



**MULTI
ACADEMY
TRUST**

The Queen Katherine School Multi Academy Trust

FRAUD POLICY

This policy does not form part of any employee's contract of employment and we may amend it from time to time.

Committee:	Risk, Audit & Finance Committee
Date of adoption:	2021
Date of next review:	Spring Term 2024

Document Control Sheet

The information in the table below details earlier versions of this document with a brief description of each review and how to distinguish amendments made since the previous version date (if any).

Version Number	Amended by	Purpose	Date of Review
1		Original	xx/xx/xxxx
2		MAT Board review	March 2020
3		Risk Audit & Finance Committee review (removed from Financial Regulations Manual)	08/06/2021

I. POLICY STATEMENT

The Trust is committed to ensuring that it demonstrates the highest standards of business conduct and that it maintains an honest and open environment within the Trust and its Academies. It is also committed to promoting an anti-fraud culture, the prevention and detection of fraud and irregularity and the investigation of any such cases. Any apparent fraud or financial irregularity will be investigated and appropriate disciplinary action will be taken where there is evidence of such. The recovery of money/assets from individuals found to be guilty of participating in fraudulent activity will be pursued (through formal criminal and civil action where appropriate). All staff have a duty to:

- Protect the assets of the Trust and its Academies
- Report all reasonably held suspicions of fraud or irregularity
- Cooperate with any investigation.

The following definitions are useful to assist the understanding of this policy:

Fraud - the deliberate use of deception and dishonesty to deprive, disadvantage or cause a loss or the risk of loss (usually financial) to another person or party. Under the Fraud Act 2006, the offence of fraud can be committed in one of three ways:

- By false representation
- By failing to disclose information
- Abuse of position

In each case, the perpetrator's conduct must be dishonest and his/her intention must be to make a gain or cause a loss or the risk of a loss to another (no gain or loss needs actually to have been made). The Fraud Act 2006 also introduced other new offences such as:

- Possession, making or supplying articles for use in frauds
- Obtaining services dishonestly with intent to avoid payment

Theft - dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.

Bribery - the Bribery Act 2010 introduces four offences:

- The offence of bribing another person. This can occur where a person offers, promises or gives a financial or other advantage to another individual to perform improperly a relevant function or activity.
- The offence of being bribed. This is where a person receives or accepts a financial or other advantage to perform a function or activity improperly.
- Bribery of a foreign public official. This is where a person directly or through a third party offers, promises or gives any financial or other advantage to a foreign public official in an attempt to influence them.
- A corporate offence of failure to prevent bribery. A commercial organisation could be guilty of bribery where a person associated with the organisation, such as an employee, agent or even a sub-contractor, bribes another person intending to obtain or retain business for the organisation.

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 Irregularities - could apply to the Trust as well as individual academies, and includes:

- Failure to observe the Trust's Financial Regulations, policies and procedures
- Breach of our Funding Agreement with the ESFA
- Breach of the requirements of the Academies Financial Handbook
- Spending grant income in ways inconsistent with the purposes for which it was intended

2. DETERRENCE

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. It is therefore Trust policy that any fraud will be reported to the Police or other investigative agencies, irrespective of the status of the individual.

The Trust will also undertake disciplinary action, and reserves the right to take legal action.

3. PREVENTION

3.1 Risks

Examples of common types of internal fraud are documented in Appendix 2 of the CIMA document; Fraud Risk Management: a guide to good practice).

http://www.cimaglobal.com/Documents/ImportedDocuments/cid_techguide_fraud_risk_management_feb09.pdf.pdf

The largest irregularities in educational establishments typically involve 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. The importance of publically reported statutory information to educational establishments is significant and therefore this area could be susceptible to fraud.

The Trust considers and monitors risk through a Risk Register. The identification of fraud risk is an integral part of this process. In assessing the level of fraud risk the Trust refers to ESFA guidance such as the 'Anti-fraud checklist for Academy Trusts' and external guidance such as the CIMA document described above.

3.2 Procedures/Systems to Deal with Risks

Fraud can be minimised through consistently operated management procedures, in particular the financial policies and procedures within the Trust's Financial Regulations. The Trust will ensure that management procedures for the Trust and within Academies, as described below, are effective and that staff receive training in their operation:

- Segregation of duties and appropriate oversight in the use of financial systems
- Clear roles and responsibilities, with set levels of authority for authorising transactions
- System protection with electronic access restrictions to prevent the possible misuse of information technology

The Scheme of Delegation and Financial Administration and Control Policy define the requirements in relation to the above points.

