

Fraud

Table of Contents

Fraud	1
Key Contacts.....	1
Introduction	2
The Fraud Act 2006	2
Common key fraud risks within schools	2
Recruitment	2
Job Applications	3
Inappropriate Pay Awards	3
Off Payroll Payments	3
Staff Sickness	3
Collusion/Corruption in supplier selection	3
Payments for goods and services	4
Bogus invoicing	4
Mandate/CEO Fraud	4
Inappropriate use of Goods and Services	4
Cash and Assets	4
Premises rental	4
Vulnerable to fraud.....	6
Fraud prevention and detection.....	6
Staff Conduct	7
Reporting a suspicion.....	8
Outcome of investigations.....	8

Key Contacts

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Introduction

Fraud is not acceptable. It is a significant problem costing the UK economy many billions of pounds a year and takes scarce funds from where they are needed.

The objective of this section is to provide brief guidance for all Schools Staff and Governors to help:

- Recognise fraud when it occurs and be alert to the high-risk areas where fraud could arise
- Recognise factors that encourage fraud and factors that can be used to deter fraud
- Understand that the Governing Board of the School regulates the conduct and discipline of all Staff in accordance with the Staff Code of Conduct which demands a high standard of integrity
- Know what to do if a fraud is suspected

The Fraud Act 2006

Fraud can be defined as making a financial gain by misrepresentation or misusing one's position.

The Fraud Act 2006 defines the criminal offence of fraud, which can be committed in the following ways:

- False representation
- Failing to disclose information
- Abuse of position for the purpose of making a financial gain

Common key fraud risks within schools

The following are examples of common risks which Staff and Governors should be alert to and how these may impact on the School:

Recruitment

Recruiting family members or friends and not adhering to the recruitment procedures.

Impact on school:

1. Person may be either not fit, or the best person to do the job
2. Accusations of nepotism and lack of objectivity in future decision making

Job Applications

1. Applicants making false declarations about their experience, qualifications, right to work, criminal past etc.
2. Checks on teaching and non-teaching Staff not being undertaken.

Impact on school:

1. Person may be either not fit, or the best person, to do the job.
2. Child safety could be put at risk
3. School being liable to fines

Inappropriate Pay Awards

Paying Staff outside of the standard pay and conditions.

Impact on school: Inequality and financial loss

Off Payroll Payments

Payments made to individuals via petty cash or invoice to avoid the individual's and the School's duty to pay Income Tax or National Insurance.

Impact on School: School could be made liable for any unpaid tax or National Insurance along with any fines imposed by HMRC

Staff Sickness

Staff reporting themselves sick and then working elsewhere

Impact on School: Financial loss to cover absence

Collusion/Corruption in supplier selection

Awarding contracts where there is a conflict of interest and not following procurement procedures, often in return for some form of inducement.

Impact on School:

1. Not receiving value for money
2. Potential for legal action by other Contractors
3. Financial loss to rectify poor quality work

Payments for goods and services

1. Using the School's ordering and payments systems to purchase items for personal use.
2. Cheques being used to pay for non-School related expenditure or being intercepted, altered and negotiated fraudulently

Impact on School: Financial Loss

Bogus invoicing

Suppliers putting on pressure to pay invoices for goods not ordered or received

Impact on School: Financial Loss

Mandate/CEO Fraud

Bogus approaches from fraudsters to change Supplier bank account details to divert payments, or to request an urgent payment to be made supposedly on the instruction of a senior official.

Impact on School: Financial Loss

Inappropriate use of Goods and Services

Using School equipment or materials or services for personal interests

Impact on School: Financial loss to pay for replacement items

Cash and Assets

1. Using unofficial funds for the benefit of Staff rather than the School
2. Theft of Cash Income and School equipment.
3. Loss of data.

