

JOHN LEGGOTT COLLEGE

ANTI-FRAUD, BRIBERY AND

CORRUPTION POLICY

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1. Introduction

- 1.1. It is expected by the Education & Skills Funding Agency (ESFA) funding bodies that colleges have in place an Anti-Fraud, Bribery and Corruption Policy which sets out the responsibilities of members, managers and staff regarding the prevention of fraud, bribery and corruption and also gives guidance of procedures to be followed where fraud, bribery or corruption is detected or suspected. This policy has been reviewed to reflect DfEs College Financial Handbook requirements effective 1 August 24.
- 1.2. This policy shall be considered by the Audit Committee from time to time and supplements the college's policies on Whistleblowing, Fraud Response Plan (**Appendix 1**), Disciplinary, Hospitality, Financial Regulations, Standing Orders, a declaration of interest procedure and a system of internal control and, as such, should be read in conjunction.
- 1.3. The Principal, as Accounting Officer for the college, shall be responsible for the maintenance of this policy.
- 1.4. The Principal, or his nominated representative, shall act as Money Laundering Reporting Officer under the terms of the Money Laundering Regulations 2007.
- 1.5. Appendix 5 shows the list of potential fraud indicators as developed by the ESFA.

2. Responsibilities

2.1. Responsibilities of the College:

The College's Financial Memorandum with the ESFA states that:

- 2.1.1. The Corporation of the College has wide responsibilities under statute which are not repeated here. Specifically, it is responsible for ensuring that the college's funds are used only in accordance with the Corporation's powers under the Act, this financial memorandum and any other conditions that the funding body may from time to time impose.
- 2.1.2. The Corporation has wide discretion over its use of the college's funds and it is ultimately responsible for the proper stewardship of those funds. The Corporation must ensure that it uses its discretion reasonably, and takes into account any relevant guidance on accountability or propriety issued from time to time by the funding body, the National Audit Office or Parliament.
- 2.1.3. The respective responsibilities of the Corporation and the Principal are set out in the college's articles of government. Within this framework, the Corporation shall require the Principal to take personal responsibility, which shall not be delegated, to assure them that there is compliance with the financial memorandum and all terms and conditions referred to above.
- 2.1.4. As Accounting Officer, the Principal may be required to appear before the Parliamentary Committee of Public Accounts, alongside the accounting officers of the funding body and the DfES, on matters relating to the college's use of public funds and College funds.
- 2.1.5. The Principal shall be responsible for advising the Corporation in writing if, at any time, in his or her opinion, any action or policy under consideration by the Corporation is incompatible with the terms of the financial memorandum. The Principal shall be similarly responsible for advising the Corporation in writing if the Corporation appears to be failing to act where required to do so by the terms and conditions of the financial memorandum. Where the Corporation determines to proceed despite the advice of the Principal, the Principal should consider the reasons the Corporation gives for its decision. If, after considering the reasons given by the Corporation, the Principal still considers that the action proposed by the Corporation is in breach of the financial memorandum, the Principal shall advise in writing the ESFA's accounting officer of the position.

2.2. Responsibilities of Holders of Public Office and their employees

2.2.1. The college condemns fraud and corruption in public life, and expects holders of public office and its employees to:

- Take decisions solely in pursuance of the college's statutory functions and in the public interest to the exclusion of private and personal interest.
- Not to place themselves under undue financial or other obligation to outside individuals or organisations that might influence or be perceived to influence them on the performance of their duties.
- Carry out public duties, including making public appointments, awarding contracts, or recommending individuals for awards and benefits, and to make choices on merit in accordance with defined guidelines.
- Be accountable for their decisions and actions to the public and submit themselves to whatever scrutiny is appropriate to their office.
- Be as open as possible about all the decisions and actions that they take; to give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- Declare any private interest which is relevant to their public duties.
- Take positive steps to resolve any conflicts of interest in a way that first protects the public interest and maintains public confidence; and to take advice from senior officers in any case of doubt.
- Promote and support these principles by leadership and by example.
- ESFA has issued a further Post 16 Code of Practice.
- The Seven Principles of Public Life are attached at **Appendix 3**.
- The Department of Business, Innovation & Skills has issued Regulation of Further Education College Corporations in England Information note to FE colleges – appointment of the Secretary of State as Principal Regulator of FE colleges as exempt charities as attached at **Appendix 4**.

2.3. Responsibility of The Clerk - Director of Governance

2.3.1. The Clerk is responsible for the administrative support for the Corporation's work, for advising on proper procedure, and for intervening when the Clerk considers that the Corporation is acting inappropriately or beyond its powers, in which case the Clerk may need to seek external advice. College Corporations are advised to agree procedures they would expect the Clerk and the Corporation to follow if there were difficulties in this area. ESFA would not consider that action within such procedures should provide grounds for disciplinary action or the suspension of the Clerk.

