



St. Nicholas School Canterbury

FRAUD PREVENTION POLICY

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Reviewing body for internal policy	J Sazant (Governor)
SLT responsibility	Stephen King
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INTRODUCTION

The objective of this policy is to safeguard the proper use of St. Nicholas School finances and resources. The School derives the majority of its income from public funds, however it may also receive charitable donations and income from parents, and so has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

Fraud is a serious matter and the governing body is committed to investigating all cases of suspected fraud. Any member of staff, regardless of their position or seniority, against whom prima facie evidence of fraud is found, will be subject to disciplinary procedures that may result in dismissal.

For the purposes of this policy, fraud is defined as dishonest, irregular or illegal acts, characterised by a deliberate intent at concealment or false misrepresentation, resulting in the diversion of resources, whether or not for personal gain, for the benefit of an individual or group of individuals at a consequent loss to the School.

It is important to the school that there are proper procedures in place to guard against fraud and corruption and ensure best use of public funds. If there are any concerns that cannot be raised through the normal channels then the Whistleblowing policy should be followed.

This policy applies to all employees, governors and other individuals performing functions in relation to the organisation, such as agency workers and contractors.

BACKGROUND

The Department for Education's (DfE) Scheme for Financing Schools (March 2018) includes the following provision, at paragraph 2.17.

"All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors".

In addition, when completing the School's Financial Value Standard the governors are asked if there are adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers and note any instance of fraud or theft detected in the last 12 months.

This policy document assists the governing body in meeting these requirements.

Fraud is a criminal offence. The Fraud Act 2006 defines 'fraud' as:

1. Deceit, the intention to deceive or secrecy: and
2. (a) an actual loss or gain;
- (b) The intent to cause loss to another or expose them to the risk of it;
3. Dishonesty.

Offences of fraud can include abuse of position, making of a false statement, failure to disclose information, obtaining services dishonestly, deception, theft, misappropriation, embezzlement, forgery, corruption, extortion, false accounting, false representation, concealment of material facts, acts of conspiracy, collusion and aiding and abetting any act of dishonesty.

Bribery is a criminal offence and the Bribery Act 2010 introduces a clearer regime for tackling bribery. A definition is – inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages.

Policy Statement on anti-fraud and corruption

The Governors are committed to fighting fraud with high ethical and moral standards and recognise that any fraud perpetrated against the school is costly, both in financial terms and reputation. The governors are therefore committed to take action to prevent, detect and deter

fraud, corruption and bribery in all its activities.

This policy must be read in conjunction with the Whistleblowing and Gifts and hospitality policies and the Financial Procedures manual and Schedule of Financial delegation,

The school will ensure probity in administration and governance by taking positive action against all forms of fraud, corruption or bribery affecting school business whether it is from internal or external sources.

The Governing Body a legal responsibility for the school budget and will ensure a sound system of internal control is in place in the use of delegated and other funds given to the school. The Head teacher and the Senior Leadership team are responsible for ensuring that there are sound systems of financial control designed to minimise the risk of fraud or error.

All school staff are expected to report any cases of suspected fraud, no matter how trivial they may seem either to their manager, through the whistleblowing process or to the Shared Anti-Fraud Service.

All staff is expected to be fully accountable during their employment with the school, to follow the school's policies, financial procedures and any relevant professional code and to comply with all laws and regulations applicable to the school's business.

As stewards of public funds, staff must have, and be seen to have, high standards of personal integrity. Staff should not accept personal gifts, hospitality, or benefits of any kind from a third party that may be seen to compromise that integrity.

Internal Audit (Shared Internal Audit Service) will report on the existence and effectiveness of control systems and as part of the audit process may advise on best practice. The findings and recommendations of reports will be implemented promptly.

PREVENTION

As the aftermath of fraud is costly, time-consuming, disruptive and unpleasant, and may lead to unwelcome adverse publicity, a major thrust of this fraud policy is prevention.

Leadership

Trustees and senior leaders should ensure that their behaviour is demonstrably selfless and transparent and should champion the School's policies regarding conflicts of interest, hospitality and gifts.

Management procedures

Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud. Staff must comply with and should be given training in the School's policies and procedures on segregation of duties, data security and conflict of interest, and the School's financial regulations. A continuous review of systems by internal audit may deter attempted fraud and should result in continuous improvements. The risk of fraud should be a factor in internal audit plans.

Staff appointments

Potential new members of staff must be screened before appointment, particularly for posts with financial responsibility (Please see Staff Recruitment and Selection Policy). For example:

- References should cover a reasonable, continuous period of at least three working years, and any gaps should be explained.
- An official employer's reference should be obtained, and verification of referees' identity confirmed
- Doubts about the contents of the reference should be resolved before confirming the appointment. If this is done by telephone, a written record of the discussion should be kept.
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- Where possible, qualifications should be checked before making an offer of employment, for example by requiring original certificates at the interview.
- Checks should be undertaken eg. Enhanced Disclosure & Barring Service with barred list information.

- Checks should be undertaken to verify that candidates for teaching posts are not prohibited from teaching.

