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POLICY DOCUMENT

Anti-Fraud Policy

ST JOHN BOSCO CATHOLIC ACADEMY



Introduction

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

What is Fraud?

No precise legal definition of fraud exists; many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. With respect to the academy this applies to all areas of the academy's business and activities.

"Fraud" is usually used to describe 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 academy has in place avenues for reporting suspicions of fraud. Directors and members of staff should report any such suspicions in line with the MAC Whistleblowing 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 MAC Whistleblowing 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 Trust Handbook is the Department for Education's financial guide for the governing bodies and managers of academies. Drawing on the overall financial requirements specified in academy Funding Agreements, it provides detailed guidance on a wide range of financial management, funding and accounting issues.

The Academies Trust 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 **Accounting Officer** is responsible for establishing and maintaining a sound system of internal control that supports the achievement of the MACs policies, aims and objectives. The system of internal control is designed to respond to and manage the whole range of risks that the MAC 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 Chief Operating Officer.

The responsibilities of the Chief Operating Officer in support of the Accounting Officer therefore include:

- 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:
 - o reporting fraud risk issues;
 - o reporting significant incidents of fraud to the Accounting Officer;
 - o external reporting in compliance with Company Law, Accounting Standards and Charity Commission expectations.
 - o coordinating assurances about the effectiveness of fraud policies to support the Statement of Internal Control.
- Liaising with the Board of Directors, the Finance, Audit and Risk 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.

Internal Scrutiny/External Advisors are responsible for:

- Delivering an opinion to the Accounting Officer on the adequacy of arrangements for managing the risk of fraud and ensuring that the MAC promotes an antifraud 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 the MACs Board of Directors or the Finance, Audit and Risk Committee on the efficiency of controls for the prevention, detection and management of fraud.

Every member of staff is responsible for:

- 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 academy'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 Board of Directors 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 MACs 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

The Academies Finance, Audit and Risk Committee:

Unless agreed otherwise with the Department for Education, the MAC should establish an Finance, Audit and Risk Committee as a Committee of the Board of Directors. 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 Audit Committee will overlap with those of the Principal. It is envisaged that he or she will normally attend all meetings of the Finance, Audit and Risk Committee, unless, exceptionally, his or her own performance is being discussed. More detailed guidance on the role of the Finance, Audit and Risk Committee and specimen terms of reference are provided in Appendix C of the Academies Trust Handbook.

Fraud Response Plan

The academy has a Fraud Response Plan that sets out how to report suspicions, how investigations will be conducted and concluded. This plan forms part of the MAC's Fraud Policy. (See Appendix A)

APPENDIX A

Fraud Response Plan

The Fraud Response Plan sets out the academy's 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:

- assign responsibility for investigating the fraud;
- minimise the risk of any subsequent losses;
- reduce any adverse operational effects;
- specify the degree of confidentiality required;
- implement damage limitation (to assets and reputation);
- establish and secure evidence necessary for criminal and disciplinary action;
- improve the likelihood and scale of recoveries;
- inform the police and liaise with insurers;
- review the reasons for the incident and improve defences against future fraud.

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

1. Initiating action

Reporting of any suspicions of fraud or irregularity

Staff are encouraged to come forward and give information where they honestly believe someone may have committed or be about to commit an act of fraud or corruption. A formal Whistle Blowing Policy has been established to provide a framework for this and to afford protection to employees who supply information, provided this is undertaken in good faith and without malice.

All actual or suspected incidents should be reported to the Principal / Accounting Officer and/or Chair of Directors as soon as possible. Any reports will be treated in absolute confidence. Notes of any relevant details such as dates, times and names should be written and evidence collected together in preparation to hand over to the appropriate investigator.

The person reporting the fraud should not:

- contact the suspect to determine facts or demand restitution;
- discuss case facts outside of the Academy;
- discuss the case with anyone within the Academy other than those staff mentioned above;
- attempt to carry out investigations or interviews unless specifically asked to do so by the Principal.

Fraud Response Group

As soon as is practicably possible and usually within one working day the Chief Operating Officer and Principal will hold a meeting with some or all of the following staff to consider the initial response, dependent upon the nature of the report. These staff will comprise the 'Fraud Response Group' (FRG) and the Chief Operating Officer and Principal will act as Chair of the Group:

Chief Operating Officer and Principal (or nominee)

Vice Principal (or nominee)

Assistant Principal (or nominee)

The Chair of Directors should be informed of any action taken by the FRG (unless the suspected fraud directly involves the Chair of Director).

If any suspected fraud directly involves any of the persons referred to above, then the relevant reference should be replaced by the Chair of Director.

The Chair of Directors will be informed where losses potentially exceed £10,000.

