

## Counter Fraud Strategy for Schools

### 1. Background

This Strategy identifies Nottingham City Council's overall arrangements relating to its responsibilities on fraud and corruption. The Governing Body, through the Head Teacher, has a responsibility to bring the policy to the attention of employees and employees are expected to be aware of the requirements of the policy and at all times to comply with it.

It describes the school's policy for notification, investigation and reporting upon circumstances which may involve fraud, corruption and irregularities.

It is intended to supplement the Scheme for the Financing of Schools, Financial Regulations, Code of Conduct for Employees, Manual of Financial Guidance and the Financial Administration and Control Policy.

Any investigations carried out in relation to irregularities are entirely separate from, and do not form part of, the schools disciplinary procedures. However, the timing of the commencement of any disciplinary procedures needs to be taken into account where an investigation into an irregularity is taking place, so as not to prejudice the irregularity investigation.

Following the completion of an irregularity investigation and subsequent report, it is possible that the Head Teacher or Chair of Governors may initiate action, in accordance with the school's disciplinary procedures or referral to the Police.

### 2. Counter Fraud in Context

Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering, offences under the Identity Cards Act 2006, possession and making or supplying of articles for use in fraud or obtaining services dishonestly.

Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the School has developed this Strategy to deter fraud whether it is attempted from outside or within the School. In essence the main areas of concern are:-

- Fraud – the intentional distortion of financial statements or other records by persons internal and external to the school, which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Bribery and corruption – the offering or the acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement.

This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that School resources are not diverted away from delivery of school objectives.

Irregularities, and circumstances which may involve irregularities, are a difficult area and pose a number of problems. Where there is doubt about whether a matter is an irregularity or not, clarification must be sought from the Head of Internal Audit.

Similarly, if there is concern or doubt about any aspect of a matter which involves an irregularity, or an ongoing investigation into a suspected irregularity, the best approach is to seek advice/guidance from the Head of Internal Audit.

### **3. Culture**

The Governing Body is determined that the culture and tone of the school is one of honesty and opposition to fraud and corruption. This Strategy is a clear message from the Governing Body that it will endeavour to take all possible steps to prevent and eliminate fraud and corruption. It identifies a clear path for both Governors and employees to report any suspicions of fraud and corruption without any fear of discrimination.

There is an expectation and requirement that all individuals and organisations associated in whatever way with the school will act with integrity, and the school employees at all levels will lead by example in these areas. The Governing Body also demands that individuals and organisations that it comes into contact with will act toward the school with integrity and without thought or actions involving fraud or corruption.

The school's Counter Fraud Strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act.

The School is also aware of the high degree of external scrutiny of its affairs by a variety of bodies' including:-

- Parents
- Local tax payers;
- Service Users;
- External Auditor;
- Examination Boards
- Parliamentary Committees;
- Government department and Inspectorates;
- HMRC
- OFSTED

The school's employees are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with the school's activity.

This they can do in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary, a route other than through the Head Teacher may be

used to raise such issues. Such routes are set out in the Confidential Reporting Policy (Whistle Blowing) and include:-

- Immediate Supervisor
- Chair of Governors
- HR Business Partner
- Corporate Director, Children & Families
- Director of Resources
- Head of Internal Audit

If you feel unable to contact any of the above for your disclosure you can contact an independent “prescribed” person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the School since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

Citizens are also encouraged to report concerns through the Councils Comments, Compliments, Complaints (Feedback) Procedure or the Councils Report a Concern facility, details of which are available from the City Council’s web site. Citizens may also report concerns using the Corporate Fraud Hotline by dialling 0115 62005

The Governing Body and the Head Teacher are responsible for following up any allegation of fraud or corruption received and will do so through clearly defined procedures:-

- dealing promptly with the matter;
- recording all evidence received;
- ensuring that evidence is sound and adequately supported;
- ensuring security of all evidence collected;
- notifying the Director of Children and Families, Director of Resources and Head of Internal Audit and
- implementing school disciplinary procedures where appropriate and informing the Police.

Any abuse of this process by raising unfounded malicious allegations is a serious disciplinary matter.

The school can be expected to deal swiftly and thoroughly with any member of staff who attempts to defraud the school or who is corrupt. The Governing Body should be considered as robust in dealing with financial malpractice.

