

# ANTI-FRAUD POLICY

Version 1.2



<b>Name and Designation of Policy Author(s)</b>	Miss Nina Chwastek, Headteacher, Mr Raj Mehta, Governor		<b>Is this a Statutory Document</b>
			No
<b>Approved By (Committee / Group)</b>	Finance and Personnel Committee		
<b>Date Approved</b>	Summer Term 2024		
<b>Date Ratified by FGB</b>	N/A		
<b>Date Published</b>	Summer Term 2024	<b>Is this to be published on the school website?</b>	Yes
<b>Review Date</b>	Summer Term 2025		
<b>Target Audience</b>	Staff (incl volunteers), Governors and Parents		
<b>Links to Other Strategies, Policies, Procedures, etc.</b>	Whistle Blowing Policy, Manual of Financial Procedures, ...		

## Version History

Date	Ver	Author Name and Designation	Summary of Main Changes
Feb 2019	1	Miss Nina Chwastek, Headteacher, Mr Raj Mehta, Governor	New policy, no previous version
February 22	1.1	Janet Hartley, School Business Manager	Review of policy, no changes
Mar 23	1.2	Janet Hartley, School Business Manager	Removal of KPI compliance table and paragraph 4 referring to PTA funds
May 24	1.2	Janet Hartley, School Business Manager	Policy reviewed, no changes

## 1. Mission Statement

Our school community is rooted in the Gospel and the vision of St. Catherine of Siena. This inspires each of us *'To be who God wants us to be and so set the world on fire.'*

- We are called to love one another as we seek to be the best in all that we learn and do.
- We celebrate and nurture the gifts, talents and skills of everyone.
- We commit ourselves to grow together in faith, love and service.

## 2. Introduction

St. Catherine's R.C. Primary School, working with Manchester City Council wants to create a culture where fraud is not acceptable. This commitment is outlined in the City Council's Anti-

Fraud and Corruption Policy. The objective of this section of the Schools Financial Procedures Manual is to provide a brief account for all staff to help them to:

- Recognise fraud when it occurs within their section 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 body of the school regulates teaching staff's conduct and discipline, and that the Nolan Committee report, published in 1996, requires a very high standard of ethics in public life (See "Framework of Financial Delegation for Governing Bodies Chapter" in this Manual). Employees must be honest in fact and must also be beyond the reach of suspicion of dishonesty. The seven key principles that should be applied in public life are:
  - selflessness,
  - integrity,
  - objectivity,
  - accountability,
  - openness,
  - honesty and
  - leadership.
- Know what to do if a fraud is discovered.

This section is mainly concerned with the prevention and detection of fraud. It does not deal with the procedures to be followed in investigating fraud. The Corporate Fraud Team, within Manchester Audit, who should be informed as soon as an actual or suspected fraud comes to light, will undertake the investigation of fraud. The contact number for the Corporate Fraud Team, who will be happy to discuss issues and provide advice, is 0161 234 1400.

The City Council is committed to the principles of Corporate Governance – the system by which officers carry out their responsibility for ensuring that effective management systems have been put in place, including financial monitoring and control. School's staff and governing body members have a responsibility for complying with the principles of corporate governance.

The entire Schools Financial Procedures Manual, of which this section is a part, has a key role in preventing and detecting fraud. The Schools Financial Procedures Manual must be complied with by all schools covered by the "Manchester Fair Funding: Scheme for Financing Schools". This includes Voluntary Aided Schools, like St. Catherine's. The Schools Financial Procedures Manual sets out guidelines to be followed and states roles and responsibilities. This provides a framework for sound financial control and compliance, which is essential if fraud is to be prevented.

### **3. Fraud and Corruption: Definitions and Types**

Some key definitions of fraud and corruption offences are detailed in Appendix A.

The major elements common to these offences are:

- evidence of theft (misappropriation) of cash or other assets, i.e. with the intent to permanently deprive;
- evidence of concealment, e.g. the falsification, removal or destruction of records;
- in the case of corruption, there should be evidence that an individual has received a benefit and that this has influenced their actions, i.e. that they have acted differently in a particular situation than might be expected, given the circumstances.

Common types of fraud which managers and staff should be alert to are detailed below:

#### Employee Fraud:

This is where cash income is stolen (misappropriated) and the missing amount is hidden, by using money received later, in the record of daily takings. Similar dangers can occur when cheques received are withheld and used to conceal misappropriated cash income.

