraud”. The Fraud Response Plan amplifies this and illustrates how investigations into such allegations should be conducted. It provides staff with information regarding the reporting lines, authority levels and responsibilities for action in the case of a suspected fraud.

1.4 The University seeks to establish a flexible Fraud Response Plan and as such may, within the constraints of General Regulation VIII, the Financial Regulations and Financial Procedures, vary its approach in individual cases. Generally, the approach taken shall depend on the perceived risk to the University in a financial or reputational sense. This shall be judged individually for each case, based on the information available. The Registrar, Secretary and Chief Operating Officer will usually delegate the responsibility for investigating allegations of fraud to the Director of Finance. However, ultimate accountability rests with the University’s Registrar, Secretary and Chief Operating Officer, as stated in General Regulation VIII.

1.5 In more serious cases, the Director of Finance may convene a Fraud Response Group of designated staff to help decide the appropriate course of action. For issues deemed of lesser importance, he or she may appoint a University led internal investigation either with or without the help of Internal Audit.

1.6 In deciding the level of action to be taken, it may be necessary to estimate the value and risk posed by the alleged fraud. It is accepted that this can often be difficult to judge, and may not relate to the complexity of the fraud. All alleged frauds must be investigated, as an apparently minor fraud may conceal a much larger scale of losses.
2. **Purpose of the Fraud Response Plan**

2.1 The purpose of the Fraud Response Plan is to provide guidance to all University of Manchester staff in the event that they suspect fraud or irregular activity to be taking place within the University and additionally to ensure that all assets are safeguarded. The Plan is produced in response to the requirements of General Regulation VIII and the Financial Regulations and Procedures (see Appendix C). In all cases where there may be any doubt or apparent conflict, the University’s General Regulations shall prevail over the Financial Regulations, which prevail over the Financial Procedures, which will prevail over any such supplemental rules or guidelines, including this Fraud Response Plan.

2.2 The Plan is enforceable only with regard to university staff. For the avoidance of doubt, this includes staff employed by the National Health Service (or other bodies) who also hold honorary contracts with the University, in respect of all their activities within the University. This includes Schools based in part at NHS hospitals and other sites. However, investigations under the Plan may also encompass allegedly fraudulent actions by students of the University and outside persons and organisations. Information may be passed to the Police or other external bodies before, during or after such investigations. The Plan provides staff with information regarding the reporting lines, authority levels and responsibilities for action in the case of a suspected fraud.

2.3 The Fraud Response Plan allows the University to:

- Establish and secure evidence necessary for possible criminal and disciplinary action;
- Notify HEFCE (the Higher Education Funding Council for England) of such instances as are covered by the mandatory requirements of the Memorandum of assurance and accountability between HEFCE and institutions and the Audit Code of Practice. This includes all significant frauds, defined as those exceeding £25,000 (see Appendix D);
- Notify HEFCE of any serious incidents which the University is obliged to report as an exempt charity (see Appendix D);
- Notify any other relevant bodies (such as HM Revenue and Customs, the Research Councils and other grant making organisations);
- Help to recover losses for the University;
- Highlight areas of weakness in the operating systems employed at the University, so helping to prevent future losses;
- Support disciplinary and other investigatory processes within the University;
- Ensure compliance with legislation such as the Proceeds of Crime Act (2002), the Money Laundering Regulations (2007) and other regulations on suspected money laundering, the Charities Act (2006) and the Bribery Act (2010).

2.4 This policy shall be operated in conjunction with related University policies, including the Anti-Corruption and Bribery Policy and the Money Laundering Policy.
3. **Initiating Action and the Conduct of Investigations**

3.1 A summary of possible responses by staff if they discover an apparent fraud can be found in Appendix A.

3.2 All actual or suspected incidents of fraudulent activity must be reported immediately to the Director of Finance or the Registrar, Secretary and Chief Operating Officer. However, if the matter to be raised concerns the Director of Finance, it should be raised with the Registrar, Secretary and Chief Operating Officer, who will either undertake the investigation, or appoint another person to investigate and report. If this is inappropriate for any reason, concerns should be reported to the President and Vice-Chancellor or the Chair of the Board. Allegations of suspected bribery must be reported to the Director of Compliance and Risk. Staff may report suspicions through their Head of School (or comparable senior manager), who shall pass on the allegations to the Director of Finance without delay. (If staff believe that their Head of School has failed properly to report a suspected fraud, they must notify the Director of Finance themselves immediately).

