

# ANTI-FRAUD POLICY

**Presented to  
Trustees Resource Committee  
23 June 2021**

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|-----------------------------------|----------------------------------------------------------|
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<sup>1</sup> This is the date the policy was approved by the meeting

<sup>2</sup> This is the date the policy was reviewed prior to its approval above

<sup>3</sup> This is the date as set by the policy review clause or the date approved plus two years

- Headteacher also means Head of College and Principal
- School also means College, Academy or Academies
- References to School are taken to mean any school within the Four Cs Multi-Academy Trust

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## **POLICY STATEMENT**

The Multi Academy Trust (MAT) and its schools have a duty to protect public assets; to ensure that management and other practices accord with the standards of probity expected of public sector bodies; and to ensure that the resources available to it are used only in furtherance of the school's objectives as an educational body. Fraud, corruption, or any other kind of financial misconduct or irregularity cannot be tolerated.

An irregularity may be defined as any breach of the standards of financial integrity required by the school, including a breach of the Financial Regulations. This includes any instance, which has been made possible due to the actions or inactions of a member of staff, even if there was no gain to them.

Irregularities fall broadly within the following categories, the first three of which are criminal, as well as disciplinary, offences ('person' includes corporate bodies, including limited companies, local authorities, other employees and students):

- Theft: the dishonest taking of property belonging to another with the intention of depriving that person permanently of its possession.
- Fraud: the intentional distortion of financial statements or other records by persons external or internal to the school, to conceal the misappropriation of assets or otherwise. This includes the distortion of records to conceal losses caused accidentally or by a third party.
- Bribery: the receiving of an inducement for an action which is illegal, unethical or in breach of trust.
- Corruption: the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions of any person. Both parties are equally guilty of an offence.
- Other irregularity: failure to observe the Financial Control Manual, policies and procedures. This includes failure to take appropriate action after becoming aware of such failure by another person.

The aftermath of financial misconduct is costly, time-consuming, disruptive and unpleasant. The major thrust of the Trust's strategy is therefore, prevention.

### **1.0 Prevention**

#### **1.1 Risks**

The largest irregularities in educational establishments typically have involved regular misappropriations over a period of years. The three areas most vulnerable to fraud in schools are cash handling, cheque handling and the operation of the purchase ledger. The misuse of information technology is also a major risk and one that is potentially growing in importance with the increase in technology.

#### **1.2 Procedures/Systems to deal with risks**

Fraud can be minimised through carefully designed and consistently operated management procedures, in particular, financial policies and procedures and Financial Regulations. The Trust will therefore ensure that management procedures, as described below, are effective and that staff receive training in the operation of them.

- Segregation of duties in use of financial systems is practiced, so, for example, no individual has undue management of payments, income or assets.

- Each school has clear roles and responsibilities, with set levels of authority for authorising transactions
- Systems will be protected with electronic access restrictions to prevent the possible misuse of information technology.

### **1.3 Leadership**

Key determinants of the standards of behaviour in any organisation will be the standards observed by senior members of staff, and the policies and approach to their enforcement promoted from the senior staff.

The MAT's Trustees, Local Governing Committees and Senior Management Teams should therefore ensure that their behaviour is always demonstrably selfless.

Clear policies on commercial ethics, registration and declaration of interests and accepting hospitality and gifts, are part of the purchasing policy and need to be observed, and seen to be observed.

### **1.4 Prosecution of offenders**

The Police advise that prosecution is a particularly effective deterrent because of the risk of a custodial sentence and a criminal record. However, the threat of prosecution only deters if the threat is real. Therefore, the policy is that the Trust reserves the right to report to the Police, irrespective of the status of the individual. The Trust and school will undertake disciplinary action, and reserves the right to take legal action, in addition to reporting offenders to the Police.

### **1.5 Employee Screening**

Potential new members of staff will be screened before appointment, particularly for posts with financial responsibility. For example:

- References should cover a reasonable, continuous period; and any gaps should be explained;
- An official employer's reference should be obtained;
- Offers of appointment to be made subject to receipt of satisfactory references and any doubts about the contents of the reference should be resolved before confirming the appointment. If this is done by telephone, a written record of the discussion should be kept to comply with employment law
- Essential qualifications and CRB checks are made

Recruitment procedures require that members of recruitment panels will declare any relationships or connections with candidates prior to their involvement with the process.

