



East Midlands
Education Trust

Fraud Policy

Summer 2020

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1. Introduction

- 1.1 The East Midlands Education Trust aims to be an honest and ethical institution. As such, it is opposed to fraud and seeks to eliminate fraud by the way it conducts business. This document sets out the trust's policy and procedures for dealing with the risk of significant fraud or corruption. In order to minimise the risk and impact of fraud, the trust's objectives are, firstly, to create a 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:
- 1.1.1 The development of a formal statement of its expectations on standards of personal conduct, propriety and accountability;
 - 1.1.2 The establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), appointment of an Audit & Risk committee and an independent internal audit function with an ongoing responsibility to review and report on these systems;
 - 1.1.3 The development 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 steps to be followed following the reporting of possible fraud or the discovery of actual fraud.
- 1.2 These three steps are described in greater detail in the following sections.

2. Personal conduct

- 2.1 The Trust aims to promote an organisational culture which encourages the prevention of fraud by raising awareness of the need for high standards of personal conduct. 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:
- 2.1.1 These regulations are binding on all Trustees, members of governing bodies, members of staff, students and constituent parts of the Trust. Refusal to observe them will be grounds for disciplinary action.
 - 2.1.2 In disbursing and accounting for all funds, the Trust must demonstrate that it is adopting high standards of financial probity. Implicit within this regime is the requirement that the Trustees, governing bodies and employees of The East Midlands Education Trust must, at all time, conduct financial affairs in an ethical manner.
 - 2.1.3 All Trustees, members of staff, members of governing bodies and senior managers are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the trust.

- 2.1.4 Any person who is responsible for placing an order with a supplier (whether a contractor or not) with whom they have a personal interest must disclose this to the Head Teacher and Trust's Director of Finance & Operations (DFO).
- 2.1.5 Members of governing bodies or employees of the trust shall 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.
- 2.1.6 Budget Holders are expected to adhere to the Finance Policy at all times and to use their best efforts to prevent misuse or misappropriation of funds and other trust property.

3. Systems of internal control

- 3.1 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 separation of duties, internal check and staff supervision. HR policies are also a key part of setting the culture and deterring 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.
- 3.2 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 Policy. The Finance Policy is issued and updated periodically by the Director of Finance & Operations following approval by the Trustees. They are binding on all Trustees, governors, members of staff, students and constituent parts of the Trust.
- 3.3 The Trust has also appointed an Audit & Risk committee and established an independent internal audit function which provides advice to management in respect of control matters and which conducts a cyclical programme of reviews of the adequacy and effectiveness of the systems which have been put in place (including those intended to minimise the potential exposure to fraud and corruption).

4. Fraud response

- 4.1 All trustees, governors, members of staff, students and constituent parts of the Trust are required to notify the Director of Finance & Operations (or if the DFO is implicated then the Chief Executive Officer) 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. The following steps will then be taken:

- 4.1.1 The Director of Finance & Operations will ascertain whether or not the suspicions aroused have substance. They will, if appropriate, conduct a preliminary investigation 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. If the DFO is implicated or suspected of financial irregularity the initial investigation will be carried out by the Chief Executive Officer or a member of the Audit & Risk committee. If the CEO is implicated the initial investigation will be carried out by the Chair of the Trustees or a member of the Audit & Risk committee.
- 4.1.2 The CEO will have the initial responsibility for co-coordinating the Trust's response. In doing this the CEO will consult with the HR Director regarding potential employment issues. The CEO will also seek expert legal advice from the Trust's Solicitors on both employment and litigation issues before taking any further action.
- 4.1.3 The CEO 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 include keeping the Chair of the Trustees and Chair of the Audit & Risk committee informed between committee meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns.
- 4.1.4 If evidence of a fraud is forthcoming then the Trustees will inform the ESFA as required by the Funding Agreement and will consider whether or not to refer the matter to the police.
- 4.2 When investigating reports of possible fraud, the complaint should be handled in a timely and effective manner to ensure that the following risks are mitigated:
 - 4.2.1 inadequate communication so that action is late or inappropriate;
 - 4.2.2 lack of leadership and control so that investigations are not properly directed and waste time and effort;
 - 4.2.3 failure to react fast enough so that further losses are incurred or the evidence required for successful recovery or prosecution is lost;
 - 4.2.4 adverse publicity which could affect confidence in the trust; and the creation of an environment which, because it is perceived as being ill-prepared, increases the risk of fraud.
- 4.3 All allegations and reports of fraud or dishonesty should be properly followed-up and considered in a consistent and fair manner and prompt and effective action should be taken to:
 - 4.3.1 minimise the risk of any subsequent losses
 - 4.3.2 reduce any adverse operational effects
 - 4.3.3 improve the likelihood and scale of recoveries

4.3.4 demonstrate that the trust retains control of its affairs in a crisis; and

4.3.5 make a clear statement to employees and others that it is not a soft target for attempted fraud.

5. References

5.1 This policy should be read in conjunction with:

5.1.1 Whistleblowing policy

5.1.2 Finance policy