3.3 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 by senior staff.

The Trust Board, Local Governing Bodies and senior staff ensure that their behaviour is always demonstrably selfless, impartial and consistent with the public service values of probity and accountability detailed in the Nolan Principles of Public Life.

3.4 Employee Screening

All new members of staff are screened before appointment. Pre-employment checks include:

- Identity and right to work checks
- A full employment history with no gaps

- Two official employer's references
- Offers of appointment to be made subject to receipt of satisfactory references and any doubts about the contents of the reference are resolved before confirming the appointment. This is done by telephone, with a written record of the discussion taken
- Essential qualifications and enhanced DBS checks

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

3.5 The Role of Independent Review

3.5.1 Internal Audit

The internal audit process provides independent assurance on the processes and controls put in place to prevent or detect fraud and irregularity or to manage the risk of fraud and irregularity. The auditor may also provide advice on, lead or conduct special investigations into suspected fraud, irregularities, misconduct or alleged impropriety. Fraud investigations should not be undertaken without the requisite skills, knowledge and expertise as this may compromise a fraud investigation or a criminal case.

3.5.2 External Audit

The external auditors provide independent oversight of the financial controls and activities within the Trust and its Academies as part of their work in auditing the year-end financial statements.

3.5.3 Education and Skills Funding Agency

The ESFA carry out periodic funding audits and financial management reviews. They also conduct or commission investigations into suspected fraud and irregularity and they publish reports on the outcome of such investigations.

4. DETECTION

4.1 Internal Management Systems

Effective 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 must be designed into systems and applied consistently. This includes segregation of duties, reconciliation procedures and review of management accounting information.

4.2 Internal/External Audit Reviews

The work of internal and external auditors or inspectors may result in the detection of suspected fraud and irregularity or may suggest improvements in controls to help prevent and detect any irregularities.

4.3 Reporting Suspected Fraud and Irregularity

If an individual has genuine reason to suspect that fraud or irregularity is taking place (or has taken place), they are expected to bring this to the attention of the Trust in one of the following ways:

- Reporting suspicions to a senior manager, an Academy Head, or the Chief Executive Officer, as appropriate
- Reporting suspicions under the Whistleblowing Procedure

4.4 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 their work. The ESFA 'Fraud Indicators' document may be helpful to refer to where concerns may exist. If in doubt, staff members should report their suspicions anyway, provided they are supported by at least one piece of reliable information or evidence and they are made in good faith.

5. RESPONSE

5.1 Acting on the Suspicions

Where staff have raised concerns or reported their suspicions to senior management:

Be responsive to staff concerns - the Trust expects all managers to encourage staff to voice any reasonably held suspicion as part of developing an anti-fraud culture. Managers should treat all staff concerns seriously and sensitively.

Note all relevant details - get as much information as possible from the reporting staff member. If the staff member has made notes, obtain these also. In addition, note any documentary evidence which may exist to support the allegations made, but do not interfere with this evidence in any way.

Evaluate the allegation objectively - before taking the matter further, determine whether any suspicions appear to be justified. Be objective when evaluating the issue. Consider the facts as they appear, based on the information to hand.

Advise the appropriate person - if a suspicion is justified, deal with the matter promptly as any delay may cause the Trust to suffer further financial loss. Full details should be recorded and reported in line with section 4.3 above and in all cases involving suspected fraud or financial crime the matter should be reported to a senior member of staff, an Academy Head, or the Chief Executive Officer, as appropriate.

Don't ridicule suspicions raised by staff - the Trust cannot operate effective anti-fraud and whistleblowing policies if staff are reluctant to pass on their concerns to management. All staff concerns should be given a fair hearing. In addition, staff should be reassured that they will not suffer recrimination as a result of raising any reasonably held suspicion.

Don't approach or accuse any individuals directly.

Don't convey your suspicions to anyone other than those with the proper authority.

Don't try to investigate the matter yourself.

5.2 Investigation of Suspected Fraud and Irregularity

In order to protect the Trust and those accused of suspected fraud and irregularity, initial enquiries may be made to decide whether an investigation is appropriate and, if so, what form it should take. In cases of suspected fraud or financial crime, an initial meeting should take place at the earliest opportunity to determine the initial response involving the Chief Executive Officer and Chief Finance Officer, depending on the nature of the allegations.