#### Payroll Fraud

An example is where false payroll data is used, to create bogus employee(s), or the payroll is not updated and pay is claimed in the name of employees who have left. Other examples are where claims have been submitted for overtime not worked; manipulating time records, to show more hours than have been worked; and also, overpayment of salary/wages, where the employee is aware of the error but fails to report it. In addition, employees who claim sick pay whilst working elsewhere commit payroll fraud.

#### Falsification of Invoices/Expense Claims

This is where invoices/expense claims are deliberately misstated, to gain payment when no expense, or expense of a lesser value, has been incurred. For example, course fees, travel expenses, grant claims, and petty cash. Deliberately authorising false or overstated claims for friends/colleagues is another area of potential concern.

#### Misrepresentation

Obtaining a pecuniary benefit, such as a job, performance related pay or a bonus on the basis of false information, e.g. submitting false references, claiming to have more experience, claiming to be on a higher salary than is true, or including false qualifications on job applications. Manipulation of performance targets or performance indicators is another form of misrepresentation.

#### Misappropriation

Theft of cash or other assets. High-risk areas include - cash, stationery, audiovisual and computer equipment, raw materials, etc.

#### Illicit Use of Resources

Where the time and assets of the organisation are used by an individual, for private gain, in the pursuit of private business interests. For example, misusing time, telephones and computer resources, as well as accessing confidential information held by the school or Council and using this for personal gain. Another example is the sending of hoaxes or chain letters, either by paper or electronically, thereby wasting time and resources.

#### Failure to Account for Income

Where monies are collected/received and not recorded. For example: only banking cheque income and retaining some or all of cash received.

#### Suppression of Invoices/Debits, Unauthorised Write-offs/Voids

Amendment of records relating to self, family and friends, e.g. sundry debtors accounts.

#### Fraud Against Third Parties

Fraud by an employee, where the Council has a responsibility towards the victim as a client, e.g. theft from a School Fund by a teacher. All schools have a control risk self-assessment document to assist them in managing risks to unofficial funds.

#### Computer Fraud/Misuse

Fraud that involves the manipulation of programs and data files, in order to create a fraudulent benefit for the perpetrator (or another to whom he/she is connected). Misuse, including hacking, to access information, or to cause damage. Downloading and distributing inappropriate programmes and files from the Internet, or via e-mail, breach of copyright, introduction of viruses from the Internet, or external disks that have not been checked. Schools should have clearly defined IT acceptable use policies to combat the above risks.

#### **External Fraud:**

##### False Claims

E.g. abuse of free school meal entitlements, by making false statements of working status, income, residency, marital status etc.

##### Submission of False Invoices

Intentional submission of duplicate invoices. Falsification of all, or part of, invoice details. Authorising /certifying officers need to be vigilant in checking that prices /rates are correct and that the specified quality and quantity of goods or services have been received.

##### Corruption/Collusion with Third Parties

Disclosing commercially sensitive information, such as the prices tendered by other suppliers, as part of a competitive purchasing exercise. This can be evidenced by continual late receipt of tenders that always undercut other quotes, usually by a small margin. Inviting the same favoured suppliers to quote for work thereby excluding competition. Placing orders with companies to obtain discounts/ better deals for self or family, eg: cheap home insurance or discounted holidays etc. Deliberately certifying false or incorrect invoices for payment.

## **4 The Fraud Environment**

The presence of factors such as those listed below will render an organisation susceptible to fraud:

- Lack of awareness, at the management level, of the dangers of fraud and the necessary defences.
- No top down commitment to root out and deal with instances of fraud; this means taking effective and punitive action.
- The failure of the Governing Body to implement sound financial procedures for financial control, to ensure that all staff are aware of the need to comply with them, and are trained in their use.

- Financial control systems which do not allow for adequate internal check eg:
  - reconciliations are not completed regularly or independently checked;
  - expense claims, invoices etc, are not properly checked;
  - inadequate separation of duties;
  - inadequate monitoring;
- Inadequate financial information, eg:
  - managers are not given sufficient detail to identify anomalies, eg: rapid growth in expenditure, against a particular budget head;
  - managers are given too much information, this can mask significant changes and make identifying them difficult;
  - information not received timely;
  - information not relevant or poorly formatted;
- Poor security controls, eg:
  - inadequate control of access to safe, computer hardware, controlled stationery, stores etc;
  - inadequate control over passwords and leaving computers logged on to systems when unattended;
- Employee 'pressure' factors, eg:
  - high staff turnover and/or staff shortages, resulting in checks not being carried out or being carried out inadequately;
  - lack of supervision;
  - lack of training, so staff are not aware of where their jobs fit in the broader picture, and they are not aware of possible areas where fraud might occur;
  - staff not trained in the use of relevant policies and procedures, and the importance of complying with them;
  - poor staff morale resulting in 'retaliatory' fraud, eg: where staff bear a grudge, as they feel their commitment to the organisation has not been recognised.

