



# The Academies for Character and Excellence

## Anti-Fraud & Corruption Policy

Finance

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## **1. Summary**

- 1.1 *This policy sets out the Trust strategies for minimising the risk of fraud, corruption and other irregularity and includes the plan for responding when such fraud, corruption or irregularities are suspected and also complements the Trust Whistleblowing Policy. It defines the expected conduct of all staff in relation to deterring and/or detecting fraud and corruption, and who to report it to.*
- 1.2 *This policy is applicable to all employees (full-time, part-time, voluntary, temporary and casual) of the Trust. The purpose of the policy is to give a mechanism to improve conduct to the standard expected and to facilitate the fair dismissal of those who have not improved or whose conduct is so unacceptable as to warrant dismissal without notice. The aim is to ensure consistent and fair treatment for all employees.*
- 1.3 *The Trust delegates its authority in the manner set out in this policy.*

## **2. Policy Statement**

- 2.1 *This policy defines Anti-Fraud & Corruption and offers guidance for all staff in the Trust.*
- 2.2 *The Trust aims to be an honest and ethical institution. As such, it is opposed to fraud and seeks to eliminate fraud by the way it conducts Trust business. This document sets out the Trust's policy and response plan for dealing with the risk of significant fraud or corruption. To minimise the risk and impact of fraud, the Trust's objectives are, firstly, to create a culture which deters fraudulent activity, encourages its prevention, and promotes its detection and reporting. Secondly, to identify and document its response to cases of fraud and corrupt practices.*
- 2.3 *This policy, in line with the Trust's corporate value of integrity and seeks to ensure consistency, impartiality, fairness and best practice. It provides both staff and management with mutually understood guidelines for its administration.*
- 2.4 *Our Internal Audit work programme supports the prevention and identification of fraud.*
- 2.5 *The aftermath of financial misconduct is costly, time-consuming, disruptive, and unpleasant. The major thrust of the Trusts' strategy is, therefore, prevention.*

## **3. Introduction**

- 3.1 *The Trust is committed to ensuring that it acts with integrity and has high standards of personal conduct. Everyone involved with the Trust has a*

responsibility in respect of preventing and detecting fraud. All staff, Directors and Governors have a role to play. The Trust also recognises the role of others in alerting them to areas where there is suspicion of fraud.

- 3.2 *Recognising a potential fraud and being able to report it is just as important as the measures to prevent and detect.*
- 3.3 *It is the duty of all employees, Directors and Governors at the Trust to take reasonable steps to limit the possibility of corrupt practices, and it is the responsibility of the Accounting Officer and Auditors to review the adequacy of the measures taken by the Trust to test compliance and to draw attention to any weaknesses or omissions.*
- 3.4 *Any investigation carried out in relation to alleged irregularities is linked to the Trust's Disciplinary Policy.*

## **4. Definition of Fraud**

- 4.1 *Although there is no precise legal definition of fraud, the term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Fraud can occur anywhere within the Trust and can present itself not simply as financial or financially motivated actions but covers areas including financial, reputational, employment and pupils. This policy covers all the above.*
- 4.2 *The Fraud Act 2006, which came into force on 15th January 2007, introduces provision for a general offence of fraud which is broken into three sections:*
  - a. *Fraud by false representation.*
  - b. *Fraud by failing to disclose information.*
  - c. *Fraud by abuse of position.*
- 4.3 *For practical purposes in the application of this policy, fraud may be defined as the use of deception with the intention of:*
  - a. *Deliberately securing an employment using falsified information.*
  - b. *Gaining an advantage, personally and/or for family or friends.*
  - c. *Avoiding an obligation.*
  - d. *Causing a financial loss to the Trust.*

## **5. Definition of Corruption**

- 5.1 *The term 'corrupt practices' is defined for the purpose of this code as the offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions taken by the Trust, its staff, or Governors.*

## 6. Irregularities

6.1 These fall within the following broad categories, the first three of which are criminal offences:

- a. **Theft** - the dishonest taking of property belonging to another person with the intention of depriving the owner permanently of its possession.
- b. **Fraud** - the intentional distortion of financial statements or other records by persons internal and external to the Trust, which is carried out to conceal the misappropriation of assets or otherwise for gain.
- c. **Bribery and corruption** - involves the offering or the acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement.
- d. **Failure to observe**, or breaches of, Scheme of Delegation and Financial Regulations – the Trust’s Procedures which in some circumstances can constitute an irregularity, with potentially significant financial consequences.

