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Fraud Awareness

1 In troductio n

2 Fraud and Corruption: Definitions and Types

3 The Fraud Environment

4 Fraud Preve n tion and Dete ction

5 S taff Con du ct

6 P roce du re f or Reporting Frau d

7 In te rnal A ud it Inve stigations

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1 In trod uction

1.1 Birmingham City Council wants to create a culture where fraud is not acceptable.

T his commitment is outlined in th H&LW\&RXQFLO¶VAnti-Fraud & Corruption Policy.

T he objective of this section of the Schools Financial Pr ocedures Manual is to

provide brief guidance for all staff and governors to help: -

x Recognise f raud when it occurs and be a lert to the h igh -risk areas where

fraud co u ld aris e .

x Reco gnise fact o rs th at e n co u rage fra ud a n d fa ctors that can b e use d to

deter fra u d.

x Understand that the governing body of the school regulates the conduct

an d d iscipline of a ll staff in a ccorda n ce w ith the Sta ff Co d e of Conduct wh ich

demands a ve ry h igh sta n da rd of integrity .

x K n o w what to do if a frau d is d iscovered . To be a ware of the u se of the

A n ti-Frau d & Corruption P o licy, the Fra ud a nd Corrup tion Response Plan

a n d the Whistleb lowing P ol icy, further details of which can be found at T o

report whist leblowing

1.2 This section is concerne d wit h th e pr evention a n d dete ctio n of fraud, and n ot

with the p rocedures to be fo llowed in inve stigating frau d . The Birm ingh am C ity

Cou n cil Fina n cial Regulat ions require that the Corporate Fraud Team , with in

Birm ing ha m Au d it, is info rmed as soon a s an a ctual o r suspecte d fraud , or

oth e r fin ancial irregularity, come s to light so th a t the y ca n dete rm ine whether

an audit investiga tion sh oul d be un d e rta ke n . They will be happy to d iscuss

issue s and p rovide ad vice and can b e conta cted by em ail at

Birm ing ha mA ud it@ birm ingham .go v.uk .

1.3 The Local Authority is comm itted to the principles of Corpo rate Governance ±

th e system b y wh ich officers carry out the ir responsib ility fo r ensurin g that

effect ive m anagem ent system s have b ee n put in place, inclu d ing finan cial

m onitoring and control. School sta ff an d governo rs have a re sp onsibility for

com p lying with t h e pr inciple s of corporate governa nce .

1.4 The gu idance co n taine d in the S ch oo ls Fina n cial Pr ocedures Man u a l has a

key r ole in preve nting and dete cting fraud and m ust be com plied wit h by a ll

schools co ve red ha

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Mandate/CEO fraud Bogus approaches from

fraudsters to change supplier

bank account details to divert

pa yments, or to request an

urgent payment to be made

supposedly on the instruction

of a senior official

x Finan cial l oss

Inappropriate personal

use of goods and

services

Using school equipment or

materials or services for

personal interests

x Finan cial loss to pa y for

replacem e nt item s

Cash an d assets

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x (P S OR\HH µSUHVVXUH  ID FWRUV IR U LQVWDQFH K igh sta ff tu rno ve r a nd/or staff

shortages, resu lting in che cks n o t being carrie d ou t or being carried out

inadeq u ately; lack of sup e rvision; lack of tra in ing, s o sta ff are not aware of

the imp ortance o f policies and pr ocedures, or whe re the ir jobs fit in the

broa de r p ictu re, and they are n o t aware of p o ssib le areas whe re fraud m ight

occur.

x Lack of understanding by employees of what is expected in their be haviour.

3.2 Within schools the main financial systems which control the use of official funds

are expected to be robust, but the same should also be true of those systems

which regulate unofficial funds. By their very nature, the se funds can ofteQµJR

unGHU WKH  UDGDU¶ D QG H[S H ULH Q FH  VKRZV WKDW ZKHUHYH U WK HUH LV D ODFN RI

management oversight, fraud can occur

4 Fraud Prevention and D et ection

4.1 All staff and governors should be alert to the warning signs that may indicate

fraud. It should be remembered that longstanding trusted employees are often

in the best position to commit fraud, as they are usually subject to less checking

and supervision and so have th e opportunity if a motive arises.

4.2 Examples of warning signs are:

Documents

x unusua l a cco u ntin g entries;

x fa ilure t o produce a ccounts whe n requested /m issing d o cuments ;

x une xplained budget o verspends and/o r bank o ver draf ts;

x

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x There is e vidence t ha t an em ploye e ha s fraudulently obtained public

fu n d s ± sta te be nefits, Co uncil Ta x Red uctio n s/E xemptions, social

housing etc.

x Evidence of fraud is obtained relating to the emplR\HH¶VLQYROYHPHQW LQ

another organisation e.g. a City Council funded voluntary organisation.

5.5 A

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7.2 Prior to the comm ence ment of an investig ation , CFT will d raw up a n Au d it

In ve stiga tion Plann ing Me morandum (Terms of Ref e ren ce), which will be

discusse d a n d a greed with the sch R R O¶V Chair of Governors a n d/or the H ead

Teacher.

7.3 The C it \&RX Q FLO¶V)LQDQFLDO5HJX ODW LRQVJ LYH Birm in g ham Aud it right of access

to p rem ises and all records, do cuments a nd correspondence, to enable the

satisfactory conduct of an audit or special investiga tion. Birmingham Audit has

the authority to require and receive such explanations as are necess ary,

concerning the matter under investigation.

7.4 Where an audit investigation takes place, it may be necessary to speak to

various people. O n e or m ore m ay b e th e sub ject of the allegations, wherea s

oth e rs w ill need to b e seen to ge t backgrou n d informa tio n or to o bta in

evide n ce .

x W here a p erson is subject to a lleg a tions o f m is con du ct , a form a l audit

interview will be arra nge d. All p e rson s being forma lly inter vie wed will be

conta cted in writing at lea st 7 d a ys in a d vance of the inte rview with brief

deta ils of the issues under investigatio n a nd told that they a re e n title d to

rep rese ntation at t he inte rview. Inter vie ws w ill b e conducte d by two office rs

and a typ ed s um ma ry of the int e rvie w is later provid e d to the interviewee

fo r th eir comment and agreem ent. The perso n be ing interviewed w ill b e

advise d that a fte r t h e co n clusion o f th e investigation an audit rep ort would

be produced and be told to whom the report would be issued, a nd that

fu rther proce eding s may e n sue as a resu lt.

x W here a pers on is no t the sub je ct of th e alle gations , but W n BT /F18871 0 595.32 841.92 r

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7.5 Birm ing ha m Aud it will d raw up a formal rep ort o f the ir find in gs a n d

reco mm endations. Wh ile the report is in draft it will b e discusse d a t an e xit

m e eting wit h the He a d Teacher and/o r Chair of Go verno rs, or oth e r ap p rop r ia te

officers. The ir comments w ill be incl uded as to h o w and when the

reco mm endations conta ined in the rep ort will b e imple m ented and the name

of th e p e rson resp onsible fo r their impleme nta tio n prior to being issued. The

re p o rt will then be fina lise d and issue d to :

x Director of Educat ion & Skills

x Chair of Gove rnors

x Ot her Off icers as approp riate

7.6 CFT m ay recom me n d th a t fo rm a l d isciplina ry action s houl d be conside red . In

such cir cum sta n ce s, th e gove rning body