

Honiton Community College  
Academy Trust



This Policy was adopted by the Governing Body of  
Honiton Community College Academy Trust  
on 18<sup>th</sup> May 2016  
and will be reviewed every 2 years.

# FRAUD POLICY AND RESPONSE PLAN

## **Fraud Policy**

### **1. Introduction**

The Academy is committed to an effective anti-fraud and corruption strategy designed to encourage prevention, promote detection and clarify responses through a defined plan which incorporates investigatory action. The main responsibility for preventing and detecting fraud lies with all staff but the Executive Leadership Team and Finance staff have a particularly important role to play in detecting and reporting fraud. The strategy set out in this paper is designed to cover fraud which is attempted from within the Academy or from outside and is based on policies covering culture, prevention, detection and investigation and also training which is designed to frustrate any attempted fraudulent or corrupt act.

The strategy has been formulated in advance of any fraud risk assessments which may subsequently be undertaken. If such an exercise were to be undertaken then the outcome may give rise to amendments to the strategy.

### **2. Definition of Fraud**

This Fraud Policy covers staff, students and activities of the Academy. For the purposes of the Academy's policy, fraud is defined as the use of deception with the intention of:

- Gaining an advantage, personally and for family or friends; or
- Causing financial loss to the Academy.

The main types of irregularity are:

- Theft -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 or gain for another, or with the intent to cause loss to the Academy or furnishing information which is or may be misleading, false or deceptive
- Abuse of position - abusing authorities and misusing Academy resources or information for personal gain or causing loss to the Academy.

Examples of fraud, which are neither exclusive or exhaustive, include:

- Misappropriation of cash e.g. theft of cash from cash boxes, cash registers, and takings from trading outlets, vending machines, or from social fund;
- Theft of stock;
- Fraudulent encashment of payable orders or cheques;
- Misappropriation of other assets including information and intellectual property. This would also include theft of stationery for private use,

unauthorised use of Academy property e.g. vehicles, computers, other equipment;

- Purchasing or purchase ledger fraud (e.g. approving/paying for goods not received, approving/paying bogus suppliers, approving/paying inflated prices for goods and services, accepting any bribe);
- Travel and subsistence claims overstated or falsely claimed. This may include advances not recovered or forging of counter-signatories;
- Accepting pay for time not worked (e.g. false claim for hours worked, failing to work full contracted hours by any member of staff, false overtime claims, or falsification of sickness self-certification);
- Computer Fraud (e.g. altering or substituting records, duplicating or creating spurious records, or destroying or suppressing records).

Whilst by no means being proof on their own, the circumstances below (warning signs) may indicate fraud, and should therefore put managers, staff and students on the alert:

- Altered documents (correcting fluid, different pen or handwriting)
- Claim form details not readily checkable
- Changes in normal patterns, of cash takings or travel claim details (for example)
- Text erratic or difficult to read or with details missing
- Delay in completion or submission of claim forms
- Lack of vouchers or receipts in support of expense claims, etc.
- Staff seemingly living beyond their means
- Staff under constant financial or other stress
- Staff choosing not to take annual leave (and so preventing others becoming involved in their work), especially if solely responsible for a 'risk' area
- Complaints from public or staff
- Always working late
- Refusal of promotion
- Insistence on dealing with a particular individual.

In addition to the warning signs outlined above, staff and students are advised to take notice of the following "Do's and Don'ts" in respect of possible fraud-related instances or actions:

- If you are suspicious or have concerns DO tell someone - confidentiality will be respected
- DO keep a record of conversations or actions, including times, dates, locations etc.
- DO keep or copy any document that arouses your suspicions

- DO be discreet with the information, only discuss it with the nominated individual or people they refer you to
- DO be responsive to staff concerns
- DO deal with the matter promptly
- DO NOT keep quiet and hope the problem will go away
- DO NOT confront the individual with your suspicions
- DO NOT try to investigate yourself
- DO NOT discuss with other staff or colleagues
- DO NOT collect evidence (especially computerised information) without specialist advice
- DO NOT contact the police directly.

### **3. Culture**

The Academy's expectation on propriety and accountability is that students and members of staff at all levels act with integrity and lead by example in ensuring adherence to rules and that all procedures and practices are above reproach. The Academy also expects that individuals and organisations that it comes into a contact with will act towards the Academy with integrity and without thought or actions involving fraud or corruption.

The Academy is conscious of the high degree of external awareness of its affairs by a variety of bodies and the need to act in all matters with probity and propriety. The Academy is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption.

