

FRAUD AVOIDANCE POLICY 2022/25

Version 1

Owner:	Group Chief Finance Officer & Deputy Group CEO
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1. Scope

- 1.1 This policy sets out the requirements for all staff (including agency staff) in relation to the prevention and detection of fraud across the Group. The specific steps to be followed for each group entity in the event of Fraud can be found in the appendices to this policy.

2. Policy Statement/Objectives

- 2.1 The Group has a 'zero tolerance' to fraud and requires all staff at all times to act honestly and with integrity to safeguard the public resources for which the Board of each legal entity is responsible. Fraud is an ever-present threat to resources. All members of staff must therefore remain alert to the risk that fraud or other irregularity could occur in their area of responsibility.

- 2.2 The purpose of this Policy is to set out:

- staff responsibilities regarding the prevention of fraud and irregularity;
- the procedure to be followed where a fraud or irregularity is detected or suspected.

- 2.3 All actions taken by the staff shall be in accordance with the law, relevant regulations, other procedural documents and requirements set out in the Audit Code of Practice.

- 2.4 Other policy documents which help define the ethical framework within which staff are required to operate include: the Disciplinary Policy; Public Interest Disclosure ('whistle blowing') Policy; and the Financial Regulations.

3. Definitions and Terminology

- 3.1 In law there is no specific offence of fraud. Many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is usually employed to describe acts such as bribery, corruption, forgery, extortion, conspiracy, theft, embezzlement, misappropriation, false representation and concealment of material facts. For all practical purposes, fraud may be defined as "The use of deception with the intention of obtaining an advantage, avoiding a loss, or causing loss to another party".

- 3.2 Fraud can be committed by persons outside as well as inside the Group.

- 3.3 Fraud could include major systemic cases such as collusion by senior and other staff within the business to overclaim funding from a funding agency or organisation.

- 3.4 Other examples of theft, fraud or irregularity relevant to the Group context could include:-

- theft of stock, other assets, or disposal of waste materials
- unauthorised use of College equipment (including computers), theft of cash or equipment
- improper manipulation of computer programmes or data collusion with others for illicit gain
- falsification of claims for travel and subsistence or other allowances
- improper/inaccurate claims for overtime or time off in lieu
- any other impropriety

- 3.5 External attempts at fraud or irregularity could include:

- offers of bribes/inducements
- Ransomware attacks

- submission of false invoices
- false change of bank details
- demands for payment for unsolicited goods
- contractor frauds involving overcharging, sub-standard work, bid rigging and/or collusion in competition for services
- fraudulent claims for College funds

4. Policy

4.1 Prevention of Fraud/Irregularity

4.1.1 The management and financial systems of the Group have been designed to incorporate appropriate controls for preventing fraud. These controls include the following:

- supervisory check
- appropriate organisational structures
- complete, accurate and up to date records
- physical security of assets/stocks
- segregation of duties
- clearly defined written responsibilities
- clearly defined lines of reporting
- regulations and associated procedure guides
- audit investigations/reviews
- adherence to Financial Regulations and other procedural documents
- discrete groups of staff responsible for certification of orders/payments, etc

4.2 Responsibility for Prevention

4.2.1 The Group Principal & Group CEO is ultimately responsible for the management of the Group including line management and accountability arrangements. The line managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that the controls operate effectively. The responsibility for the prevention and detection of fraud, therefore, rests, primarily, with managers although all staff are responsible for ensuring that fraud does not occur. There is a need for all managers to assess the types of risk involved with operations for which they are responsible, to review and test the control systems on a regular basis and to ensure compliance with control regimes.

4.2.2 In establishing effective internal controls, managers should be aware of the following good practice concepts:

- wherever possible segregation of duties, so that control of all aspects of a key function does not reside with one person e.g. if a member of staff registers a supplier on the financial system, he/she should not input invoices or create cheque runs to pay invoices
- avoidance of processing backlogs
- considering the control implications whenever a new system is being introduced.
- adherence to the Anti-Bribery and Corruption policy

4.2.3 The management systems outlined in this policy have been developed by management in the light of the advice of the Group CFO.

4.2.4 A further check is provided by the Group Audit Committee, which may commission the Internal Auditor or others to undertake special investigations.

