



Bishop Chadwick Catholic Education Trust Anti-Fraud, Corruption and Bribery Policy

Policy dated:	25 January 2022
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Introduction

Bishop Chadwick Catholic Education Trust (the “Trust”) is committed to operating with the highest ethical standards and acting with integrity in all activities. The risks of fraud, theft, irregularity and cyber-crime are taken seriously, and proportionate controls will be implemented to mitigate the risks.

This policy sets out our responsibilities regarding the prevention of fraud and corruption, and the promotion of an ethical culture. The policy also sets out the procedures that will be followed where fraud or corruption are discovered or suspected.

This policy has due regard to all relevant legislation and statutory guidance including, but not limited to, the following:

- Bribery Act 2010
- Fraud Act 2006
- Companies Act 2006
- Public Interest Disclosure Act 1998
- Charities Act 2011
- Proceeds of Crime Act 2002
- Terrorism Act 2000
- ESFA (2021) ‘Academy trust handbook 2021’ (ATH)

This policy operates in conjunction with the following policies:

- Whistleblowing Policy
- Finance Policy
- Gifts and Hospitality Policy
- Staff Code of Conduct
- Data Protection Policy
- Information & Cyber Security Policy
- Staff Expenses Policy
- Complaints Policy
- Risk Management Policy

Definitions

Fraud is a criminal offence, which is defined in the Fraud Act 2006 as:

- Deceiving through false representation.
- Failing to disclose information where there is a legal duty to do so.
- Abusing a position of trust.

Corruption is the offering, giving, soliciting or accepting of any inducement or reward which may influence the actions taken by the body, its members or officers.

Theft is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.

Bribery is defined by the Bribery Act 2010 as inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages.

In this policy, 'fraud' will be used to refer to all the definitions outlined above.

Examples of what could constitute fraud include, but are not limited to, the following:

- Theft of cash
- Substitution of personal cheques for cash
- Travelling and subsistence claims for non-existent journeys or events, or inflating claims
- Manipulating documentation to increase salaries
- Payment of invoices for goods received by an individual rather than the academy
- Unauthorised borrowing of equipment
- Failure to declare a conflict of interest
- Concealing a generous gift or reward
- Creation of false documentation

Some actions and behaviours may give cause for concern, arouse suspicion and possibly indicate fraudulent activity. These are outlined in Appendix 1. The list provided in Appendix 1 is not exhaustive; fraud can take many different forms. All employees will be vigilant to the indicators of fraud.

Scope of Policy

The Policy Statement applies to all Directors and Governors of the Trust, and all employees (full time, part time, temporary and casual) who work for the Trust.

The Trust expects that individuals and organisations (e.g. partners, suppliers, contractors, and service providers) with which it deals will act with integrity and without thought or actions involving fraud and corruption. Where relevant, the Trust will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption. Evidence of such acts is most likely to lead to a termination of the particular contract and will normally lead to prosecution.

The Trust recognises the importance of the seven principles of public life defined by the Nolan Committee 1995, and expects all governors, employees and those acting as its agents to conduct themselves according to them. The seven principles are worthy of being read by all; -

- **Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest,
- **Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties,
- **Selflessness** - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit,
- **Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands
- **Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office, .
- **Leadership** - Holders of public office should promote and support these principles by leadership and example

Through observance of these principles the Trust requires the Directors, Governors and employees and its agents to be alert to the possibility of fraud, corruption and dishonesty in all their dealings.

The Trust also requires that those employees responsible for its systems and procedures should design and operate systems and procedures which endeavour to minimise losses due to fraud, corruption, and other dishonest action and abuse.

Culture & stance against fraud & corruption

The Trust is determined that the culture and tone of the organisation will be one of honesty and opposition to fraud and corruption of any kind.

The Trust expects that the Directors and Local Governing Committees and its employees at all levels will lead by example in ensuring adherence to legal requirements, financial rules, codes of conduct and prescribed procedures and practices.