## 5 Corruption

In cases of corruption, there has to be evidence, not only that an employee has acted differently from what might be expected, given the circumstances, but that they have received some form of private 'benefit'.

Benefits, provided to the employee, might include:

- a cash inducement;
- improved purchase terms such as extended credit or interest free loans;
- 'free' or discounted goods;
- 'free' or discounted personal services, e.g.: a 'free' holiday;
- achievement of targets, which may result in improved pay, promotion, or secured position;
- provision of 'free' professional services, e.g.: architectural services;
- 'free' provision of materials and labour, eg: for a building project or the servicing of a car;
- 'free' entertainment.

## High Risk Areas

Major risk areas for local government and schools are as follows:

- the tendering and award of contracts;
- the settlement of contractor's final accounts and claims;
- the appointment and reward of external consultants;
- decisions regarding the outside interests of officers and members;
- canvassing for staff appointments;
- the acceptance of hospitality;
- pressure exerted by sellers on officers having purchasing responsibilities.

## **6 Fraud: Warning Signs**

Governors, and all school staff, should be alert to unusual patterns in accounting records, or in the behaviour of employees, which may indicate fraud. It should be remembered that trusted employees might commit fraud, as they are often subject to less checking and supervision and so have the opportunity if a motive arises.

Warning signs can be:

- unusual accounting entries;
- unexplained items in reconciliations or suspense accounts;
- failure to produce accounts when requested;
- unexplained budget overspends and /or bank overdrafts;
- frequent late banking of cash and cheques;
- consistent arrears on cash collections;
- altered petty cash vouchers/receipts;
- photocopied/fax documents supporting expenditure;
- missing payment documentation;
- an employee who insists on personally collecting cheques, drawn in favour of another organisation with which he/she is associated;
- invoices for unusual supplies;
- breaches of tendering procedures, eg: tenders opened as received, instead of all together on an agreed date;
- unusually high numbers/value of items from a particular supplier, for a particular supply;
- payments / receipts in round numbers;
- payments just below authorisation thresholds;
- employees who never take annual leave, or who take it only in single or half days. Also who work unusually late, 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 who accept inappropriately generous gifts or hospitality from suppliers;
- 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;
- receiving complaints about employees from other employees, customers, service users or clients;
- employees who display a lifestyle which is out of step with their salary; e.g. expensive holidays, cars, houses, jewellery, clothes;

- employees with financial problems.

## **7 Staff Conduct**

### Teaching Staff

The school's Governing Body establishes the required standard of conduct for teachers.

As St. Catherine's is a Voluntary Aided School Schedule 17, section 21 "Conduct and Discipline of Staff" of the Act, states that teachers employed are under the control of the governing body.

The Act states that the governing body shall establish:

- a) disciplinary rules and procedures and
- b) procedures relating to the regulation of conduct and discipline in relation to staff of the school, and any procedures for giving members of the staff opportunities for seeking redress of any grievances relating to their employment, and shall take such steps as appear to the governing body to be appropriate, for making them known to members of staff. The wording is the same in Schedule 16 section 22 and Schedule 17 section 21.

### Non Teaching Staff

The Manchester Staff Code of Conduct (excerpts shown as Appendix B) applies to all non-teaching staff and requires:

- A lower level of proof, for disciplinary purposes, than for criminal proceedings. The employee has only to place him/herself in a position where suspicion attaches to them, in order to be in breach of the code's requirements.
- That a disciplinary case need only be proven on the basis of the "balance of probability" and not "beyond all reasonable doubt", as is the case in criminal proceedings.
- That the employee should behave in a way which is "beyond the reach of the suspicion of dishonesty", in their private life.

Where there is evidence that an employee has committed fraud in his/her private life, the matter should be investigated, to ascertain the facts of the case, in terms of the standard of proof required for internal disciplinary purposes. Examples of 'private' matters that should be referred to the Head of Manchester Audit for investigation are as follows:

- an employee is prosecuted for fraud or theft unrelated to work;
- there is evidence that an employee has fraudulently obtained public funds - Housing Benefit, Income Support, Student Award, Housing Renovation grants etc;
- evidence of fraud is obtained relating to the employee's involvement in another organisation, e.g. a City Council funded voluntary organisation.

