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**Southwark Diocesan  
Board of Education  
Multi-Academy Trust**  
Developing Church of England Education

# FINANCE POLICY HANDBOOK

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## FRAUD POLICY

## 1.1. KEY CONTACTS

### 1. INTRODUCTION

The SDBE MAT is committed to promoting an anti-fraud culture. The Trust requires all employees, Trustees and LGB governors to act honestly and with integrity at all times and to safeguard the public resources for which they are responsible. It already has procedures in place to reduce the likelihood of fraud occurring. These include a scheme of delegation and financial regulations, documented policies and procedures, including the Finance Manual for Academies, and a system of internal control. All cases of fraud, corruption and irregularity are taken very seriously, and it is the Trust's policy to prosecute where justified, and to take appropriate disciplinary action where employees are involved.

The SDBE MAT and its constituent academies have a duty to protect public assets; to ensure that management and other practices accord with the standards of probity expected of public sector bodies; and to ensure that the resources available to it are used only in furtherance of the Trust's objectives as an educational body. The Trust derives the majority of its income from public funds. However, its schools may also receive charitable donations, income from parents, income from lettings and so has a particular responsibility to ensure that resources are used solely for the purposes intended.

This policy applies to all employees, Trustees and governors in the SDBE MAT.

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## 2. DEFINITIONS

### 2.1. WHAT IS FRAUD?

Fraud is a range of abuse and malpractice that is covered by the Fraud Act 2006.

Fraud can be defined as an abuse of knowledge or financial position that is done deliberately to create a financial gain for the perpetrator or for a related person or entity and / or cause a loss to another. It can take place in many ways, withholding information, deliberately misleading, misrepresenting a situation to others or by abuse of position. Irrespective of the definition applied, fraud is always deceitful, immoral, and intentional and creates a financial gain for one party and / or a loss for another.

Gains and losses do not have to be direct. A gain to a related party or company through intentional abuse of position, albeit not directly to the officer involved, is still fraudulent. In the same way, using the Trust's name to procure personal goods and services is also fraudulent; where there is deliberate abuse of position to make a gain in the form of goods and services at a discount price or to get the Trust or academy to pay for them, is also fraudulent.

### 2.2. DIGITAL/CYBER/ONLINE FRAUD

Increasingly, schools are becoming the targets of sophisticated cyber/online crime. This growing trend presents real challenges to schools and so it is important that those who have access to online systems are appropriately trained and regularly take it upon themselves to familiarise themselves with the tactics used by fraudsters.

The Trust observes the detailed guidance produced by its bank, Lloyds, relating to fraud and expects all employees who have access to online or other digital systems to read this document regularly in order to be able to quickly identify and appropriately handle cases of online fraud/crime.

**IF YOU SUSPECT YOU ARE SUBJECT TO DIGITAL FRAUD, WHETHER ONLINE OR VIA SOME OTHER DIGITAL MEANS, CONTACT THE TRUST IMMEDIATELY USING THE CONTACT DETAILS DEFINED WITHIN [SECTION 1] OF THIS POLICY.**

**FOR FURTHER INFORMATION REGARDING THE REPORTING OF SUSPECTED OR ACTUAL FRAUD, PLEASE REFER TO [SECTION 6] OF THIS POLICY.**

## 2.3. CORRUPTION

Corruption will normally involve the above with some bribe, threat or reward being involved.

## 2.4. BRIBERY

There are four key offences under The Bribery Act 2010:  
bribery of another person (section 1)  
accepting a bribe (section 2)  
bribing a foreign official (section 6)  
failing to prevent bribery (section 7)

Bribery is not tolerated. It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- accept payment from a third party that you know, or suspect is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy.

## 2.5. FACILITATION PAYMENTS

Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. Facilitation payments are not tolerated and are illegal.

## 2.6. GIFTS AND HOSPITALITY

This policy is not meant to change the requirements of the Trust's approach to gifts and hospitality as set out within the SDBE MAT's Gifts and Hospitality Policy.



## 2.7. OTHER USEFUL DEFINITIONS

Theft - Dishonestly appropriating the property of another with the intention of permanently depriving them of it (Theft Act 1968). This may include the removal or misuse of funds, assets or cash.