Impact on School:

1. Financial Loss
2. Inability to provide aspects of the School curriculum
3. Risk of fine if confidential information is stolen

Premises rental

Unauthorised use of the School premises for events e.g. hall being used for social events

Impact on School:

1. Event may be uninsured
2. Loss of potential revenue
3. Additional cost to provide utilities, cleaning etc

Vulnerable to fraud

The factors listed below may leave an Organisation vulnerable to fraud:

- Lack of management awareness of fraud risks
- A failure to implement sound financial procedures for financial controls, ensuring that all Staff adhere to them and are trained in their use
- Financial control systems without segregation of duties and adequate internal checks
- Inadequate provision of financial information to enable considered decision making
- Poor security controls, e.g. safe keys, systems passwords, unattended computers
- Employee 'pressure' factors, e.g. high Staff turnover, Staff shortages resulting in checks not being carried out, lack of supervision and training

Schools main financial systems controlling the use of official funds are expected to be robust. The same should be true of those systems which regulate unofficial funds. By their very nature, these funds can often 'go under the radar' and wherever there is a lack of management oversight, fraud can occur.

Fraud prevention and detection

All Staff and Governors should be alert to the warning signs which may indicate fraud
Examples of warning signs include:

Documents:

- Unusual accounting entries
- Failure to produce accounts when requested/missing documents
- Unexplained Budget overspends and/or bank overdrafts
- Frequent late banking of cash and cheques
- Altered/photocopied/fax documents supporting expenditure
- Invoices for unusual supplies
- Unusually high numbers/value of items from a supplier
- Payments just below authorisation thresholds

Behaviours:

- Employees who rarely take annual leave, who work unusually late and/or at weekends, or insist that cover is not needed whilst they are on leave
- Employees who are unusually concerned about visits by Auditors or Inspectors
- Employees who often break the rules and have scant regard for regulations
- Employees/Managers who control all aspects of a particular area of their work
- Managers or Supervisors who rule their subordinates with "a rod of iron", and use anger, sarcasm, criticism and bullying, to prevent Staff from questioning their decisions
- Employees who display a lifestyle which is out of step with their salary, e.g. expensive holidays, cars, houses, jewellery, clothes

Prevention of fraud is the responsibility of everyone. The Governors and Senior Management should set the tone and lead by example by establishing a culture where fraud is not allowed to flourish.

Policies and procedures governing all aspects of a School's financial dealings should be developed in line with the Schools Financial Procedures Manual and put in place, clearly outlining the roles and responsibilities and conduct of Staff. Staff should be trained in the use of these policies and procedures and adherence to them should be mandatory, with any non-compliance being dealt with appropriately.

Specific procedures should be followed to cover high-risk areas such as Cash Security, Procurement, Accounts Payable, Recruitment and Selection and Payroll. In addition, there should be specific policies in place to govern Staff conduct in relation to declarations of potential conflicts of interest and offers of gifts and hospitality.

Procedures should be designed and operated in a way that minimises the opportunity for a single member of Staff to control all aspects of a specific process. This should be supplemented with an independent checking process that provides for dual authorisation of certain transactions, reconciliation of accounting records, and a requirement to report transactions over a certain value

Staff Conduct

The School's Governing Board must establish procedures for the regulation of the conduct and discipline of School Staff as required by the School Staffing Regulations 2003. Also, the standard letter of appointment indicates that an Employee should abstain from any occupation that interferes with the performance of his/her duties as in the School.

The Code of Conduct for School Employees should be considered by the Governing Board in any case of Employee misconduct.

Staff working in a School are legally defined as working in a regulated activity and are therefore, required to apply for a Disclosure and Barring Service disclosure. The DBS website provides a comprehensive list of relevant categories. Breaking the law either at or away from work could damage public confidence in the School or could make you unsuitable for the work you do. Careful consideration should be made on whether you should advise the Head Teacher immediately if the police make any criminal charge against you or if you are convicted of a criminal or civil offence.

Reporting a suspicion

- Refer as soon as you have a **reasonable** suspicion
- OR if you just want to discuss
- Give as much information as you can
- Include any information you think may be useful to the investigation
- Include supporting documentation
- Secure all available evidence
- Leave the investigation to A&I

Outcome of investigations

The Investigation Team deals with a wide range of offences committed by Employees, Contractors or Members of the Public.

The powers available to us to carry out an investigation will depend on the circumstances. Everything we do must be justifiable and proportionate, which will depend on the seriousness of the allegation.

What we can achieve will depend on the evidence that we are able to obtain legally. On occasions this evidence may be sufficient to prove an allegation on the civil balance of probabilities, but not to the higher criminal burden of proof.

Outcomes of an investigation may include:

- Prosecution
- Recommendation for a disciplinary investigation
- Recommendation for a change in procedure
- No further action