3.3 The Director of Finance or the Registrar, Secretary and Chief Operating Officer shall normally inform the General Counsel, who can advise on the legal aspects of appropriate responses and procedures for any investigations.

3.4 During the initial investigation of any matters raised, all reasonable steps will be taken not to breach confidentiality or to reveal the identity of the complainant until a formal investigation is initiated. Thereafter confidentiality will be maintained in so far as it is consistent with a fair investigation and with the right of the person or persons being investigated to be aware of the nature of the matter raised.

3.5 Should other University investigatory processes (such as the Procedure for Allegations of Misconduct in Research) uncover evidence of financial fraud (as defined in section 1.1 above), then the Registrar, Secretary and Chief Operating Officer may authorise an additional investigation under the Fraud Response Plan. If, at the start of an investigation, it is unclear under which process it should initially take place, the Registrar, Secretary and Chief Operating Officer shall decide.

3.6 A description of the detailed procedures for investigating allegations of fraud may be found in Appendix B. The internet links in Appendix E may be helpful.

4. **Annual Review of Fraud Response Plan**

4.1 This Fraud Response Plan is to be used as a guide, and will be reviewed on an annual basis to ensure that details such as contact names are current and correct and that job titles and reporting lines within the University have not been altered. Such minor changes may be approved by the Director of Finance.

4.2 Any proposed material changes to the plan must first be reported to and approved by the Board of Governors on the recommendation of the University’s Audit Committee.
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<td><strong>Policy title:</strong> Fraud Response Plan (2017)</td>
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<td><strong>Related Statutes, Ordinances, General Regulations:</strong> Statute VI.7(d), Statute XIII.9(c), Ordinance XVIII, Section 1 and General Regulation VIII</td>
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<td><strong>Related policies:</strong> Financial Regulations (especially section 2.4)</td>
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<td><strong>Related procedures:</strong> Financial Procedures Anti-Corruption and Bribery Policy Money Laundering Policy</td>
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<td><strong>Related guidance and or codes of practice:</strong> Expenses Guidelines Handy Guide for Expenses Claim Signatories</td>
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<td><strong>Related information:</strong> See HEFCE documents: 1. Memorandum of assurance and accountability between HEFCE and institutions (ref. 2016/12), especially Annex A: Audit Code of Practice. 2. See <a href="http://www.hefce.ac.uk/reg/Notifications/Fraud,updates/">www.hefce.ac.uk/reg/Notifications/Fraud,updates/</a></td>
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<td><strong>Policy owner</strong> Director of Finance (Stephen Dauncey)</td>
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<td><strong>Lead contact</strong> Internal Control Accountant (Laurence Clarke)</td>
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Appendices

Appendix A

Advice for Staff who suspect a Fraud has been Committed

Fraud takes many forms, and it is hard to be definitive in how best to approach this situation. The advice below is of necessity generalised, and may not be appropriate in all cases.

1. Firstly, try to confirm discreetly whatever has raised your suspicions. There may be alternative explanations – for example, money may have been paid into the wrong account by mistake, or mislaid by the bank. Advice may be obtained from your Head of Faculty Finance or the Internal Control Accountant¹.

2. Try to safeguard evidence. If necessary, copy documents (including electronic records) discreetly. Fraudsters often destroy evidence at the first opportunity.

3. Where possible, try to preserve confidentiality. Only discuss suspicions with your manager or other responsible persons. Allegations must not become the subject of gossip.

4. If you suspect a colleague is committing fraud, do not confront him or her with accusations of wrongdoing. This may allow the destruction of evidence, and in extreme cases might expose you to physical danger. If your suspicions are mistaken, the workplace relationships may be poisoned irretrievably. The official investigators are best placed to interview suspects.

5. Do not allow personal likes or dislikes to influence your actions. Fraudsters often adopt a sympathetic and apparently normal appearance and manner, as their success depends on concealment and avoiding suspicion. Remember that fraudsters may seek to deflect suspicion onto innocent people.

6. Report the situation to your manager, and ask them to inform the Director of Finance² immediately, as is required by the Financial Regulations and the Fraud Response Plan. Reports of suspected frauds should be copied to the Internal Control Accountant.

7. If for any reason you do not wish to go through your manager, report the situation yourself to the Director of Finance or the Registrar, Secretary and Chief Operating Officer³.