In cases of Housing Benefit fraud, committed by employees, the "Guidelines for dealing with Housing Benefit fraud", drawn up by the Director of Legal Services and agreed by the Chief Officers Group, should be followed. These guidelines are included as Annexe C of the Criminal Acts Procedure, which is Appendix C to this section.

All new and existing employees should be made aware of their responsibilities, when conducting their private affairs, and should be warned of the consequences if they fail.

## **8 Procedure for Reporting Fraud**

Financial Regulations Chapter of the Schools Financial Procedures Manual -, paragraph 20.4, requires that:

"Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or any other property of the Council, or any suspected irregularity in the exercise of the functions of the authority, the Governing Body must inform the Chief Education Officer of the facts. The Chief Education Officer will then take the appropriate steps in accordance with laid down procedures."

In practice, this regulation requires that the Chief Education Officer will notify the Strategic Director of Resources, or other designated Officer. Therefore, the Head of Manchester Audit (as the Strategic Director of Resources' authorised representative), or more usually, staff on the Corporate Fraud Team, should be notified of the irregularity/suspected irregularity as soon as possible to ensure evidence is secured. Where fraud is only suspected, the Corporate Fraud Team can advise on the appropriate course of action to follow.

Fraud may come to light, through a variety of sources, as 'concerns', suspicions, precise allegations, or firm evidence. The sources may be employees, from senior managers to junior members of staff, members of the public, employees or members/ committee members of voluntary organisations, councillors or local MP's. Informants may wish to remain anonymous. Protection to informants is now provided through the Public Interest Disclosure Act and the City Council has adopted a Confidential Reporting (Whistle Blowing) code.

The response will vary according to the source. However, all such reports must be taken seriously, until there is good reason for believing the allegation/suspicion to be unfounded. The Criminal Acts Procedure (see Appendix C) states the procedure to be followed in relation to different fraudulent scenarios, i.e.:

- fraud, or suspected fraud by persons unknown, such as the discovery of irregularities in the financial records of an establishment;
- a manager/senior manager reporting a named member of staff, whether involving public monies or not;
- a member of staff/manager reporting a named manager/senior manager, again whether involving public monies or not;
- fraud or suspected fraud in a voluntary organisation/company funded by the City Council (including the NEC/ICC/NIA);
- fraudulent benefit claim being made by an employee;
- other serious financial irregularities.

In all of the above situations, the Head of Manchester Audit must be informed. Staff at any level can initiate this contact.

Where appropriate, the department will be requested to appoint an officer to liaise with Audit. This officer will be responsible for:



- the initial collection of background information.
- the agreement of a Terms of Reference document, drawn up by Manchester Audit, formalising the scope/precise areas to be investigated and the frequency of updates to be provided to the department.

To assist in carrying out the investigation, on behalf of the department, and to present the management case, should a disciplinary hearing be necessary.

## **Fraud Awareness**

### **Appendices**

- A Key Definitions
- B Excerpts from the Staff Code of Conduct
- C Criminal Acts Procedure
- D LMS Model Staff Disciplinary Procedure - Internal Audit Investigations

### **Annexes**

- A Criminal Acts
- B Information required by Manchester Audit, when reporting acts of a criminal nature
- C Guidelines for dealing with Housing Benefit Fraud  
Schools Financial Procedures Manual

## **Appendix A: Key Definitions**

Fraud: "The intentional distortion of financial statements, or other records, by persons, internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain." CIPFA: The Investigation of Fraud in the Public Sector

Corruption: "The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person." CIPFA: The Investigation of Fraud in the Public Sector

Theft: "A person is guilty of theft if he dishonestly appropriates property belonging to another, with the intention of permanently depriving the other of it." The Theft Act 1968 (S1(1)).

False Accounting: "Where a person dishonestly, with a view to gain for himself or another, destroys, defaces, conceals or falsifies any account, record or document required for any accounting purposes, or furnishes information which is or may be misleading, false or deceptive in any material particular, he commits an offence." The Theft Act 1968 (S17).

Forgery: "A person is guilty of forgery if he makes a false instrument, with the intention that he or another shall use it, to induce someone to accept it as genuine and by reason of so accepting it, to do, or not to do some act to his own, or some other person's prejudice." Forgery and Counterfeiting Act 1987 (S1).

## **Appendix B: Excerpts from Manchester City Council's Staff Code of Conduct**

"The public is entitled to demand conduct of the highest standard of all employees of the City Council. Public confidence in an employee's integrity would be shaken were the least suspicion to arise that she/he could in any way be influenced by improper motives.