Cash

Management of cash should include the following:

- Segregation of duties - systems should prevent one person from receiving, recording and banking cash. Where there are many outlets, the system should incorporate additional supervisory management, and unannounced spot checks. Segregation of duties should continue during periods of leave or sickness absence.
- Reconciliation procedures - an independent record of cash received and banked may deter and detect fraud. Documents used in reconciliation processes, such as paying-in slips, should not be available to the officer responsible for banking.
- Receipts should be issued in return for cash received, to provide an audit trail.
- Physical security, such as access to keys and access codes should be kept secure.
- Frequent banking.
- Use of cashless system encouraged, to avoid the need for cash handling.

Cheques

With regard to cheques, the following preventative measures should be taken:

- Physical security - unused, completed and cancelled cheques should never be left unsecured. Spoiled cheques should not be destroyed but should be clearly marked 'VOID' and lines marked through the print. They should then be filed along with the relevant documentation for future reference.
- Frequent bank reconciliations - some frauds have gone undetected for long periods because accounts have not been reconciled promptly, or because discrepancies have not been fully investigated.
- Segregation of duties (as outlined in Cash).
- Use of bank account names which it is difficult to represent as personal names, to prevent the simple theft of cheques in the post and their conversion into cash.
- Clear instructions to debtors about correct payee details and the address to which cheques should be sent. The address should normally be the accounts department, not the department which has provided the goods or services.
- Central opening of all post by and recording of all cash and cheques received.
- Rotation of staff responsibilities, including the regular rotation of counter-signatories, to reduce the risk of collusion.
- Training in secure completion of cheques.
- Use of electronic funds transfer (such as BACS) as an alternative to cheques.

BACS and Online Bank Payments

With regard to internet banking payments, the following preventative measures should be taken:

- Only designated staff should have access to online banking. These are the Headteacher, the Finance Director and the Finance Officer. Any payments made must be in accordance with the Finance Policy and the bank mandate.
- Segregation of duties must be observed with the double level of approval process.
- Frequent observation of the bank accounts via online banking must be made to ensure there is no unusual activity on bank accounts

Purchasing

Many of the largest frauds suffered in education institutions have targeted the purchase ledger. Preventative measures should be taken as follows:

- Minimising little used or unusual account codes.
- Ensuring that all account codes are effectively monitored and approved by line management.
- Segregation of duties (as outlined in Cash).
- Secure management of the creditors' standing data file, including segregating the origination and approval of new or amended data.
- Requiring purchase orders, wherever possible, for the procurement of all services, as well as goods.
- Matching the invoice amounts to the purchase order commitment in all cases. Where service

order variations occur, these should be authorised by the Finance Director.

- Where possible, a certified delivery note should be matched to the invoice for payment.

All suppliers should be vetted to establish that they are genuine and reputable companies before being added to lists of authorised suppliers.

Remote working

If staff are working from home they should be ultra-vigilant of potentially fraudulent activity. During remote access, staff should not download and store financial information onto personal devices. All approval processes must continue to be followed virtually. With most finance work being electronic and mainly paperless, exercising due diligence is crucial. Additionally, regular updates from Lloyds Bank are received, which supports the School's information about emerging scams and help the Finance Department stay ahead of potential threats.

DETECTION

Checks and balances

Detective 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.

Behaviour patterns

Suspect patterns of behaviour among staff 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 School.

Whistle blowing policy

Anyone suspecting fraud may use the School's whistle blowing policy, which may provide protection against reprisal for any such disclosure.

Deterrence

The Governing Body views fraud as a serious offence against the school and employees will face disciplinary action if there is evidence to support any allegation of fraud. Disciplinary action may be taken in addition to, any criminal proceedings, depending on the circumstances of each case. The Governing Body is committed to deterring potential cases of fraud through the implementation of robust systems and procedures and will act quickly and efficiently where fraud is alleged, leading to the most appropriate outcome.

It will take all steps possible to ensure appropriate penalties are sought in cases where fraud is proven, strenuously attempt recovery of any monies lost as a result of fraud and thoroughly assess the systems and processes to ensure fraud is minimised in future.

The Governing Body will ensure its policy is communicated to staff and the wider school community.

FRAUD RESPONSE PROCEDURE

Purpose

The purpose of this fraud response procedure is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud or irregularity. Those investigating a suspected fraud should:

- Aim to prevent further loss.
- Liaise with the School's insurer.

- Establish and secure evidence necessary for criminal and disciplinary action.
- Inform the police.
- Notify the Education & Skills Funding Agency (ESFA).
- Endeavour to recover losses.
- Take appropriate action against those responsible.
- Keep internal personnel and outside organisations with a need to know suitably informed, on a confidential basis, about the incident and the School's response.
- Deal with requests for references for employees disciplined or prosecuted for fraud.
- Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud.

Initiating action

Members of staff, students or members of the governing body may suspect fraud or irregularity in the School. If so, they should report it as soon as possible to the Headteacher, Finance Director or Chair of Finance.