False Accounting - Dishonestly destroying, defacing, concealing, or falsifying any account, record, or document required for any accounting purpose, with a view to personal gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive (Theft Act 1968).

Deception - Obtaining property or pecuniary advantage by deception (Sections 15 and 16 of the Theft Act 1968) and obtaining services or evading liability by deception (Sections 1 and 2 of the Theft Act 1978).

## 3. RELATIONSHIP TO OTHER POLICIES/DOCUMENTS

Please refer to these Trust-wide policies and guidance in conjunction with this policy:

- Fraud Guidance (Lloyds Bank)
- ESFA Guidance - Fraud
- Whistleblowing Policy
- Finance Manual for Academies
- Gifts and Hospitality Policy
- Disciplinary Policy and Procedure
- Code of Conduct
- Scheme of Delegation
- Expenses Policy

## 4. ESTABLISHING AN ANTI-FRAUD CULTURE

The SDBE MAT is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption.

There is an expectation and requirement that all individuals and organisations associated in whatever way with the Trust will act with integrity and employees at all levels will lead by example in these matters. Trustees, governors and senior managers should ensure that their behaviour is demonstrably selfless and open and should champion the Trust's policies on conflicts of interest, hospitality and gifts.

The Trust's employees are an important element in its stance on fraud and corruption

and they are positively encouraged to raise any concerns that they may have on these issues. This can be done in the knowledge that such concerns will be treated in confidence and be properly investigated.

If necessary, a route other than their normal line manager may be used to raise such issues and examples of such routes are:

- The COO
- The Head of Finance
- A Trustee
- Chair of the Local Governing Body (LGB)

Members of the public and customers are also encouraged to report concerns through any of the above avenues.

However, we recognise that, in some cases, our normal procedures will not be appropriate or adequate and employees will need to come forward on a confidential basis to express their concerns. Further detailed guidance on how to raise concerns confidentially is contained within the Trust's Whistleblowing Policy.

## 5. PREVENTION

The aftermath of financial misconduct is costly, time-consuming, disruptive and unpleasant. The major thrust of the SDBE MAT's strategy is, therefore, prevention.

### 5.1. MANAGEMENT PROCEDURES

Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud. Employees must comply with the policies and procedures for the Trust and, in particular, should be aware of procedures relating to the following activities:

- Online banking;
- Cash management;
- Cheque management;
- Use of reputable suppliers;
- Purchasing;
- Conflicts of interest;
- Recruitment;
- Risk management.



This list is not exhaustive.

## 5.2. RECRUITMENT

The Trust recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Recruitment is therefore required to be in accordance with procedures laid down by the Trust and in particular to obtain written references regarding known honesty and integrity of potential employees before employment offers are made.

## 5.3. GIFTS AND HOSPITALITY

All Trustees, LGB Governors and employees of the Trust are required to declare in a register any offers of gifts or hospitality which are in any way related to the performance of their duties or not. Declarations should be made according to the Gifts and Hospitality Policy. If offers are disproportionate to the relationship between the Trust and the other party, then this could be perceived as bribery or corruption.

## 5.4. FINANCIAL PROCEDURES

The Trust's Finance Manual for Academies and supporting policies place a duty on all employees to act in accordance with best practice when dealing with the affairs of the Trust. Significant emphasis has been placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. Segregation of duties in use of financial systems is practiced, so, for example, no individual has undue management of payments, income or assets.

## 5.5. AUDIT

The adequacy and appropriateness of the Trust's financial systems is independently monitored by an independent external accountancy firm and their recommendations are reviewed and considered by the Trust's Finance and Audit & Risk Committees. A continuous review of systems by internal audit will also be undertaken to deter attempted fraud and should result in continuous

improvements.

## 6. DETECTION, RESPONSE, INVESTIGATION & MANAGEMENT PROCEDURE

### 6.1. CHECKS AND BALANCES

Checks and balances will be designed into all relevant systems and applied consistently, including segregation of duties, reconciliation procedures, random checking of transactions, and review of management accounting information, including exception reports. Systems should identify transactions which have not followed normal procedures.