2.3.2. If the Clerk considers that the Corporation may be at risk of breaching any of its legal obligations or exceeding its power, then he or she will:

- Speak with the Principal and Chair of Corporation, in the first instance outlining the concerns.
- Seek external advice eg, from the college's auditors (including fraud advice), external auditors; or, if appropriate, legal advice on behalf of the Corporation.

- Ensure that all members were informed of the concerns raised by the Clerk and the external advice provided by the appropriate bodies.

2.3.3. Where there are suspicions of fraud (see 2.5.2 below), the Clerk will record details immediately in a fraud log. The fraud log will contain details of all reported suspicions, including those dismissed as minor or otherwise not investigated. It will also contain details of action taken and conclusions reached. This log will be submitted to the Audit Committee, who in turn will report any significant matters to the Governing Body.

2.4. Responsibilities of Line Managers

2.4.1. Line Managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively. The responsibility for the prevention and detection of fraud, bribery and corruption, therefore, rests primarily with managers. There is a need for all managers to assess the types of risk involved in the operations for which they are responsible; to review and test the control systems for which they are responsible; to regularly ensure that controls are being compiled with; and to satisfy themselves that their systems continue to operate effectively.

2.4.2. In terms of establishing and maintaining effective controls it is generally desirable that:

- Wherever possible, there is a separation of duties so that control of a key function is not vested in one individual.
- Backlogs are not allowed to accumulate.
- In designing any new system, consideration is given to building in safeguards against internal and external frauds.

2.5. Responsibilities of Staff

2.5.1. Every member of staff has a duty to ensure that public funds are safeguarded, whether they are involved with cash or payment systems, receipts, stocks or dealings with contractors or suppliers. Staff should alert their line manager where they believe the opportunity for fraud exists because of poor procedures or lack of effective oversight.

2.5.2 It is the duty of all members of staff, management and the Corporation to notify the Director of Governance immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety.

The Director of Governance shall immediately invoke the fraud and bribery response plan, which incorporates the following key elements:

- they will notify the Principal and the audit committee (through its Chair) of the suspected irregularity and shall take such steps as they considers necessary by way of investigation and report
- the Principal shall ensure the police are informed if a criminal offence is suspected of having been committed
- any significant cases of fraud or irregularity shall be reported to the funding body in accordance with their requirements as set out in the audit code of practice
- the Principal shall commission such investigation as may be necessary of the suspected irregularity, by external independent persons or others, as appropriate

- those commissioned to carry out an investigation, shall prepare a report for the Principal on the suspected irregularity. Such report shall include advice

on preventative measures. The report together with recommendations will be provided to the audit committee.

If the suspected fraud is thought to involve the Director of Governance and/or the Principal, the member of staff shall notify the Chair of the audit committee of their concerns regarding irregularities (details can be sought from the Director of Finance & Resources).

2.5.2. Senior Leadership Team, all budget holders and staff with a financial responsibility are required to provide the Finance Team with information regarding their direct or indirect pecuniary interests and to keep that information up-to-date.

3. Code Of Conduct

- 3.1. The college is committed to the highest standards of openness, integrity and accountability. As stewards of public funds all staff must have, and be seen to have, high standards of honesty, propriety and personal integrity. Staff are required to report any potential conflict of interest to the Principal.
- 3.2. Additionally, members of the governing body, senior leadership or those involved in procurement are required to disclose interests in the institution's register of interests maintained by the Clerk (or other designated officer). They will also be responsible for ensuring that entries in the register relating to them are kept up-to-date regularly and promptly, as prescribed in the financial procedures and governors' code of conduct.
- 3.3. In particular, no person shall be a signatory to an institution contract where he or she also has an interest in the activities of the other party.

4. Receiving Gifts or Hospitality

- 4.1. It is an offence under the Bribery Act 2010 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing or refraining from doing anything in an official capacity. The guiding principles to be followed by members of the college staff must be:
 - 4.1.1. The conduct of individuals should not create suspicion of any conflict between their official duty and their private interest.
 - 4.1.2. The actions of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal, or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.
- 4.2. Members of staff should not accept gifts, rewards, hospitality (or have them given to members or families) from any organisation or individual with whom they have contact in the course of their work, that would cause them to reach a position whereby they might be or deemed by others, to be influenced in making a business decision as a consequence of accepting such gifts, rewards, or hospitality.
- 4.3. The frequency and scale of hospitality accepted should not be significantly greater than the college would be likely to provide in return.
- 4.4. When it is not easy to decide between what is acceptable in terms of gifts or hospitality the offer should be declined or advice sought from the appropriate line manager. Guidelines on this may be sought from the College Principal or a member of the Senior Leadership Team.