Each case will be different and the approach taken will be dependent upon the circumstances, nature and seriousness of the allegations and the potential remedies being sought. The course of action to be taken is likely to be one or more of the following:

- An investigation may be conducted by senior managers, or through the disciplinary process
- Referral to the police
- Referral to an appropriate professional body
- Referral to the external auditor
- Referral to the ESFA

Where a decision is made to investigate the matter internally, the case will be referred to an Investigating Officer, appointed by the Chief Executive Officer, who has the appropriate expertise and seniority to plan

and undertake the preliminary fact-finding and/or formal investigation(s). It is critical that any investigation is conducted in a professional manner, in accordance with relevant procedures - whistleblowing procedure, disciplinary procedure(s) and investigation practice guidance as appropriate.

Some investigations (e.g. involving fraud or financial crime) may require the use of technical or specialist expertise in which case an internal or external specialist may be employed as the Investigating Officer or to contribute to the investigation.

The Chief Executive Officer will normally inform the Chair of the Trust Board and the Chair of the Risk, Audit and Finance Committee that an investigation is taking place. The Investigating Officer should, where possible, quantify any potential or actual financial loss and ensure that steps are taken at an early stage to prevent further loss occurring. Where the case is sufficiently serious, an individual who is accused of fraud or irregularity may be suspended, with or without pay, while an investigation is under way, in accordance with the Trust's disciplinary procedures.

If the individual under suspicion is to be suspended the timing of suspension they should also be supervised at all times before leaving Trust premises. They will be required to reveal relevant computer passwords and not remove any records or data (either manual or on disk or electronically) from the premises, collect personal property under supervision, but should not be able to remove any property belonging to the Trust. Any security passes and keys to premises, offices and furniture should be returned.

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 or irregularity, he or she will not take part in the procedure, the role being taken by an appropriate alternative. Senior leaders will establish and maintain contact with the police or other investigative agencies, where appropriate. The decision will be reported to the Chair of the Risk, Audit and Finance Committee and Chair of the Trust Board.

5.3 Sanctions

Depending on the circumstances of each case, the outcome of an investigation and the materiality of the sums involved, the Trust may apply any or all of the following sanctions, as appropriate:

- Disciplinary action in accordance with relevant disciplinary procedures
- Civil proceedings
- Criminal proceedings

In some circumstances, it may be appropriate for the Chief Executive Officer to liaise directly or indirectly with the parties involved to seek a resolution (through negotiation). Should a satisfactory resolution not be attainable through these means, the alternative courses of action set out above may then be followed.

5.4 Recovery of Losses

The Investigating Officer shall, where possible, quantify the amount of any loss. The Chief Finance Officer and Chief Executive Officer shall consider what redress is appropriate in each particular case.

Where a loss is considered to be significant, legal advice will be obtained without delay about the need to trace and/or freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice will also be obtained on the recovery of losses through the civil and criminal courts, or deducting losses from any salary payments outstanding, where the perpetrator is a member of staff and refuses repayment. The Trust would normally expect to recover costs in addition to losses.

An individual may, in the course of an investigation, offer to repay the amount that has been obtained improperly. The Investigating Officer should neither solicit nor accept such an offer (as it may be construed as having been obtained under duress). Any offer made should be recorded and the individual referred to the Chief Executive Officer. If an offer of restitution is made while disciplinary or legal proceedings are still under way, legal advice will be sought before such an offer is accepted.

In certain circumstances it may be possible, at the completion of the investigation, to make a claim against the Trust's insurance policy. The Chief Finance Officer and Investigating Officer should provide the insurers with any information that is required to substantiate a claim, or to support an attempt by the insurers to secure recovery from the perpetrator.

5.5 Notifying the ESFA and External Auditor

The Academies Financial Handbook (September 2018) includes a requirement that:

“The Trust must notify the ESFA of any instances of fraud, theft and/or irregularity exceeding £5,000. Any unusual or systematic fraud, regardless of value, must also be reported.” The ESFA reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity. At an appropriate point in time, the Chief Executive Officer will notify the ESFA and/or the Trust's External Auditors, where appropriate.

This policy will be reviewed by the Risk, Audit & Finance Committee on a 3 yearly basis.