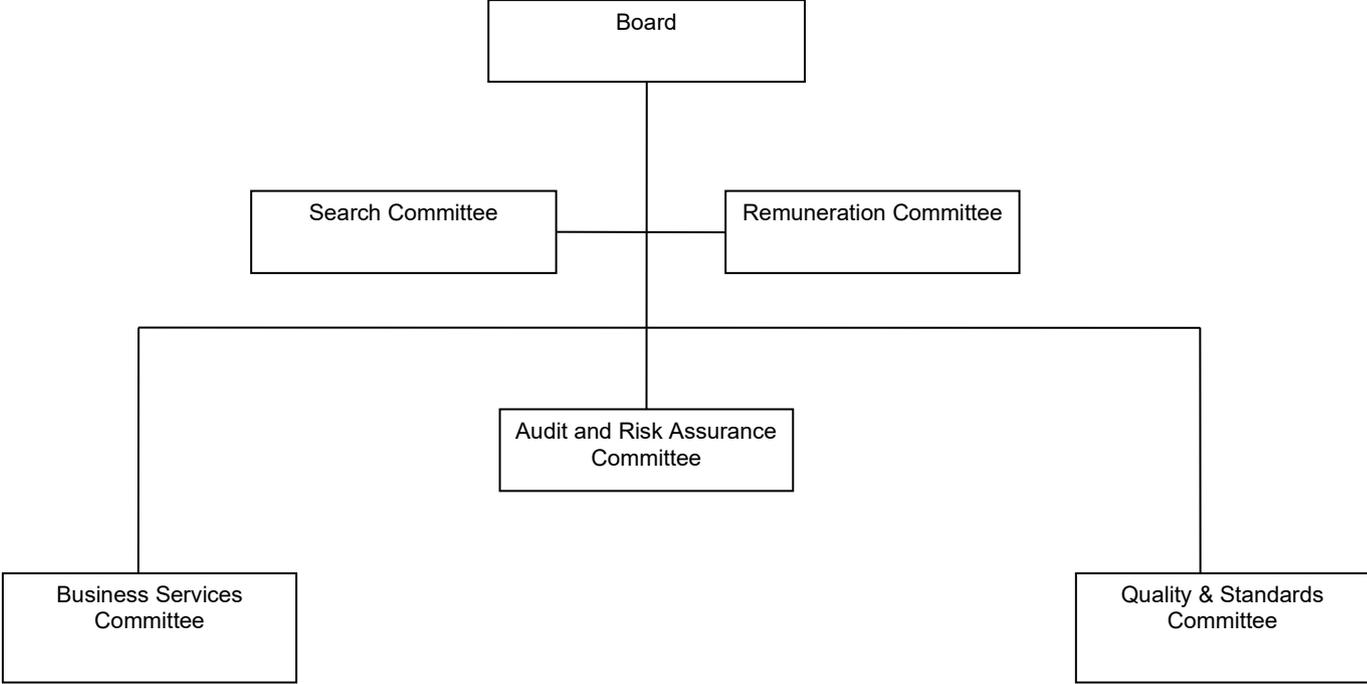


**APPENDIX A: COMMITTEE STRUCTURE**



## **APPENDIX B: AUDIT AND RISK ASSURANCE COMMITTEE TERMS OF REFERENCE**

### **1. Accountability and Purpose**

- 1.1 The Audit and Risk Assurance Committee is responsible to the Corporation and has a robust role in good stewardship and risk management.
- 1.2 It's purpose is to advise the Corporation on the adequacy and effectiveness of the College's assurance framework and the provision of the opinion in the annual accounts.
- 1.3 The Audit and Risk Assurance Committee has the authority to investigate any activity within its terms of reference, which may involve a third party to assist, and has the right of access to obtain any information it considers necessary to fulfil its remit.

### **2. Membership**

- 2.1 The committee will comprise at least four external members of the Corporation.
- 2.2 Co-options will be permitted but a co-opted member will not be permitted to chair the committee.
- 2.3 The Corporation Chair will not be permitted to serve on this committee. Governors who are members of the Corporation's Business Services Committee may serve on this committee, except the Chair and Vice Chair of the Business Services Committee.
- 2.4 The Principal/CEO, senior post holders and other members of staff will not be permitted to serve on this committee.
- 2.5 The Chair and Vice Chair will be appointed on an annual basis by the Corporation at its July meeting.
- 2.6 Membership will include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively the committee will have recent relevant knowledge and experience in risk management, finance and audit assurance. These should cover both financial and non-financial areas.
- 2.7 The Committee shall remain independent in appointing its Members.
- 2.8 The committee shall not adopt an executive role.

