

Title of Policy/Procedure	ANTI-FRAUD POLICY
Reviewer(s):	Deputy Chief Financial Officer/Management Accountant Chief Executive Officer
To be read in conjunction with the following policies:	Financial Procedures, Administration and Control Policy
Consultation Process	N/A
Policy Date:	May 2023
Review Date:	May 2026

Contents

1. Introduction.....	2
2. Fraud, Corruption and Other Irregularity	2
3. The Trust’s Responsibilities	3
4. Line Management Responsibility	4
5. Staff Responsibilities	4
6. Fraud Response Plan	5
7. Creating an Anti-Fraud Culture	5
8. Detection and Investigation.....	6
9. Sanction & Redress	6
10. Learning from the Experience	6
11. Cybercrime.....	7
12. Conclusion	7
13. Review of the Anti-Fraud Policy	7

1. Introduction

- 1.1. The Blue Kite Academy Trust (the Trust), requires staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud is an ever-present threat to those resources and therefore must be a key priority for staff to be aware of. The Trust will not accept any level of fraud or corruption; consequently, any concerns or suspicions of such issues existing will be thoroughly investigated and dealt with appropriately and any resultant action likely to be considered under the category of gross misconduct and referred to the police.
- 1.2. The purpose of this document is to set out the Trust's responsibilities regarding the prevention of fraud, theft or irregularity and cybercrime and the procedures to be followed where a fraud, theft or irregularity is suspected or identified. This policy supplements the Trust's policies on Whistleblowing, Disciplinary, Code of Conduct and Fraud Response Plan (see section 6 of this document) and its Financial Procedures Manual and, as such, these should be read in conjunction with the Anti-Fraud Policy.
- 1.3. The Education Skills and Funding Agency (ESFA) also adopts a serious approach to such matters; the Academy Trust Handbook 2022 indicates (section 6.11) the ESFA will not tolerate fraud.
 - 1.3.1. *'Academy trusts must be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft or irregularity is suspected or identified.'*
 - 1.3.2. *'The board of trustees must notify ESFA, as soon as possible, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually or £5,000 cumulatively in any financial year. Unusual or systematic fraud, regardless of value, must also be reported.'*

2. Fraud, Corruption and Other Irregularity

- 2.1. The Fraud Act 2006, came into force on the 15th January 2007, and fraud has been given a legal definition. The act introduces provision for a general offence of fraud which is broken into three sections
 - Fraud by false representation
 - Fraud by failing to disclose information
 - Fraud by abuse of position
- 2.1.1. Fraud by false representation
 - This occurs where a representation is made dishonestly and is made with the intention of making a gain for himself or another or causing a loss to another or to expose another to a risk of loss.
 - "Representation" means any representation as to fact or law, including a representation as to the state of mind of the person making the representation or any other person, express or implied. A representation is defined as false if it is untrue or misleading and the person making it knows that it is, or might be, untrue or misleading. Representation can be stated by words or communication by conduct i.e. written, spoken or by electronic means.

2.1.2. Fraud by failing to disclose information

- A fraud will have been committed if a person fails to declare information which he/she has a legal duty to disclose. The person therefore acts dishonestly and intends to make a gain for themselves or another, whilst causing a loss to another or to expose another to the risk of a loss.

2.1.3. Fraud by abuse of position

- This is where a person who occupies a position expected to safeguard or not act against the financial interest of another. If they act dishonestly by abusing the position held; and by doing so, fails to disclose to another person, information which he/she is legally required to disclose.
- The dishonest act will have occurred with the intention of making a gain for themselves or another. Alternatively, it may be with the intention of causing a loss or risk of loss to another. The offence may be committed by omitting to make a declaration as well as by an act.

2.1. The introduction of the Fraud Act 2006, does not prevent the prosecution of offences under the various Theft Acts and Forgery and Counterfeiting Act, e.g., theft, counterfeiting and falsification of documents.

2.2. Corruption

Corruption is a specific type of fraud and involves:

'The offering, giving, soliciting or acceptance of any inducement or reward which may influence the action of any person.'

Corruption involves two or more people. Corruption does not always result in a loss; indeed, the corrupt person may not benefit directly from their deeds.