The person to whom the suspected incident is reported should then ensure that it is made known without delay to the Headteacher, Business Manager, The Chair of the Governing Body.

The Business Manager 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 initial response, using properly appointed nominees where necessary:

- Headteacher
- Business Manager
- Chair of Governing Board

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

Responsibility for investigation

The group, chaired by the Chair of the Finance Committee, will decide on the action to be taken. This will normally be an investigation led by the external auditors, the Azets Group.

Prevention of further loss

Where initial investigation provides reasonable grounds for suspecting a member or members of staff, Trustees or others of fraud, the group will decide how to prevent further loss. This may require the suspension of the suspect or suspects, under the appropriate disciplinary procedure. It may be necessary to plan the timing of suspension to prevent suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect or suspects should be approached unannounced. They should be supervised at all times before leaving the Academy's premises. They should be allowed to collect personal property under supervision but should not be able to remove any property belonging to the academy. Any security passes and keys to premises, offices and furniture should be returned. The Site Manager, Commercial Lead and the ICT Manager should be required to advise on the best means of denying access to the School while suspects remain suspended, for example by changing locks and informing premises staff not to admit the individuals to any part of the premises. Similarly, the ICT Systems Manager should be instructed to withdraw without delay access permissions to the School's computer systems.

The group will consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the School's assets.

Establishing and securing evidence

The School will follow disciplinary procedures against any member of staff or Trustee who has committed fraud and will normally pursue the prosecution of any such individual through the criminal courts. The Headteacher will:

- Ensure that evidence requirements are met during any fraud investigation.
- Establish and maintain contact with the police.
- Ensure that staff involved in fraud investigations are familiar with and follow rules on the

admissibility of documentary and other evidence in criminal proceedings.

Reporting lines

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.

Recovery of losses

The Financial Director 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 will 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 School will normally expect to recover costs in addition to losses.

Final report

On completion of a special investigation, a written report, normally prepared by the Chair of the Finance Committee, shall be submitted to the Audit Committee containing:

- A description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud.
- 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 be reported to the complainant.

References for employees disciplined or prosecuted for fraud

Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud must be referred to the Chair of Trustees for advice.

Review of policy and fraud response plan

This plan will be annually reviewed for fitness for purpose. Any recommended change will be reported to the Finance Committee for consideration and to the full Governing Body for approval.

Appendix A

Implementation of Fraud Policy

Action	Lead person	Carried out
Governors to abide by the Scheme for Financing Schools, the School's Financial Value Standard (SFVS), the School's Schedule of Financial Delegation and act within the law in an open, honest and trustworthy manner	Monitored by Chair of Governors and Chair of Finance Committee over the past year.	
Ensure an effective system of internal financial control exists within the school, that it is clearly documented in the school's own Financial Procedures and evidenced by compliance with the SFVS	Headteacher (with assistance of finance officer)	
Take responsibility for reviewing the control systems in place and undertake regular checks for assurance that controls are being correctly applied.	Headteacher in conjunction with Budget Holders	
Ensure recruitment procedures established to ensure all staff are vetted correctly prior to commencing their employment.	Headteacher (assisted by HR advisor)	
Ensure statements of employment or undertaking include reference to the school's Fraud Policy	Headteacher (assisted by HR advisor)	

Ensure Disciplinary procedures are in place to deal any acts of misconduct by school employees.	Headteacher (or if necessary, Chair of Governors) assisted by HR advisor	
Inclusion of Fraud policy and Whistle-blowing policy in Staff Handbook	Headteacher (assisted by HR advisor)	
Inclusion of Fraud policy and Whistle-blowing policy in staff induction programmes	Headteacher (assisted by HR advisor)	
Inclusion of Fraud policy and Whistle-blowing policy in governor's induction programmes	Chair of Governors, Head teacher	
Staff should not accept personal gifts, hospitality, or benefits of any kind from a third party that may be seen to compromise their integrity.	Headteacher to maintain a gifts and hospitality register	
Publicise the school's commitment to fighting fraud, e.g. providing information on its website and school documents, such as the prospectus	Headteacher	

- Progress with criminal action.
- Estimate of resources required to conclude the investigation.
- Actions taken to prevent and detect similar incidents.

EQUALITY, SAFEGUARDING AND EQUAL OPPORTUNITIES STATEMENT

St Nicholas School, in all policies and procedures, will promote equality of opportunity for students and staff from all social, cultural and economic backgrounds and ensure freedom from discrimination on the basis of membership of any group including gender, sexual orientation, family circumstances, ethnic or national origin, disability (physical or mental), religious or political beliefs.

As part of our commitment to meet the Public Sector Equality Duty (PSED), St Nicholas School aims to:

- Provide equal opportunity for all;
- Foster good relations, and create effective partnership with all sections of the community;
- Only take actions which does not discriminate unlawfully in service delivery, commissioning and employment;
- Provide an environment free from fear and discrimination, where diversity, respect and dignity are valued.

All aspects of Safeguarding will be embedded into the life of the School and be adhered to and be the responsibility of all staff.