From this, it follows that a City Council employee must be honest in fact, and must also be beyond the reach of the suspicion of dishonesty. Employees must not subordinate their duty to their private interests, or put themselves in a position where duty and private interests conflict. They must not make use of their employment to further those interests; but neither should their private affairs be ordered so as to allow the suspicion to arise that a trust has been abused, or a confidence betrayed.

In general, the Council will not be concerned with an employee's private activities, so long as his/her conduct in those activities does not bring discredit upon the City Council. The Council will not attempt to preclude employees from undertaking additional employment, but any such employment must not, in the view of the Council, conflict with or react detrimentally to the Council's interests, or in any way weaken public confidence in the conduct of the Council's business.

An employee of the City Council must be courteous to all people with whom his/her duties bring him/her in contact.

Chief Officers may also apply guidelines that give particular guidance to employees in that Department.

## **Appendix C: Criminal Acts Procedure (Under Revision)**

### **1 Introduction**

This document aims to provide a guide to managers, for dealing with suspected fraud, or other acts of a potentially criminal nature, which may need action by the police. Only acts involving financial matters are covered by this document.

Other acts, of a potentially criminal nature, should be reported to the appropriate departmental Chief Officer.

One of the basic principles of public sector organisations is the proper use of public funds. It is, therefore, imperative that all City Council employees are aware of the importance of enforcing policies, aimed at preventing and detecting fraud, or other acts of a potentially criminal nature. A list of the more obvious criminal acts is set out at Annex A.

### **2 Scope**

The procedure will apply if there is, or there are reasonable grounds for, suspicion of:

- a. a criminal offence by persons unknown;
- b. a criminal offence by an employee of the City Council, committed in the course of their employment, involving public money;
- c. a criminal offence by an employee of the City Council that does not involve public money, but which may lead to disciplinary action;
- d. a criminal offence by an employee, or member of an organisation, where funding is provided by the City Council;
- e. a fraudulent claim of Housing and/or Council Tax Benefit, by an employee of the City Council.

### **3 Principles**

The procedure is required to ensure that:

- a) every potential act within its scope is formally reported and dealt with appropriately;
- b) every case is given individual consideration;
- c) a consistent approach is taken towards acts within its scope

### **4 Roles and Responsibilities**

Manchester City Council Audit will carry out a preliminary investigation, in accordance with the terms of reference agreed with the nominated departmental lead officer. If these enquiries establish there is evidence that a criminal offence has been committed, Manchester Audit will advise the departmental lead officer that the case shall be reported to the police. Following agreement with the department or, in the case of schools, the relevant governing body, Manchester Audit will notify the police station local to the place where the offence took place.

Where an offence has been committed involving a third part, ie: a voluntary organisation or a departmental service user, the funding/employing department, in consultation with Manchester Audit, will recommend to the injured party that the police be called in to investigate. In cases involving, or likely to involve the police, any decision about interviews, and the application of disciplinary procedures, should be made in consultation with Manchester Audit, who will consult, and take advice from, the police officer(s) involved in the case. Further advice can be obtained from the Personnel and Organisation Department.

## **5 The Process for Reporting Acts of a Criminal Nature**

When an officer becomes aware of an act, within the scope of this procedure, he or she needs to act quickly, by immediately reporting the concerns to the line manager. If an individual is uncomfortable with raising the matter with the line manager, concerns may be referred direct to Manchester Audit. Where there are sufficient grounds to suspect that a criminal offence has been carried out, Manchester Audit should be contacted straightaway for further advice. It is important that Manchester Audit is provided with as much information as possible about the case, and a list of the details required is shown as Annex B. Manchester Audit will then decide, in consultation with the departmental lead officer, the next step to be taken. This will depend upon a number of factors:

### **a) Offences by Persons Unknown**

i) An example of this may be theft of cash or equipment, following a breakin. An employee or a member of the public may have carried out the theft. It is important to notify the police immediately, so that they can investigate the matter and log it as a crime, which will be needed for any subsequent insurance claim. The department should nominate an appropriate officer to notify the police station, local to the place where the offence took place, having consulted with Manchester Audit, who in turn, will provide advice and decide whether an internal inquiry is needed. In the case of schools, the Headteacher should make the contact with the police, after consultation with Manchester Audit.

ii) Another example may be the discovery of irregularities in the financial records of an establishment. The irregularities may be the result of fraudulent action by one or more employees, or a member of the public. Such irregularities should be reported to Manchester Audit as soon as possible, so that further enquiries can be undertaken and an assessment made as to whether or not to involve the police. Manchester Audit will carry out further investigations and make recommendations to the department lead officer as to whether the police should be involved.