8. Suspected incidents of bribery or corruption must be reported to the Director of Compliance & Risk⁴.

9. Once you have reported the incident, you should be contacted soon after by the investigators. If this does not happen, follow up directly with the Director of Finance. Your manager is obliged to forward your concerns.

10. Remember that General Regulation VIII and the law both protect whistle-blowers.

¹ Mr Laurence Clarke, ext. 52139, email laurence.a.clarke@manchester.ac.uk
² Mr Stephen Dauncey, ext. 52146, email: Stephen.dauncey@manchester.ac.uk
³ Mr Will Spinks, ext. 52066, email: registrar@manchester.ac.uk
⁴ Dr David Barker, ext. 55798, email: david.barker@manchester.ac.uk
Appendix B

Preliminary Investigations

1 Following the receipt of an allegation of fraud or financial malpractice, (such as misappropriation of cash, stores and property or money laundering) the Director of Finance (or such other person to whom the Registrar, Secretary and Chief Operating Officer may delegate responsibility) shall conduct an investigation to establish whether or not there are prima facie grounds for the concern or complaint, and if so, the appropriate means for dealing with it. The Director of Finance will appoint a lead officer to conduct the investigation, usually the Internal Control Accountant.

2 If, after preliminary investigation the matter is judged not to require further investigation, it may then be dismissed. A discloser under General Regulation VIII (section 15) may ask for such a decision to be reviewed by the Chair of the Board.

3 If the preliminary investigation shows grounds exist, the matter will be investigated further and a report prepared. The Director of Finance will usually undertake the investigation on behalf of the Registrar, Secretary and Chief Operating Officer. The detailed investigation will normally be led by Internal Audit or the Internal Control Accountant. However, their conclusions must be reported to and endorsed by the Registrar, Secretary and Chief Operating Officer before a report is made to the President and Vice-Chancellor (see General Regulation VIII, section 11).

4 The Director of Finance may also convene a Fraud Response Group (FRG) to assist in managing the investigation. The FRG may comprise the Director of Finance, Director of Human Resources, General Counsel and any additional members of staff deemed necessary. This may include Internal Audit Staff and/or the Internal Control Accountant.

5 The Director of Finance shall inform the Registrar, Secretary and Chief Operating Officer (who may then inform the President and Vice-Chancellor), if there appears to have been a clear and serious breach of UK criminal law. In such circumstances, the matter may be passed to the Police straight away for further investigation.

6 Section 16 of General Regulation VIII requires that all matters raised formally under this procedure shall be reported to the University Audit Committee.

Conduct of Investigations

6 All special investigations into suspected frauds shall normally be undertaken by the Internal Audit team or the Internal Control Accountant at the University, under the overall direction of the Director of Finance.

7 The Internal Audit team and/or the Internal Control Accountant responsible for undertaking the investigation should have a basic understanding of the themes relating to PACE (Police and Criminal Evidence Act, 1984) as this relates to the handling, securing and storing of evidence.

8 The team will be entitled to the full co-operation of all University staff members and have access to all required buildings, systems, records (both manual and electronic) and staff to enable a complete investigation of the suspected fraud. Staff should note that failure to co-operate fully with an investigation may itself constitute grounds for disciplinary action.

9 The Registrar, Secretary and Chief Operating Officer has delegated to the Director of Human Resources the power to decide whether the emails and

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5 The Police non-emergency contact number is 101.
electronic records of a member of staff should be accessed. If access is approved, this will be arranged by IT Services.

In some instances, the investigations may require technical expertise that the internal audit team and/or the Internal Control Accountant do not possess. In these circumstances, the Director of Finance may decide to appoint external specialists to lead or contribute to any further investigation.

Should the investigation produce evidence of misconduct by one or more members of the University’s staff, then management may decide to initiate action immediately under Statute XIII (Academic and Academic-Related Staff: Dismissal, Discipline, Grievance Procedures and Related Matters) or the Disciplinary and Dismissal Procedure for Support Staff. In such cases, the Internal Audit team will support the disciplinary investigations as required. The production of a final report (see below) may, if appropriate, be delayed until after all disciplinary action has been completed.

Upon the completion of the investigation, a draft report will be produced and agreed by the Director of Finance. Where necessary, this will be discussed with the Registrar, Secretary and Chief Operating Officer at the earliest possible opportunity. The report may then be finalised.