### **3. Meetings and Quorum**

- 3.1 The committee will meet at least once a term and at other times as determined by the Chair or as requested by the Corporation Board.
- 3.2 Meetings of the committee may be held in person or virtually using a video conferencing platform.
- 3.3 The quorum will be two members of the committee.
- 3.4 The Clerk to the committee will be the Clerk to the Corporation.

- 3.5 The Principal/CEO and Chief Financial Officer will attend meetings for the purpose of providing advice and information.
- 3.6 The College's internal audit service and external auditor will be entitled to attend and speak at committee meetings. They will be given the opportunity to raise any issues with the committee in the absence of College management.
- 3.7 The internal auditor, funding auditor (where appointed) or external auditor may request a meeting of the committee if they consider it necessary.
- 3.8 The committee may invite any member of staff to attend a meeting to present a report or provide information. Managers whose area of responsibility is under discussion may be invited to attend meetings.
- 3.9 The Committee will be entitled, whenever it is satisfied that it is appropriate to do so, to go into confidential session and, subject to the rules relating to quoracy, to exclude any, or all, participants and observers, except the Clerk to the committee.

#### **4. Remit of the Committee**

- 4.1 To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's assurance arrangements, risk management, framework of governance and control processes for the effective and efficient use of resources, solvency and the safeguarding of its assets, whilst taking a holistic view with all aspects and systems, financial and non-financial, being in scope depending on their impact and effect on the Corporation.
- 4.2 To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, internal auditor and any other assurance providers, and establish that all such assurance providers adhere to relevant professional standards. To oversee the re-tendering of the external auditor every five years as a minimum.
- 4.3 To advise the Corporation on the scope and objectives of the work of the external auditor, internal auditor and any other assurance providers.
- 4.4 To review and consider the reports of the external auditor, internal auditor and any other assurance providers, and monitor the implementation of recommendations to agreed timescales.
- 4.5 To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), Education Skills Funding Agency and any other funding bodies and, where appropriate, the management's response to these.
- 4.6 To establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the internal auditor and external auditor through these measures and indicators.
- 4.7 To produce an annual report for the Corporation and accounting officer, summarising the Committee's activities relating to the financial year under review including:
  - a summary of work undertaken by the Committee during the year;
  - any significant issues arising up to the date of the preparation of the report;
  - any significant matters of internal control included in the reports of audit and assurance providers;

- the Committee's view on its own effectiveness and how it has fulfilled its terms of reference; and
- the Committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its process for securing economy, efficiency and effectiveness.

4.8 To inform the Corporation of any additional services provided by the external auditor and any other assurance providers and explain how independence and objectivity were safeguarded.

4.9 To recommend the external auditor's management letter to the Corporation having received a copy of the annual financial statements of the Corporation and its subsidiary companies to inform this decision. Recommendation of approval of these statements is the responsibility of the Business Services Committee.

4.10 To oversee the College's policies on fraud, irregularity, whistleblowing and IT security, and ensure

- the proper proportionate and independent investigation of all allegations and instances of fraud and irregularity;
- that investigation outcomes are reported to the Audit Committee;
- that the external auditor (and internal auditor if applicable) are informed, and that appropriate follow up action has been planned/actioned;
- that all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body.

4.11 The committee will provide assurance related to Health and Safety breaches to include receiving investigation outcomes and follow up actions.

4.12 The committee will provide assurance of the College's compliance with the General Data Protection Regulations.

4.13 To consider the development of Members and put in place appropriate training to ensure skills and knowledge are up to date. Training and development shall be arranged to address any gaps in the existing skill set.

## 5. **Assurance**

5.1 To monitor and review the remit of the Committee as detailed above in the event of organisational reconfiguration and to provide assurance to the Board that there is effective risk management.

## 6. **Reporting**

6.1 Recommendations for Corporation decision will be included on the agenda of the next Corporation meeting after the date of the committee meeting.

6.2 Minutes of committee meetings, in draft or approved form, will be made available to the Board before the next meeting of the Corporation for information.

