

Finance Handbook

Appendix 4 Anti-Fraud and Corruption Policy

Title	Finance Handbook
Author	CFO
Approved by	Trustees
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Links to other procedures	<p>This policy has been adopted by the Board of Directors of the South York Multi Academy Trust and applies to all schools that make up the Trust. This policy applies to each school operating within the South York Multi-Academy Trust.</p> <p>This policy will be monitored regularly by the Multi Academy Trust Board in line with the agreed timetable for policy review or sooner as events or legislation changes require.</p>

Appendix Four

South York Multi Academy Trust Anti-Fraud and Corruption Policy

1. Introduction

The Trust requires all staff, Trustees 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.

2. Definitions

2.1 What is Fraud?

2.1.1 Fraud is a range of abuse and malpractice that is covered by the Fraud Act 2006.

2.1.2 Fraud can be defined as an abuse of knowledge or financial position that is done deliberately to create a financial gain for the perpetrator or for a related person or entity and / or cause a loss to another. It can take place in many ways; withholding information, deliberately misleading, misrepresenting a situation to others or by abuse of position. Irrespective of the definition applied, fraud is always deceitful, immoral, and intentional and creates a financial gain for one party and / or a loss for another.

2.1.3 Gains and losses do not have to be direct. A gain to a related party or company through intentional abuse of position, albeit not directly to the officer involved, is still fraudulent. In the same way, using the Trust's name to procure personal goods and services is also fraudulent; where there is deliberate abuse of position to make a gain in the form of goods and services at a discount price or to get the Academy to pay for them, is also fraudulent.

2.2 Corruption

Corruption will normally involve the above with some bribe, threat or reward being involved.

2.3 Bribery

2.3.1 The Bribery Act 2010. There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

2.3.2 Bribery is not tolerated. It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;

- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy;

2.4 Facilitation Payments

Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. Facilitation payments are not tolerated and are illegal.

2.5 Gifts and Hospitality

This policy is not meant to change the requirements of the Trust's approach to gifts and hospitality as set out within the Gifts and Hospitality Policy which is included in this handbook. These make it clear that all offers of gifts and hospitality should be registered whether they are accepted or not.

Other 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).
- **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.

3. Procedure for Reporting Fraud

Vigorous and prompt investigations will be carried out into all cases of actual or suspected fraud discovered or reported in accordance with the Trust Whistle-Blowing Policy.

3.1 Responsibilities

The Academies Financial Handbook is the Department for Education's financial guide for the governing bodies and leaders and managers of academies, it provides detailed guidance on a wide range of financial management, funding and accounting issues. It describes the key systems and controls that should be in place 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 Chief Education Officer as the **Accounting Officer** is accountable for establishing and maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that the Trust 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.

3.2 Overall responsibility for managing the risk of fraud is delegated to the Director of Finance.

The responsibilities of the Director of Finance include:

1. Developing a risk management plan as part of the risk management process and undertaking a regular review of the fraud risks associated with each of the categories in order to keep the risk management plan current;
2. Establishing and maintaining an effective Fraud Policy and Fraud Response and Investigation Plan, commensurate to the level of fraud risk identified in the risk management plan;
3. Designing an effective control environment to prevent fraud commensurate with the risk management plan through a system of internal controls;
4. Establishing appropriate mechanisms for:
 - a. reporting fraud risk issues;
 - b. reporting significant incidents of fraud to the Accounting Officer;
 - c. external reporting in compliance with Company Law, Accounting Standards and Charity Commission expectations;
 - d. coordinating assurances about the effectiveness of Fraud policies to support the Statement of Internal Control;
 - e. Liaising with the Finance and Resources Committee on issues of fraud prevention, detection, and management;
 - f. Making sure that staff are aware of the Fraud Policy and know what their responsibilities are in relation to combating fraud;
 - g. Ensuring that appropriate Anti-Fraud training and development opportunities are available to appropriate staff;
 - h. Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
 - i. Making recommendations about legal and/or disciplinary action against perpetrators of fraud;
 - j. Making recommendations about disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
 - k. Making recommendations about disciplinary or legal action against staff who fail to report fraud;
 - l. Taking appropriate action to recover assets;
 - m. Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

3.3 All head teachers and school business managers are responsible for:

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

3.4 The Responsible Officer and the External Auditor are responsible for:

1. Delivering an opinion to the Accounting Officer on the adequacy of arrangements for managing the risk of fraud and ensuring that The Trust promotes an Anti-Fraud culture;

2. 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 Trust's operations;
3. Ensuring that the Executive Leadership Team has reviewed its risk exposures and identified the possibility of fraud as a business risk;
4. Assisting the Executive Leadership Team in conducting fraud investigations;
5. Reporting to the Resources Committee on the efficiency of controls for the prevention, detection and management of fraud.

3.5 Every member of staff is responsible for:

1. 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;
2. Conducting themselves in accordance with the seven principles of public life set out in the first report on Standards in Public Life by the Nolan Committee. They are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership;
3. Being alert to the possibility that unusual events or transactions could be indicators of fraud;
4. Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
5. Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

3.6 The Board of Directors

The Chair is responsible for ensuring that an adequate system of internal control exists and that controls operate effectively.