## 7. Examples of Fraud and Corruption

7.1 The following fall into the category of what could constitute fraud and corruption:

- a. Theft of cash.
- b. Non-receipt of income.
- c. Substitution of personal cheques for cash.
- d. Travelling and subsistence claims for non-existent journeys/events.
- e. Travelling and subsistence claims inflated.
- f. Manipulating documentation to increase salaries/wages received, e.g., false overtime claims.
- g. Payment of invoices for goods received by an individual rather than the Trust.
- h. Failure to observe, or breaches of, regulations and/or other associated legislation laid down by the Trust.
- i. Unauthorised borrowing of equipment.
- j. Breaches of confidentiality regarding information.
- k. Failure to declare a direct pecuniary or otherwise conflicting interest.
- l. Concealing a generous gift or reward.
- m. Unfairly influencing the award of a contract.
- n. Creation of false documents.
- o. Deception.
- p. Using position for personal reward.

7.2 The above list is not exhaustive, and fraud and corruption can take many different paths. If there is any doubt as to whether a matter is an irregularity or not, clarification must be sought from the CFO. Similarly, if

*there is concern or doubt about any aspect of a matter which involves an irregularity, or an ongoing investigation into a suspected irregularity, the best approach is to seek advice from the Chief Executive Officer (CEO) / Chief Finance Officer (CFO).*

## **8. Fraud Risk Management Strategy**

*8.1 Annex 4.9 of the HM Treasury publication Managing Public Money highlights the responsibilities and expectations of public sector organisations in relation to fraud. An effective fraud risk management strategy involves:*

- a. Assessing your overall vulnerability to fraud.*
- b. Testing your internal control system to ensure it is robust.*
- c. Identifying the areas most vulnerable to fraud risk, the list of potential fraud indicators may support this review.*
- d. Evaluating the scale of fraud risk.*
- e. Responding to the fraud risk through improved control arrangements.*
- f. Measuring the effectiveness of the risk strategy to potential fraud.*
- g. Reporting fraud.*

## **9. Fraud Response Plan**

9.1 *The purpose of the plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity.*

9.2 *The use of the plan is intended to enable the Trust to:*

- a. Investigate an allegation of fraud as quickly as possible in an unhindered way in order to determine whether the evidence is available to correctly identify that a fraud has taken place or not.*
- b. Prevent further loss, or potential gain, e.g., fraudulent employment gain.*
- c. Establish and secure evidence necessary for criminal and disciplinary action.*
- d. Notify the ESFA if required.*
- e. Recover losses.*
- f. Take action against the culprits.*
- g. Review the reason for the incident, the measures taken to prevent a recurrence and any action needed to strengthen future responses to fraud.*
- h. Keep all personnel with a need to know suitably informed about the incident and the Trust's response.*
- i. Inform the police and establish lines of communication.*
- j. Assign responsibility for investigating the incident.*
- k. Establish circumstances in which external specialists should be involved.*
- l. Establish policies for follow on actions, such as future requests for references for employees involved in the incident.*

9.3 *All actual or suspected incidents at a Trust level should be reported immediately to the CEO and/or CFO (unless the CEO and/or CFO is suspected, in which case it will be reported directly to the Chair of the Strategic Board) and Chair of the Finance, Audit and Risk Committee. The CEO will make any initial enquiries considered necessary to clarify the situation, either personally or via a nominated Investigating Officer, who will be a member of the Trust Leadership Team, but should then arrange a meeting of the Finance, Audit and Risk Committee to determine the initial response.*

9.4 *At all levels, the Trust's schools are required to report any allegations of fraud at the Trust to the Trust CEO and the Trust CFO, without delay.*

9.5 *The Finance, Audit and Risk Committee will decide the action to be taken including the need to commission special investigations and the resource implications. They will need to consider the following:*

*a. Prevention of future loss;*

- This may require the suspension of a Trust employee with pay. This*

is to enable a thorough, unhindered and independent investigation to take place as quickly as possible. The suspension of the employee should not be seen as a form of punishment for the employee and does not imply any guilt on the part of the suspended employee.