6.3 Minutes will be made available for public access in accordance with the Instrument and Articles of Government 2008.

## 7. **Amendment**

7.1 These terms of reference may only be amended by decision of the Corporation

## APPENDIX C: KEY CONTACTS IN THE FINANCE DEPARTMENT

### INTRODUCTION

1. The Finance Department is located on the first floor of the Hele Road Tower Block. The office is open between 9am and 4.30pm Monday to Thursday and closes at 4pm on a Friday. The full finance service will be available during this time. There may be a limited service outside of this time
2. The main services are listed on the following pages together with appropriate contact names.

### GENERAL ACCOUNTS

3. This team is headed up by the Finance Manager and covers:
  - paying sums owed for goods and services purchased by the College and subsidiary companies.
  - invoicing and collecting income due to the College and subsidiary companies.
  - paying employees through an out-sourced independent payroll bureau and completing statutory returns
  - administration of the Learner Support / Bursary fund payments and subsidised travel scheme
  - FIS (Unit 4) Finance System training

The team can be contacted at [accounts@exe-coll.ac.uk](mailto:accounts@exe-coll.ac.uk)

### PAYROLL

4. The payroll service is administered by the Payroll officer and covers:
  - Paying employees of the College and Subsidiary
  - Completing statutory returns for the College and Subsidiaries
  - Liaising with the payroll bureau

The team can be contacted at [payroll@exe-coll.ac.uk](mailto:payroll@exe-coll.ac.uk)

### MANAGEMENT ACCOUNTING

5. This team is headed up by the College Accountant and covers:
  - Monthly management accounts
  - Annual Financial Statements
  - Statutory returns
  - Budgets and forecasting
  - Treasury management
  - Management Information reporting

The team can be contacted on [manaccs@exe-coll.ac.uk](mailto:manaccs@exe-coll.ac.uk)

### OTHER ACCOUNTING SERVICES

6. **Insurance.** All aspects of insurance cover and claims are handled by the Finance Department. Prompt notification of all losses by the use of the appropriate form is essential

if claims are to be processed effectively. Failure to notify the police in cases of theft or criminal damage can also invalidate cover.

7. **Other projects.** Advice is available for the preparation of bids for projects, especially in relation to external funding. Arrangements are also made for detailed budgeting and accounting for other projects.
8. **Use of system.** Advice and finance training is provided for users to access and use the data held in the accounting system.
9. **Business Partner** A senior member of the Finance team is allocated to each sector to provide a single point of contact for any queries or support required.

For queries relating to other accounting services please contact the Director of Finance, Funding, MIS and Exams, [tobycoombes@exe-coll.ac.uk](mailto:tobycoombes@exe-coll.ac.uk)

10. **Internal Audit.** There is no longer a requirement for colleges to have an independent internal audit function, however the College has retained this function which operates in conjunction with the Audit and Risk Assurance Committee. The Finance Department is responsible for the receipt and co-ordination of responses to audit reports and for the follow-up of the implementation of recommendations made by the internal auditors. The colleges internal audit partners are TIAA.
11. **Procedures and regulations.** Financial regulations and detailed financial procedures are maintained and disseminated by the finance department. Again, their existence is a Funding body and Audit and Risk Assurance Committee requirement.

For queries relating to management control matters please contact the Director of Finance, Funding, MIS and Exams on [tobycoombes@exe-coll.ac.uk](mailto:tobycoombes@exe-coll.ac.uk)

## **APPENDIX D: MAIN FEATURES OF THE PUBLIC INTEREST DISCLOSURE ACT 1998**

### **SUMMARY**

The Act came into force on 2 July 1999. It encourages people to blow the whistle about malpractice in the workplace and is designed to ensure that organisations respond by acting on the message rather than against the messenger. The Act applies to employees blowing the whistle about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It applies whether or not the information is confidential and extends to malpractice occurring in the UK and any other country of territory. In addition to employees, it covers trainees, agency staff, contractor, home workers, trainees and every professional in the NHS. Employment law restrictions on minimum length of service and age do not apply. At present, the Act does not cover the genuinely self-employed, volunteers, the army, intelligence services or police officers. The Act has been described as 'the most far reaching whistle blower protection in the world'.

### **INTERNAL DISCLOSURES**

A disclosure in good faith to a manager or the employer will be protected if the whistleblower has a reasonable suspicion that the malpractice has occurred, is occurring or it likely to occur.

### **REGULATORY DISCLOSURES**

The Act protects disclosure made in good faith to prescribed bodies such as the Health & Safety Executive, the Financial Services Authority and the Inland Revenue, where the whistleblower has a reasonable belief that the information and their allegations(s) are substantially true.