The staff and students of the Academy are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with Academy business or activity; this includes concerns related to the provisions of the Public Interest Disclosure Act 1998. Such concerns can be raised in the knowledge that they will be treated in confidence and properly investigated. Concerns can be raised with line managers, senior management, the Chair of Governors or the Chair of the Resources Committee. Where incidents are reported the Director of Finance and Resources will be advised in order that action can be taken in line with the provisions set out in the Academy's Fraud Response Plan. Any member of staff therefore has a route to raise concerns to someone outside their direct management line where necessary. This will include instances where a senior member of Academy staff is suspected of fraud.

In addition to concerns raised by staff, students, members of the public and others coming into contact with the Academy are encouraged to report concerns through the above channels. (Where concerns or

allegations are made by staff and are subsequently proved to be malicious and unfounded then such abuses will be viewed as a serious disciplinary matter.)

The Academy will deal swiftly and thoroughly with all cases of fraud and corruption in line with the Fraud Response Plan approved by Governors.

#### **4. Prevention**

The Academy recognises the importance of prevention in its anti-fraud strategy and has in place various measures including denial of opportunity, effective leadership, auditing and employee screening.

Fraud is minimised through usefully designed and consistently operated management procedures which deny opportunities for fraud. In particular financial systems and procedures take into account the need for internal check and internal control and staff are required to receive training in the operation of all systems. Additionally the possible misuse of information technology is prevented through the management of physical access to terminals and protecting systems with electronic access restrictions.

Whilst access control is the first line of defence against the misuse of IT for fraud it is supplemented by intruder detection and access/activity review measures.

The Academy takes steps to ensure that the behaviour of Governors, its Committees and senior managers is always demonstrably selfless and that clear policies exist in respect of:

- a. commercial ethics
- b. registration and declaration of interests
- c. accepting of hospitality and gifts and:
- d. prosecution of offenders (Fraud Response Plan below)

Employees are expected to follow any Code of Conduct related to their professional qualification and employment at the Academy and this is to be emphasised at staff induction sessions.

The Academy's Resources Committee provides an independent and objective view of internal controls by overseeing Internal and External Audit Services, reviewing reports and systems and procedures and ensuring compliance with the Academy's Financial Regulations and the requirements of the YPLA.

Where new systems are being introduced or existing systems modified, the Academy's Internal Auditors will be involved in the development and advise management on ways of preventing or detecting fraud or ensuring internal control.

The review of the Academy's systems by the Internal Auditors is designed to deter attempted fraud and should result in continuous improvements in control. The risk of fraud is a factor in all audit plans and in particular the frequency of audits. The External Auditor's review of financial checks and balances and validation testing provides a further deterrent to fraud and advice about system development/good practice.

Staff recruitment is required to be in accordance with approved Academy procedures laid down by the Governing Body. References are routinely taken up and candidates are required to provide evidence of their qualifications.

Potential recruits are also required to declare any connections with existing Academy Officers or members of staff. (Members of recruitment panels are also required to declare such connections).

Employees and students are expected to familiarise themselves with the Academy's policies on email and Internet use (details can be found on the Academy's intranet).

## **5. Detection**

Whilst it is accepted that no systems of preventative measures can guarantee that frauds will not occur the Academy has in place detection measures to highlight irregular transactions.

All internal management systems are designed with detective checks and balances in mind and this approach is applied consistently utilising wherever possible the expertise and advice of the Academy's Auditors. The approach includes the need for segregation of duties, reconciliation procedures, the random checking of transactions and the review of management accounting information including exception reports.

Concerns expressed by staff, students etc. which are expressed in good faith will, as a matter of course, be looked into by the Academy without adverse consequences for the complainant in line with the whistleblowing policy.

The Academy views its preventative measures by management, coupled with sound detective checks and balances (as set out in 3 above), as its first line of defence against fraud. Audit activity is however an important defence

mechanism also and Auditors may be required to use special techniques on occasions to identify fraudulent transactions.

## **6. Investigations**

The Academy recognises the unpredictability of fraud or irregularity and the disruption which it may cause once identified. It recognises also the need to safeguard its assets, recover losses and secure evidence for legal and disciplinary processes.

