

# Fraud Policy and Procedures

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Adopted by: Larkwood LGB

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## Introduction

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Larkswood Primary Academy 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 academy business. This document sets out the academy's policy and procedures for dealing with the risk of significant fraud or corruption in line with the academy's risk register.

The policy applies to Larkswood Primary Academy 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 academy'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 academy 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 academy.
- 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 academy and a fraud response plan which sets out the academy'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

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The academy 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 academy'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 academy. Refusal to observe them will be grounds for disciplinary action.

In disbursing and accounting for all funds, Larkswood Primary Academy must demonstrate that it is adopting high standards of financial probity. Implicit within this regime is the requirement that governors and employees of the academy must at all times conduct financial affairs in an ethical manner.

All members of staff and governors of the academy are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the academy 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 academy shall never use their office or employment for personal gain and must at all times act in good faith with regard to the academy'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 academy property.

Taken together, these represent a statement of the framework within which governors and employees are expected to conduct themselves.

## SYSTEMS OF INTERNAL CONTROL

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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 academy are documented in the Financial Regulations. The Financial Regulations are issued and updated periodically by the Business Manager following approval by the Finance Committee on behalf of the Governing Body. They are binding on all governors, members of staff, students and constituent parts of the academy 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 academy 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

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The Fraud Response Plan sets out the academy'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 academy 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 academy; and creation of an environment which, because it is perceived as being ill prepared, increases the risk of fraud.

The main elements of the academy'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 Academy 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 academy. 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 Governors.
- The Headteacher will have the initial responsibility for coordinating the academy's response. In doing this he/she will consult with the Academy's Human Resources Advisor regarding potential employment issues. The Headteacher will also seek expert legal advice from the Academy's Legal Advisor on both employment and litigation issues before taking any further action.
- The Headteacher is required to notify the Governing Body 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 Committee and the Chair of Governors 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 Governing Body 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 academy either as the result of a formal notification from the academy itself or as the result of other information received.

#### Other Related Policies

- Larkswood Primary Academy Financial Regulation Handbook
- EFA Academies Financial Handbook September 2014
- Risk Register Policy
- Risk Register