



Fraud Policy and Procedures

Version 3.0

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Name of Responsible Committee/Individual:	Board of Directors
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Reference Documents:	

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Introduction

The Education Alliance aims to be an honest and ethical institution. As such, it is opposed to fraud and seeks to eliminate the risk of fraudulent activity in the way it conducts business. Fraud is defined by the Serious Fraud Office as 'an act of deception intended for personal gain or to cause a loss to another party'. This document sets out the Trust's policy and procedures for dealing with the risk of fraud or corruption. In order to minimise the risk and impact of fraud, the Trust's objectives are, firstly, to create an ethical 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 expectations and Code of Conduct;
2. The establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), an Audit Committee 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 Education Alliance is an organisation where the prevention of fraud is encouraged through raising awareness of the need for high standards of personal conduct alongside the Trust's explicit expectations. 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 members of the Board of Trustees, Local Governing Bodies, 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 demonstrates that it is adopting high standards of financial probity. Implicit within this regime is the requirement that Trust Members and Trustees, Local Governing Bodies and employees must at all times conduct financial affairs in an ethical manner.
- All members of staff, Trust Members and Trustees and members of the Local Governing Bodies and its committees are responsible for disclosing any personal, financial or beneficial interest, loyalty or perceived conflict of interest or loyalty in any transaction or decision with respect to the Trust.
- 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 CEO, Executive Principal, Head of School, Line Manager and to the Director of Finance / Finance Manager.
- Trust Director
- Trust Members and Trustees, Members of Local Governing Bodies or employees of the Trust will 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.

- 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.

Taken together, these represent a statement of the framework within which members and employees are expected to conduct themselves.

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 segregation of duties, internal check and staff supervision. HR policies are also a key to the development of an ethical culture which deters 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 Finance Manual. The Finance Manual is regularly reviewed and updated as necessary by the Director of Finance and then approved by the Board of Trustees. The framework policies are binding on all officers, members of staff, students and constituent parts of the Trust. The Finance Manual sets out in detail the expected controls which should operate within the key operational systems.

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 and are considered in a prompt, consistent and fair manner and that 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
- make 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 and the reputation of 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 plan are as follows.

1. All officers, members of staff, students and constituent parts of the Trust are required to notify the Director of Finance or Finance Manager immediately of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash, stores or other property of the Trust.

2. The Director of Finance will ascertain whether or not the suspicions aroused have substance and where appropriate, will conduct preliminary investigations 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 CEO/Executive Principal. If the Director of Finance is implicated or suspected of financial irregularity the initial investigation will be carried out by the CEO/Executive Principal or the Chair of Audit Committee.
3. The CEO/Executive Principal will have the initial responsibility for co-ordinating the Trust's response. In doing this they will consult with the HR Director regarding potential employment issues. The CEO/Executive Principal, where necessary, will also seek expert legal advice from the Trust's Solicitors on both employment and litigation issues before taking any further action.
4. The CEO/Executive Principal is required to notify the Board of Trustees of any serious financial irregularity. This action will be taken at the first opportunity following the completion of the initial investigations and will involve keeping the Chair of the Board 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 Trustees will inform the ESFA as required by the Funding Agreement and will consider whether or not to refer the matter to the police.

References: This policy should be read in conjunction with:

- Whistleblowing Policy
- Finance Manual
- Gifts and Hospitality Policy