The report shall contain:

- A description of the incident/issues alleged including an assessment of the value of any losses;
- the people involved and the means by which the fraud was allowed to occur (highlighting any control and/or operating weaknesses within the systems);
- all possible facts ascertained relating to the alleged fraud;
- measures recommended to prevent a recurrence and a brief risk assessment as to the viability of these;
- future recommendations to minimise the risk of such an occurrence;
- a recommendation as to the way forward; and
- any other relevant material.

In the case of major frauds, the Registrar, Secretary and Chief Operating Officer shall report the matter to the President and Vice-Chancellor (and the Chairs of the Board and the Audit Committee). The report may include recommendations as to further action, having considered factors such as the Human Resources issues (unless these have already been addressed – see above), publicity, the scale and seriousness of the fraud and any legal or other implications. There are likely to be three possible outcomes:

a. If it is determined on the basis of the evidence that no fraud has taken place, then the Director of Finance will ensure that all relevant parties are informed. If any individual(s) have been suspended pending investigation, the Human Resources Directorate will be responsible for taking action relating to the lifting of the suspension of staff;

b. If it is determined on the basis of the evidence that a fraud has been or is taking place, the President and Vice-Chancellor (acting through the Registrar, Secretary and Chief Operating Officer) will ensure that action has been taken under the University’s formal Disciplinary Procedures by the Human Resources Directorate. The President and Vice-Chancellor will also agree any action necessary under the University’s requirements for reporting to external bodies (including HEFCE: see Appendix D). The report may recommend that the matter
be reported to the Police if this has not happened at an earlier stage and/or that civil action is taken to recover losses.

c. Investigations may reveal misconduct by staff that does not constitute fraud but merits disciplinary action. (Examples would be failure to safeguard University assets or to report suspected frauds). In such cases, the Director of Finance shall refer the matter to the Human Resources Directorate so suitable action can be taken.

13. A report on each suspected fraud shall be presented to the Audit Committee, along with the findings of any investigations undertaken, at their next meeting\(^6\) following the completion of the investigation. At the discretion of the Director of Finance, an interim report may be presented if an Audit Committee meeting takes place during an on-going investigation.

14. It may be necessary to report the incident to relevant external bodies, such as HM Revenue and Customs, the Research Councils and other grant making organisations. The Director of Finance (usually acting through the lead officer) shall co-ordinate this; in practice the Heads of Faculty and School Finance may inform the relevant bodies and, where necessary, ensure that any stolen funds are reimbursed.

**Action in Cases of Possible Conflicts of Interest**

15. If the suspected incident involves a member of the Internal Audit Team, then such a conflict of interest must be reported to the Director of Finance, who shall decide the appropriate action to be taken.

16. Should the Director of Finance, Registrar, Secretary and Chief Operating Officer or President and Vice-Chancellor be alleged parties in a suspected fraud, this must be notified immediately to the Chair of the Board of Governors. (See General Regulation VIII, sections 12 and 13).

17. Should the investigations appear to implicate or involve in any way any person involved with the investigation, or their spouse, partner, family or close friend or associate, they must immediately inform their line manager and ask to be removed from the investigation. This action is precautionary in nature and does not imply improper conduct by any person.

18. With the exception of members of the Audit Committee, lay members of the Board of Governors should not be made aware of any information relating to a suspected fraud, to avoid the possibility of them having a conflict of interest if, at a later stage, they are involved in any appeal, by an individual, against associated disciplinary actions.

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\(^6\) The Audit Committee at the University of Manchester usually meets every quarter.
Appendix C

Extract from University Financial Regulation 2.4:
The Registrar, Secretary and Chief Operating Officer has the authority to request an investigation into matters involving irregularities or suspected irregularities in the exercise of activities of the University. On financial matters, this responsibility will usually be delegated to the Director of Finance, who will take appropriate steps to involve the internal auditors, or where appropriate, other investigatory bodies. Reports will be forwarded to the Audit Committee. The University has adopted a Fraud Response Plan, describing in detail how the above procedures are implemented. The Audit Committee shall approve changes to the Fraud Response Plan.

Extract from University Financial Procedures 2.9 to 2.12:

FRAUD AND OTHER FINANCIAL IRREGULARITIES

2.9. Financial Regulation 2.4 and the University’s Fraud Response Plan set out the responsibilities in dealing with irregularities or suspected irregularities in the exercise of the business of the University.

