

# The Blue Kite

## Academy Trust

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<b>Title of Policy/Procedure</b>	Fraud Policy and Procedures
<b>Reviewer(s):</b>	Director of Operations Finance Manager
<b>To be read in conjunction with the following policies:</b>	Financial Procedures, Administration and Control Policy
<b>Consultation Process</b>	This policy has been produced in consultation with Mr Neil Uzzell (Member) and Mrs Judith Randell-Sly (Member and Chair of Directors)
<b>Policy Date:</b>	September 2016
<b>Review Date:</b>	September 2018

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# Fraud Policy and Procedures

## Introduction

The 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 business. This document sets out the trust's policy and procedures for dealing with the risk of significant fraud or corruption. In order to minimise the risk and impact of fraud, the 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 trust has taken the following steps:

1. The development and publication of a formal statement of its expectations on standards of personal conduct, propriety and accountability
2. The establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), and an independent review function with an ongoing responsibility to review and report on these systems;
3. 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 trust and a fraud response plan which sets out the trust's policies and procedures to be invoked following the reporting of possible fraud or the discovery of actual fraud.

These three steps are described in greater detail in the following sections

## Personal Conduct

The trust 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 trust's expectations regarding standards of personal conduct, appropriate guidance is provided by the following key statements:

- these regulations are binding on all directors, governors, members of staff, students and constituent parts of the trust. Refusal to observe them will be grounds for disciplinary action
- in disbursing and accounting for all funds, the trust must demonstrate that it is adopting high standards of financial probity. Implicit within this regime is the requirement that directors, governors and employees of the trust must at all times conduct financial affairs in an ethical manner
- all members of staff, members, directors and governors of the trust 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

- any person who is responsible for placing an order with a supplier (whether a contractor or not) with whom he has a personal interest must disclose this to the Chief Executive Officer or the Chief Financial Officer
- directors, governors or employees of the trust shall never use their office or employment for personal gain and must at all times act in good faith with regard to the trust's interests
- heads of Department/Budget Holders are expected to adhere to the Financial Regulations at all times and to use their best efforts to prevent misuse or misappropriation of funds and other trust property

## **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 (designed to identify fraud which results in shortfalls in income or overspendings against expenditure) 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 trust are documented in the Financial Procedures Policy. The Financial Procedures are issued and updated periodically by the Chief Financial Officer. They are binding on all directors, governors, members of staff, students and constituent parts of the trust and are distributed to the Chief Executive Officer, Head Teachers, the Senior Leadership Team, Heads of Department and staff in the academies finance offices.

The trust has also established an Audit 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 (including those intended to minimise the potential exposure to fraud and corruption).

## **Fraud Response**

This document sets out the 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 Trust retains control of its affairs in a crisis; and
- makes 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 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 trust's policy are in line with the Whistleblowing Policy and are outlined below:

1. All directors, governors, members of staff, students and constituent parts of the trust are required to notify immediately the Chief Executive Officer and/or the Chief Financial Officer of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash, stores or other property of the trust. The Chief Executive Officer and/or Chief Financial Officer should bring this to the attention of the Board of Directors immediately.
2. The Chief Executive Officer/Chief Financial Officer 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 Finance Committee.
3. The Chief Executive Officer will have the initial responsibility for coordinating the trust's response. In doing this they will consult with the trust's Human Resources Advisor regarding potential employment issues. The Chief Executive Officer will also seek expert legal advice from the Academy's Legal Advisor on both employment and litigation issues before taking any further action
4. The Chief Executive Officer is required to notify the Board of Directors 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 Chief Executive Officer, the Chair of Finance Committee and the Board of Directors fully informed between committee meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns
5. If evidence of a fraud is forthcoming then the Board of Directors will inform the DfE as required by the Funding Agreement and will consider whether or not to refer the matter to the Police.