#### **Remote working**

If staff work from home, they should be ultra vigilant of potential fraudulent activity. Fraudsters change their ways of operating during such times and staff must maintain rigid systems and processes. All approved processes are even tighter with most finance work now being electronic and virtually paperless, therefore exercising due diligence is crucial. During home working Finance staff must maintain daily communication and fraud awareness heightened. Regular updates from Lloyds Bank provide information on new scams that are circulating.

## **1.6 The Role of Auditors**

Senior Management would seek to involve the Internal Scrutiny auditors and/or external auditors to advise on building in ways of preventing or detecting fraud when new systems are being designed or existing systems are to be modified. Auditors will have regard to fraud preventative measures as part of its ongoing work.

External audit's reviews of financial checks and balances and validation testing provide further deterrence. Auditors may also wish to assess systems in place to deter corruption.

Both internal and external auditors have a full right of access at all reasonable times to all school property, assets, documents and financial and other records. The auditors are also entitled to seek explanations from any member of the school's staff.

In addition, the school will regard the misleading of auditors, including the withholding of relevant information, as gross misconduct in its own right.

## **2.0 Detection and Reporting of Suspected Financial Irregularity**

### **2.1 Internal Management Systems**

Efficient management systems are imperative if fraud is to be detected rapidly; the systematic review of every transaction minimises the risk of processing an irregular transaction. Detective checks and balances will be designed into all systems and applied consistently. This includes segregation of duties, reconciliation procedures, random checking of transactions, and review of management accounting information, including exception reports.

### **2.2 Public Interest Disclosure ('Whistleblowing') Procedure**

If an individual has reason to suspect that fraud is taking place (or has taken place), they are expected to bring it to the attention of school's authorities as described in the Trust's Whistleblowing Policy. This describes to whom an individual should report their suspicions, and the protection offered to employees raising such a suspicion.

### **2.3 Potentially Suspicious Behaviour**

Staff members who have committed serious financial irregularities may attempt to conceal this by taking few holidays, regularly working alone late or at weekends, being resistant to delegation or resenting questions about work. If any suspicions are raised they should be discussed with the Headteacher or Deputy Headteacher who in turn will report this to the Chief Executive Officer (CEO). Any indication that a member of staff may be addicted to drugs, alcohol or gambling should also be discussed with the Headteacher/Deputy Headteacher/CEO. This is both for the welfare of the individual and to minimise the risks to the school, which might include fraud. Any action should be taken with an assessment of the scale of risk in mind.

Any suspicion will be investigated and dealt with in accordance with the procedure described in Section 3.

## **3.0 Investigation of Suspected Irregularity**

Once an irregularity is suspected, reported or disclosed, whether it relates to fraud, a whistleblowing disclosure or an ethical issue, it is critical that any investigation is conducted in a professional manner, in accordance with the following procedures.

- 3.1** The Headteacher or Deputy Headteacher should be informed of a suspected irregularity without delay who in turn will report this to the CEO. At this point, the circumstances and nature of the matter raised and the remedies being sought will be taken into account in determining the course of action to be taken which is likely to be one or more of the following:
- The Headteacher/CEO can immediately refer the matter to another appropriate external authority such as the Police or a professional body.
  - The matter can be referred to an individual, an Investigating Officer, appointed by the Headteacher/CEO, who has the appropriate expertise and seniority to decide whether there is a prima facie case to answer. In cases of fraud, this will normally be the Deputy Headteacher. The Deputy Headteacher, with the Headteacher/CEO, will decide whether an investigation should be conducted and if so, the remit of the investigation, who should undertake the investigation, what form it should take and the scope of the concluding report. Internal investigations will be conducted in a manner which ensures that those involved in the investigation will be different from those who may be required subsequently to conduct any disciplinary proceedings.
    - Some special investigations may require the use of technical or specialist expertise in which case an external specialist (such as the Internal Scrutiny auditor or external auditor) may be employed as the Investigating Officer or to contribute to the investigation.
    - The report of the investigation may conclude that there is no case to answer or that disciplinary procedures should be applied or that there should be some other special investigation, either internal or external. If it is decided that more than one of these means is appropriate, the Deputy Headteacher, with the Headteacher/CEO should satisfy themselves that such a course of action is warranted.
  - In some circumstances, it may be appropriate for the Headteacher/CEO to liaise directly or indirectly with the parties involved to seek a resolution. Should a satisfactory resolution not be attainable through these means, one of the alternative courses of action set out above may then be followed.
- 3.2** The Headteacher/CEO will normally inform the Chair of Trustees and the Chair of the MAT Resource Committee that an investigation is taking place.
- 3.4** At an appropriate point in time, the Headteacher/CEO will (subject to the potential materiality of the irregularity with respect to damage to the reputation of the institution and/or financial loss) consider informing:
- The Trust's Insurers
  - The Trust's External Auditors
- 3.5** In the event that it is not appropriate to disclose information to the Headteacher/CEO, concerns will be raised directly with the Chair of the Trustee Resource Committee, if the issue falls within the purview of that Committee, or the Chair of Trustees.
- 3.6** Should any officer responsible for this procedure be implicated in any way or have or be perceived to have any potential conflict of interest in an allegation of fraud, he or she will not take part in the procedure, the role being taken by an appropriate alternate.