The FRG will determine what further investigative action (if any) is necessary. In particular the following issues will be considered:

- who to involve in the investigation;
- whether to appoint an officer to lead the investigation
- whether there should be any restrictions on who needs to know about the suspected fraud and level of confidentiality;
- whether police involvement is necessary, or whether civil action is appropriate;
- whether more specialist expertise may be required to assist with the investigation;
- action under the terms of the academy's insurance policy to ensure prompt reporting;
- action to ensure that, in the short-term, damage to the academy is limited, by:
 - a) isolating the employee from the immediate work environment;
 - b) preventing access to academy computers, and the workplace;
 - c) restricting the movement of assets;
 - d) ensuring compliance with HR policies;
 - e) ensuring any interview is timely and has clear objectives.

It is essential that any action or gathering of evidence does not prejudice the academy's ability to prevent fraudulent activity or recover losses incurred through fraud. Staff reporting fraud should follow advice from the Principal or the Chair of the FRG.

2. Prevention of further loss

i) Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Fraud Response Group will decide how to prevent further loss. This may require the suspension, with or without pay, of those under suspicion.

ii) It may be necessary to plan the timing of suspension to prevent the destruction or removal of evidence that may be needed to support disciplinary or criminal action.

iii) In these circumstances, the suspect(s) should be approached unannounced by at least two people (one of whom should be part of the FRG) and personal safety of staff should be considered. The suspect(s) should be supervised at all times before leaving the academy's premises.

iv) They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the academy. Any security passes and keys to premises, offices, and furniture should be returned.

vi) The ICT Technicians should be instructed to withdraw the suspect's access permissions to all the academy's computer systems immediately.

vii) The Principal shall, after approval by the FRG, consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the academy's assets.

3. Establishing and securing evidence

When an investigation is involved we will:

- carry out initial fact finding to confirm or dismiss the complaint;
- ensure any evidence, including IT facilities, is secure;
- maintain familiarity with the MACs disciplinary procedures and statutory rights, to
- ensure the evidence requirements will be met during any fraud investigation;
- establish and maintain contact with the police where appropriate;
- ensure staff involved are compliant with the Police and Criminal Evidence Act when interviewing and are familiar with the rule on the admissibility of documentary and other evidence in criminal proceedings.

4. Associated responsibilities

Responsibility for investigation

All special investigations shall normally be led by the Principal under the direction of the FRG. Some special investigations may require the use of technical expertise which the academy does not possess. In these circumstances, the FRG may approve the appointment of external specialists to lead or contribute to the investigation.

References for employees disciplined or prosecuted for fraud

Any requests for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Human Resources. The HR Department should prepare any answer to such a request.

5. Recovery of losses

Recovering losses is a major objective of any fraud investigation. The academy shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court where the perpetrator refuses payment. The academy would normally expect to recover costs in addition to losses.

The academy insurers should be made aware of the pursuit of any such claims.

6. Internal control assessment

The Principal will, at an appropriate time, consider the results of the investigations and assess whether there is a weakness in the MACs systems of internal control which needs to be addressed urgently, and will report accordingly.

Reporting

On completion of a special investigation, a written report should be submitted to the Chair of Directors and will include the following:

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

This report will be prepared by the Chief Operating Officer.

DFE guidance issued August 2020

Anti-fraud checklist for academy trusts

Fraud occurs in every sector and although the level of identified fraud in academies is very low, academy trusts need to be aware of the potential for it to occur.

The 10 questions below are intended to help trustees, accounting officers and chief financial officers to review their arrangements for preventing, detecting and dealing with fraud should it occur. Arrangements will vary according to the size, complexity and structure of the trust.

1. Are the trustees, accounting officer and chief financial officer aware of the risk of fraud and their responsibilities regarding fraud?
2. Is fraud included within the remit of the trust's audit committee?
3. Has the role of the trust's external auditor and responsible officer (or equivalent) regarding fraud been established and is it understood?

4. Is fraud risk considered within the trust's risk management process?
5. Does the trust have a fraud strategy or policy and a 'zero tolerance' culture to fraud?
6. Is the fraud strategy or policy and 'zero tolerance' culture promoted within the trust? For example, through financial regulations, disciplinary procedures, checks on new staff, induction process, staff training, vetting of contractors?
7. Does the trust have policies on whistleblowing, declarations of interest and receipt of gifts and hospitality?
8. Does the trust have appropriate segregation of duties around financial transactions, including, but not limited to, accounting, processing and banking arrangements?
9. Is it clear to whom suspicions of fraud in the AT should be reported?
10. If there has been any fraud in the trust, has a 'lessons learned' exercise been undertaken?