The Trust implements and maintains systems of accountability and control to ensure that its resources are properly applied in the way it intended. These systems include, as far as is practical, adequate internal controls to detect not only significant errors but also importantly, fraud and corruption.

The Directors are responsible for overseeing internal control and financial management.

Raising Concerns

Directors, Governors and employees are an important element in the Trust's defence against fraud and corruption; they are expected to raise any concerns that they may have on these issues where

they are associated with the Trust's activities.

The Trust's senior management and directors, will be robust in dealing with financial malpractice of any kind.

Directors, Governors and employees of the Trust should follow the guidance issued in the Trust's Whistleblowing Policy.

Reports will be initially investigated by the headteacher and chief financial officer, who will ascertain the facts of the report, seeking HR and legal advice as necessary. The headteacher will notify the chair of trustees of any serious financial irregularities at the first opportunity following the completion of an initial investigation.

Following the initial investigation, the matter will be reported to the audit and risk committee who will undertake the management of the investigation. When a report has been escalated to the audit and risk committee, the individual(s) the allegation has been made against will be informed of the investigation. They will not be informed of who made the allegation.

In undertaking an investigation of a report, the audit and risk committee will:

- conduct an investigation to gather factual information and reach an initial view as to whether further action is required.
- collect relevant evidence, interview all relevant people and analyse any related documentation.
- decide if the evidence suggests that the allegation or concern is proven.
- recommend any changes to the internal controls in light of the findings.
- determine whether the findings, conclusions and any recommendations arising from the investigation should be reported to the chair of trustees.
- if further investigations are required, determine which outside agencies should be involved, e.g. auditors or the police.

The audit and risk committee will, where possible, quantify any potential or actual financial loss and ensure steps are taken at an early stage to prevent further loss occurring. The audit and risk committee will notify the academy's external auditor of any cases it is investigating, and of the outcome of these cases.

All concerns and reports will be taken seriously and investigated in line with the process outlined above. Reporters will be asked to provide any evidence they have to support their allegations. Any person who makes a report will be reassured that they will not suffer recrimination as a result of raising any reasonably held suspicion.

Reports will be investigated objectively; the facts will be considered as they appear, based on the information to hand. Individuals about which a report is made will not be accused or approached directly prior to an investigation.

The academy will seek to apply appropriate criminal, civil and disciplinary sanctions to all cases of proven fraud and corruption. Where fraud involving an employee is proven, this constitutes as gross misconduct and cases will be dealt with accordingly in line with the Disciplinary Policy and Procedure.

The academy may terminate the contracts of any third party or other associated person acting on behalf of the academy where they are found to have breached this policy. Disciplinary action may be taken against employees that make malicious reports of fraud.

Where appropriate, cases will be referred to the police in order for them to consider taking criminal action.

Following any incident of fraud, a 'lessons learned' exercise will be conducted. All individuals involved in the investigation of the case will be involved in the activity, which will aim to identify areas of internal controls or other procedures that should be improved to prevent further cases occurring.

The chair of trustees will report any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year, to the ESFA as soon as possible. Unusual or systematic fraud, regardless of value, will also be reported. When making a report to the ESFA, the accounting officer will provide the following information:

- Full details of the event(s) with dates
- The financial value of the loss
- Measures that have been taken to prevent recurrence
- Whether the matter was referred to the police, and, if not, the reasoning behind this
- Whether insurance or the risk protection arrangement (RPA) have offset any loss

Following a report, the ESFA may conduct or commission its own investigation into actual or potential fraud, theft or irregularity in the academy, either as a result of a notification from the academy or from other information the ESFA has received. Other authorities, including the police, may be involved in the investigation.