Appendix 1

LSEC - Actions to take if a fraud or irregularity is suspected

- 1.1.1 If a member of staff suspects that an action or event, perpetrated either by another member of staff or by a third party, may constitute a potential fraud or irregularity the suspicion should immediately be reported to his/her line manager. If the line manager of the member of staff reporting the case is implicated the suspicion should be reported to the next level of management. Management must ensure that the requirements of the Public Interest Disclosure (whistle blowing) Policy see paragraph 2.4, are fully met.
- 1.1.2 The line manager must then discuss the facts of the case with the person raising the issue. If the line manager considers that a fraud or irregularity may have occurred, or is likely to occur, he/she must immediately report the matter to his/her Head of Department who must then report to a member of the Executive team, normally in writing. Unless already aware, the Group CFO will inform the Group CEO of all cases reported to him/her unless the Group CEO is implicated (see paragraph 1.1.8).
- 1.1.3 Upon receipt of the information the Group CFO or the Group CEO must arrange for an 'independent' member of staff or such as person as appropriate to undertake an investigation to establish the facts of the case. The investigation will usually include:
 - informing the member of the staff suspected of the fraud or irregularity and seeking his/her comments (this may be unannounced);
 - removing, for safe custody, any books, records or documents relating to the case;
 - confiscating any equipment relating to the case (e.g. Personal Computers, storage media, USB memory drives, etc.)
- 1.1.4 The protocols for conducting the investigation are to be agreed with the Group Head of HR. The Head of the Department concerned must also be consulted as appropriate.
- 1.1.5 In order to prevent further loss, or to assist with the smooth running of the investigation, the member of staff suspected of fraud or irregularity may be suspended on full pay whilst the investigation is conducted. Such suspension will not imply guilt on behalf of the accused.
- 1.1.6 Where the investigation concludes that there is compelling evidence to suggest that a fraud has taken place the actions listed below are required. Where the fraud relates to misappropriation of Government grants, the Chief Executive of the Education and Skills Funding Agency must be informed.

Type of Fraud	Action
A. Sum involved is £0 to £1,000	<ol style="list-style-type: none"> 1. The Disciplinary Procedure is invoked. 2. The Group CFO or CEO reports the case to: <ul style="list-style-type: none"> • the external Auditors • the Group CEO (unless the Group CEO is acting under section 1.1.2 above, or unless the Group CEO is under investigation) • the Chair of the Audit Committee • the Audit Committee, under a standing agenda item at each Committee meeting 3. The Group CFO or CEO takes steps to recover any property which has been unofficially removed from the premises.
B. Sum involved is £1,000 to £10,000	<ol style="list-style-type: none"> 1. The College Disciplinary Procedure is invoked. 2. The Group CFO or CEO reports the case to: <ul style="list-style-type: none"> • the external Auditors • the Group CEO (unless the Group CEO is acting under section 1.1.2 above, or unless the Group CEO is under investigation) • the Chair of the Audit Committee • the Audit Committee under a standing agenda item at each Committee meeting 3. The Group CFO or CEO: <ul style="list-style-type: none"> • takes steps to recover any property which has been unofficially removed from the premises • arranges for contact to be made with solicitors and insurers, if appropriate • arranges for the police to be informed, addresses any questions of public relations or publicity

Type of Fraud	Action
<p>C. Significant fraud, usually where one or more of the following factors are involved:</p> <ul style="list-style-type: none"> • sum involved is in excess of £10,000 • the particulars of the fraud are unusual or complex • there is likely to be great public interest because of the nature of the fraud or the people involved 	<ol style="list-style-type: none"> 1. The Disciplinary Procedure is invoked. 2. Group CFO or CEO reports the case <u>without delay</u> to: <ul style="list-style-type: none"> • the external Auditors • the Group CEO (unless the Group CEO is acting under section 1.1.2 above, or unless the Group CEO is under investigation) • the Chair of the Audit Committee • the Audit Committee under a standing agenda item at each Committee meeting • the relevant funding agencies if the business has suffered a loss as a consequence of the fraud 3. The Group CFO or CEO: <ul style="list-style-type: none"> • takes steps to recover any property which has been unofficially removed from the premises • arranges for contact to be made with solicitors and insurers, if appropriate • arranges for the police to be informed, addresses any questions of public relations or publicity

- 1.1.7 Advice should be sought from the Group Chief People Officer in relation to the protocols for the actions listed in paragraph 1.1.5 above.
- 1.1.8 Where the investigation concludes that there is compelling evidence to suggest that fraud has taken place and it relates to the Group CEO then the arrangements set out in Sections 1.1.6 apply, with the substitution of 'Chair of the Audit Committee' for 'CEO'.
- 1.1.9 If an allegation has been found to be groundless and it is believed that it has been made mischievously, the CEO may decide to discuss the allegation with the member of staff who first raised the issue concerned. The CEO may ask another member of staff to do this on his/her behalf. The CEO may decide to invoke the Disciplinary Procedure in these circumstances.
- 1.1.10 Depending on the type and significance of the fraud it may be appropriate to submit a Suspicious Activity Report to the Serious Organised Crime Agency. The Audit Committee will determine when this is appropriate and, unless it decides otherwise, will delegate the submission of the Report to the Group CFO.
- 1.1.11 Where a fraud or irregularity has occurred Management will take steps to improve the controls in the systems where the fraud occurred. This will help to ensure that the fraud, or a version thereof, does not recur in the future.

