

Trust Anti-Fraud Policy



St Francis of Assisi
CATHOLIC ACADEMY TRUST

St. Francis of Assisi Catholic Academy Trust

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1. Introduction

The St Francis of Assisi Catholic Academy Trust is committed to ensuring that it demonstrates the highest standards of business conduct at all times and it maintains an honest and open environment within the Trust and its Academies. In addition to this, the Trust is committed to promoting an anti-fraud culture, the prevention and detection of fraud and irregularity and the investigation of any such cases if they occur. Any apparent fraud or financial irregularity will be investigated and appropriate disciplinary action will be taken where there is evidence of such. The recovery of money/assets from individuals found to be guilty of participating in fraudulent activity will be pursued (through formal criminal and civil action where appropriate). All staff in the Trust have a duty to:

- Protect the assets of the Trust and its Academies;
- Report all reasonably held suspicions of fraud or irregularity;
- Cooperate with any investigation.

For the purposes of this policy, fraud is defined as dishonest, irregular or illegal acts, characterised by a deliberate intent at concealment or false misrepresentation, resulting in the diversion of resources, whether or not for personal gain, for the benefit of an individual or group of individuals at a consequent loss to the School.

The objective of this policy is to safeguard the proper use of the Trust's finances and resources. The Trust derives the majority of its income from public funds, however it may also receive charitable donations and income from parents, and so has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

Fraud is a serious matter and the Trust Board and Trust Business Committee is committed to investigating all cases of suspected fraud. Any member of Trust staff, regardless of their position or seniority, against whom prima facie evidence of fraud is found, will be subject to disciplinary procedures that may result in dismissal. The Trust will normally involve the Education & Skills Funding Agency (ESFA) and the police and may seek redress via civil proceedings.

2. Deterrence

With regards to deterrence of fraud, prosecution is a particularly effective method because of the risk of a custodial sentence and a criminal record for the individual(s) in question. However, the threat of prosecution only deters if the threat is reality. It is therefore Trust policy that any fraud will be reported to the Police or other investigative agencies, irrespective of the status of the individual. The Trust will also undertake disciplinary action and reserves the right to take legal action if deemed necessary.

3. Prevention

3.1 Risks

The three areas most vulnerable to fraud in Academies are cash handling, cheque handling and the operation of the purchase ledger. The misuse of information technology is also a major risk and one that is potentially growing in importance with the increase in technology. The importance of publicly reported statutory information to educational establishments is significant and therefore this area could be susceptible to fraud.

The Trust operates a Risk Management process, which involved maintaining a Risk Register. The identification of fraud risk is an integral part of this process. In assessing the level of fraud risk the Trust refers to ESFA guidance such as the 'Anti-fraud checklist for Academy Trusts' (see Appendix One).

The Trust also has a Financial Regulations Document, which outlines the processes in the Trust and following these will ensure all staff act in an honest and correct way and in line with the Academies Trust Handbook. The Financial Regulations document is to ensure there is clarity on financial processes and also mitigates the risk of fraud occurring if processes are followed correctly.

3.2 Procedures/systems to deal with risks

Fraud can be minimised through carefully designed and consistently operated management procedures, in particular the financial policies and procedures within the Trust's Financial Regulations document. The Trust will ensure that management procedures for the Trust and within Academies, as described below, are effective and that staff receive training in their operation:

- Segregation of duties and appropriate oversight in the use of financial systems;
- Clear roles and responsibilities, with set levels of authority for authorising transactions;
- System protection with electronic access restrictions to prevent the possible misuse of information technology.

3.3 Employee Screening

Potential new employees will be screened before appointment, particularly for posts with financial responsibility. For example:

- Identity and right to work checks are made;
- References should cover a reasonable, continuous period and any gaps should be explained
- An official employer's reference should be obtained and offers of appointment is only to be made subject to receipt of satisfactory references and any doubts about the contents of the reference should be resolved before confirming the appointment. If this is done by telephone, a written record of the discussion should be kept to comply with employment law;
- Essential qualifications and DBS checks are made.

Recruitment procedures require that members of recruitment panels will declare any relationships or connections with candidates prior to their involvement with the process. Once a candidate is employed they will be required to declare pecuniary interests at all times.

3.4 The Role of Independent Review

3.4.1 External Audit

The External Auditors provide independent oversight of the financial controls and activities within the Trust and its Academies as part of their work in auditing the financial systems and processes, which ultimately result in the Annual Report and Financial Statements.

3.4.2 Internal Audit

The Internal Auditors provide independent assurance on the processes and controls put in place by Senior Management to prevent or detect fraud and irregularity or to manage the risk of fraud and irregularity.

Members of the Internal Audit Team, with the requisite skills and expertise, may also provide advice on, lead or conduct special investigations into suspected fraud, irregularities, misconduct or alleged impropriety.

Fraud investigations should not be undertaken without the requisite skills, knowledge and expertise as this may compromise a fraud investigation or a criminal case.