### **b) Offence by a City Council Employee, involving Public Money.**

An example of this may be the discovery of an employee making fraudulent expense claims. On discovery of such a case, the matter should be referred to Manchester Audit, who will investigate the matter thoroughly and report back to the departmental lead officer, advising on whether or not to involve the police. In such cases, Manchester Audit will liaise as necessary with the police.

### **c) Offence by a City Council Employee, not involving Public Money**

An example may be the theft of money, by an employee, from a departmental service user. Schools Financial Procedures Manual On discovery of such a case, Manchester Audit should be contacted immediately for advice. This may involve initial investigation by Manchester Audit, leading to the involvement of the police, subject to consultation with the departmental lead officer and/or service user. In such cases, Manchester Audit will liaise as necessary with the police.

### **d) Offence involving an Organisation funded by the City Council**

An example may be the misappropriation of income by an employee of a voluntary organisation funded by the City Council. On discovery of such a case, the departmental liaison officer in the funding department(s) should make Manchester Audit aware of the circumstances immediately. This may involve initial investigation by Manchester Audit, who will liaise with the funding department(s) with regards to decisions over the continued funding of the organisation. Manchester Audit, in consultation with the funding department(s), will provide advice to the organisation about the possible involvement of the police. Where it is appropriate to involve the police, the funding department(s) will recommend this course of action to the organisation concerned, which must then take on responsibility for notifying the police.

e) Offence relating to a fraudulent Benefit claim by an Employee

An example may be an employee who has claimed Housing and Council Tax, but failed to declare their earnings from the City Council. In such cases, the procedure for dealing with Employee Housing Benefit Fraud applies (see Annex C). In suspected cases of a criminal nature, early liaison with the police is essential.

## **6 Suspending Employees Suspected of Committing a Criminal Act**

In the event of an investigation into suspected criminal offences by an employee, a decision will need to be made concerning the suspension from duty of that employee. This decision must be made by the employing department, in consultation with Manchester Audit, who will, where applicable, discuss the effects of suspension with the police. In the case of schools with delegated budgets, the decision to suspend rests with the Governing Body and/or the Headteacher. Factors to consider when deciding to suspend may include the following: - Schools Financial Procedures Manual

- a) Can the department, given the alleged act of dishonesty, reasonably allow the continued presence of the employee in the workplace?
- b) Is the employee, suspected of dishonesty, in a position to carry out further acts of dishonesty?
- c) By remaining in the workplace, could the employee tamper with evidence or influence potential witnesses?
- d) In cases of a sensitive nature, could the decision to suspend at an early stage, impede further investigation?

## **7 Disciplinary Procedures**

Where a disciplinary action is taken, as a result of acts within the scope of this procedure, Manchester Audit should be consulted prior to any disciplinary hearing being arranged. Manchester Audit will liaise with the police, over the timing of any proposed disciplinary hearing, to ensure that their investigation is not prejudiced as a result. Where it appears that a criminal investigation or prosecution will take time to reach a conclusion, the department will, after consultation with Manchester Audit, be advised to proceed to a disciplinary hearing. A decision not to refer a case to the police does not necessarily mean that there is no disciplinary case to answer. Management should, where appropriate, pursue such matters through the normal disciplinary procedure.

## **Appendix D: Internal Audit Investigations Supplementary Provisions for Fair Funding Scheme Staff Disciplinary**

### **Procedure**

#### **1. Purpose of Document**

1.1 This addition to the Fair Funding Scheme Disciplinary Procedure is a guide to the conduct of investigations carried out by Manchester Audit, the City Council's Internal Audit Section.

#### **2. Principles**

2.1 The governing body of a school is responsible for the management of that school's delegated budget.

2.2 The governing body may formally delegate its powers, in relation to the management of any part of the budget, to the headteacher. Where the governing body delegates powers to the headteacher, that decision must be formally recorded in the governing body minutes. The governing body must put in place reporting and monitoring arrangements, to enable it to carry out its responsibilities for the management of the budget.

2.3 The Approved Manchester Fair Funding Scheme for Financing Schools and the Schools Financial Procedures Manual cover the management of official and unofficial funds that are the responsibility of governing bodies and headteachers.

2.4 The governing body and the headteacher must ensure they are familiar with these financial regulations, and implement them in their management of official and unofficial funds. The governing body and headteacher must also put into place arrangements, to enable staff who have budgetary responsibilities (such as handling cash, ordering goods and services and payment of accounts) to familiarise themselves with the financial regulations applying to their area of responsibility. Staff with such responsibilities must ensure they read and comply with the financial regulations.

