

## **RESPONSIBLE FINANCE PROVIDER HANDBOOK – TEMPLATE (JANUARY 2015)**

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### **Fraud Response Plan**

#### **Introduction**

<Company<sup>1</sup>> has prepared this Fraud Response Plan to act as a procedural guide and to provide a checklist of the required actions which must be followed in the event of a fraud, or attempted fraud, being suspected.

Adherence to this plan will ensure that timely and effective action is taken to:

Prevent further losses; maximise the recovery and minimise recurrence of losses; identify the fraudsters, and; maximise the success of any disciplinary and/or legal action taken.

The overarching theme of this plan is “If in doubt, ask for advice”. This applies at any point in an investigation.

#### **Preliminary Stage**

In the event of a fraud, attempted fraud or other illegal act being suspected, the officer should immediately report the matter to their line manager. If there is concern that line management may be involved, the matter should be reported to the next appropriate level. Alternatively, the <Company> Chief Executive should be contacted.

It is for line management to undertake an initial exercise to ascertain the facts. This discreet enquiry should be carried out as speedily as possible and certainly within 24 hours of the suspicion being raised. Where the suspected fraud involves the use of computers, advice must be sought from the <Company> Financial Controller before access or removal of computer equipment is attempted.

The purpose of the initial fact-finding exercise is to determine the factors that gave rise to the suspicion and to clarify whether a genuine mistake has been made or if it is likely that a fraud has been attempted or occurred. This may involve discreet enquiries with staff or the examination of documents. It is imperative that such enquiries should not prejudice subsequent investigations or corrupt evidence, therefore, if in doubt, ask for advice.

If the preliminary enquiry confirms that a fraud has not been attempted or perpetrated, although internal controls are deficient, management should review their control systems with a view to ensuring they are adequate and effective.

#### **Formal Reporting Stage**

If the preliminary enquiry confirms the suspicion that a fraud has been attempted or perpetrated, management must ensure that all original documentation and computer based files are preserved in a safe place for further investigation. This is to prevent the loss of evidence, which may be essential to support subsequent disciplinary action or prosecution.

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<sup>1</sup> 1 Note that ‘Company’ refers to the responsible finance provider

The facts should be reported immediately to the <Company> Financial Controller. With respect to evidence, management should:

- Take steps to ensure that all original evidence is secured as soon as possible
- Make a record of all evidence secured
- Be able to account for the security of all evidence at all times after it has been secured, including keeping a record of its movement and signatures of all persons to whom the evidence has been transferred – for this purpose all items of evidence should be numbered and descriptively labelled
- Not alter or amend evidence in any way
- Keep a note of when they came into possession of the evidence (this will be useful later if proceedings take place).

To remove any threat of further fraud or loss, management should immediately change/strengthen procedures and if appropriate, suspend any further payments pending full investigation.

### **Action Required for Internal Fraud**

Where there is the suspicion of staff being involved (internal fraud) the Manager should notify the <Company> Financial Controller immediately.

The <Company> Financial Controller will decide on the appropriate course of action including the full formal investigation arrangements. Officers who are independent from the management of the business unit should determine the scope of the investigation. The investigation should be conducted by at least two officers, one of whom is trained in investigative techniques and independent of the area under scrutiny. An individual qualified in the use of the Police and Criminal Evidence (PACE) Act may be commissioned if appropriate. The <Company> Financial Controller will appoint such an officer as required.

The <Company> Financial Controller will seek advice from other sources including computer forensic technology experts and/or counter fraud specialists in circumstances of internal fraud. The <Company> Financial Controller / Investigating Officer may use a computer forensic technology expert in order to extract any potential evidence from hard drives, or any other form of electronic media.

The Investigating Officer will be allowed free access to all staff, premises and records in both electronic format and hard copy physical documents.

It is <Company>'s policy to suspend an individual suspected of fraudulent activity at the earliest juncture. Suspension itself does not imply guilt – it is simply another safeguard to prevent the removal or destruction or alteration of evidence.

### **Action Required for External Fraud**

Where a fraud is suspected involving an external organisation or individual, it is management's responsibility to determine an appropriate course of action. If there is sufficient evidence, the <Company> Financial Controller will notify the police. Thereafter, the investigation will be guided by police advice. The <Company> Chief Executive must be advised of all such cases prior to notification to the police.

For a fraud occurring outside the jurisdiction of the UK advice should be sought from the <Company> Audit and Risk Committee as to the appropriate authorities to be notified.

### **Liaison with the Police Service**

The <Company> Chief Executive (for internal fraud) and the <Company> Audit and Risk Committee (for external fraud) should ensure that legal and/or police advice is sought where necessary.

Where actual or attempted fraud is confirmed and is of a large or complex nature, the Economic Crime Bureau is capable of carrying out investigations. Smaller cases may be referred to the local police who will be able to advise on other relevant agencies for reporting and investigation support purposes.

### **Post Event Action**

Where a fraud, or attempted fraud, has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds or attempted frauds will not recur. Additionally, if a <Company> employee is suspected of involvement, the <Company> Chief Executive will consider the appropriate course of action. This may range from close monitoring or supervision to precautionary suspension, however, it should be noted that suspension does not in any way imply guilt.

Following an investigation, a report will be compiled by the investigating team, documenting lessons learned from all aspects of the fraud or attempted fraud, i.e. the cause, how it was detected, the investigation process and how similar frauds or attempted frauds can be prevented in future. The report will be circulated, as appropriate.

### **Reporting Arrangements**

All frauds (suspected and proven), both internal and external, must be reported promptly in writing to the <Company> Risk and Audit Committee/Board (where no Risk and Audit Committee operates) to allow compliance with reporting arrangements.

This guidance relates to frauds and suspected frauds affecting all <Company> funds.

### **Conclusion**

Any queries in connection with this response plan should be made to the <Company> Financial Controller or <Company> Chief Executive.