3.4.3 Education and Skills Funding Agency (ESFA)

The ESFA can carry out periodic funding audits and financial management reviews of the Trust. They also conduct or commission investigations into suspected fraud and irregularity and they publish reports on the outcome of such investigations. Any Fraud will be reported to the ESFA in line with the Academies Trust Handbook.

4. Detection

4.1 Internal Management Systems

Effective management systems of the Trust are imperative if fraud is to be detected quickly and efficiently. The systematic review of transactions minimises the risk of processing an irregular transaction. Detective checks and balances must be designed into systems and applied consistently. This includes segregation of duties, monthly and annual reconciliation procedures and review of management accounting information on a monthly basis.

4.2 Internal or External Audit Reviews

The work of internal and external auditors may result in the detection of suspected fraud and irregularity or may suggest improvements in controls to help prevent and detect any irregularities.

4.3 Reporting Suspected Fraud and Irregularity

If an individual has genuine reason to suspect that fraud or irregularity is taking place (or has taken place), they are expected to bring this to the attention of the Trust authorities in one of the following ways:

- Reporting suspicions to Senior Management, Academy Head Teacher, Chief Executive Officer or the Chair of the Trust Board as appropriate;
- Reporting suspicions in line with the Trust's Whistleblowing Procedure.

5. Response

5.1 Acting on the suspicions – what to do and not to do:

Where staff in the Trust have raised concerns or reported their suspicions to senior management or suitable individual:

Do:



Note details

Note all relevant details. Get as much information as possible from the reporting staff member. If the staff member has made notes, obtain these also. In addition, note any documentary evidence which may exist to support the allegations made, but do not interfere with this evidence in any way.

- ✓ **Be responsive to staff concerns**
The Trust expects all managers to encourage staff to voice any reasonably held suspicion as part of developing an anti-fraud culture. Managers should treat all staff concerns seriously and sensitively.
- ✓ **Evaluate the allegation objectively**
Before taking the matter further, determine whether any suspicions appear to be justified. Be objective when evaluating the issue. Consider the facts as they appear, based on the information to hand.
- ✓ **Advise the appropriate person**
If a suspicion is justified, deal with the matter promptly as any delay may cause the Trust to suffer further financial loss. Full details should be recorded and reported in line with section 4.3 above and in all cases involving suspected fraud or financial crime the Trust's Internal Audit Manager should be informed.

Do not:

- ✗ **Ridicule suspicions raised by staff.**
The Trust cannot operate effective anti-fraud and whistleblowing policies if staff are reluctant to pass on their concerns to management. All staff concerns should be given a fair hearing. In addition, staff should be reassured that they will not suffer recrimination as a result of raising any reasonably held suspicion.
- ✗ **Approach or accuse any individuals directly**
- ✗ **Convey your suspicions to anyone other than those with the proper authority.**
- ✗ **Try to investigate the matter yourself**

5.2 Investigation of Suspected Fraud and Irregularity

In order to protect the Trust and those accused of suspected fraud and irregularity, initial enquiries may be made to decide whether an investigation is appropriate and, if so, what form it should take. In cases of suspected fraud, an initial meeting should take place at the earliest opportunity to determine the initial response. This should usually involve the Chief Executive Officer and the Chief Financial Officer. However, exactly who is involved will depend on the particular case. Each case will be different and the approach taken will be dependent upon the circumstances, nature and seriousness of the allegations, who is involved and the potential remedies being sought.

The course of action to be taken is likely to be one or more of the following:

- An investigation may be conducted by management, the Internal Audit Team, or through the disciplinary process;
- Referral to the police or other investigative agencies;
- Referral to an appropriate professional body;
- Referral to the External Auditor;
- Referral to the Internal Auditor;
- Referral to the ESFA Investigations Team.

Where a decision is made to investigate the matter internally, the case will be referred to a specific individual/Director, an Investigating Officer, appointed by the Chief Executive Officer, who has the appropriate expertise and seniority to plan and undertake the preliminary fact finding and/or formal investigation(s). It is critical that any investigation is conducted in a professional manner, in accordance with relevant procedures, e.g. whistleblowing procedure, disciplinary procedure(s) and investigation practice guidance as appropriate.

The purpose of an investigation is to establish the facts associated with the concerns or allegations in order to determine whether or not there is a case to answer. The Investigating Officer should adopt a holistic approach examining the case from all angles, collecting evidence from management, employee and organisational perspectives. The Investigating Officer should interview all relevant people and analyse any related documentation in order to determine the facts and relevant mitigating circumstances.

Some investigations (e.g. those involving fraud) may require the use of technical or specialist expertise in which case an external specialist may be appointed as the Investigating Officer or to contribute to the investigation.

The Chief Executive Officer will normally inform the Chair of the Trust Board and the Chair of the Trust Business Committee that an investigation is taking place to ensure they are kept updated throughout the investigation. The Investigating Officer should, where possible, quantify any potential or actual financial loss and ensure that steps are taken at an early stage to prevent further loss occurring.

Where the case is sufficiently serious, an individual who is accused of fraud or irregularity may be suspended, with or without pay, while an investigation is under way, in accordance with the Trust's disciplinary procedures. HR advice should be consulted before any such action is taken. It should be noted that suspension is a neutral act intended to facilitate enquiries, protect the Trust and the individual(s) involved and does not imply any presumption of guilt.