- 3.7 Any investigation will be carried out in accordance with the principles of natural justice, and with due regard to the statutory rights of all individuals involved in the case. The school will take all reasonable measures to ensure that an investigation is concluded as quickly as possible. If information was disclosed or reported by an individual(s) initially they will be kept informed of what action, if any, is to be taken. If no action is to be taken the individual concerned will be informed of the reason for this.
- 3.8 If the decision is reached that there is a prima facie case to answer, the person or persons implicated will be informed of this, shown the supporting evidence and be offered an opportunity to respond as part of the investigation.
- 3.8 If the person reporting the irregularity or making the disclosure is dissatisfied with the procedures followed or the outcome of this process, they may take out a plea of grievance.

#### **4.0 Prevention of Further Loss**

Where the case is sufficiently serious, an individual who is accused of fraud may be suspended, with or without pay, while an investigation is under way, in accordance with the school's disciplinary procedures. The Headteacher/CEO will be consulted before any such action is taken. It should be noted that suspension is a neutral act intended to facilitate enquiries, and does not imply any presumption of guilt.

- 4.1 If the individual under suspicion is to be suspended it may be necessary to plan the timing of suspension to prevent the suspect from destroying or removing evidence that may be needed to support disciplinary or criminal action. The suspect should be approached unannounced. They should be supervised at all times before leaving the school premises. They should be required to reveal relevant computer passwords, and not remove, either on disk or electronically, data from the premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the school. Any security passes and keys to premises, offices and furniture should be returned.
- 4.2 The terms of suspension should also bar staff from contacting colleagues about any work related matter without the written consent of the Headteacher/CEO. Should suspended staff breach the terms of suspension, this should be grounds for disciplinary action in its own right.
- 4.3 The Headteacher will instruct the ICT Manager or relevant member of staff to immediately withdraw access permissions to the school's computer systems.
- 4.4 The Investigating Officer 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 school's assets.

#### **5.0 Establishing and securing evidence**

The internal or external auditors and/or management will:

- Maintain familiarity with the Trust's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation
- Establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act (1984)
- Ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

Management will establish and maintain contact with the police, where appropriate. The decision will be reported to the Chair of Trustees and the Chair of the Trustee Resource Committee.

## **6.0 Notifying the ESFA**

The Academies Financial Handbook (updated annually) includes a requirement that:

“All instances of fraud or theft committed against the Academy Trust, whether by employees or governors or third parties, above £5,000 must be reported by the Academy Trust to the Education and Skills Funding Agency (ESFA). Any unusual or systematic fraud, regardless of value, must also be reported.”

- 6.1** The ESFA reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity.

## **7.0 Recovery of losses**

The Investigating Officer shall where possible quantify the amount of any loss. The Deputy Headteacher, with the Headteacher/CEO, shall consider whether to, and how to go about, seeking repayment of losses.

- 7.1** Where the loss is substantial, legal advice will be obtained without delay about the need to freeze the suspect’s assets through the court, pending conclusion of the investigation. Legal advice will also be obtained about prospects for recovering losses through the civil court, or deducting losses from any salary payments outstanding, where the perpetrator refuses repayment. The school would normally expect to recover costs in addition to losses.

## **8.0 Monitoring and Review**

The Trustee Resource Committee has the responsibility for implementing, monitoring and reviewing this policy. Any issues, which arise, which do not fall within the remit of this Committee or are relevant to other areas of the Trust, will be brought to the attention of the relevant committees and /or individuals.

- 8.1** The Trustees will review this policy in line with the procedure for policy review.

Date for review - if no other reason for review (see policy review procedure) this policy will be reviewed every three years.