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## **FRAUD POLICY**

**ADOPTED AT THE MEETING OF**

**THE FINANCE COMMITTEE**

**HELD ON**

**REVIEWED BY THE RLT BOARD OF TRUSTEES  
ON 17<sup>TH</sup> DECEMBER 2015**

**Signature of Chair of Committee:**

**Signature of Headteacher:**

**To be reviewed every three years.**

# FRAUD POLICY STATEMENT

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Date of Policy: 13<sup>th</sup> December 2012

Date of next Review: 17<sup>th</sup> December 2018

## **Fraud Policy Statement**

### **PRINCIPLE**

One of the basic principles of public sector organisations is the proper use of public funds. It is therefore important that all those who work in the public sector are aware of the risk of fraud and the means of enforcing the rules against fraud and other illegal acts involving dishonesty or damage to property.

The School already has procedures in place that reduce the likelihood of fraud occurring. These include Financial Regulations, Financial Procedures and a system of internal control. In addition the Local Governing Body tries to ensure that a risk awareness culture exists in the School.

This policy statement is intended to provide direction and help to staff and governors who find themselves having to deal with suspected cases of theft, fraud or corruption. It gives a framework for a response, advice and information on various aspects and implications of an investigation. This document is not intended to provide direction on prevention of fraud.

### **THE SCHOOL'S POLICY**

The Local Governing Body is committed to maintaining an honest, open and well-intentioned atmosphere within the School. It is also committed to the elimination of any fraud occurring within the School, and to the rigorous investigation of any such cases.

All employees have the right to 'blow the whistle' on what they perceive to be a cause of serious concern or malpractice. All staff should familiarise themselves with the School's Whistleblowing policy and in particular the protection afforded them under the Public Disclosure Act 1998.

All members of staff can therefore be confident that they will not be victimised as a result of reporting reasonably held suspicions of fraud.

This policy should be read in conjunction with the Disciplinary Policy, the Whistleblowing Policy and the Finance Committee Terms of Reference.

### **IMPLEMENTATION**

#### **1. Definition of Fraud and Financial Irregularity**

**1.1** Fraud and financial irregularity can be defined as any circumstances where an individual or individuals carry out the following:-

- misappropriation of School assets, including cash;
- intentional misrepresentation or omission of facts, whether or not for personal financial gain and including where the intention is to benefit the School;
- use of the School name and / or reputation by individuals to secure unauthorised goods and / or services;
- any action carried out for unauthorised personal financial gain.

**2.2** Actions constituting Fraud or irregularity are detailed in Appendix A

## **2. Roles and Responsibilities**

**2.1** The Funding Agreement between the Rowan Learning Trust and the Secretary of State for Education or his successor bodies and the Audit Code of Practice refer to the responsibilities of the School. The Local Governing Body is responsible for ensuring that the financial planning and other management controls, including controls against fraud and theft, applied by the School, are appropriate and sufficient to safeguard public funds.

**2.2** Responsibility for the prevention and detection of irregularities, including fraud and corruption lies with all governors and members of staff. Investigations should be conducted by the most senior member of staff not implicated by any wrong doing.

**3.3** The School's Financial Statements auditor has a duty to plan and conduct the annual audit so that there is a reasonable assurance of detecting material misinformation in the accounts arising from fraud or other irregularities.

## **4. Reporting of Fraud**

**4.1** If any governor, employee or student has reason to suspect fraud or financial irregularity, he/she may report this to the following staff (depending on whom is considered to be the perpetrator):-

- Headteacher
- Business Manager
- Auditors
- The Finance Committee
- Clerk to the Governors
- Government Department

**4.1.1** In circumstances, where the Headteacher is not in any way implicated, he/she shall be immediately informed by any member of staff on any matter arising, which involves financial or accounting irregularities, including fraud and corruption, or any circumstances, which suggest the possibility of irregularities. The irregularities may affect cash, stores, property, remunerations or all allowances of the School.

If the allegation is against the Headteacher, then the Clerk to the Governors shall be informed, who must then inform the Chair of Governors and the Chair of the Board of Trustees of the Trust. The Chair of Governors and Chair of the Board of Trustees will then together nominate a Trust employee to act as the Headteacher in the context of these procedures and he/she shall be referred to as the nominee.

Upon notification the Headteacher (or nominee) will assess the severity of the matter with the Business Manager or the auditors. Following this assessment the Headteacher (or nominee) may invoke a different School procedure which is based on natural justice and takes account of the underlying principles set out in this policy statement.