2.3. Irregularity

An irregularity may be any significant matter or issue, other than fraud or corruption, which is so defined and prescribed by the Trust as to fall within the 5 general principles of this Policy and which may warrant consideration or investigation under the related Fraud Response Plan.

For example, an irregularity may be where a member of staff makes a genuine error or mistake in the course of their duties/responsibilities, but where this error or mistake is subsequently hidden from the Trust, perhaps to the on-going detriment to the Trust. Additionally, an irregularity may also involve consideration of the possible inappropriate use of Trust funds or assets, but which may not technically constitute fraud or corruption.

3. The Trust's Responsibilities

3.1. Overall responsibility for dealing with fraud and corruption rests with the Chief Executive Officer (The Academy's Accounting Officer).

3.2. As the Academy's Accounting Officer, the responsibilities of this post include;

- Establishing and maintaining a sound system of internal control to prevent fraud
- Establishing effective financial regulations, policies and procedures
- Establishing appropriate mechanisms for reporting fraud risk issues including

reporting to the Chair of the Finance Committee and the Risk and Audit Committee, the Academy's Accounting Officer, the Trustees and ESFA where appropriate

- Ensuring that rigorous and prompt investigations are carried out
- Taking appropriate legal and/or disciplinary action where fraud is proven
- Ensuring that appropriate action to recover assets is taken and to minimise loss

3.3. Trustees and staff in positions of financial responsibility and authorisation are required to provide their Governing Body with information concerning their direct or indirect pecuniary interest, and those of close family members, via the annual Declaration of Interest Form and to keep that information up to date.

4. Line Management Responsibility

4.1. Line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that those controls are effective. The responsibility for the prevention and detection of fraud therefore, rests primarily with the managers. There is a need for all managers to assess the types of risk that their individual department is exposed to; to review and test those control systems regularly; to ensure that controls are being complied with; and to satisfy themselves that their systems continue to operate effectively.

4.2. Line managers must be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

4.3. Regular internal scrutiny is a valuable resource for advice and assistance on control issues. The audits provide an opinion to the Accounting Officer, the Chair of the Finance Committee and to Trustees on the adequacy of arrangements for managing the risk of fraud and assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls. In terms of establishing and maintaining effective controls it is generally desirable that:

- a) There is a separation of duties so that control of key functions does not rest with one staff member
- b) When new systems are being designed, safeguards against fraud are considered at an early stage and tested throughout implementation.

5. Staff Responsibilities

5.1. It is the responsibility of all members of staff within the Trust to ensure that public funds controlled by the Trust are safeguarded against fraud. Staff must alert their line manager if they believe an opportunity for fraud exists because of poor procedures or controls. Staff must report any suspicion of fraud immediately to their line manager (or other person in authority where appropriate) who should record this and report it to the CEO, in the event that the allegations of malpractice are to be made against the CEO, to the Chair of the Finance Committee. Staff are required to cooperate fully with any internal checks, reviews or fraud investigations and to comply with relevant policies and procedures. Failure to comply may result in disciplinary action.

5.2. All employees have the right to "blow the whistle" on what they perceive to be a cause of serious concern or malpractice. All staff should familiarise themselves with the

Academy's Whistleblowing' policy and in particular the protection afforded them under the Public Disclosure Act 2014. The Trust assures all staff that they will not suffer in any way as a result of reporting reasonably held suspicions.

- 5.3. The Trust subscribes to the seven principles of public life set out in the Nolan Committee's first report, *Standard in Public Life*.

5.3.1. The Seven Principles of Public Life

- Selflessness – Holders of public office should take decisions solely in terms of the public interest.
- Integrity – Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- Objectivity – Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- Accountability – Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- Openness – Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- Honesty – Holders of public office should be truthful.
- Leadership - Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

6. Fraud Response Plan

- 6.1. The Trust would follow the Academy's Disciplinary Policy and potentially involve, where necessary and appropriate the: -
- a) Trustees
 - b) Academy's external auditors and/or legal representatives
 - c) Police
 - d) ESFA contact

7. Creating an Anti-Fraud Culture

- 7.1. The creation of an anti-fraud culture underpins all other work to counter fraud.

