

# Fraud Policy and Procedures

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Adopted by: Lime Trust Board

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Signature of Chair of Board: \_\_\_\_\_

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## Introduction

Lime Trust aims to be an honest and ethical institution. As such, it is opposed to fraud and seeks to eliminate fraud by the way it conducts Lime Trust business. This document sets out the Lime Trust's policy and procedures for dealing with the risk of significant fraud or corruption in line with the Lime Trust's risk register.

The policy applies to Lime Trust and all its employees, independent of their grade and position, and shall be respected at all times.

In order to minimise the risk and impact of fraud, the Lime Trust's objectives are, firstly, to create a culture which deters fraudulent activity, encourages its prevention and promotes its detection and reporting and, secondly, to identify and document its response to cases of fraud and corrupt practices.

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

- The development and publication of a formal statement of its expectations on standards of personal conduct and accountability;
- The establishment of adequate and effective systems of internal financial management control and a clear requirement to comply with them. The establishment of a Responsible Officer function with an ongoing responsibility to review and report on financial management control systems within the Lime Trust.
- The development and publication of a formal statement of the procedures to be followed by employees who have a suspicion of, or concern about, possible or actual malpractice within the Lime Trust and a fraud response plan which sets out the Lime Trust's policies and procedures to be invoked following the reporting of possible fraud or the discovery of actual fraud.

These steps are described in greater detail in the following sections

## PERSONAL CONDUCT

The Lime Trust subscribes to the seven Nolan Principles of Public Life. It 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 Lime Trust's expectations regarding standards of personal conduct, the following key statements provide appropriate guidance:

These regulations are binding on all governors, members of staff, students and constituent parts of the Lime Trust. Refusal to observe them will be grounds for disciplinary action.

In disbursing and accounting for all funds, Lime 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 Lime Trust must at all times conduct financial affairs in an ethical manner.

All members of staff and governors of the Lime Trust are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the Lime Trust or its related companies, minority interest companies and trading areas. This is done through the declaration of interest forms.

Any person who is responsible for placing an order with a supplier with whom he has a personal interest must disclose this to the Headteacher or the Business Manager.

Governors or employees of the Lime Trust shall never use their office or employment for personal gain and must at all times act in good faith with regard to the Lime Trust's interests.

Budget Holders are expected to adhere to the Financial Regulations and Procurement Policy at all times and to use their best efforts to prevent misuse or misappropriation of funds and other Lime 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. These controls include high-level management controls such as budgetary control and monitoring and organisational controls such as separation of duties, internal check 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 Lime Trust are documented in the Financial Regulations. The Financial Regulations are issued and updated periodically by the COO following approval by the Finance and Audit Committee on behalf of the Academy Council. They are binding on all governors, members of staff, students and constituent parts of the Lime Trust and are distributed to the Headteacher, the Senior Leadership Team, and staff in the Finance Office.

The Business Manager has, in addition, issued a manual of Financial Procedures which sets out in greater detail the expected controls that should operate within the key operational systems.

The Lime Trust has also established a Finance Committee and an independent Responsible Officer function 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.

## **Fraud Response**

The Fraud Response Plan sets out the Lime 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 Lime 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 Lime 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 Lime Trust's plan are in line with the Whistleblowing Policy as stated in the Financial Regulations and are outlined below:

- All governors, members of staff, students and constituent parts of the Lime Trust are required to notify immediately the Headteacher and/or the Business Manager of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash, stores or other property of the Lime Trust. The Headteacher and/or Business Manager should bring this to the attention of the Chair of the Finance Committee immediately.
- The Headteacher/Business Manager will ascertain whether or not the suspicions aroused have substance. They 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 Chair of the Finance Committee and the Chair of the Academy Council.
- The Headteacher will have the initial responsibility for coordinating the Lime Trust's response. In doing this he/she will consult with the Lime Trust's Human Resources Advisor regarding potential employment issues. The Headteacher will also seek expert legal advice from the Lime Trust's Legal Advisor on both employment and litigation issues before taking any further action.
- The Headteacher is required to notify the Academy Council of any serious financial irregularity. This action will be taken at the first opportunity following the completion of the initial investigations and will involve, inter alia, keeping the Responsible Officer, the Chair of the Finance and Audit Committee and the Chair of the Academy Council fully informed between meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns.
- If evidence of a fraud is forthcoming then the Lime Trust Board will inform the DfE as required by the Funding Agreement and will consider whether or not to refer the matter to the Police.

All elements of fraud will be reported to the Education Funding Agency. The EFA reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity in any Lime Trust either as the result of a formal notification from the Lime Trust itself or as the result of other information received.

#### Other Related Policies

- Lime Trust Financial Regulation Handbook
- EFA Academies Financial Handbook September 2016
- Risk Management Policy
- Risk Register