If the Headteacher (or nominee) believes that any possible irregularity is of minimal effect and/or has arisen by accident then the Business Manager will be required to maintain a formal record of this conclusion and any action taken. Such records will be available to the Internal and Financial Statements Auditors.

In any other case the Headteacher (or nominee) will immediately appoint an Investigating Officer and will ask the Internal Auditors to assist in the investigation of the matter. The Internal Auditors will advise the Investigating Officer within **10** working days whether there is a prima facie case for full investigation, and the Investigating Officer will advise the Headteacher (or nominee). If there is a prima facie case for investigation, the Headteacher (or nominee) will immediately notify the Chair of the Finance Committee, the Chair of Governors, Chair of the Board of Trustees of the Trust and the Financial Statements Auditors.

If there is no prima facie case for full investigation, the Internal Auditors will discuss the matter with the Investigating Officer.

At any stage during the procedures the School and/or the Trust may use its own powers under the Articles of Association and the Disciplinary Procedures.

**4.2** All cases of significant fraud should be reported to the Secretary of State, Education Funding Agency or its successor body immediately. Significant fraud is usually when one or more of the following factors are involved: -

- sums of money involved are in excess of £10,000
- the particulars of the fraud are novel, unusual or complex;
- there is likely to be great public interest because of the nature of the fraud or the people involved.

**4.3** If the School is unsure whether a case of fraud is significant, or not, it should seek the advice of the appropriate external body or agency.

## **5 Confidentiality**

**5.1** In accordance with the School Whistleblowing Policy, any allegation will be treated confidentially, and the name of the reporting individual will not be disclosed to the alleged perpetrator without prior approval. Every effort will be made to ensure that the identity of the individual remains confidential for as long as is reasonably possible.

**5.2** Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important, in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the School from potential civil liability.

## **6 The Investigation Procedure**

**6.1** Investigations will be conducted impartially, fairly, objectively and in good faith.

**6.2** Initially, the task of the investigators will be to establish whether there are reasonable grounds to suspect that fraud or irregularity has taken place. This will involve checking of facts, scrutiny of records, and interviewing of relevant individuals. If any

investigation substantiates that fraudulent activities have occurred, the Business Manager (if not implicated) or other senior post holder will issue reports to the Chair of the Finance Committee, Financial Statements Auditor, the local EFA office or successor body and any other directly relevant personnel and, if appropriate, to the Local Governing Body or the Board of Trustees of the Trust.

- 6.3** In the initial stages, the investigators should restrict questioning to establishing whether suspicion appears to be well founded. If this is the case, then a full-scale investigation should be carried out, commencing with the suspension of the individual(s) or employee(s) against whom allegations have been made. Any suspended employee must be escorted from the building to ensure against the removal and/or destruction of evidence.
- 6.4** In the case of a suspicion against a member of staff the investigation must have due regard to Employment Law and the School's own disciplinary procedures.

## **7 Reporting Procedures**

- 7.1** Great care must be taken in the investigation of suspected fraud so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.
- 7.2** The objectives of any fraud investigation will be:-
- to collect and secure sufficient evidence to prove the offence and to identify the defaulter;
  - to provide evidence for disciplinary or legal action.

It is essential that the full area of activity and influence of the person(s) under investigation be made known to the investigators as soon as possible. This will help to establish the extent of the fraud, and to minimise any further damage.

- 7.3** A file should be established at the start of the investigation. All material should be kept in chronological order, cross-referenced where appropriate, and should include: -
- detailed notes from all relevant interviews; (it should be noted that interviews with suspects should normally be conducted by trained interviewers and must be conducted in accordance with the Code of Practice issued under section 66 of the Police and Criminal Evidence Act 1984 (PACE)). If possible the Police should be contacted before the suspect is interviewed if this is practical.
  - descriptions and explanations of all decisions taken;
  - any other relevant forms of evidence.
- 7.4** In maintaining this file, investigators should be aware that material may become evidence in a court of law or at an industrial tribunal. In addition, it should be noted when handling any documentary evidence that this may be subject to fingerprinting or other forensic examination at a later date.
- 7.5** In all cases of suspected fraud or irregularity, a decision must be taken by the investigators on whether the police should be informed. The decision made will depend upon the nature and materiality of the allegations, but it should be noted that the Criminal Law Act 1967 makes it a general offence to act with the intention of

impeding the apprehension or prosecution of offenders for arrestable offences without lawful authority or reasonable excuse.