2.5 The principles that Manchester Audit would expect every school to apply in its management of official and unofficial funds are as follows:

- The Schools Financial Procedures Manual must be followed. This includes the City Council's Financial Regulations and Standing Orders.  
Schools Financial Procedures Manual
- There should be clear, written records of financial transactions, properly certified by authorised staff and audited, as required, by the Schools Financial Procedures Manual.
- There must be financial probity, at all times, in the management of public funds. All employees of the Authority are expected, at all times, to act honestly and with integrity.
- There must be appropriate procedures in place, to protect all assets in the custody of the school. This particularly applies to the handling and safe keeping of cash.
- There should be clear management responsibilities and procedures, established within the school and approved by the governing body, for all financial transactions.
- The school's resources and finances should be managed in a way that secures value for money.

- Manchester Audit's right of access to unofficial fund records.

### **3. Role of Manchester Audit**

3.1 A key role of Manchester Audit is to provide support and advice to schools, to enable them to comply with financial regulations and secure improvements in the management of financial systems. This support and advice is provided, normally on request from the school, or at the instigation of Manchester Audit. Manchester Audit will make recommendations, to schools, that the governing body should apply to ensure the Schools Financial Procedures Manual is complied with, financial regulations are met and sound financial practices are followed.

3.2 Specific referrals may be made, for Manchester Audit to consider particular concerns about a school's financial management. Advice and support will be offered and recommendations made to secure improvements. The day-to-day conduct of these activities, by Manchester Audit, will normally involve:

- review of school systems;
- discussions with staff and governors;
- discussions with the headteacher.

3.3 Manchester Audit will, as appropriate, make a record of these discussions, to inform their report/recommendations concerning systems improvement.

3.4 Special Investigations Manchester Audit's objective is to secure systems improvements through the role described above. If, however, as a result of any review of a school's financial system, there is evidence of:

- financial mismanagement;
- serious breaches of the Schools Financial Procedures Manual or financial regulations;
- negligence;
- theft, fraud or dishonesty;

the Corporate Fraud Team, of Manchester Audit, will conduct a special investigation and notify the governing body, the headteacher and the Chief Education Officer of that fact, and may also make reference to the Police. Prior to the commencement of an investigation, Manchester Audit will draw up Terms of Reference, which will be discussed and agreed with the school's Chair of Governors and/or the headteacher.

### **3.5 Manchester Audit's Powers**

Manchester Audit's powers come from the Accounts & Audit Regulations 1996. These are shown in section 17 of the Financial Regulations Chapter, of this manual. Manchester Audit has the right of access to premises and all records, documents and correspondence, to enable the satisfactory conduct of an audit or special investigation. Manchester Audit has the authority to require and receive such explanations as are necessary, concerning the matter under investigation. Where a special investigation takes place, the following procedures will apply:

- Discussions will be held with appropriate staff to gather information.



- If that information is required to be quoted in the report, staff will be formally interviewed. As part of these discussions, staff interviewed will be advised, by Manchester Audit, that:
  - a) they may be requested to sign a formal statement;
  - b) their statement may be quoted in an audit report;
  - c) the audit investigation may lead to disciplinary action, involving the release of the audit report and their statement to the governing body, and the individual against whom disciplinary action is proposed.
- Any member of staff formally interviewed has a right of representation by a friend or union/teacher representative.
- A formal statement may be taken by Manchester Audit and the interviewee asked to read and sign it as an accurate record. Alternatively, a typed copy of the interview notes will be provided after the interview, for the interviewee to read and sign as an accurate record. If the employee disagrees with any of its content, he/she must indicate to Manchester Audit the areas of disagreement.
- A member of staff declining to sign a formal statement or interview notes may still be quoted in the audit report. Their refusal would also be noted in the report.
- A formal record will be made of any documents removed from the school for further inspection and the date of removal and return will be receipted.

3.6 Manchester Audit will draw up a formal report of their findings and recommendations. This will initially be prepared as a Draft Report, which will be discussed at an exit meeting with the Chair of Governors and/or the headteacher, prior to being issued. The Draft Report will then be issued to:

- Headteacher and/or Chair of Governors;
- Principal Accountant, Schools Financial Services;
- Principal Accountant, Accountancy and Budgetary Control; and the
- relevant School's Support Manager.

The headteacher and/or Chair of Governors will then be given three weeks to comment upon the contents and recommendations of the Draft Report. The response should include comments as to how and when the recommendations contained in the report will be implemented and the name of the person responsible for their implementation.