If the individual under suspicion is to be suspended the timing of suspension should be carefully planned. The suspect should be approached unannounced. They should also be supervised at all times before leaving Trust premises. They should be required to reveal relevant computer passwords and not remove any records or data (either manual or on disk or electronically) from the premises. They should be allowed to collect personal property under supervision but should not be able to remove any property belonging to the Trust. Any security passes and keys to premises, offices and furniture should be returned.

The terms of suspension should bar staff from contacting colleagues about any work related matter without the written consent of the Head Teacher or Chief Executive Officer as appropriate. Should suspended staff breach the terms of suspension, this could be grounds for disciplinary action in its own right.

The Investigating Officer shall also consider whether it is necessary to investigate systems other than those which have given rise to suspicion, through which the suspect may have had opportunities to misappropriate the Trust's assets.

Any investigation will be carried out in accordance with the principles of natural justice and with due regard to the statutory rights of all individuals involved in the case. The Trust will take all reasonable measures to ensure that an investigation is concluded as quickly as possible.

If the decision is reached that there is a case to answer, the person or persons implicated should be informed of this, shown the supporting evidence and be offered an opportunity to respond as part of the investigation.

At the conclusion of the investigation, the Investigating Officer will produce an Investigation Report with details of the facts relevant to the case and the supporting evidence. This will enable the Trust to determine what, if any, disciplinary or other sanctions may be considered appropriate under the circumstances.

Internal investigations will be conducted in a manner which ensures that those involved in the investigation will be different from those who may be required subsequently to conduct any disciplinary proceedings.

If information was disclosed or reported by an individual(s) initially they will be kept informed of what action, if any, is to be taken. If no action is to be taken the individual concerned will be informed of the reason for this and informed in writing. However, any information relevant to an investigation of suspected fraud or financial crime must not be disclosed except for the purposes of the investigation or subsequent proceedings.

Should any officer responsible for this procedure be implicated in any way or have or be perceived to have any potential conflict of interest in an allegation of fraud or irregularity, he/she will not take part in the procedure, the role being taken by an appropriate alternative.

Senior management will establish and maintain contact with the police or other investigative agencies, where appropriate. The decision will be reported to the Chair of the Business Committee and to the Chair of the Trust Board.

5.3 Sanctions

Depending on the circumstances of each case, the outcome of an investigation and the materiality of the sums involved, the Trust may apply any or all of the following sanctions, as appropriate:

- Disciplinary action in accordance with relevant disciplinary procedures (including referral to an appropriate professional body);
- Civil proceedings;
- Criminal proceedings.

In some circumstances, it may be appropriate for the Chief Executive Officer or the Chair of the Trust Board to liaise directly or indirectly with the parties involved to seek a resolution (through negotiation). Should a satisfactory resolution not be attainable through these means, the alternative courses of action set out above may then be followed.

5.4 Recovery of Losses

The Investigating Officer shall, where possible, quantify the amount of any loss. The Chief Financial Officer, with the Chief Executive Officer shall consider what redress is appropriate in each particular case.

Where a loss is considered to be significant, legal advice will be obtained without delay about the need to trace and/or freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice will also be obtained on the recovery of losses through the civil and criminal courts, or

deducting losses from any salary payments outstanding, where the perpetrator is a member of staff and refuses repayment. The Trust would normally expect to recover costs in addition to losses.

An individual may, in the course of an investigation, offer to repay the amount that has been obtained improperly. The Investigating Officer should neither solicit nor accept such an offer (as it may be construed as having been obtained under duress). Any offer made should be recorded and the individual referred to the Chief Executive Officer.

If an offer of restitution is made while disciplinary or legal proceedings are still under way, legal advice will be sought before such an offer is accepted. In certain circumstances, it may be possible, at the completion of the investigation, to make a claim against the Trust's insurance policy (the RPA). The Chief Financial Officer and Investigating Officer should provide the insurers with any information that is required to substantiate a claim, or to support an attempt by the insurers to secure recovery from the perpetrator.

5.5 Notifying the ESFA and External Auditors

The Academy Trust Handbook includes a requirement that:

“The Trust must notify the ESFA, as soon as possible, 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 ESFA reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity.

At an appropriate point in time, the Chief Executive Officer will notify the ESFA and the Trust's External Auditors. They will also formally notify the Trust Business Committee and Trust Board to ensure the Directors are informed.

6. Learning from past experience

Where fraud or irregularity has occurred, Trust management must take steps to improve and tighten the controls in the systems where the fraud occurred. This will help ensure that the fraud or irregularity does not occur in the future and as the controls implemented should be sufficient to stop any further events occurring.

7. Monitoring of policy

The application of this policy will be monitored by the Trust Business Committee.

This Policy is to be reviewed annually unless there are exceptional adjustments required that must be approved and passed up to the Trust Board.

Appendices

Appendix One



Education & Skills
Funding Agency

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?