



COASTAL  
ACADEMIES TRUST

# Fraud Policy

## **FRAUD POLICY**


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**Member of staff responsible for policy review**

**Chief Finance Officer – Judy Brace**

Signed by:    Date: 18 March 2019

**Mr Paul Luxmoore, Executive Head & Accounting Officer,  
Coastal Academies Trust**

Signed by:    Date: 18 March 2019

**Mr Robin Curtis, Chair of Directors, Coastal Academies Trust**

## **Fraud Policy**

### **Introduction**

Coastal Academies Trust (the Trust) 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 Trust will not accept any level of fraud or corruption; consequently, any case will be thoroughly investigated and dealt with appropriately. The Trust 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 Trust's Whistle Blowing Policy.

### **What is fraud?**

The offence of fraud was greatly simplified by The Fraud Act 2006 which replaced fraud legislation under the Thefts Acts of 1968 and 1978 and removed the need to show that a person had been 'deceived'. Whilst there is no specific definition of fraud there are three offences which are relevant to this policy.

### **Fraud by false representation**

A person commits fraud if he/she –

Dishonestly makes a false representation and intends, by making the representation to make a gain for himself/herself or another, or to cause loss to another or to expose another to a risk of loss.

It is important to prove that the false representation is untrue or misleading and that the person making it knows that it is, or might be, untrue or misleading. This offence covers a wide range of dishonest behavior and includes the use of a stolen cash card in a cash point machine (under previous legislation this offence was not fraud as a cash machine could not be 'deceived')

## **Fraud by failing to disclose information**

For example a person employed by a school would commit fraud under this offence if they failed to disclose a known defect in the schools heating system when applying for an insurance policy covering that school.

## **Fraud by abuse of position**

For example a person would commit fraud if they had a position of responsibility as a treasurer of a PTA and used the funds from the bank account of the PTA to invest in a high risk business venture of their own.

## **Objectives**

In order to minimise the risk and impact of fraud, the Trust's objectives are to:

- Create a culture which deters fraudulent activity, encourages its prevention and promotes its detection and reporting; and
- Identify and document its responses to cases of fraud and corrupt practices.

In order to achieve these objectives, the Trust has taken the following steps.

## **Personal conduct**

The Trust 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 Trust's expectations regarding standards of personal conduct, appropriate guidance is provided by the following key statements:

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

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

### **Systems of internal control**

The next line of defence 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. The controls include high-level management controls such as budgetary control (designed to identify fraud which results in shortfall of income or overspendings against expenditure) and organisational controls such as separation of duties, internal checks 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 Trust are documented in the Financial Regulations. The Financial Regulations are issued and updated periodically by the Chief Finance Officer (CFO) & Business Managers (BMs) following approval by the Finance Committee on behalf of the relevant Governing Body. They are binding on all governors and members of staff.

The Trust has also given Internal Audit responsibility to the CAT Finance committee and an independent internal review function is carried out by an external team, 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).

## **Fraud response**

The Fraud Response Plan sets out the Trust'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 Trust 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 Trust; and
- Creation of an environment which, because it is perceived as being ill-prepared, increases the risk of fraud.

The main elements of the Trust's plan are as follows:

1. All Directors, governors and members of staff are required to notify immediately the CFO & Business Manager of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash or other assets of the Trust.
2. The Business Manager will ascertain whether or not the suspicions aroused have substance. He/she will if appropriate conduct a preliminary investigation to gather factual information and reach an initial view as to whether further action is required. The findings, conclusions and any recommendations arising from the preliminary investigation will be reported to the CFO and Head Teacher. If the Business Manager is implicated or suspected of financial irregularity, the investigation will be carried out by the CFO.
3. The Accounting Officer will have the initial responsibility of co-ordinating the Trust's response. In doing this he will consult with HR regarding any potential employment issues. The Accounting Officer may also seek expert legal advice from the Trust's solicitors on both employment and litigation issues before taking any further action.
4. The Accounting Officer is required to notify the Finance Committee of any financial irregularity. This action will be taken at the first opportunity following the completion of the initial

investigation and will involve, inter alia, keeping the Chair of the Trust fully informed between Committee meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns.

5. If evidence of a fraud is forthcoming then the Finance Committee will, in conjunction with the Multi Academy Trust Board, agree any action necessary under the Trust's requirements for reporting to external bodies and will consider whether or not to refer the matter to the police.

### **Fraud response plan**

The purpose of this plan is to define the responsibilities for action in the event of fraud or a suspected fraud. Its focus is to:

- Establish responsibilities for investigating the incident and taking appropriate action;
- Establish and secure evidence for disciplinary and/or criminal action;
- Prevent further loss;
- Recover losses; and
- Establish lines of communication with the police

### **Procedure**

#### **Action of Directors, employees and governors**

If you become aware of a suspected fraud or irregularity, you should write down your concerns immediately. Make a note of all the relevant details, such as what was said on the telephone or during other conversations, the date, the time and names of anyone involved. Report the matter immediately to the CFO/Business Manager or in their absence the Headteacher/Head of School. When you report your concerns you must be prepared to hand over any notes or evidence you have already gathered. Confidentiality is of paramount importance throughout the process.



