

The Cam Academy Trust FRAUD POLICY	
To be read in conjunction with the Financial Procedures Manual	
Approved in consultation with the Audit & Risk Committee on behalf of the Trust Board:	20/06/2019 23/02/23
Reviewed:	September 2018 – without changes September 2019 – with changes September 2020 – without changes February 2023 – with changes
To be reviewed:	Every 2 years or as appropriate
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Responsible Officer:	Dir. Of Finance and Operations - M. Norman
Category - 1	Version 2

Introduction

For the purposes of this policy, fraud is defined as dishonest, irregular, or illegal acts, characterised by a deliberate intent at concealment, or false representation. It often involves the diversion or misuse of academy/trust funds or other resources, whether or not for personal gain, for the benefit of an individual or group of individuals at a consequent loss to the academy/trust.

Although there are relatively low levels of fraud within the sector, there is an ever-present need to be vigilant to the risks. The objective of this policy therefore is to safeguard the proper use of the academy's/trust's finances and resources. The academy/trust derives the majority of its income from public funds, however it may also receive charitable donations and income from parents, and so has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

Fraud is a serious matter, and the governing board is committed to investigating all cases of suspected fraud. Any member of staff, regardless of their position or seniority, against whom prima facie evidence of fraud is found, will be subject to disciplinary procedures that may result in dismissal. The academy/trust will normally involve the Education and Skills Funding Agency (ESFA) and the police, and may seek redress via civil proceedings.

Prevention

As the aftermath of fraud is costly, time-consuming, disruptive, and unpleasant, and may lead to unwelcome adverse publicity, a major thrust of this fraud policy is prevention. The most effective way to manage the risk of fraud is by developing an anti-fraud culture throughout the academy/trust.

Leadership

Governors, senior managers and financial officers must be fully aware of the risk of fraud and of their responsibilities regarding fraud. They should always ensure that their behaviour is demonstrably selfless and open, and should champion the trust's policies on conflicts of interest, hospitality and gifts.

Management procedures

Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud. The academy/trust should have in place a fraud risk management strategy which:

- Regularly assesses vulnerability to fraud.

- Tests internal audit plans and systems to ensure its robustness.
- Identifies the areas most vulnerable to fraud risk.
- Evaluates the scale of fraud risk.
- Responds to the fraud risk by improving control arrangements.

Staff must comply with and should receive training in the academy's/trust's policies on segregation of duties, data security and conflict of interest, and the academy's/trust's financial regulations.

In addition, the academy/trust has an internal audit programme. In line with the requirements of the Academy Trust Handbook, the trust must report annually to the ESFA details of its internal audit reports.

Cyber-crime and cyber security

The academy/trust should be vigilant and pro-active in relation to cyber-crime and have cyber security arrangements in place.

Staff appointments

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

- References should cover a reasonable, continuous period of at least three working years, and any gaps should be explained.
- References should cover character, in addition to academic or other achievement.
- An official employer's reference should be obtained.
- 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.
- Essential qualifications should be checked before making an offer of employment, for example by requiring original certificates at the interview.
- Where a post carries significant financial responsibility, disclosure and barring service (DBS) checks should be done on all staff.

Cash

Management of cash should include the following:

- Segregation of duties – systems should prevent one person from receiving, recording, and banking cash. Where there are many outlets, the system should incorporate additional supervisory management, and unannounced spot checks. Segregation of duties should continue during periods of leave or sickness absence.
- Reconciliation procedures – an independent record of cash received and banked may deter and detect fraud. Documents used in reconciliation processes, such as paying-in slips, should not be available to the officer responsible for banking.
- Teaching staff or undesignated support staff should not handle any cash payments (or other such forms of payment) received for school trips etc. Payments received for school trips etc.,

must be handed directly to the Finance Department. Receipts should normally be issued in return for cash received, to provide an audit trail.

- Physical security, such as access to keys and access codes should be kept secure.
- Frequent banking.

Cheques

Cheques are often completed in ways which facilitate opportunist fraud. Cheques are sometimes intercepted by organised criminals who falsify payee and value details using sophisticated techniques. Debtors may also be told to make cheques payable to a private account, possibly using an account name which is similar to that of the academy/trust.

The following preventative measures should be taken:

- Physical security – unused, completed and cancelled cheques should never be left unsecured. If cheques are destroyed, more than one officer should be present, and a record of the serial numbers should be maintained.
- Frequent bank reconciliations – some frauds have gone undetected for long periods because accounts have not been reconciled promptly, or because discrepancies have not been fully investigated.
- Segregation of duties.
- Use of bank account names which it is difficult to represent as personal names, to prevent the simple theft of cheques in the post and their conversion into cash.
- Clear instructions to debtors about correct payee details and the address to which cheques should be sent. The address should normally be the accounts department, not the department which has provided the goods or services.
- Central opening of all post by more than one person, and recording of all cash and cheques received.
- Rotation of staff responsibilities, including the regular rotation of counter-signatories in accounts departments, to reduce the risk of collusion.
- Training in secure completion of cheques.
- Use of electronic funds transfer (EFT) as an alternative to cheques.

Purchasing

Many of the largest frauds suffered in education institutions have targeted the purchase ledger. Preventative measures should be taken as follows:

- Minimising little used or unusual account codes.
- Ensuring that all account codes are effectively monitored and approved by line management.
- Segregation of duties.
- Secure management of the creditors' standing data file, including segregating the origination and approval of new or amended data.

- Requiring purchase orders for the procurement of all services, as well as goods.
- Matching the invoice amounts to the purchase order commitment in all cases. Where service order variations occur, these should be supported by an authorised variation order.
- A certified delivery note should be matched to the invoice for payment.
- The prohibition of posting 'dummy invoices' to the purchase ledger.