- 4.5. Hospitality accepted should be restricted to a level that would normally be reciprocated by the college, e.g. an occasional meal. Hospitality should not be accepted from any organisation that is responding to a tender invitation.
- 4.6. For the protection of those involved, the Director of Finances & Resources will maintain a register of gifts and hospitality received where the value is in excess of £25.00. Members of staff in receipt of such a gift or hospitality are obliged to notify the Director of Finance & Resources promptly.
- 4.7. The college is legally responsible under the Bribery Act 2010 for the conduct of third parties who provide services on behalf of, and for the college. Care should be exercised when delegating services/provision to third parties to ensure that such individuals/companies act in a manner consistent with the college's own code of conduct and at all times operate within the law.

Policy Owner:	Becky Robinson	Next Review Date:	December 2024
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APPENDIX 1 - Fraud Response Plan

1) Introduction

The college's activities are supported by substantial public funds, and as a publicly funded body, the college is accountable to its stakeholders in ensuring the most efficient and effective use of its resources in support of the college's approved strategy.

It is the responsibility of all officers and members of staff to ensure the correct and honest use of all college resources and to report any circumstances which may indicate the improper use of these resources. Such report shall be made to the Director of Finance & Resources.

Whilst prevention of fraud has to be the key objective when a fraud is suspected or suggested, it is important that prompt and professional action is taken. Fraud is unpredictable, time consuming to investigate, very disruptive and unpleasant. In addition to potential financial loss there may also be a risk of reputational loss.

Primary responsibility for the prevention and detection of fraud rests with individuals who also have responsibility to manage the risk of fraud. Investigation of fraud is the responsibility of the Director of Finance & Resources who will set up a project team to investigate each case.

The Fraud Response Plan detailed below sets out the steps to be taken if fraud is reported or detected.

2) Definition of Fraud

The term fraud is a broad term used to describe a number of activities including, false accounting, misappropriation, bribery and corruption, deception and collusion and until the introduction of the Fraud Act 2006 there was no precise legal definition.

In general, a fraud may be described as any deception that results in a gain to one party/and or a loss to another. The Fraud Act 2006 includes three classes of fraud:

- I. Fraud by false representation.
- II. Fraud by failing to disclose information.
- III. Fraud by abuse of position.

In all three classes of fraud, the Act requires that for an offence to have occurred, the person must have acted dishonestly, and that they have acted with the intent of making gain for themselves or anyone else, or inflicting loss (or risk of loss) on another.

This policy covers all of the above.

In terms of applying the Fraud Response Plan within the college, fraud may be defined as the use of deception with the intention of:

- Gaining an advantage, personally and for family and friends; or
- Avoiding liability; or
- Causing a financial and/or reputational loss to the college or one of its subsidiary companies.

3) The main types of irregularity are:

- **Theft:** which may include the removal, misuse of funds, assets or cash (Theft is not prosecuted as fraud but prosecuted under the various Theft Acts)
- **False accounting:** dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the college or subsidiary or furnishing information which is or may be misleading, false or deceptive (Theft Act 1968);
- **Abuse of position:** this applies where fraud is committed in situations where someone

by virtue of their position is expected to safeguard another's financial interests or not act against those interests.

- In addition to the above, some examples of the classes of fraud in the context of how these might relate to the college are set out below.

4) **Fraud by false representation:**

- **Abuse of the college's expenses system** by submitting claims for reimbursement of costs which are excessive, not reflective of actual activities or were never wholly incurred.
- Completing **recruitment application** details stating that particular **qualifications** and/or membership of professional bodies are held when they are not, in order to meet the person specification requirements.
- **Using the college's logo or letterhead for personal reasons** and to imply the college has sanctioned the content of the document (and/or to imply that the document is sent for and on behalf of the college).

5) **Fraud by failing to disclose information:**

- **Failure to disclose a criminal conviction** which may impact on the ability to remain employed in a particular position at the college, and when in accordance with the Rehabilitation of Offenders Act 1974.

6) **Fraud by abuse of position:**

- A representative/employee of the college is awarded monies from a third party to undertake overseas research as a result of the position or work they have undertaken at the college. The college representative/employee fails to expend the grant monies in ways that were intended and **funds are used for personal benefit/gain**.

7) **Fraud Response Plan:**

(Please read this plan in conjunction with the attached flowchart)

8) **Purpose**

The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or financial irregularity. The use of the plan should allow the college to:

- Respond quickly and professionally to any suspicion or suggestion of fraud or irregularity.
- Prevent further loss.
- Establish and secure evidence necessary for criminal or disciplinary action.
- Notify ESFA; if the circumstances are covered by the mandatory requirements of the Post 16 Audit Code of Practice (Financial Memorandum between ESFA and the College) or the Principal Regulator if the circumstances are as covered by the requirements detailed in **Appendix 4**.
- Minimise and recover losses.
- Take appropriate action against those who have committed the fraud.
- 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.
- Keep all persons with a need to know suitably informed about the incident and the college's response,
- Assign responsibility for investigating the incident.
- Establish circumstances in which external specialists should be involved.
- Establish circumstance in which the police should be notified and establish lines of

communication with the police.