3.7 The appropriate committee of the Governing Body must inform Manchester Audit of the decisions they have taken on the recommendations contained in the Draft Report. These decisions will then be incorporated into a Final Report which will be issued to:

- Chair of Governors;
- Headteacher;
- Chief Education Officer;
- Principal Accountant, Schools Financial Services;
- and the Principal Accountant, Accountancy and Budgetary Control.

3.8 Manchester Audit may recommend that formal disciplinary action should be taken. In such circumstances, the committee of the governing body may accept or reject the recommendation. In either case, the committee should seek advice from the Chief Education

Officer in reaching their decision. If the governing body committee decides to reject the recommendation of disciplinary action, then its reasons for doing so must be clearly stated.

3.9 Where the appropriate committee of the governing body or the Chief Education Officer recommend disciplinary procedures, then the governing body should be asked to convene "first" and appeals committees in accordance with the disciplinary procedures. No member of the initial committee that received the formal report, or the "first" committee, should be present on any appeals committee.

3.10 The individual subject to disciplinary procedures should be notified of the governing body decision to convene "first" and appeals committees and a copy of the Final Report forwarded to him/her and their representative. The Final Report is provided to the individual on a confidential basis for the purpose of the disciplinary process only.

3.11 The disciplinary procedures adopted by the school should apply concerning the conduct of the disciplinary hearing. These procedures include details on:

- the presentation of a case to governors;
- calling of witnesses and documentary evidence to be referred to ;
- when suspension is appropriate;
- the role of the Chief Education Officer;
- sanctions;
- appeals procedures.

3.12 At the end of the disciplinary process, the governing body must ensure all appropriate action is taken to rectify any matter discovered as part of the audit investigation.

3.13 Where the role of a governor is itself the subject of an audit investigation, the procedures that will apply will be agreed with the Chief Education Officer, the Director of Corporate and Democratic Services and the Strategic Director of Resources and Performance, in accordance with the appropriate legislation.

## **Annex A: Criminal Acts**

For the purposes of this procedure, the following is a list of actions, which may constitute, or result in, a criminal act:

1. Theft.
2. Falsification of timesheets or sickness records.
3. Falsification of expense or compensation claims.
4. Falsification of other documents for personal gain, i.e. job description forms.
5. Cheque fraud.
6. Benefit fraud.
7. Misappropriation of funds.
8. Corruption.

The above is not an exhaustive list and judgement will need to be made, in individual cases, in determining whether a person's actions constitute a potentially criminal act, requiring further investigation.

## **Annex B: Information required by Manchester Audit, when reporting acts of a Criminal Nature**

- 1 Names of employees/individuals involved.
- 2 Position(s) held.
- 3 Departmental establishment where person works/offence is alleged to have been committed.
- 4 Individual's Line Manager.
- 5 Details of alleged criminal offence:
  - a) nature, e.g. theft, falsification of expense claims;
  - b) amount(s), value(s) involved;
  - c) how, when and where the alleged offence was committed;
  - d) how it was uncovered and by whom'
  - e) the extent, if any, of enquiries made/action taken to date.
- 6 Contact name and number for person reporting the details. It is appreciated that in some instances some of the above will not be known. However, depending on the nature and the extent of the alleged offence, further information may be requested by Manchester Audit.
- 7 Where sufficient investigation has been undertaken to lead the team to believe that an employee has committed an act of fraudulent misconduct, the team will in addition to investigating the matter refer the case to the Police.
- 8 The team will in addition inform the Chief Officer of that employee of the grounds for believing that there has been misconduct and that the Chief Officer should consider whether any action to suspend the employee from his/her duties should be taken.
- 9 Suspension will be appropriate where the continued presence of the employee at work is likely to hinder proper investigations into the complaint or where the Chief Officer believes that because of the nature of the allegation, the continued presence of the employee at work would be incompatible with the duties that he/she undertakes.
- 10 The team will then fully investigate the allegation of fraudulent conduct by the employee and will recommend to the Chief Officer whether or not disciplinary action should be taken.
- 11 The Chief Officer in considering whether disciplinary action should be taken will have regard to:
  - a) The full extent of the allegation made against the employee;
  - b) The nature of the duties undertaken by the employee; and
  - c) The conditions of service.
- 8 In considering the alleged housing benefit fraud by an employee, chief officers shall distinguish between employees who are directly involved in the administration of the housing benefit system, in which event the actions of such employees will normally be regarded as actions committed within the course of their employment, whereas for all other staff any acts of alleged housing benefit fraud should normally be viewed as actions committed outside of the workplace by that employee.