All suppliers should be vetted to establish that they are genuine and reputable companies before being added to lists of authorised suppliers.

Detection

Checks and balances

Detective checks and balances will be designed into all relevant systems and applied consistently, including segregation of duties, reconciliation procedures, random checking of transactions, and review of management accounting information, including exception reports. Systems should identify transactions which have not followed normal procedures.

Behaviour patterns

Suspect patterns of behaviour among staff dealing with financial transactions should be investigated, for example, living beyond apparent means, taking few holidays, regularly working alone out of normal hours, resistance to delegation, unusually close associations with a supplier and personal or family financial difficulties. Any indication of addiction to drugs, alcohol or gambling should be addressed promptly, for the welfare of the individual and to minimise the risks to the academy/trust.

Whistle blowing policy

Anyone suspecting fraud may use the trust's whistle blowing policy, which provides protection against reprisal for any such disclosure.

Fraud response procedure

Purpose

The purpose of this fraud response procedure is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud or irregularity. Those investigating a suspected fraud should:

- Aim to prevent further loss.
- Liaise with the trust's insurer.
- Establish and secure evidence necessary for criminal and disciplinary action.
- Inform the police.
- Contact the action fraud national reporting centre on www.actionfraud.police.uk.
- Notify the ESFA.
- Endeavour to recover losses.
- Take appropriate action against those responsible.

- Keep internal personnel and outside organisations with a need-to-know suitably informed, on a confidential basis, about the incident and the academy's/trust's response.
- 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.

Initiating action

Members of staff, students or members of the governing board may suspect fraud or irregularity in the academy/trust. If so, they should report it as soon as possible to the headteacher/principal. The person to whom the suspected incident is reported should then ensure that it is made known without delay to the Trust's Director of Finance and Operations, the Chief Executive Officer and the Chair of the Local Governing Body Finance committee and Chair of the LGB.

The Director of finance and Operations should, as soon as possible (and with the aim of acting within 24 hours), chair a meeting of the following group to decide on the initial response, using properly appointed nominees where necessary:

- Headteacher.
- Chair and/or Deputy Chair of the LGB Finance committee.
- Designated Investigating officer.

If the actual or suspected incident concerns or implicates a member of this group, the chair of governors or vice chair of governors will appoint a substitute. The academy must identify a Responsible Officer tasked with reporting incidences to the police.

Responsibility for investigation

The group, chaired by the chair of the finance committee, will decide on the action to be taken. This will normally be an investigation led by a designated officer. As soon as possible the Director of Finance and Operations will report the incident to the Trust Audit and Risk committee and confirm that an investigation is under way.

Prevention of further loss

Where initial investigation provides reasonable grounds for suspecting a member or members of staff, governors or others of fraud, the group will decide how to prevent further loss. This may require the suspension of the suspect or suspects, under the appropriate disciplinary procedure. It may be necessary to plan the timing of suspension to prevent suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect or suspects should be approached unannounced. They should be supervised at all times before leaving the academy's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the academy. Any security passes and keys to premises, offices and furniture should be returned. The facilities manager should be required to advise on the best means of denying access to the academy while suspects remain suspended, for example by changing locks and informing premises staff not to admit the individuals to any part of the premises. Similarly, the IT manager should be instructed to withdraw without delay access permissions to the academy's computer systems.

The group will 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 academy's assets.

Establishing and securing evidence

The academy will follow disciplinary procedures against any member of staff or governor who has committed fraud and will normally pursue the prosecution of any such individual through the criminal courts. The investigating officer will:

- Ensure that evidence requirements are met during any fraud investigation.
- Establish and maintain contact with the police.
- Ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

Reporting lines

The group will provide regular, confidential reports to the chair of governors, which will include:

- Quantification of losses.
- Progress with recovery action.
- Progress with disciplinary action.
- Progress with criminal action.
- Estimate of resources required to conclude the investigation.
- Actions taken to prevent and detect similar incidents.

The Director of Finance and Operations is to maintain communications with the Trust Audit Committee.

Notifying the ESFA

The Trust must notify the ESFA of any attempted, suspected, or actual fraud or irregularity exceeding £5,000 individually or £5,000 cumulatively in any financial year.

Recovery of losses

The investigating officer will endeavour to ensure that the amount of any loss is quantified. Repayment of losses will be sought in all cases. Where the loss is substantial, legal advice should be obtained about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice may be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The academy will normally expect to recover costs in addition to losses.

Final report

On completion of a special investigation, a written report, normally prepared by the investigating officer, shall be submitted to the chair of governors 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 the actions have been taken.

The final outcome will be reported to the complainant.

References for persons disciplined or prosecuted for fraud

Any request for a reference for persons disciplined or prosecuted for fraud must be referred to the trust's HR advisers.

Review of fraud response plan

This plan will be annually reviewed for fitness of purpose. Any recommended change will be reported to the Trust Audit and Risk committee for consideration and to the Trust Board for approval.

References

- HM Treasury managing Public Money Annex 4.9.
- ESFA Academy trust guide to cyber-crime and cyber security March 2018.
- DFE Indicators for potential fraud: a generic checklist for education providers February 2019.
- DFE How ESFA handles allegations of suspected fraud or financial irregularity January 2019.
- DFE Academy trust guide to reducing fraud March 2018.
- Academy Trust Handbook.
- Internal scrutiny in academy trusts March 2022.
- Institute of School Business Leadership (formerly the National Association of School Business Management) 'Countering fraud in Education'.