### **WIDER DISCLOSURES**

Wider disclosures (eg to the police, the media, MPs, and non-prescribed regulators) are protected if, in addition to the tests for regulatory disclosures, they are reasonable in all the circumstances and they meet one of the three preconditions. Provided they are not made for personal gain, these preconditions are that the whistleblower:

- Reasonably believed they would be victimised if they raised the matter internally or with a designated regulator
- Reasonably believed a cover-up was likely and there was no regulator
- Had already raised the matter internally or with a prescribed regulator

An employee who makes a wide, public disclosure is more likely to be protected if there was no internal procedure set up.

### **FULL PROTECTION**

Where the whistleblower is victimised in breach of the Act they can bring a claim to an employment tribunal for compensation. Awards are uncapped and based on the losses suffered. Additionally, where an employee is sacked, they may apply for an interim order to keep their job. Not all disclosures made by an employee are protected under the Act. Those that are include criminal acts, health and safety violations, breaches of legislation and miscarriages of justice. However, such acts are only protected as long as the disclosure is made in good faith to the employer, or any other person authorised under a

procedure set up by the employer for this purpose. (Disclosures can also be made to appropriate regulatory bodies, such as the Health and Safety Executive). Where an employee reasonably suspects malpractice (and this includes any crime), they will be protected from victimisation where they raise the matter in good faith with a person who is legally responsible for whistleblowing.

## **QUALIFYING AREAS**

The qualifying areas consist of information that the employee reasonably believes tends to show one or more of the following matters is either happening now, took place in the past, or is likely to happen in the future:

- A criminal offence
- The breach of a legal obligation
- A miscarriage of justice
- A danger to the health or safety of any individual
- Damage to the environment
- Deliberate covering up of information tending to show any of the above five matters

## **APPENDIX E: THE SEVEN PRINCIPLES OF PUBLIC LIFE FROM THE REPORT OF THE COMMITTEE FOR STANDARDS IN PUBLIC LIFE (THE NOLAN REPORT)**

### **SELFLESSNESS**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.

### **INTEGRITY**

Holders of public office should not place themselves under any financial or other obligations to outside individuals or organisations that may influence them in the performance of their official duties.

### **OBJECTIVITY**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **ACCOUNTABILITY**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### **OPENNESS**

Holders of public office should be as open as possible about all their decisions and the actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **HONESTY**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **LEADERSHIP**

Holders of public office should promote and support these principles by leadership and example.

## **APPENDIX F: PROTOCOLS FOR PROPOSED MAJOR DEVELOPMENTS**

The proposal should be supported by a business plan for three years which sets out:

- A demonstration of the proposal's consistency with the strategic plans approved by the Board of the Corporation and with the College's powers under current legislation
- Details of the market need and the assumptions (based on reference data) of the level of business available
- Details of the business and what product or service will be delivered
- An outline plan for promoting the business to the identified market and achieving planned levels of business
- Details of the staff required to deliver, promote and manage the business, together with any re-skilling or recruitment issues
- Details of any premises and other resources required
- A financial evaluation of the proposal together with its impact on revenue and surplus, plus advice on the impact of possible alternative plans and sensitivity analyses in respect of key assumptions
- Contingency plans for managing adverse sensitivities
- Consideration of taxation and other legislative or regulatory issues
- A three year financial forecast for the proposal including a monthly cash flow forecast and details of the impact on the institution cash flow forecast for the financial years in question

More detail on these protocols can be found in the institutions financial procedures.

## **APPENDIX G: INTERNAL AUDIT RESPONSIBILITIES**

1. The internal audit service (IAS) is responsible for conducting an independent appraisal of all the College's activities, financial and otherwise. It should provide a service to the College, including the Board and all levels of College management. It is not an extension of, nor a substitute for, good College management, although it can have a role in advising College management.

The IAS is responsible for giving assurance to the College's Board and Principal on the adequacy and effectiveness of the College's risk management, control and governance processes. The IAS assists College management by evaluating and reporting to it the effectiveness of the controls for which it is responsible. This work contributes to the opinion that the IAS provides on risk management, control and governance processes.

It remains the duty of College management, not the IAS, to operate adequate systems of risk management, control and governance. It is for College management to determine whether or not to accept audit recommendations and to recognize and accept the risks of not taking action.