### 6.2. BEHAVIOUR PATTERNS

Suspect patterns of behaviour among employees dealing with financial transactions should be investigated, for example, living beyond apparent means, taking few holidays, regularly working alone out of normal hours and resistance to delegation. Any indication of addiction to drugs, alcohol or gambling should be addressed promptly, for the welfare of the individual and to minimise the risks to the academy.

### 6.3. REPORTING

Employees, Trustees, governors or students may suspect fraud or irregularity in the Trust or within any of its academies. If so, they should report it as soon as possible to the Headteacher or Chair of the LGB within the academy or to the Head of Finance, COO or Chair of the Trustees.

Reports should contain all the relevant details such as what was said on the telephone or during other conversations, the date, the time and the names of anyone involved. Any employee who reports a suspected fraud should feel confident they will be listened to seriously and sensitively. They should be given a fair hearing and they should feel reassured that they will not suffer because they have voiced their suspicions. Confidentiality is of paramount importance during the process.



Reporters must not do any of the following:

- contact the suspected perpetrator in an effort to determine the facts and demand answers;
- discuss the case facts, suspicions or allegations with anyone other than designated members of the Board of Trustees and their nominated investigators;
- attempt to personally conduct an investigation of their own.

The person to whom the suspected incident is reported should then ensure that it is made known without delay to the Head of Finance /COO. The Head of Finance /COO and the Headteacher will ascertain whether or not the suspicions aroused have substance. In every case, and as soon as possible after the preliminary exploration, they will inform the Chairs of the Finance and Audit & Risk Committees and the Chair of the LGB; even if there is no evidence to support the allegation, the matter must be reported.

If the preliminary exploration identifies the need for further investigation, the COO or Head of Finance should, as soon as possible (and with the aim of acting within 24 hours), chair a meeting of the following group to decide on the appropriate response, using properly appointed nominees where necessary:

- Headteacher;
- COO;
- Head of Finance;
- Head of HR;
- Chairs of the Finance and Audit & Risk Committees

If the actual or suspected incident concerns or implicates a member of this group, the Chair of Trustees will appoint a substitute.

Anyone suspecting fraud may also use the Trust's Whistle Blowing Policy, which provides protection against reprisal for any such disclosure.

If an allegation is made frivolously, in bad faith, maliciously or for personal gain, disciplinary action may be taken against the person making the allegation.

#### 6.4. RESPONSE/INVESTIGATION

The group outlined above will decide whether an investigation should be conducted and if so, the remit of the investigation, who should undertake the

investigation, what form it should take and the scope of the concluding report. The group will also assess whether there is a need for any employee to be suspended pending the investigation.

Internal investigations will be conducted in a manner which ensures that those involved in the investigation will be different from those who may be required subsequently to conduct any disciplinary proceedings.

Some special investigations may require the use of technical or specialist expertise in which case an external specialist (such as an external auditor) may be employed as the Investigating Officer or to contribute to the investigation. Legal advice from the Trust's solicitors may also be sought on both employment and litigation issues before taking any further action.

It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed. The COO/Head of Finance will therefore take immediate steps to secure physical assets, including computers and any records thereon, and all other potentially evidential documents, and ensure that appropriate controls are introduced to prevent further loss.

The report of the investigation may conclude that there is no case to answer or that disciplinary procedures should be applied or that there should be some other special investigation, either internal or external. If it is decided that more than one of these means is appropriate, the COO should satisfy themselves that such a course of action is warranted. Any investigation will be carried out in accordance with the principles of natural justice, and with due regard to the statutory rights of all individuals involved in the case. The Trust will take all reasonable measures to ensure that an investigation is concluded as quickly as possible. If information was disclosed or reported by an individual(s) initially they will be kept informed of what action, if any, is to be taken.

If no action is to be taken the individual concerned will be informed of the reason for this.

If the decision is reached that there is a prima facie case to answer, the person or persons implicated will be informed of this, shown the supporting evidence and be offered an opportunity to respond as part of the investigation. If the person reporting the irregularity or making the disclosure is dissatisfied with the procedures followed or the outcome of this process, they may take out a plea of grievance.



Initial contact with the police should only be undertaken following discussion between the COO and Chairs of the Finance and Audit & Risk Committees. It is the policy of the police to welcome early notification of suspected fraud. They will also advise on the likely outcome of any intended prosecution.

