



**Carshalton High School for Girls**

***Fraud Procedure***

## **Introduction**

The School requires all Staff and Governors to act honestly and with integrity at all times and to safeguard the public resources for which they are responsible. The School will not accept any level of fraud or corruption; consequently, any case will be thoroughly investigated and dealt with appropriately. The School is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level of risk.

This policy should be read in conjunction with the:

- Whistleblowing Policy
- School Financial Handbook
- Gifts, Hospitality and Disclosure of Interests guidance

In order to achieve these objectives, the School has taken the following steps:

1. The development and publication of a formal statement of its expectations on standards of personal conduct, propriety and accountability;
2. The establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), a Finance and Audit Committee and an independent Responsible Officer function with an ongoing responsibility to review and report on these systems;
3. The development and publication of a formal statement of the procedures to be followed by employees who have a suspicion of, or concern about, possible or actual malpractice within the School and a fraud response plan which sets out the School's policies and procedures to be invoked following the reporting of possible fraud or the discovery of actual fraud.

These three steps are described in greater detail in the following sections.

## **Personal Conduct**

The School aims to promote an organisational culture which encourages the prevention of fraud by raising awareness of the need for high standards of personal conduct. To help ensure that all employees are fully aware of the School's expectations regarding standards of personal conduct, appropriate guidance is provided by the following key statements:

- These regulations are binding on all members of the Governing Body, members of staff, students and constituent parts of the School. Refusal to observe them will be grounds for disciplinary action.
- In disbursing and accounting for all funds, the School must demonstrate that it is adopting high standards of financial probity. Implicit within this regime is the requirement that Governing Body and employees of the School must at all time conduct financial affairs in an ethical manner.
- All members of staff and members of the Governing Body and its committees are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the School.
- Any person who is responsible for placing an order with a supplier (whether a contractor or not) with whom he has a personal interest must disclose this to the Head, Line Manager and to the Business Manager.
- Members of the Governing Body or employees of the School shall never use their office or employment for personal gain and must at all times act in good faith with regard to the School's interests.

- Budget Holders are expected to adhere to the Financial Regulations at all times and to use their best efforts to prevent misuse or misappropriation of funds and other School property.

Taken together, these represent a statement of the framework within which members and employees are expected to conduct themselves.

## **Systems of Internal Control**

The next line of defense against fraud is the establishment of operational systems which incorporate adequate and effective internal controls designed to minimise the incidence of fraud, limit its impact and ensure its prompt detection. These controls include high level management controls such as budgetary control (designed to identify fraud which results in shortfalls in income or overspendings against expenditure) and organisational controls such as separation of duties, internal check and staff supervision. Personnel policies are also a key part of setting the culture and deterring fraud. This includes seeking to reduce the risk of employing dishonest staff by checking information supplied by employees and references obtained during the course of the recruitment process, including DBS checks.

The general framework of responsibilities for financial management and the policies relating to the broad control and management of the School are documented in the Financial Regulations. The Financial Regulations are issued and updated periodically by the Business Manager following approval by the Finance Committee on behalf of the Governing Body. They are binding on all officers, members of staff, students and constituent parts of the School. The Business Manager has, in addition, issued a manual of Financial Procedures which sets out in greater detail the expected controls which should operate within the key operational systems.

The School has also established a Finance and Audit Committee and an independent Responsible Officer function which provides advice to management in respect of control matters and which conducts a cyclical programme of reviews of the adequacy and effectiveness of the systems which have been put in place (including those intended to minimise the potential exposure to fraud and corruption).

## **What is Fraud?**

The Fraud Act 2006 makes provision for, and in connection with, criminal liability for fraud and obtaining services dishonestly. The term 'fraud' is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, failure to disclose information, and collusion. With respect to the School this applies to all areas of the School's business and activities.

"Fraud" is usually used to describe intending to or depriving someone of something by deceit, which might either be straight theft, misuse of funds or other resources, or more complicated crimes like false accounting and the supply of false information. In legal terms, all of these activities are the same crime – theft.

Some useful definitions:

**Theft** - Dishonestly appropriating the property of another with the intention of permanently depriving them of it (Theft Act 1968). This may include the removal or misuse of funds, assets or cash.

**False Accounting** - Dishonestly destroying, defacing, concealing, or falsifying any account, record, or document required for any accounting purpose, with a view to personal gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive (Theft Act 1968).

**Bribery and Corruption** - The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the authority, its members or officers (Prevention of Corrupt Practices Act 1889 and 1916).

**Deception** - Obtaining property or pecuniary advantage by deception (Sections 15 and 16 of the Theft Act 1968 (and obtaining services or evading liability by deception (Sections 1 and 2 of the Theft Act 1978).

**Collusion** - The term "collusion" in the context of reporting fraud to the Treasury is used to cover any case, in which someone incites, instigates aids and abets, or attempts to commit any of the crimes listed above.

## **Avenues for Reporting Fraud**

The School has in place avenues for reporting suspicions of fraud. Governors and members of staff should report any such suspicions in line with the School's Whistle Blowing Policy. All matters will be dealt with in confidence and in strict accordance with the terms of the Public Interest Disclosure Act 1998. This statute protects the legitimate personal interests of staff. The School's Whistle Blowing Policy provides further information. Vigorous and prompt investigations will be carried out into all cases of actual or suspected fraud discovered or reported.