Responsibility for this Policy

Overall responsibility for dealing with fraud lies with the accounting officer. Responsibilities of the accounting officer include:

- Overseeing the development and implementation of a system of internal controls that aim to minimise the risk of fraud.
- Overseeing the financial transactions and the development and implementation of effective financial regulations, policies and procedures to prevent losses and misuse.
- Ensuring bank accounts, financial systems and financial records are operated by more than one person.
- Ensuring resources are being managed in an ethical, efficient and economical manner.
- Ensuring that rigorous investigations of potential fraud are carried out promptly.
- Ensuring the appropriate legal and/or disciplinary action is taken where fraud is proven.
- Ensuring that appropriate action is taken to recover assets and minimise loss.
- Keeping full and accurate accounting records and producing the academy's annual accounts, including a statement on regularity, propriety and compliance.
- Advising the board of trustees in writing if action it is considering is incompatible with the Articles of Association, funding agreement or ATH, and notifying the ESFA's accounting officer if the board proceeds with action considered to be in breach.

The external auditor will be responsible for certifying whether the academy's annual accounts present a true and fair view of its financial performance and position.

The chief financial officer will be responsible for:

- Assessing the areas of the academy that are most vulnerable to fraud, in conjunction with the Accounting Officer, the Chief Operating Officer and academy Headteachers.

- Conducting an initial investigation where a report of fraud is made, in conjunction with the Accounting Officer and relevant Headteacher.
- Contacting the ESFA to request prior approval for any transactions beyond the academy's delegation limits, and transactions that are novel, contentious or repercussive.

The chair of trustees will be responsible for receiving reports of fraud that involve the headteacher. The chair of trustees will ensure the ESFA are notified as soon as possible in relation to instances of fraud, theft and irregularity in line the Academy Trust Handbook.

Each Academy Headteacher will be responsible for:

- Assessing the areas of the academy that are most vulnerable to fraud, in conjunction with the chief financial officer.
- Receiving reports of fraud.
- Conducting an initial investigation where a report is made, in conjunction with the chief financial officer.
- Approving gifts and hospitality in line with the Gifts, Hospitality and Anti-bribery Policy.
- Ensuring employees are provided with appropriate anti-fraud training.
- Maintaining the Conflicts of Interests Register and Gifts and Hospitality Register.

The audit and risk committee will be responsible for reviewing the academy's internal controls, and for conducting a full investigation of reports and determining what the next steps will be.

All employees (including volunteers and temporary staff) and third parties that work with the academy will be responsible for:

- Demonstrating the highest standards of honesty, probity, openness and integrity in the discharge of their duties.
- Complying with the provisions outlined in this policy.
- Being vigilant to the risks and indicators of fraud.
- Promoting an ethical, anti-fraud culture.
- Reporting their concerns in relation to fraud to their Headteacher or Chair of Trustees.
- Reporting any breach of this policy to their Headteacher or Accounting Officer.
- Providing information about any conflicts of interest and direct or indirect pecuniary interests to their Headteacher.

The Headteacher in conjunction with the Chief Financial Officer has overall responsibility for the maintenance and operation of this policy within their academy. From time to time they will review and report on this policy.

This policy will be regularly reviewed and any significant amendments proposed to the Board of Directors. The Trust's arrangements for the deterrence, prevention and detection of fraud will be regularly reviewed by those officers charged with responsibility for the policy.

APPENDIX 1 – Indicators for potential fraud

Personal motives for fraud

- Personnel believe they receive inadequate compensation and/or rewards, e.g. recognition, job security, holidays or promotions
- Expensive lifestyle, e.g. cars and holidays
- Personal problems, e.g. gambling, alcohol, drugs or debt
- Unusually high degree of competition or peer pressure
- Related party transactions (business activities with personal friends, relatives or their companies)
- Conflicts of interest
- Disgruntled employee, e.g. being recently demoted or reprimanded
- Recent failure associated with specific individual
- Personal animosity or professional jealousy

Organisational motives for fraud

- Organisation experiencing financial difficulty
- Tight or unusually tight time deadlines to achieve level of outputs
- Organisational governance lacks clarity, direction or substance
- Organisation closely identified with, or dominated by, one individual
- Organisation under pressure to show results, e.g. budgetary matters or exam results
- Organisation recently suffered disappointment or consequences of bad decisions
- Organisation wants to expand its scope or obtain additional funding
- Funding award or contract for services is up for renewal or continuation
- Organisation due for a site visit by auditors, Ofsted or others
- Organisation recently affected by new and/or changing conditions, e.g. regulatory, economic or environmental
- Organisation faces pressure to use or lose funds to sustain future funding levels
- Record of previous failure(s) by one or more organisational areas, associated business or key personnel
- Sudden change in organisation practice or pattern of behaviour