If the police decide that a formal investigation is necessary, all employees should co-operate fully with any subsequent requests or recommendations. All contact with the police following their initial involvement will usually be via the COO/Head of Finance. Where the police decide to formally investigate this will not prejudice any internal disciplinary procedures; these should continue as normal. However, the internal investigation and the police's should be co-ordinated to make maximum use of resources and information.

The Trust will follow appropriate disciplinary procedures against any employee, Trustee or governor who has committed fraud and will normally pursue the prosecution of any such individual through the criminal courts. The COO will:

- Ensure that evidence requirements are met during any fraud investigation;
- Establish and maintain contact with the police;
- Ensure that employees involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

The group will provide regular, confidential reports to the Chair of Trustees, which will include:

- Quantification of losses;
- Progress with recovery action;
- Progress with disciplinary action;
- Progress with criminal action;
- Estimate of resources required to conclude the investigation;
- Actions taken to prevent and detect similar incidents;
- The Chair of the LGB will also be kept informed of the progress of the investigation.

## 6.5. RECOVERY OF LOSSES

The Trust, working with the external auditors as appropriate, will endeavour to ensure that the amount of any loss is quantified. Repayment of losses will be sought in all cases. Where the loss is substantial, legal advice should be obtained

about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice may be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The Trust will normally expect to recover costs in addition to losses.

## 6.6. FINAL REPORT

On completion of a special investigation, a written report, prepared by the COO or external auditor, shall be submitted to the Chair of Trustees, Finance and Audit & Risk Committees containing:

- A description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud;
- Details of the investigation;
- Actions taken against the perpetrator;
- The measures taken to prevent a recurrence;
- Any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

The final outcome will also be reported to the complainant.

## 6.7. REFERENCES FOR PERSONS DISCIPLINED OR PROSECUTED FOR FRAUD

Any request for a reference for persons disciplined or prosecuted for fraud must be referred to the COO or Chair of Trustees for advice.

## 7. ROLES AND RESPONSIBILITIES

### 7.1. THE CHIEF EXECUTIVE OFFICER & CHIEF OPERATING OFFICER

The Chief Executive Officer (CEO) as the Accounting Officer is accountable for establishing and maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives.

The CEO delegates the day-to-day running of the Trust to the Chief Operating Officer (COO).

The system of internal control is designed to respond to and manage the whole range of risks that the Trust faces. The system of internal control is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk



will be seen in the context of the management of this wider range of risks.

The responsibilities of the COO (with support from the Head of Finance) include:

- Delivering an opinion to the Chair of the Board of Trustees, Finance and Audit & Risk Committees on the adequacy of arrangements for managing the risk of fraud and ensuring that the Trust promotes an Anti-Fraud culture;
- Liaising with the Board of Trustees on issues of fraud prevention, detection, and management;
- Making sure that employees are aware of the Fraud Policy and know what their responsibilities are in relation to combating fraud;
- Developing a fraud risk management plan as part of the risk management process and undertaking a regular review of the fraud risks associated with each of the categories in order to keep the risk management plan current;
- Establishing and maintaining an effective Fraud Policy and Fraud Response and Investigation Plan, commensurate to the level of fraud risk identified in the risk management plan;
- Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
- Making recommendations about legal and/or disciplinary action against perpetrators of fraud;
- Making recommendations about disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- Making recommendations about disciplinary or legal action against employees who fail to report fraud;
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

## 7.2. HEAD OF FINANCE

The responsibilities of the Head of Finance include:

- Designing an effective control environment to prevent fraud, commensurate with the risk management plan through a system of internal controls;
- Working with the COO on significant incidents of fraud;
- Establishing appropriate mechanisms for:

reporting fraud risk issues;  
external reporting in compliance with Company Law;  
Accounting Standards and Charity Commission expectations;  
coordinating assurances about the effectiveness of Fraud policies to support the Statement of Internal Control.  
Taking appropriate action to recover assets;  
Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future;  
Ensuring that appropriate anti-fraud training and development opportunities are available to relevant employees;  
Recording any identified or attempted frauds in the Fraud Incident Register.