#### **4. Methods of Preventing and Detecting Fraud**

Generally there is an expectation by the Council that the Governing Body and colleagues will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. It is also expected that individuals and organisations that the school comes into contact with, will act with integrity and not take part in any fraudulent or corrupt activity.

The Governing Body recognise that a key preventative measure in the fight against fraud and corruption is to take steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Staff

recruitment is therefore required to be in accordance with the Recruitment and Selection Guidance and in particular to obtain written references regarding known honesty and integrity of potential employees before employment offers are made.

School employees are expected to follow the Code of Conduct related to their personal professional qualifications and also abide by the National Code of Conduct. The role that colleagues are expected to play in the school's framework of internal control, should be featured in employees induction procedures.

All Governors and employees of the school are required to declare in a public register any interests or offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the school.

Governors and employees must comply with Council's Regulations. These standing orders and financial regulations place a duty on all employees to act in accordance with best practice when dealing with the affairs of the school and notify the Director of Children & Families and the Head of Internal Audit immediately, of all suspected irregularities affecting the well-being, finances or property of the school and council.

Significant emphasis is placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. Internal Audit appraises the adequacy and appropriateness of the school's financial systems. The Governing Body place great weight on being responsive to audit recommendations.

In addition to the above, the school will participate fully in other controls / mechanisms the City Council has in place to detect and prevent fraud including National Fraud Initiative

## **5. Detecting and Investigating**

The array of preventative systems, particularly internal control systems, within the school has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress.

Despite the best efforts of Governing Bodies, Head Teachers and Auditors, many frauds are discovered by chance or 'tip-off', and the school has in place arrangements to enable such information to be properly dealt with.

Notification should be given to the Head of Internal Audit (Telephone 0115 8764245) or fraud hotline (Telephone 0115 8762005), who will provide the appropriate advice regarding the conduct of any investigation. Any concerns should be reported immediately in the knowledge that such concerns will be treated in confidence and properly investigated. **Appendix A** to this Strategy outlines the decision process involved.

No investigation / action should be taken by the Head Teacher or Governing Body before the Director of Children and Families has been informed, and the Head of Internal Audit has been advised of the situation. Head of Internal Audit will take such steps as it considers necessary after taking into account the views of the Director of Children and Families.

Depending on the nature and anticipated extent of the allegations, the Head of Internal Audit will normally work closely with the Head Teacher or Governing Body, Human Resources and other agencies (such as the Police), to ensure that all allegations are properly investigated and reported upon and, where appropriate, maximum recoveries are made for the school and Council. The Head Teacher, Governing Body, Director of Children and Families, Director of Strategy & Resources, Head of Internal Audit and the Chief Executive will be kept briefed as the investigation continues.

If the investigation is into a significant or sensitive manner, the Chief Executive, in conjunction with the Director of Resources, will inform the appropriate persons, subject to the investigation not being prejudiced. The information given at this stage will normally be restricted to the fact that an investigation has commenced into a particular school.

Where allegations are sustained, the employee will be subject to the school's disciplinary procedures.

Where financial impropriety is discovered, it will be referred to the Police and prosecution pursued. Formal referral to the police is a matter for the Director of Resources. Any exception to this clause may only be made by the Director of Resources in consultation with the Chief Executive, Director of Children and Families and Head of Legal Services.

## **6. Training**

The Governing Body recognises that the continuing success of the Counter Fraud Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the school.

To facilitate this, the Governing Body supports the concept of induction and training particularly for employees involved in internal control system, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

### **Links with Other Policies**

The Governing Body is committed to preventing fraud and corruption. To help achieve this objective there is a clear network of systems and procedures in place for the prevention, detection and investigation of fraud and corruption. This Counter Fraud Strategy attempts to consolidate those in one document and should be read in conjunction with the following School and Council policies, which may be obtained from the Head of Internal Audit or the Schools Finance Section, or following the hyperlink where available

### **Useful Policies and Guidance**

- Confidential Reporting Policy (Whistle-Blowing)
- Fair Funding Scheme and Financial Regulations
- Code of Conduct
- Financial Administration and Control Policy
- Manual of Financial Guidance

Schools Decision tree where a Potential Fraud or Whistleblowing issue is suspected