Weakness in internal controls

- There is a general lack of transparency about how the organisation works, and its procedures and controls
- Management demonstrates a lack of attention to ethical values – including a lack of communication regarding the importance of integrity and ethics, a lack of concern about the presence of temptations and inducements to commit fraud, a lack of concern regarding instances of fraud, and no clear fraud response plan or investigation policy
- Management fails to specify and/or require appropriate levels of qualifications, experience or competence for employees
- Management displays a penchant for taking risks
- Lack of an appropriate organisational and governance structure with defined lines of authority and reporting responsibilities
- Organisation lacks policies and communication relating to individual accountability and best practice, e.g. related to procurement, expenses, use of alcohol and declarations of interest
- Lack of personnel policies and recruitment practices
- Organisation lacks personnel performance appraisal measures or practices
- Management displays a lack of commitment towards the identification and management of risks relevant to the preparation of financial statements
- There is inadequate comparison of budgets with actual performance and costs, forecasts and prior performance – there is also no regular reconciliation of control records and a lack of proper reporting to the governing board
- Management of information systems is inadequate, e.g. no policy on ICT security, computer use, verification of data accuracy, or completeness or authorisation of transactions

- There is insufficient physical security over facilities, assets, records, computers, data files and cash
- Failure to compare existing assets with related records at reasonable intervals
- There is inadequate or inappropriate segregation of duties regarding initiation, authorisation and recording of transactions, maintaining custody of assets and alike
- Accounting systems are inadequate, i.e. they have an ineffective method for identifying and recording transactions, no tracking of time periods during which transactions occur, insufficient description of transactions and to which account they should be allocated to, no easy way to know the status of funds on a timely basis, no adequate procedure to prevent duplicate payments or missing payment dates
- Purchasing systems and/or procedures are inadequate, e.g. poor or incomplete documentation to support procedure, purchase, payment or receipt of goods or services
- Subcontractor records and/or systems reflect inadequate internal controls
- There is a lack of internal, ongoing monitoring of controls which are in place and/or failure to take any necessary corrective actions
- Management is unaware of or displays a lack of concern regarding applicable laws, e.g. Companies Act, Charities Act
- Specific problems and/or reportable conditions identified by prior audits or other means of oversight have not been corrected
- No mechanism to exist to inform management, directors, trustees or governors of possible fraud
- General lack of management oversight

Transactional indicators

- Related party transactions with inadequate, inaccurate, or incomplete documentation or internal controls, e.g. business activities with friends
- Not-for-profit entity has for-profit counterpart with linked infrastructure, e.g. shared board of trustees,
- Specific transactions that typically receive minimal oversight
- Previous audits with findings of questioned costs, evidence of non-compliance with applicable laws or regulations, weak internal controls, a qualified audit opinion, or an inadequate management response to any of these issues
- Transactions and/or accounts which are difficult to audit and/or subject to management judgement and estimates
- Multiple sources of funding with inadequate, incomplete or poor tracking, failure to segregate funds, or existence of pooled funds
- Unusual, complex or new transactions, particularly if they occur at year end or end of reporting period
- Transactions and accounts operating under time constraints
- Cost sharing, matching or leveraging arrangements where industry money or other donation has been put into a foundation without adequate controls to determine if money or equipment has been spent/used and whether it has gone to allowable costs and at appropriate and accurate valuations
- Outside entity provided limited access to documentation
- Travel accounts with inadequate, inaccurate or incomplete documentation or poor internal controls, variances between budgeted amounts and actual costs, claims in excess of actual expenses, reimbursement for personal expenses, claims for non-existent travel, or collecting duplicate payments
- Credit card accounts with inadequate, inaccurate or incomplete documentation or internal controls such as appropriate authorisation and review
- Accounts in which activities, transactions or events involve handling of cash
- Presence of high cash deposits maintained with banks
- Assets which are of a nature easily converted to cash (e.g. small size, high value, high marketability or lack of ownership identification) or easily diverted to personal use (e.g. cars or houses)
- Accounts with large or frequent shifting of budgeted costs from one cost centre to another without adequate justification
- Payroll system has inadequate controls to prevent an individual being paid twice or paid for non-delivery or non-existence
- Payroll system is outsourced but there is poor oversight of starters, leavers and payments
- Consultant and subcontract agreements which are vague regarding the work, time period covered, rate of pay or product expected
- There is a lack of proof that a product or service was actually delivered by a consultant or subcontractor