### **Appointment**

2. The IAS is appointed by the Board for a term of 5 years commencing 1 August 2022. This is subject to satisfactory annual performance evidenced by annual review by the Audit Committee and recommendation to the Board. Remuneration shall be fixed by the Board on the advice of the audit committee.

### **Scope**

3. All the College's activities, funded from whatever source, fall within the remit of the IAS. The IAS may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that College management has taken the necessary steps to achieve these objectives and manage the associated risks. The scope of the IAS's work shall cover operational and College management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. As a minimum, the scope of work shall cover the business areas set out in Annex C in Supplement B to the Audit Code of Practice. The IAS shall devote particular attention to any aspects of risk management, control and governance processes affected by material changes to the College's risk environment.
4. The systems of control subject to the IAS's work shall include those systems of control operated by:
  - all College subsidiary or associated companies
  - the College's partners in franchised learning provision
  - joint ventures
  - subcontracted direct learning providers
  - contractors of the College who provide any service that handles or processes College finances or management information in any form.
5. It is not within the remit of the IAS to question the appropriateness of policy decisions. However, the IAS is required to examine the arrangements by which such decisions are made, monitored and reviewed.
6. The IAS may also conduct any special reviews requested by the Board, Audit Committee or Principal, provided such reviews do not compromise the IAS's objectivity or independence, or the achievement of the approved audit plan.

## Responsibilities

7. The head of the IAS is required to give an annual opinion to the Board, through the Audit Committee, on the adequacy and effectiveness of the College's risk management, control and governance processes. He or she should also comment on other activities for which the Board is responsible, and to which the IAS has access.
8. The IAS fulfils its terms of reference through review and evaluation of risk management, control and governance processes. These comprise the policies, procedures and operations in place to:
  - establish and monitor the achievement of the College's objectives
  - identify, assess and manage the risks to achieving the College's objectives
  - advise on, formulate and evaluate policy, within the responsibilities of the Principal as accounting officer
  - ensure the economical, effective and efficient use of resources
  - ensure compliance with established policies, procedures, laws and regulations
  - safeguard the College's assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
  - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

## Standards and Approach

9. The IAS's work will be performed with Funding body as detailed in the Funding body Audit Code of Practice and the standards for the IAS promulgated by HM Treasury. The work shall comply in all material respects with Government Internal Audit Standards (GIAS). The IAS should also have regard to advice provided by professional auditing and accountancy bodies.
10. The head of the IAS shall implement measures to monitor the effectiveness of the service and compliance with standards. The head of the IAS should prepare a set of performance measures and criteria for the IAS function, which shall be agreed with the Audit and Risk Assurance Committee.
11. In achieving its objectives, the IAS shall develop and implement an audit strategy that assesses the College's risk management, control and governance processes.

## Independence

12. The IAS has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, the head of the IAS reports to a senior officer within the College and the reporting arrangements must take account of the nature of audit work undertaken. The head of the IAS has a right of direct access to the Chair of the Board, the Chair of the Audit and Risk Assurance Committee and the Principal.
13. The Audit Committee shall advise the Board on all matters concerning internal control. Within the College, responsibility for the College's risk management, control and governance processes rests with the Board and management, who shall ensure that appropriate and adequate arrangements exist without relying on the College's IAS. To preserve the objectivity and impartiality of the IAS's professional judgment, responsibility for implementing audit recommendations rests with College management.

## **Access and Liaison**

14. The College IAS shall have unrestricted access to all documents, records, assets, personnel and premises of the College and its companies, and to relevant documents of franchise providers, and be authorized to obtain such information and explanations as they consider necessary to form its opinion.
15. In turn, the IAS agrees to comply with any requests from the financial statements auditors, the Funding body, the internal auditors of the Department for Education and Skills (DfES) and the National Audit Office (NAO) for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities. The Funding body seeks to place reliance upon the work of the College's IAS. Liaison is necessary for the Funding body to form this opinion and shall not give rise to additional fees.
16. The IAS shall liaise with the financial statements auditor, the funding auditor (for those colleges not eligible for plan-led funding), and the Funding body's Provider Financial Assurance (PFA) Service Centre to enhance the level of service it provides to the College management. The IAS and the Audit Committee may seek to place reasonable reliance on the work of the funding auditor (where appointed).