## 7.3. HEADTEACHERS AND SCHOOL BUSINESS MANAGERS

All Headteachers and school business managers are responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud;
- Assessing the types of risk involved in the operations for which they are responsible;
- Regularly reviewing and testing the control systems for which they are responsible;
- Ensuring that controls are being complied with and their systems continue to operate effectively;
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

## 7.4. EXTERNAL AUDITOR

The External Auditor is responsible for:

- Delivering an opinion to the COO and Head of Finance on the adequacy of arrangements for managing the risk of fraud and ensuring that the Trust promotes an anti-fraud culture;
- Assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of control commensurate with the extent of the potential exposure/risk in the various segments of the Trust's operations;



- Ensuring that the Executive has reviewed its risk exposures and identified the possibility of fraud as a business risk;
- Assisting the Executive in conducting fraud investigations;
- Reporting to the Finance and Audit & Risk Committees on the efficiency of controls for the prevention, detection and management of fraud.

## 7.5. EMPLOYEES

Every employee is responsible for:

- Taking it upon themselves to read the guidance associated with this policy and familiarise themselves with the types of risks and fraud that they could be exposed to in their role. This includes digital fraud (online and via telephone);
- To familiarise themselves with the key contacts identified at the front of this policy and contact them if there is any suspicion or uncertainty surrounding the role they are performing or action they are about to perform;
- To familiarise themselves with the key contacts identified at the front of this policy and contact them if there is any suspicion or uncertainty surrounding the role they are performing or action they are about to perform;
- Acting with propriety in the use of official resources and the handling and use of public funds whether they are involved with cash or payments systems, receipts or dealing with suppliers or the school's decision-making bodies;
- Conducting themselves in accordance with the seven principles of public life set out in the first report on Standards in Public Life by the Nolan Committee.
  - They are selflessness, integrity, objectivity, accountability, openness, honesty and leadership
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- Cooperating fully with whoever is conducting internal checks or reviews or fraud investigations.

## 7.6. The Board of Trustees

The Chair is responsible for ensuring that an adequate system of internal control exists and that controls operate effectively. All Trustees are responsible for:

- Abiding by the Trust's policies and regulations and the guidance on Codes of Practice for Board Members of Public Bodies;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- Co-operating fully with whoever is conducting internal checks or reviews or fraud investigations.

## 7.7. Members of the Finance and Audit & Risk Committees are responsible for:

Assisting the COO and Head of Finance in their investigation of Fraud.

## 8. TRAINING

The SDBE MAT recognises that the continuing success of its fraud policy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the organisation.

To facilitate this, the Trust is committed to induction training for all Trustees, Governors and employees to ensure that their responsibilities and duties are clear and to make them aware of Trust policies. The Finance & Operations Business Partner will also work closely with School Business Managers to reduce the risk of fraud.

Mandatory training will also be required on an annual basis and access to online systems may be disabled until confirmation is received from the individual that they are familiar with the system and understand the risks and threats to be aware of.

## 9. NOTIFYING THE ESFA

If evidence of fraud is forthcoming, then the Trustees will inform the Education and Standards Funding Agency as required by the Academies Financial Handbook and Funding Agreement.

The trust must notify ESFA, as soon as is operationally practical based on its particular



circumstances, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year. Any unusual or systematic fraud, regardless of value, must also be reported.

ESFA may involve other authorities, including the police, as appropriate. ESFA will publish reports about its investigations and about financial management and governance reviews at academy trusts in line with its own policy on publishing information.

## **10. MONITORING AND REVIEW**

The Trust will regularly review this policy in light of events and assess its implementation and effectiveness.

The Finance and Audit & Risk Committees will oversee the internal audit arrangements; providing the appropriate level of support and challenge to ensure that the agreed practice and procedure has been implemented through scrutiny of all reporting information requested and received.

The Fraud Incident Register will be regularly reviewed to assess any opportunities for change to enhance existing practice and achievement of the Trust's vision. As part of the regular review of the Risk Register the Executive will make recommendations in respect of any proactive and/or mitigating action to be taken.

The Head of Finance will make an annual report to the Finance and Audit & Risk Committees providing a summary of all issues raised and any subsequent actions taken. Any issues, which arise, which do not fall within the remit of the Finance and Audit & Risk Committees or are relevant to other areas of the Trust, will be brought to the attention of the relevant committees and/or individuals.