A member of staff or governor may choose to report concerns anonymously and such anonymity will be respected. It should be noted that if the report suggested criminal activity and the case is referred to the police, the identity of the person reporting the details will be needed at a later date if criminal proceedings are to be pursued effectively. Identification is preferred and will assist the investigation.

You must not do any of the following:

- Contact the suspected perpetrator in an effort to determine the facts and demand answers;
- Discuss the case facts, suspicions or allegations with anyone other than the investigator; and
- Attempt to personally conduct an investigation of your own.

### **Malicious allegations**

If an allegation is made frivolously, in bad faith, maliciously or for personal gain, disciplinary action may be taken against the person making the allegation.

### **Action by the school**

The Trust has established a Finance (Audit) Committee. An extraordinary meeting of this Committee would be convened in the event of a serious financial irregularity.

All members of staff and governors must immediately inform the CFO / Business Manager of any financial irregularity or circumstance suggesting the possibility of a financial irregularity.

Any member of staff who reports a suspected fraud should feel confident that they will be listened to seriously and sensitively. They should be given a fair hearing and they should feel reassured that they will not suffer because they have voiced their suspicions.

The CFO/Business Manager will immediately notify the

Headteacher/Head of School of any reported financial irregularity unless this involves the Headteacher/Head of School in which case the CFO/Business Manager will notify the Executive Headteacher. The Headteacher/Head of School/Executive Headteacher will immediately notify the Chair of the Trust and the Chair of the Finance Committee that a suspected financial irregularity has been reported and an investigation will be carried out. This investigation will normally be carried out internally following the procedures below but the Chair of the Trust and Chair of Finance has the authority to appoint other experts to conduct the investigation where necessary.

If any member of the governing bodies are personally implicated in the suspected fraud, it should be reported instead directly to the Chair of the Trust and the Executive Headteacher. In such circumstances, the Chair of the Trust will determine, in consultation with the Executive Headteacher, the procedure for examining the facts of the suspected fraud, any subsequent investigation and for deciding action.

If the CFO/Business Manager is implicated in the suspected fraud, then the Headteacher/Head of School or his/her representative will carry out the investigation.

Unless personally implicated the initial investigation will normally be performed by the Business Manager who will gather information and determine whether further action is required. The Business Manager/Bursar will report to the CFO/Headteacher.

On receipt of the report the CFO/Head of School will notify the Executive Headteacher who is responsible for liaising with the governors as appropriate.

### **Suspension pending investigation**

The Chair of the Trust and Executive Headteacher will consider whether to suspend the individual(s) suspected pending further investigation. The prime consideration in this respect is to prevent further loss and/or destruction or removal of evidence.

Where an individual is to be suspended they should be approached unannounced and asked to attend a meeting, where the suspension is confirmed and explained. Wherever possible, they should be given the opportunity to be accompanied at the meeting by a trade union representative or work colleague.

If it is not possible for them to be accompanied, the meeting may proceed nonetheless so that action can be taken to prevent further loss and/or the destruction or removal of evidence. Following suspension, the individual(s) will be supervised at all times before leaving the premises. Only personal property may be removed and all keys must be surrendered. The ICT Manager will be informed and access to the school IT systems denied immediately. The individual will be sent confirmation of the suspension, in writing.

Suspension pending further investigation of suspected fraud does not imply that it has been established that fraud has taken place and does not represent disciplinary action. Members of staff will remain on full pay during the period of suspension.

### **Investigation of suspected fraud**

The school, its employees and governors will make available to the investigator all such information and records as are necessary to pursue the investigation.

The matters investigated will be kept confidential in so far as this does not hinder or frustrate the investigation process.

The investigator will prepare a report setting out their findings from the investigation. The report will cover:

- An opinion on whether a fraud has been committed and the reasons and summary evidence in support of the opinion;
- Where the opinion is that a fraud has been committed, description of the fraud, value of loss, people involved and the

- means by which the fraud was perpetrated;
- Measures already taken or to be taken to prevent recurrence; and
- Any recommendations for action to strengthen future responses to fraud.

The Finance (Audit) Committee will consider the report and determine whether it demonstrates that a fraud has been committed and who may be responsible. In the light of their conclusions, they will decide the action to be taken, as follows:

- If it is determined on the basis of the evidence that no fraud has taken place, the Audit Committee will agree action to ensure that all relevant parties are informed. If any individual(s) have been suspended pending investigation, the Executive Headteacher will be responsible for advising on action relating to the lifting of the suspension in the case of staff.
- If it is determined on the basis of the evidence that a fraud has taken place, the Audit Committee will refer to the Disciplinary Procedure in the case of staff. The Audit Committee will also agree any action necessary under the Trust's requirements for reporting to external bodies such as the Education Funding Agency and The Audit Commission. The Audit Committee may recommend to the Executive Headteacher that the matter is reported to the police if this has not happened at an earlier stage and/or that civil action is taken to recover losses.
- If the report recommends improvements to the Trust's control systems, the Business Manager/Bursar will ensure that these are implemented at the earliest opportunity.
- Where the matter is referred to staff disciplinary procedures, a separate investigation under those procedures may be necessary and evidence from the Audit Committee investigation will form part of the disciplinary investigation.

### **Recovery of losses**

The Finance (Audit) Committee will assess the opportunity for

recovering any losses, including taking legal action through the Courts, where appropriate. The Executive Headteacher will be responsible for ensuring that any legal action is pursued.