## **8 Further Action**

**8.1.1** If, at the conclusion of the investigation, it is established that fraud and / or financial irregularity has taken place, then the individual(s) concerned should be subject to disciplinary action under the terms of the School disciplinary procedures.

**8.2** In the majority of cases, it can be assumed that proof of perpetration of fraud and/or financial irregularity will result in dismissal of the employee(s) and or exclusion of the student(s) concerned in accordance with the Student Behaviour Policy. In cases involving the police, criminal prosecution may also result.

**8.3** It is the responsibility of the School to endeavour to recover any goods or monies owing to it as a result of fraudulent actions of individuals. The most effective process of recovery should be decided upon in consultation with the School's solicitors.

## **9 Press Release**

To avoid potentially damaging publicity to the School and / or to the suspect, the Headteacher and / or Chair should prepare at an early stage a press release giving the facts of any suspected occurrence and any actions taken to date although the name(s) of any individual(s) pending investigation should not be released to the press.

## **10 The Review Process**

**10.1** Once fraud and/or irregularity have been proven, it is important that the organisation review the circumstances in which it occurred to ensure that the same thing does not happen again. Areas under review will differ with each individual case, but could include:-

- Adequacy of internal control systems;
- Staff recruitment policies;
- Management Structure.

**10.2** The review may be conducted by School Management, the internal auditors, or another relevant party. Results of the review should be made available to the Headteacher (or nominee), the Chair of the Finance Committee, and external auditors.

## **11 Monitoring and Review**

The Fraud Policy Statement will be kept under regular review and will be looked at by the Finance Committee every three years. The next review will be undertaken during December 2018.

## APPENDIX A

### What is Fraud?

Fraud is the term used to describe such acts as deception, corruption, bribery, forgery, concealment of facts, embezzlement, misappropriation, false representation and collusion. In law however, there is no specific offence of fraud; most of the offences that are regarded as fraud are covered by a number of offences contained within the Theft Acts of 1968 & 1978. For practical purposes fraud may be described as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

Fraud is defined as the intention to permanently deprive the organisation/institution/individual of something. Fraud includes actions intended to benefit the School/Trust rather than the individual.

### ACTIONS CONSTITUTING FRAUD OR IRREGULARITY

These examples are not intended to be exhaustive but are provided for illustration and guidance purposes. The expressions 'forgery', 'stealing', 'obtaining by deception', 'unauthorised access' and 'unauthorised modification' have the meaning given to them by currently applicable legal definitions:

- Forgery or alteration of any document or account belonging to the School
- Forgery or alteration of any cheque, bankers draft or other financial document
- Stealing, obtaining by deception or misusing funds, securities, equipment or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiting as a result of insider knowledge of the activities of the School or as a result of any undisclosed relationship with any third party entering into any transaction with the School
- Disclosing without authority trading activities engaged in or contemplated by the School
- Disclosing without authority confidential and proprietary information
- Accepting or soliciting anything of material value from any third party providing goods or services to the School, or acting directly or indirectly on behalf of a company or any other person or entity involved in any transaction with the School
- Destruction, removal or unauthorised use of records, furniture, fixtures and equipment belonging to the School
- Giving anything of material value to any third party providing goods or services to the School or acting directly or indirectly on behalf of a company or any other person or entity involved in any transaction with the School
- Unauthorised access to, or unauthorised modification of, any computer system or computer programme belonging to, or used by, the School for the purpose of diverting or misusing assets, or for the purpose of obtaining confidential information
- Misrepresentation or the use of forged qualifications / references in order to obtain employment with the School
- Falsifying expense claims
- Use of the School's assets and facilities for personal use/gain

## APPENDIX B

### CONTACT POINTS FOR NOMINATED PERSONS

POST	CURRENT POST-HOLDER	CONTACT POINT
Chair of Finance Committee	George Andrew Wilson	a.wilson@rowanlearningtrust.com
Head of School	Josephine McGoran	01942 204640 j.mcgoran@hhhs.net
Business Manager	Gillian Goulding	01942 204640 g.goulding@hhhs.net
Responsible Officer	Michael Prior	
Financial Statements Auditors	Haines Watts	0161 926 8558
Education Funding Agency		academyquestions@efa.education.gov.uk