In order to meet these objectives and to clarify its approach when fraud is suspected, the Academy has a Fraud Response Plan which addresses:

- a. prevention of further loss
- b. establishing and securing evidence necessary for criminal, civil and disciplinary action
- c. notifying the EFA where necessary
- d. recovery of losses
- e. sanctions against staff and students, including prosecution
- f. policy on references for employees disciplined or prosecuted for fraud
- g. reporting within the Academy and follow-up action
- h. reporting lines
- i. responsibility for timing and informing the police
- j. responsibility for investigation
- k. arrangements for the use of external specialists
- l. establishing lines of communication with the police.

## **7. Policy Review**

The Academy has in place a clear network of systems and procedures to assist it in avoiding opportunities for fraud and corruption and for dealing with such cases if they arise. It is determined that these arrangements will be regularly reviewed to keep pace with future developments in both preventative and detection techniques and with developments related to the introduction of new systems within the Academy. A continuous overview of the arrangements and developments will be maintained by the Director of Finance and Resources and the Resources Committee.

Additionally this strategy and associated procedures will be kept under regular review.

## **Fraud Response Plan**

### **1. Introduction**

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. The Plan also sets out the process for staff who wish to notify any suspicions to senior management and also how senior management should respond to such notifications.

### **2. Initiating Action**

Suspicion of fraud or irregularity can be discovered in a number of ways but in all cases it is important that staff feel able to report their concerns and are also aware of the means by which they are able to do so. Suspected fraud may emanate from several sources including:

- a. requirement of all Academy staff to report suspected fraud or irregularity to the Director of Finance and Resources;
- b. public interest disclosures procedure ("whistle blower's charter");
- c. the carrying out of planned audit activity;
- d. the carrying out of proper procedures.

All actual or suspected incidents should be reported without delay to the Director of Finance and Resources or in his absence to the Vice Principal / Accounting Officer. The Director of Finance and Resources and Vice Principal / Accounting Officer advise the Principal / Accounting Officer of the incident(s) and a meeting of the three officers (Finance Group) will be held within 24 hours to decide on the action to be taken. In the event of one of the three officers in the Finance Group being accused of fraud, a Governor will be appointed to replace that officer on the Group.

The Principal / Accounting Officer will advise the Chair of the Governing Body of the incident(s) and the action to be taken by the Finance Group. The action taken will normally result in an independent investigation being commissioned through the special engagement of the Academy's Internal Auditors. The decision by the Finance Group to initiate a special investigation shall constitute authorisation to the Internal Auditors to use time provided in the internal audit plan for special investigations, or contingency time or to switch internal audit resources from planned audits. Where insufficient time is available within the existing audit plan then the Director of Finance and Resources will arrange for a separate engagement to be commissioned.

The audit investigation will be conducted in a professional manner aimed at ensuring that the current and future interests of both the Academy and the suspected individuals are protected (suspicion must not be seen as guilt to be proved). The Academy undertakes to protect the identity of notifying employees and not to release the source of information at any time during the investigation unless required to do so by statutory or professional obligation (information may be provided to a court if legal proceedings are necessary).

### **3. Prevention of Further Loss**

Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Finance Group will decide how to prevent further loss. This may require suspension of the suspects. It may be necessary to plan the timing of the suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect(s) will be approached unannounced and they should be supervised at all times before leaving the Academy's premises. They will be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the Academy or to access a computer. Any security passes and keys to premises, offices and furniture must be returned to the Academy. Laptop computers and associated disks must also be returned.

The Academy's Site Manager will advise on the best means of denying access to the Academy whilst suspects remain suspended (for example by changing locks and informing staff not to admit the individuals to any part of the premises). Similarly the Network Manager will be instructed to withdraw, without delay, access permissions to the Academy's computer systems.

The Academy's Internal Auditors will consider whether it is necessary to investigate systems (other than that which has given rise to the suspicion) through which the suspect may have had opportunities to misappropriate the Academy's assets.

### **4. Establishing and Securing Evidence**

A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The Academy will

follow disciplinary procedures (as set out in the Staff Handbook and the Academy Statutes) against any member of staff who has committed a fraud. Careful consideration will be given to the introduction of disciplinary action which will only be progressed after account has been taken of any criminal action which the Police may be pursuing. (The Academy will normally pursue the prosecution of any such individual).

Where significant fraud is suspected the Finance Group will arrange for the police to be informed and, where necessary, solicitors to be instructed (after first advising the Principal / Accounting Officer of the proposed action).