## **Reporting**

17. The IAS shall prepare, before the beginning of the year, a long-term strategy document supported by an assessment of resource needs and an annual audit plan. These shall be submitted to the Board for approval following consultation with relevant managers and the Principal, and on the recommendation of the Audit and Risk Assurance Committee.
18. The IAS produces its reports in writing, usually within one month of completion of each audit, giving an opinion on the area reviewed and making recommendations where appropriate. Recommendations should be prioritized. All reports are provided to the Principal and should be copied to the Audit and Risk Assurance Committee. Heads of department or services shall be required to respond to each audit report, usually within one month of issue. In their response, they should state, for agreed recommendations, their proposed action, the person responsible for implementation and a date by which action will be completed. Material recommendations will usually be followed up some 6 to 12 months later. In addition, the Audit and Risk Assurance Committee shall monitor the implementation of audit recommendations by College management.
19. The head of the IAS submits an annual report to the Board and Principal through the Audit and Risk Assurance Committee, based on the College's financial year. This gives an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes and on the arrangements for securing economy, efficiency and effectiveness.
20. The IAS's annual report to the Board includes:
  - a statement of the overall adequacy and effectiveness of the College's risk management, control and governance processes
  - any qualifications to that opinion, together with the reasons for the qualification
  - a notice of any issues that the head of the IAS judges relevant to the preparation of the statement of the responsibilities of the members of the Board, the corporate

governance statement and the statement on the system of internal financial control, such as an analysis of common or significant weaknesses or details of any major internal audit findings where action appears to be desirable but has not been taken

- a comparison of the IAS's activity during the year with that planned, placed in the context of the IAS need
- a summary of the performance of the IAS function against its performance measures and criteria
- comment on compliance with the GIAS
- the results of the IAS quality assurance programme.

21. The minimum content for an IAS's annual report is set out at Annex E to the Funding body's Audit Code of Practice.
22. The head of the IAS reviews the annual report with the Principal and Audit Committee prior to publication. A copy of the annual report is sent without delay to the local Funding Body's Regional Audit Manager by the College, after it has been received by the Board on the advice of the Audit Committee. Copies of other reports and responses to them should not routinely be sent to the Funding Body's Regional Audit Manager but the Funding body's Regional Audit Manager may exceptionally request them.
23. The head of the IAS is accountable to the Principal and the Board through the Audit Committee for the performance of the service. The IAS also reports audit findings to the heads of department or services within the College. The head of the IAS shall keep the Principal informed of audit results and draw the attention of the Audit Committee to significant findings and recommendations. This may be done by providing the Audit Committee with copies of all reports, or by reporting by exception, or by providing a summary of key issues.

### **Irregularities, Including Fraud and Corruption**

24. The IAS shall without delay report to the Funding body's Chief Executive, and copy to the Executive Director of the local Funding body, serious weaknesses, significant fraud, major accounting and other breakdowns, subject to the requirements of the Proceeds of Crime Act 2003.
25. The head of the IAS shall be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that he or she can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of the IAS is not to investigate the irregularity unless commissioned to do so.

### **Ownership of Papers**

26. The IAS's papers are the property of the College. In the event of a change of the IAS provider, the outgoing IAS provider may, with the agreement of the College, surrender all audit working papers which demonstrate compliance with the GIAS. Arrangements should be made for the outgoing IAS provider to meet the incoming IAS provider where appropriate.

### **Electronic Communication**

27. During the engagement, the IAS and the College may from time to time communicate electronically with each other. However, the electronic transmission of information cannot

be guaranteed to be secure or free of viruses or error and such information could arrive late or incomplete, be intercepted, corrupted, lost, destroyed, or otherwise be adversely affected or unsafe to use. No systems or procedures can guarantee that transmissions will be unaffected by such hazards.

- 28 The IAS and the College confirm that each accepts the risks of electronic communications between each other. Each agrees to use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically. Each shall be responsible for protecting its own systems and interests in using electronic communications. The IAS and the College shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between each other and the reliance on such information.

### **Termination of Appointment**

- 29 The Board may, by resolution, remove the College's IAS before its term of office expires, notwithstanding any agreement between the IAS and the College.
- 30 Where the IAS ceases to hold office for any reason, it shall provide the Board body with either a statement of any circumstances connected with the removal or resignation that it considers should be brought to the Board's attention, or a statement that there are no such circumstances. The College must copy this statement to the Funding body's Regional Audit Manager, without delay.

### **Limitation of Liability**

- 31 For internal audit work, colleges can negotiate over any proposal by the IAS to restrict or cap their liability. The Board must specifically consider and approve any request for a liability restriction. This limit must not be under £1 million for smaller FE colleges and more for larger FE colleges.