Staff within the Trust must understand the risk to fraud faced by the organisation; that fraud is serious and that it diverts valuable resources from its intended objective. The Trust recognises the importance of training in the delivery of high quality services and the Trust supports the concept of fraud awareness training for key staff involved with internal control systems, where this is deemed appropriate.

8. Detection and Investigation

- 8.1. Where a fraud is detected or suspected, initial responsibility for investigating the matter rests with the CEO who has been nominated as the Trust's Investigating Officer. In their absence, or if the CEO is in any way alleged to be involved in the fraud, responsibility for investigating the matter rests with the Chair of the Finance Committee or in their absence one of the sponsor trustees.
- 8.2. External auditors and/or legal representatives will be able to offer specialist advice and should be consulted at the first opportunity. If it is established that a fraud may have occurred then a comprehensive investigation must be carried out by an experienced fraud specialist or referred to the police.
- 8.3. It is essential that all material that may be of evidential value must be recovered and preserved for further investigation if required. Additionally, the Trust must consider whether to suspend any individual, under the Trust's disciplinary procedures, who is the subject of the investigation.
- 8.4. Suspension should only be imposed after careful consideration and should be regularly reviewed to ensure it is not unnecessarily extended. Alternatives to suspension include; allocation of alternative duties, change the place of work and allowing the employee to work from home whilst the investigation takes place.

9. Sanction & Redress

- 9.1. The Trust's Disciplinary Policy provides for offences such as fraud, theft and deliberate falsification of Trust registers, reports, accounts, expense claims and self- certification forms to be regarded as gross misconduct which would be likely to result in dismissal. The Trust will take disciplinary action in all cases where it is considered appropriate.
- 9.2. In cases where fraud is proven the Trust will notify the police of the outcome. The Trust will co-operate fully with the investigating body and will always seek to recover funds lost through fraud. It may be necessary for the Trust to initiate a civil action against the fraudsters. If, during the course of the investigation any failure of supervision is identified, The Academy must consider whether disciplinary action is appropriate for those involved.

10. Learning from the Experience

- 10.1. Where fraud has occurred it is vital that Trustees and management recognise the need to examine systems and procedures and make necessary changes to ensure that similar frauds will not occur. In addition to an internal control and scrutiny review, advice would be sought from outside bodies, e.g. auditors, ESFA, peers in other academies, to assist in the implementation of changes to systems and procedures.

11. Cyber crime

- 11.1. Cyber crime is criminal activity committed using computers and/or the internet. It can involve malicious attacks on computer software, including:
 - 11.1.1. Email hacking where hackers try to gain access to email accounts by tricking people to open and respond to spam emails; open emails with a virus; open phishing emails;
 - 11.1.2. Phishing messages look authentic with corporate logos and a similar format to official emails and sometimes use the title of a genuine email that the victim has recently replied to in order to trick the victim into believing the communication is authentic.
 - 11.1.3. Malvertising can compromise computers by downloading malicious code when people hover on or click on what looks like an advert.
- 11.2. To address the risk of fraud, theft and/or irregularity the Trust and schools will:
 - 11.2.1. Use firewalls, antivirus software and strong passwords
 - 11.2.2. Routinely back up data and restrict devices that are used to access
 - 11.2.3. Check the sender of an email is genuine
 - 11.2.4. Make direct contact with the sender of an email, if requesting a payment or change of bank details
 - 11.2.5. When confirming authenticity separately identify a telephone number to contact the sender, do not use the contact number within the email
 - 11.2.6. Understand the risks of using public Wi-Fi
 - 11.2.7. Understand the risks of not following payment checks and measures
- 11.3. The trust must obtain permission from the ESFA to pay any cyber ransom demands in line with the National Crime Agency's recommendation not to endorse or condone the payment of ransom demands. The Academy Trust Handbook states "Payments of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents".

12. Conclusion

- 12.1. Whilst the circumstances of fraud will undoubtedly vary it is important that each individual case is subjected to the same rigorous process of investigation and redress. The Trust views fraud very seriously and will not hesitate to take the appropriate action in each and every case.

13. Review of the Anti-Fraud Policy

- 13.1. The Anti-Fraud Policy will be reviewed at least every three years but it is recommended to be reviewed in one year following an impending cyber security review.