- Sudden and/or rapid growth of newly contracted or existing education providers, e.g. significant increase in pupil numbers for newly contracted providers

Methods used to commit and/or conceal fraud

- Employee indicators such as:
 - Eagerness to work unusual hours
 - Access to or use of computers at unusual hours
 - Reluctance to take leave or seek support
 - Insistence on doing their job alone
 - Refusal of promotion or reluctance to change their job
- Auditor/employee issues such as:
 - Refusal or reluctance to provide information or hand over documents
 - Unreasonable explanations
 - Annoyance or aggressive responses to questions or requests, in an attempt to deter auditors
 - Trying to control the audit process
 - Employee blames a mistake on a lack of experience with financial requirements or regulations governing funding
 - Promises of cooperation followed by subsequent excuses to limit or truncate cooperation
 - Subtle resistance
 - Answering a question that was not asked
 - Offering more information than asked
 - Providing a lot of information in some areas and little to none in others
 - Explaining a problem by saying “we’ve always done it that way”, “someone from the government told us to do it that way” or “Mr X told us to do it that way”
 - A tendency to avoid personal responsibility, e.g. overuse of “we” and “our” rather than “I”
 - Blaming someone else
 - Too much forgetfulness
 - Trying to rush the audit process
 - Uncharacteristic willingness to settle questioned costs in an attempt to deter further investigation or analysis
- General indicators such as:
 - A general lack of transparency about how the organisation works and its procedures and controls
 - Fabricated explanations to support inability or unwillingness to evidence transactions or assets, such as stated loss of electronic data or theft of business records

Record keeping, banking and other

- Documents that are missing, copied, written in pencil, altered, or that contain false signatures, the incorrect signature or no authorisation where it would be expected
- Deviation from standard procedures, e.g. all files but one handled in a particular way
- Excessive and/or poorly evidenced journal entries, unable to provide explanation for journal entries
- Transfer to or via any type of holding or suspension account
- Inter-fund company loans to other linked organisations
- Records maintained are inadequate, not updated or not reconciled
- Failure to disclose unusual accounting practices or transactions
- Unusual accounting practices or transactions, including:
 - Uncharacteristic willingness to settle questioned costs
 - Non-serial-numbered transactions or out-of-sequence invoices or other documents
 - Creation of fictitious accounts, transactions, employees or charges
 - Excessive or large cash transactions
 - Payees have similar names or addresses
- Defining delivery needs in ways that can only be met by one source or individual
- Continued reliance on person or entity despite poor performance
- Treating non-business and/or personal goods or services as business transactions in financial records
- Misuse of directors loan account facility, e.g. deliberate miscoding of transactions in directors loan account to gain personal advantage

- Materials, goods and or services fictitiously erroneously reported as purchased, and evidence has been fabricated to support the claim. This could potentially be evidenced by:
 - Repeated purchases of the same items
 - Identical items purchased in different quantities within a short time period
 - Invoices and statements used to evidence purchase facilitating duplicate transactions or payments
 - Anomalies in the format of purchase invoices
 - Goods or equipment are not used as promised, or they do not work or exist
- Legitimate business assets put to non-business or private use