

JOHN TAYLOR MULTI ACADEMY TRUST



Fraud Policy and Procedures

Implementation date: January 2016

Reviewed on: July 2017, July 2019

Next review due: July 2021

Policy owner: Barbara Mahoney

Introduction

The Trust aims to be an honest and ethical organisation and requires all staff, governors and trustees to act honestly and with integrity at all times to safeguard the public resources for which they are responsible. As such, it is opposed to fraud and seeks to eliminate fraud by the way it conducts Trust business. No precise legal definition of fraud exists but many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. It applies to all areas of the Trust's business and activities. Fraud usually describes depriving someone of something by deceit. It might be straight theft, misuse of funds or other resources. It can also describe more complicated crimes like false accounting and the supply of false information and cyber crime. In legal terms all of these activities are theft.

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. The development and publication of a formal statement of its expectations on standards of personal conduct, propriety and accountability;
2. The establishment of adequate and effective systems of internal financial and management control (and a clear requirement to comply with them), an Audit and Compliance Committee and an independent internal audit function 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 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:

- These regulations are binding on all officers, 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 must demonstrate that it is adopting high standards of financial probity. Implicit within this regime is the requirement that officers and employees of the Trust must conduct financial affairs in an ethical manner at all time.
- All members of staff and members of Trust committees are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the Trust or its related companies, minority interest companies and trading areas.

- 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 their Line Manager, Head of School and CEO.
- Officers 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.
- 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 officers 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 separation of duties, internal check and staff supervision. Personnel 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.

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 EFA Academies Financial Handbook. These are binding on all officers, members of staff, students and constituent parts of the Trust. The Chief Operating Officer has, in addition, issued a manual of Financial Procedures Administration and Control Handbook which sets out in greater detail the expected controls which should operate within the key operational systems.

The Trust has also established a Local Governing Body committee at each school to consider issues pertaining to Managing and Resourcing the Organisation and an independent internal audit function which provides advice to the Trust's Audit and Compliance committee 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).

Fraud Response

The Fraud Response Plan sets out the Trust's policies and procedures for ensuring that all allegations and reports of fraud or dishonesty are properly followed-up are considered in a consistent and fair manner and that prompt and 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 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 immediately the COO 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 COO will ascertain whether or not the suspicions aroused have substance. He/she 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 COO is implicated or suspected of financial irregularity the initial investigation will be carried out by the CEO and/or Chair of the JTMAT Audit and Compliance committee. If CEO is implicated the COO and Chair of the Audit and Compliance committee will conduct the review. The findings will be reported to the Chair of the Board of Trustees.

The CEO will have the initial responsibility for co-ordinating the Trust's response for all instances not involving him/herself. In doing this s/he will consult with the Human Resource advisors regarding potential employment issues and will also seek expert legal advice (see Appendix) from the:

1. Trust's Solicitors on both employment and litigation issues before taking any further action.
2. The CEO is required to notify JTMAT Members and 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, inter alia, keeping the Chairman of the Board fully informed between committee meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns.
3. If evidence of a fraud is forthcoming then the Board of Trustees will inform the DfE as required by the Funding Agreement and will consider whether or not to refer the matter to the police.

Appendix

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