## **Responsibilities**

The Academies Financial Handbook takes account of the Department for Education's financial handbook for the governing bodies and managers of academies. Drawing on the overall financial requirements specified in school Funding Agreements, it provides detailed guidance on a wide range of financial management, funding and accounting issues.

The Academies Financial Handbook sets out the overall governance framework for academies and describes the key systems and controls that should be in place. It describes the grants that the Department makes available and specifies the financial reporting/budget management arrangements that must be followed by academies to ensure accountability over the substantial amount of public funds that they control. It also discusses in detail the requirements for preparing an annual trustees report and accounts in order to comply with Company Law, Accounting Standards and Charity Commission expectations.

The Headteacher as the **Accounting Officer** is responsible for establishing and maintaining a sound system of internal control that supports the achievement of the School's policies, aims and objectives. This is evidenced in the Accounting Officers log, which is reviewed as part of the school's annual audit. The system of internal control is designed to respond to and manage the whole range of risks that the School faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.

Overall responsibility for managing the risk of fraud has been delegated to the School Business Manager and includes:

- Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
- Establishing an effective fraud policy and fraud response plan, commensurate to the level of fraud risk identified in the fraud risk profile;
- Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;

- Establishing appropriate mechanisms for:
  - ❖ reporting fraud risk issues;
  - ❖ reporting significant incidents of fraud to the Accounting Officer;
  - ❖ external reporting in compliance with Company Law, Accounting Standards and Charity Commission expectations.
  - ❖ coordinating assurances about the effectiveness of fraud policies to support the Statement of Internal Control.
  - ❖ liaising with the Governing Body or the Finance and Audit Committee on issues of fraud prevention, detection, and management;
  - ❖ making sure that all staff are aware of the organisation's fraud policy and know what their responsibilities are in relation to combating fraud;
  - ❖ developing skill and experience competency frameworks;
  - ❖ ensuring that appropriate anti-fraud training and development opportunities are available to appropriate staff in order to meet the defined competency levels;
  - ❖ ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
  - ❖ taking appropriate legal and/or disciplinary action against perpetrators of fraud;
  - ❖ taking appropriate disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
  - ❖ taking appropriate disciplinary action against staff who fail to report fraud;
  - ❖ taking appropriate action to recover assets;
  - ❖ ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

**All managers are responsible for:**

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud;
- Assessing the types of risk involved in the operations for which they are responsible;
- Reviewing and testing the control systems for which they are responsible regularly;
- Ensuring that controls are being complied with and their systems continue to operate effectively;
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

**The Responsible Officer is responsible for:**

- Delivering an opinion to the Headteacher on the adequacy of arrangements for managing the risk of fraud and ensuring that the School promotes an anti-fraud culture;
- Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various segments of the department's operations;
- Ensuring that management has reviewed its risk exposures and identified the possibility of fraud as a business risk;
- Assisting management in conducting fraud investigations;
- Reporting to School's Governing Body or the Finance and Audit Committee on the efficiency of controls for the prevention, detection and management of fraud.
- Acting with propriety in the use of official resources and the handling and use of public funds whether they are involved with cash or payments systems, receipts or dealing with suppliers or the School's decision making bodies;
- Conducting themselves in accordance with the seven principles of public life set out in the first report of the Nolan Committee "Standards in Public Life". They are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;

- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

### **Members of the Governing Body are responsible for:**

- The Chair is responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- All members are responsible for abiding by the School's policies and regulations and the guidance on Codes of Practice for Board Members of Public Bodies;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations

Unless agreed otherwise with the Department for Education, the School should establish an Finance and Audit Committee as a Committee of the Board of Governors. The Committee should consist of non-executive board members and should be chaired by a non-executive board member, other than the chair, who has experience of financial matters. The responsibilities of the Finance and Audit Committee will overlap with those of the Headteacher. It is envisaged that he or she will normally attend all meetings of the Finance and Audit Committee, unless, exceptionally, his or her own performance is being discussed. More detailed guidance on the role of the Audit Committee and specimen terms of reference are provided in Appendix 2 of the Academies Handbook.

### **Fraud Response Plan**

The Fraud Response Plan sets out the School's policies and procedures for ensuring that all allegations and reports of fraud or dishonesty are properly followed-up are considered in a consistent and fair manner and that prompt and effective action is taken to:

- minimise the risk of any subsequent losses;
- reduce any adverse operational effects;
- improve the likelihood and scale of recoveries;
- demonstrate that the School retains control of its affairs in a crisis; and
- make a clear statement to employees and others that it is not a soft target for attempted fraud.

The plan includes both statements of general policy and specific steps to be taken when circumstances dictate and is necessary in order to reduce the following risks:

- inadequate communication so that action is late or inappropriate;
- lack of leadership and control so that investigators are not properly directed and waste time and effort;
- failure to react fast enough so that further losses are incurred or the evidence required for successful recovery or prosecution is lost;
- adverse publicity which could affect confidence in the School; and
- creation of an environment which, because it is perceived as being ill-prepared, increases the risk of fraud.