## **APPENDIX H: FRAUD RESPONSE PLAN**

### **PURPOSE**

1. The purpose of this plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the College to:
  - Prevent further loss
  - Establish and secure evidence necessary for criminal and disciplinary action
  - Notify the Funding body, if the circumstances are covered by the mandatory requirements of the Audit Code of Practice
  - Recover losses
  - Punish the culprits
  - 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 responses to fraud
  - Keep all personnel with a need to know suitably informed about the incident and the College's response
  - Inform the police
  - Assign responsibility for investigating the incident
  - Establish circumstances in which external specialists should be involved
  - Establish lines of communication with the police
  - Respond to cyber-crime incidents impacting the College

### **INITIATING ACTION**

2. All actual or suspected incidents should be reported without delay to the Chief Financial Officer. The Chief Financial Officer should, within 24 hours, hold a meeting of the following project group to decide on the initial response:
  - Director of People and Organisational Development / Head of People
  - A senior representative of internal audit
  - Chief Financial Officer (Chair)
3. The project group will decide on the action to be taken. This will normally be an investigation, led by internal audit. The decision by the project group to initiate a special investigation shall constitute authority to internal audit to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

## **PREVENTION OF FURTHER LOSS**

4. Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.
5. In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the College. Any security passes and keys to premises, offices and furniture should be returned.
6. Advice should be obtained on the best means of denying access to the College while suspects remain suspended (for example, by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the College's computer systems should be withdrawn without delay.
7. Internal audit shall consider whether it is necessary to investigate systems, other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the institution's assets.

## **ESTABLISHING AND SECURING EVIDENCE**

8. A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The College will follow disciplinary procedures against any member of staff who has committed fraud. The College will normally pursue the prosecution of any such individual.
9. Internal audit will:
  - Maintain familiarity with the College's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation
  - Establish and maintain contact with the police where appropriate
  - Establish whether there is a need for audit staff to be trained in the evidence for interviews under the Police and Criminal Evidence Act
  - Ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings

## **NOTIFYING THE FUNDING BODY**

10. The circumstances in which the College must inform the Funding body about actual or suspected frauds are detailed in the Funding body's Audit Code of Practice. The Principal is responsible for informing the Funding body of any such incidents.

## **RECOVERY OF LOSSES**

11. Recovery losses is a major objective of any fraud investigation. Internal audit shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

12. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The institution would normally expect to recover costs in addition to losses.

## **REFERENCES FOR EMPLOYEES DISCIPLINED OR PROSECUTED FOR FRAUD**

13. Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Head of People and Performances who will prepare any answer to a request for a reference having regard to employment law.

## **REPORTING TO GOVERNORS**

14. Any incident matching the criteria in the Funding body's Audit Code of Practice (as in paragraph 10 above) shall be reported without delay by the Principal to the Chairs of both Board and Audit Committee.
15. Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the Board and the Audit Committee.
16. On completion of a special investigation, a written report shall be submitted to the audit committee 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 a recurrence
  - Any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken

This report will normally be prepared by internal audit

## **RESPONSIBILITY FOR INVESTIGATION**

18. All special investigations shall normally be led by internal audit. Special investigations shall not be undertaken by management, although management should co-operate with requests for assistance from internal audit.
19. Some special investigations may require the use of technical expertise which internal audit does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

## **REVIEW OF FRAUD RESPONSE PLAN**

20. This plan will be reviewed for fitness of purpose at least annually or after each use. Any need for change will be reported to the Audit and Risk Assurance Committee for approval.

## **APPENDIX I: MAIN POINTS INCLUDED IN THE COLLEGE'S CODE OF TENDERING PRACTICE**

- Duty to comply by the College's staff
- Competitive tendering procedure, which will:
  - Ensure fairness of competition
  - Ensure that companies invited to tender are financially and technically able to meet the College's requirements
  - Indicate the terms of the contract
  - Outline the appropriate British standards to be complied with
- Quotation procedure, which will indicate
  - The minimum number of firms that should be expected to provide quotations
  - Lists of available firms in existence which have been approved by the College that might undertake the work specified
  - The terms by which the contractors will be paid
  - The national requirements concerning good practice that should be followed
- Submissions of tenders (eg time, date)
- Receipt and safe custody of tenders and records
- Admissibility and acceptance of tenders
- Justification of acceptance of tenders not at the lowest price.