All Directors are responsible for:

- Abiding by the Trust'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;
- Co-operating fully with whoever is conducting internal checks or reviews or fraud investigations

4. Fraud Response and Investigation Plan

The Trust has a Fraud Response and Investigation Plan that sets out how to report suspicions, how investigations will be conducted and concluded

4.1 Introduction

The purpose of this plan is to define the responsibilities for action in the event of 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
- establish lines of communication with the police.

4.2 Procedure

4.2.1 Action of employees/governors/directors

4.2.1.1 If you become aware of a suspected fraud or irregularity, you should write down your concerns immediately. Make a note of all relevant details, such as what was said on the telephone or during other conversations, the date, the time and the names of anyone involved. Report the matter immediately to the School Business Manager (if appropriate), the CFO or in their absence the Head Teacher (if appropriate) or Chief Education Officer. 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.

4.2.1.2 A member of staff, governor or director 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.

4.2.1.3 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 members of the Finance and Resources and their nominated investigators.
- attempt to personally conduct an investigation of your own.

4.2.2 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.

4.2.3 Action by the Trust

4.2.3.1 Members of the Executive Leadership Team must immediately inform the Chief Education Officer of any concerns reported to them.

4.2.3.2 The MAT **must** notify EFSA as soon as is operationally practical based on its particular circumstances, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year. Any unusual or systematic fraud, regardless of value, **must** also be reported. The following information is required:

- full details of the event(s) with dates
- the financial value of the loss
- measures taken by the MAT to prevent recurrence
- whether the matter was referred to the police (and if not, why)
- whether insurance cover or the risk protection arrangement have offset any loss

4.2.3.3 The Finance and Resources Committee will convene an extraordinary meeting in the event of a suspected Fraud situation.

4.2.3.4 Any member of staff who reports a suspected fraud should feel confident 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.

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

4.2.3.6 The Director of Finance will call a meeting of the Finance and Resources Committee at the first available opportunity, ideally within 24 hours of the suspected fraud being reported. Where members of Finance and Resources Committee are not available, suitable alternatives can be appointed by the Trust Board.

4.2.3.7 The Finance and Resources Committee will consider the report of suspected fraud and decide: whether to instigate an investigation to establish the facts of what has taken place whether to:

- recommend to the Chief Education Officer that the matter is reported to the police
- recommend to the Head Teacher to suspend the individual(s) suspected pending further investigation (see 3. below).

4.2.3.8 In circumstances where immediate action is required decisions will be taken by the Chief Executive/CFO in discussion with the Trust Chair/Chair of Finance and Resources. Where further evidence is required before deciding whether to instigate an investigation, the Finance and Resources Committee will commission the gathering of further evidence and reconsider the position in order to make a decision.

4.3 Suspension pending investigation

4.3.1 Where time allows, the Finance and Resources Committee will consider whether to make a recommendation to the Chief Education Officer to suspend the individual(s) suspected pending further investigation. The prime consideration in this respect is to prevent further loss and/or the destruction or removal of evidence. Where immediate action is required this will be taken in line with the delegation in the paragraph above.

4.3.2 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 Network Manager will be informed and access to Trust and school IT systems denied immediately. The individual will be sent confirmation of the suspension, in writing.

4.3.3 Suspension pending 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. Any action taken will be in line with Trust HR policies.

4.4 Investigation of suspected fraud

4.4.1 The Finance and Resources Committee will normally commission an internal investigation of the suspected fraud, but will have authority to appoint other experts to conduct the investigation where necessary. All investigations will be conducted in line with the Trust's HR policies.

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

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

4.4.4 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
- any recommendations for action to strengthen future responses to fraud.

4.4.5 The Finance and Resources 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, the Finance and Resources Committee 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 Finance and Resources Committee will agree action to ensure that all relevant parties are informed. If any individual(s) have been suspended pending investigation, the Director of Finance Manager 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 Finance and Resources Committee will refer to the Disciplinary Procedure in the case of staff. The Committee will also agree any action necessary under the Trust's requirements for reporting to external bodies such as the ESFA and Charity Commission.
- The Committee may recommend to the Chief Education Officer 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.

4.4.6 If the report recommends improvements to the Trust's control systems, the Director of Finance will ensure that these are implemented at the earliest opportunity.

4.4.7 Where the matter is referred to staff disciplinary procedures, a separate investigation under those procedures will be necessary and evidence from the Finance and Resources Committee's investigation will form part of the disciplinary investigation.

4.5 Recovery of losses

The Finance and Resources Committee will assess the opportunity for recovering any losses, including taking legal action through the Courts, where appropriate. The Chief Education Officer will be responsible for ensuring that any legal action is pursued.

The ESFA will not tolerate fraud. It reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity in any MAT, either as the result of a formal notification from the MAT itself or as the result of other information received, ESFA may involve other authorities, including the police, as appropriate. The ESFA will publish reports in line with its own policy on publishing information.