The Academy's Internal Auditors will:

- a. maintain familiarity with the Academy's disciplinary procedures to ensure that evidence requirements will be met during any fraud investigation;
- b. establish and maintain contact with the police where necessary and after notifying the Director of Finance and Resources of the intention to do so (in view of the public interest this will happen on most occasions of fraud);
- c. ensure that audit staff involved in any fraud investigation are trained in the evidence rules for interviews under the Police and Criminal Evidence Act;
- d. ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

## **5. Notifying the EFA**

Where a significant fraud is suspected the Principal / Accounting Officer will inform, without delay the EFA. (Similar action will be taken on the occurrence of any serious weakness or major accounting breakdown in the Academy).

Significant fraud or irregularity is defined as where one or more of the following apply:

- a. the sums of money involved are, or potentially are, in excess of £5,000 (as per Academies Financial Handbook);
- b. the particulars of the fraud are novel, unusual or complex;
- c. there is likely to be public interest because of the nature of the fraud or irregularity or the people involved.
- d. In addition the Principal / Accounting Officer will notify the EFA of any unusual or systematic fraud, regardless of value.

Where it is decided not to involve the police, then the Director of Finance and Resources will advise the Resources Committee of the reason.

**6. Recovery of Losses**

Where a fraud investigation is undertaken the Academy will view the recovery of any losses sustained as a major objective. The Director of Finance and Resources will ensure that in all fraud investigations the amount of any loss will be quantified and repayment of any such losses will be sought in all cases.

Where it appears the loss may be substantial (i.e. £5,000 or more) legal advice will be obtained without delay about the need to freeze the suspect's assets through the courts, pending the conclusion of the investigation. Legal advice will also be taken about the prospects for recovering losses through the civil courts where necessary. The Academy would normally expect to recover costs in addition to the losses identified.

If appropriate the Director of Finance and Resources will liaise with the Academy's insurers and insurance consultants to formulate a claim under the Fidelity Policy.

**7. References for Employees Disciplined or Prosecuted For Fraud**

The Academy requires that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud will be referred to the Principal / Accounting Officer. The Principal / Accounting Officer will prepare an answer to a request for a reference having regard to employment law.

**8. Reporting to Chairs of Council and the Audit Committee**

Any incident involving significant fraud (as defined above) will be reported without delay by the Principal / Accounting Officer to the Chairs of the Governing Body and the Resources Committee. Similarly, any variation from the (Governing Body) approved Fraud Response Plan shall be reported promptly to the Chairs of the Governing Body and the Resources Committee.

Resources Committee.

On completion of a special investigation, a written report shall be submitted to the Resources Committee containing:

- a. a description of the incident(s), including the value of any loss, the people involved and the means of perpetrating the fraud;
- b. the measure taken to prevent a recurrence;
- c. any action needed to strengthen future responses to fraud, with a follow-up report on whether any actions have been taken.

This report will normally be prepared by the Academy's Internal Auditors or the Director of Finance and Resources.

## **9. Reporting Lines**

Following the identification of significant fraud (see paragraph 5.2) the Finance Group will provide (as soon as possible) a confidential report to the Chair of the Governing Body, the Chair of the Resources Committee, the Principal / Accounting Officer and the Responsible Officer. Further monthly updates will be produced unless the report recipients request a lesser frequency (such updates may include an involvement of the Academy's legal advisers).

The scope of the report shall include:

- a. quantification of losses identified
- b. progress with action for recovery of losses
- c. progress with disciplinary action
- d. progress with criminal action
- e. estimate of resources required to conclude the investigation
- f. actions taken to prevent and detect similar items

A final report will be produced once the independent investigation is completed and it will represent the definitive document on which management (in a disciplinary situation) and possibly the Police (in a criminal situation) will base their decision. The report should include:

- a. how the investigation arose;
- b. who the suspects are;
- c. the position of the suspects in the Academy and their responsibilities;
- d. how the investigation was undertaken;
- e. the facts and evidence which were identified;
- f. summary of findings and recommendations both regarding the fraud itself and any additional work required on the system weaknesses identified during the investigation.

**10. Responsibility for Investigation**

All special investigations will normally be led by the Academy's Internal Auditors. The work will be commissioned by the Finance Group and the Auditors will report to the Director of Finance and Resources on a day to day basis. Special investigations will not be undertaken by management, although management should co-operate with requests for assistance from the Internal Auditors.

Should a special investigation require the use of technical expertise which the Internal Auditors do not possess, the Finance Group may approve the appointment of external specialists to lead or contribute to the special investigation.

**11. Review of Fraud Response**

This plan will be reviewed regularly (at least every two years) for fitness of purpose by the Director of Finance and Resources or after each use. Any need for change will be reported to the Resources Committee for approval.