Appendix 2 LSEAT - Action to take if a fraud or irregularity is suspected

- 2.1.1 If a member of staff suspects that an action or event, perpetrated either by another member of staff of the Trust or by a third party, may constitute a potential fraud or irregularity the suspicion should immediately be reported to Headteacher. If the relevant Headteacher of the member of staff reporting the case is implicated the suspicion should be reported to the members of the Trust board. The Deputy CEO - Academies must ensure that the requirements of the Trust's Public Interest Disclosure (whistle blowing) Policy see paragraph 2.4, are fully met.
- 2.1.2 The relevant Headteacher must then discuss the facts of the case with the person raising the issue. If the Headteacher considers that a fraud or irregularity may have occurred, or is likely to occur, he/she must immediately report the matter to the Chief Financial Officer.
- 2.1.3 Upon receipt of the information the Group Chief Financial Officer or Deputy CEO - Academies must arrange for an 'independent' member of staff from the Trust or internal audit to undertake an investigation to establish the facts of the case. The investigation will usually include:
- informing the member of the Trust staff suspected of the fraud or irregularity and seeking his/her comments (this may be unannounced);
 - removing, for safe custody, any books, records or documents relating to the case;
 - confiscating any equipment relating to the case (e.g. Personal Computers, storage media, USB memory drives, etc.).
- 2.1.4 The protocols for conducting the investigation are to be agreed with the Group Chief People Officer or director of HR.
- 2.1.5 In order to prevent further loss, or to assist with the smooth running of the investigation, the member of staff suspected of fraud or irregularity may be suspended on full pay whilst the investigation is conducted. Such suspension will not imply guilt on behalf of the suspect.
- 2.1.6 Where the investigation concludes that there is compelling evidence to suggest that a fraud has taken place the actions listed below are required.

Type of Fraud	Action
A. Sum involved is £0 to £1,000	<ol style="list-style-type: none"> 1. The Trust Disciplinary Procedure is invoked. 2. The CFO or Deputy CEO - Academies report the case to: <ul style="list-style-type: none"> • the external Auditors • the Chair of the Audit Committee • the Audit Committee, under a standing agenda item at each Committee meeting 3. The Group CFO <ul style="list-style-type: none"> • takes steps to recover any Trust property which has been unofficially removed from Trust premises. • informs the police, addresses any questions of public relations or publicity
B. Sum involved is £1,000 to £5,000	<ol style="list-style-type: none"> 1. The Trust Disciplinary Procedure is invoked. 2. The Group Chief Financial Officer reports the case to: <ul style="list-style-type: none"> • The external Auditors • The Chair of the Audit Committee • The Audit Committee under a standing agenda item at each Committee meeting 3. Group CFO: <ul style="list-style-type: none"> • takes steps to recover any Trust property which has been unofficially removed from Trust premises • contacts solicitors and insurers, if appropriate • informs the police, addresses any questions of public relations or publicity

Type of Fraud	Action
<p>C. Significant or unusual fraud, usually where one or more of the following factors are involved:</p> <ul style="list-style-type: none"> • sum involved is in excess of £5,000 • the particulars of the fraud are unusual or complex • there is likely to be great public interest because of the nature of the fraud or the people involved 	<ol style="list-style-type: none"> 1. The Trust Disciplinary Procedure is invoked. 2. The CFO or Deputy CEO - Academies report the case to: <ul style="list-style-type: none"> • the Internal Auditors • the Chair of the Audit Committee • the Audit Committee under a standing agenda item at each Committee meeting • the Education and Skills Funding Agency 3. The Group Chief Financial Officer or Deputy CEO Academies: <ul style="list-style-type: none"> • takes steps to recover any Trust property which has been unofficially removed from Trust premises • contacts solicitors and insurers, if appropriate • informs the police, addresses any questions of public relations or publicity

2.1.7 Advice should be sought from the Group Chief People Officer or Director of HR in relation to the protocols for the actions listed in paragraph 2.1.5 above.

2.1.8 Where the investigation concludes that there is compelling evidence to suggest that fraud has taken place and it relates to the Group CFO or Deputy CEO - Academies then the arrangements set out in Sections 2.1.6 apply, with the substitution of 'Group CEO' for Group CFO or Deputy CEO - Academies).

2.1.9 If an allegation has been found to be groundless and it is believed that it has been made mischievously, the Headteacher may decide to discuss the allegation with the member of staff who first raised the issue concerned. The Deputy CEO – Academies or Group CFO may ask another member of Trust staff to do this on his/her behalf. The Deputy CEO – Academies or Group CFO may decide to invoke the Trust's Disciplinary Procedure in these circumstances.

2.1.10 Depending on the type and significance of the fraud under the Proceeds of Crime Act it may be appropriate for the Trust to submit a Suspicious Activity Report to the Serious Organised Crime Agency. The Audit Committee will determine when this is appropriate and, unless it decides otherwise, will delegate the submission of the Report to the Chief Financial Officer.

2.1.11 Where a fraud or irregularity has occurred Trust Management will take steps to improve the controls in the systems where the fraud occurred. This will help to ensure that the fraud, or a version thereof, does not recur in the future.