2.10. The Director of Finance must be informed, as soon as is practical, of any irregularity or suspected irregularity concerning financial matters. Fraud can be defined as including any of the following: theft, false accounting, bribery, corruption, money laundering (see sections 4.50 to 4.53 below), forgery, deception and collusion or other financial malpractice. Allegations of suspected bribery must be reported to the Director of Compliance and Risk.

2.11. The Registrar, Secretary and Chief Operating Officer is ultimately accountable for the investigation of all such matters, but will usually delegate to the Director of Finance the responsibility for setting up such investigations. He or she will involve the internal auditor and other relevant staff, and may if necessary contact external agencies such as HEFCE and the police. See section 4.53 and the Money Laundering Policy below on reporting suspected money laundering.

2.12. The report that is produced from the investigations that are undertaken will be forwarded to the Registrar, Secretary and Chief Operating Officer who will take such steps as are necessary to pursue the matter. This may, if any investigation confirms the irregularity, involve the commencement of action under the University's disciplinary procedures.
Appendix D

Extracts from the HEFCE Memorandum of assurance and accountability between HEFCE and institutions (Ref: July 2016/12)

*Note: HEI = Higher Education Institution*

Governing bodies (part)

29. Members of governing bodies of HEIs have a set of legal responsibilities and other duties. Taken together, the responsibilities of members of a governing body and of the governing body as a whole are considerable, and must be met. The governing body of an HEI is collectively responsible and has ultimate responsibility that cannot be delegated for overseeing the HEI’s activities, to determine its future direction, and to foster an environment in which the HEI’s mission is achieved. In accordance with the HEI’s own statutes and constitution, there should be effective arrangements for providing assurance to the governing body that the HEI:

a. Has a robust and comprehensive system of risk management, control and corporate governance. This should include the prevention and detection of corruption, fraud, bribery and irregularities.

Material adverse events

56. The HEI’s accountable officer must report any material adverse change without delay – such as a significant and immediate threat to the HEI’s financial position, significant fraud, or impropriety or major accounting breakdown – to all of the following:

- the chair of the HEI’s audit committee
- the chair of the HEI’s governing body
- the HEI's head of internal audit
- the external auditor
- the HEFCE chief executive.

Annex B: Institutional engagement, support and safeguarding actions (part)

Our assessment of risk relating to the use of public funds is concerned with all public funds being used for the purposes intended by Parliament (regularity), fraud and impropriety being prevented or dealt with effectively, and value for money (economy, efficiency and effectiveness) being pursued in the application of those funds. We do not normally audit these matters directly ourselves but derive information for our risk assessment from these sources:

a. The annual submission by HEIs of the reports of the governing body, audit committee, accountable officer and internal and external auditor.

b. Information and evidence from institutions themselves and other organisations and sources that indicate any material misuse of funds. From time to time we may receive information through these routes relating to any aspects of an institution’s operations or provision that could cause us to reconsider our risk assessment. We would make such a judgement on a case-by-case basis having consulted with the institution concerned.

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7 Defined as fraud of £25,000 or higher (Footnote in original document)
Annex E: Exempt charities (part)

Reporting serious incidents

9. A serious incident is one which has resulted in, or could result in, a significant loss of funds or a significant risk to a charity’s property, work, beneficiaries or reputation. For more guidance see www.hefce.ac.uk/reg/charityreg/sir/.

10. HEIs must report serious incidents to HEFCE at the time when they are identified. We have also included in HEFCE’s annual assurance return a specific declaration that serious incidents have been appropriately reported to us. This declaration will be made on behalf of all trustees. It would be appropriate therefore for the trustees to be informed about incidents reported to HEFCE; however, we do not stipulate how this should be done.

11. Where HEIs report the loss of an HEI’s assets through fraud, theft or other cause, we will consider an incident reported both as funder and as principal regulator.
Appendix E

Useful Links: University Policies and Procedures

Financial Regulations:

Financial Procedures:

Anti-Corruption and Bribery Policy:

Bribery Act Statement:

Money Laundering Policy:

External Links:

Greater Manchester Police: http://www.gmp.police.uk/

Action Fraud: http://www.actionfraud.police.uk/

Public Concern at Work: pcaw.org.uk

Financial Fraud Action UK: http://www.financialfraudaction.org.uk/

HEFCE – Fraud Updates: http://www.hefce.ac.uk/reg/Notifications/Fraud,updates/

HEFCE – Serious Incident Reporting: http://www.hefce.ac.uk/reg/charityreg/sir/