- The Trust reserves the right to suspend a Trustee or member of the Trust if there is an allegation of fraud involving that Trustee/Member that is being investigated and ultimately to remove them from office if the allegation is substantiated.
- Those suspected of fraud may need to be escorted from the premises and prevented from gaining future access, including access to the Trust's computer systems.
- Internal audit may consider that other related systems or areas should be investigated.

*b. Action to be taken against the individual:*

- The Trust will follow disciplinary procedures against any member of staff who has committed fraud, which may result in dismissal. The Trust will normally pursue the prosecution of any such individual and the Trust reserves the right to involve the Police or other law enforcement agencies when investigating any allegations of fraud.
- The circumstances in which the Trust will inform the ESFA about actual or suspected frauds are detailed in the Academies Trust Handbook. The Investigating Officer is responsible for informing the ESFA of any such incidents.
- Any removal of a Trustee or Member of the Trust will be in accordance with the following procedure:
  - It will be approved at a quorate meeting of the Strategic Board. Seven days clear notice will be given of the meeting and the meeting agenda will be sent out with the notice of the meeting, including the item to be discussed and the item proposing the suspension or removal of the Trustee.
  - The individual concerned will be given the opportunity to make representations.

*c. Recovery of loss*

- The amount of any loss should be quantified and repayment of losses sought in all cases. If the loss is substantial, legal advice should be obtained without delay from the Trust solicitors.

*d. Reporting*

- All allegations of suspected fraud and irregularities are to be brought to the attention of the CFO and also referred to the CEO, unless this individual is involved in the irregularity in which case the Chair of the Strategic Board should be informed.



- Please refer to the Trust Whistleblowing Policy for further guidance.

## **10. External Fraud**

- 10.1 *The Trust has established processes and controls in place to significantly reduce the potential of fraud by employees.*
- 10.2 *There is also the risk of external fraud particularly with regards to banking and computer fraud.*
- 10.3 *The Trust's bank accounts have their own security controls including the use of 'pin' input Card Readers to carry out any action and 2 members of staff to approve any payments.*
- 10.4 *The Trust has in place the recommended level of controls for computer fraud. Technical systems are managed in ways that ensure that the Trust meets recommended technical requirements and the online safety policy.*

## **11. Monitoring, Evaluation and Review**

- 11.1 *The Strategic Board will review this policy annually and assess its implementation, effectiveness and affordability.*
- 11.2 *The ESFA have published an anti-fraud checklist for Trust schools. It is noted that fraud occurs in every sector and although the level of identified fraud in Academies is low, trusts must be aware of the potential for it to occur. The 10 questions included in the checklist are intended to help Trustees, Accounting Officers and Directors of Finance to review their arrangements for preventing, detecting and dealing with fraud should it occur.*
- 11.3 *The 10 questions are:*
- Are the Trustees, accounting officer and CFO aware of the risk of fraud and their responsibilities regarding fraud?*
  - Is fraud included within the remit of the Trust's Finance, Audit and Risk Committee?*
  - Has the role of the external auditor and responsible officer (or equivalent) regarding fraud been established and is it understood?*
  - Is fraud risk considered within the Trust's risk management process?*
  - Does the Trust have a fraud strategy or policy and is there a zero-tolerance culture to fraud in the Trust?*
  - Is the strategy, policy and zero tolerance culture promoted within the Trust, for example through financial regulations, disciplinary procedures, checks on new staff, induction process, staff training and the vetting of contractors?*
  - Does the Trust have policies on whistleblowing, declaration of interests and the receipt of gifts and hospitality?*

- h. Does the Trust have appropriate segregation of duties around financial transactions, including, but not limited to, accounting, processing and banking arrangements?*
- i. Is it clear to whom suspicions of fraud in the Trust should be reported?*
- j. If there has been any fraud in the Trust, has a lessons learned exercise been undertaken?*

## **12. Roles and Responsibilities**

### **12.1 Staff, Directors and Governors**

- a. The Trust has adopted the following measures to demonstrate its commitment to anti-fraud and corruption:*
  - The Finance, Audit and Risk Committee meets regularly throughout the year.*
  - A requirement for all staff, Directors and Governors to declare prejudicial interests and not contribute to business related to that interest.*
  - A requirement for staff, Directors and Governors to disclose personal interests.*
  - All staff, Directors and Governors are made aware of the understanding on the acceptance of gifts and hospitality.*
  - Clear recruitment policies and procedures.*
- b. Staff, Directors and Governors also have a duty to report another member of staff or Governor whose conduct is reasonably believed to represent a failure to comply with the above.*

### **12.2 Accounting Officer**

- a. The Accounting Officer has specific responsibility for overseeing the financial arrangements on behalf of the Governors.*
- b. The main duties of the Accounting Officer are to provide the Governors with on-going independent assurance that:*
  - The financial responsibilities of the Governors are being properly discharged.*
  - The resources are being managed in an efficient, economical and effective manner.*
  - Sound systems of financial control are being maintained; and*
  - Financial considerations are fully taken into account in reaching decisions.*

### **12.3 Chief Finance Officer (CFO)**

- a. The CFO has a responsibility for ensuring that effective systems of internal controls are maintained and will safeguard the resources of*

*the Trust.*

*b. In respect of fraud, it is therefore the responsibility of the CFO to ensure internal controls prevent and detect any frauds promptly. This includes:*

- Proper procedures and financial systems.*
- Effective management of financial records.*
- Management of the Trust's financial position.*

#### *12.4 External Audit*

*a. The Trust's Annual Report and Financial Statements include an Independent Auditors' Report. This report includes a view as to whether the financial statements give a true and fair view and whether proper accounting records have been kept by the Trust throughout the financial year. In addition, it reports on compliance with the accounting requirements of the relevant Companies Act and confirms compliance with the financial reporting and annual accounting requirements issued by the Dept of Education.*

### **13. Response to Allegations**

*13.1 The CEO will have responsibility for coordinating the initial response. In doing this he/she will consult with the Human Resource advisors regarding potential employment issues. The CEO will also seek legal advice from the Trust's solicitors on both employment and litigation issues before taking any further action.*

*13.2 The CFO and CEO will ascertain whether or not the suspicions aroused have substance. In every case, and as soon as possible after the initial investigation, they will pass the matter on to the Chair of the Finance, Audit and Risk Committee. Even if there is no evidence to support the allegation, the matter must be reported.*

*13.3 The Finance, Audit and Risk Committee will undertake the management of the investigation.*

*a. They will, if appropriate, conduct a preliminary investigation to gather factual information and reach an initial view as to whether further action is required.*

*b. They will determine whether the findings, conclusions and any recommendations arising from the preliminary investigation should be reported to the Chair of the Strategic Board.*

*c. If further investigations are required, they will determine which outside agencies should be involved (police, auditors etc).*

*13.4 The CEO is required to notify the Strategic Board of any serious financial irregularities. This action will be taken at the first opportunity following the completion of the initial investigations.*

13.5 *If evidence of fraud is forthcoming then the Strategic Board will inform the Department for Education as required by the Funding Agreement and will consider whether or not to refer the matter to the police.*

## **14. Confidentiality and Safeguards**

14.1 *The Trust recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the alleged malpractice. The Trust will not tolerate harassment or victimisation and will do what it lawfully can to protect an individual when a concern is raised in good faith.*

14.2 *This does not mean that if the person raising the concern is already the subject of a disciplinary, redundancy or other procedure, that those procedures will be halted as a result of the concern being reported.*

14.3 *There is a need to ensure that the process is not misused. For further guidance refer to the Trust Disciplinary Policy.*

## **15. Review**

15.1 *This Policy has been adopted by the Trustees of the Strategic Board.*

## **16. Links with Other Policies**

16.1 *The Strategic Board is committed to preventing fraud and corruption. To help achieve this objective there is a clear network of systems and procedures in place for the prevention, detection and investigation of fraud and corruption. This Anti-Fraud and Corruption policy attempts to consolidate those in one document and should be read in conjunction with the following Trust policies:*

- a. *Whistle-Blowing Policy*
- b. *Financial Regulations Policy*
- c. *Disciplinary Policy*