9) Initiating Action

Suspicion of fraud or financial irregularity may be captured through a number of means, including the following:

- Requirements on all staff under Anti- Fraud Bribery and Corruption Policy / Financial Regulations to report fraud.
- Public interest disclosure/whistleblowing policy.
- The college's disciplinary procedures.
- Planned audit work.
- Operation of proper management control and procedures.

All actual or suspected incidents should be reported immediately either:

- In accordance with the Financial Regulations to the Director of Governance. The Director of Governors should then inform the Principal or Audit Committee through its chair.
- If the disclosure involves or implicates any of the individuals detailed above then the disclosure should be made to the Chair of Governors and/or Chair of Audit Committee as appropriate.

and

- Recorded in the Fraud Log Book (This log should be reviewed and signed on an annual basis by the Chair of Audit Committee).

As soon as practicable, ideally within 24 hours, a meeting should be convened normally consisting of the following group to decide on the initial response:

- Principal.
- Director of Finance & Resources.
- Director of Governance (Clerk to the Corporation).

At some stage it may also be necessary to involve the Deputy and Assistant Principals if there are potential public relations/media issues.

The project group will decide:

- Whether an investigation is required
- Who should undertake the investigation.
- Whether the individual needs to be suspended.
- Whether the matter should be reported to the police.

The Chair of the Audit Committee should be advised at the earliest possible time that an investigation is taking place.

10) Prevention of further loss

Where initial investigation provides reasonable grounds for suspecting a member/members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension of the individual(s) suspected of fraud. It may be necessary to plan the timing of suspensions to prevent individuals from destroying or removing evidence that may be needed to support the investigatory process.

Suspension will be in accordance with college's disciplinary procedures.

The Director of Finance & Resources should be required to advise on the best method of denying access, while individuals remain suspended. Similarly, the IT Team should be instructed to withdraw without delay access permission to the college's computer systems.

Investigatory officers shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the individuals/respondents may have

had opportunity to misappropriate the college's assets.

11) Establishing and securing evidence

The college will follow established disciplinary procedures against any member of staff who has committed fraud. The college will normally pursue the prosecution of any such individual.

Those investigating the incident will:

- Maintain familiarity with the college's disciplinary procedures, ensure that evidence requirements will be met during any fraud investigation.
- Obtain approval from college management prior to establishing and maintaining 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.

12) Notifying ESFA/Principal Regulator

The circumstances in which the college must inform ESFA/Principal regulator about actual or suspected frauds are detailed in the Post 16 Audit Code of Practice and the Financial Memorandum between ESFA and in the Regulation of Further Education College Corporations in England Information note to FE colleges – appointment of the Secretary of State as Principal Regulator of FE colleges as exempt charities.

The college is required to report all significant cases of actual or suspected fraud or cyber crime fraud to ESFA, at allegations.mailbox@education.gov.uk

defined in the Post 16 Audit Code of Practice to be where one or more of the following apply:

- The sums involved are or are potentially in excess of £10,000 (£10,000 to the Principal Regulator or £5,000 for 16-19 Bursary Funding).
- The particulars of the fraud or irregularity are novel, unusual or complex.
- There is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

There may be cases of fraud or other impropriety or irregularity which fall outside the above criteria. In such cases the college may seek advice or clarification from the funding provider.

The Principal is responsible for informing ESFA/Principal Regulator of any such incidents.

13) Recovery of Losses

Recovering losses is a major objective of any fraud response investigation. Those investigating the incident should ensure that in all fraud investigations the amount of any loss is quantified. Repayment of losses should be sought in all cases.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze an individual's assets through the courts pending conclusion of the investigation. Legal advice should also be sought about the prospects for recovering losses through the civil court; where the perpetrator refuses repayment. The college would normally expect to recover costs in addition to losses.

The college may also liaise with its insurers if appropriate.

14) References for employees disciplined or prosecuted for fraud

It is a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to Human Resources. Human Resources shall prepare any answer to a request for a reference having regard for employment law.

15) Reporting to governors

Any incident matching the criteria in the Post 16 Audit Code of Practice shall be reported without delay to the Principal and to the chairs of both Corporation and the Audit Committee.

Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the chairs of both the Corporation and Audit Committee.

On completion of the special investigation the project group will submit to Audit Committee a report 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 recurrence.
- Any action needed to strengthen future responses to fraud with follow up report on whether the actions have been taken.

16) Reporting lines during the investigation

The project group shall provide a confidential report to the chair of Corporation, the chair of Audit Committee, the Principal, the external audit partner and the head of marketing (currently the Principal) on a monthly basis or at different frequencies if agreed. The scope of the report shall include:

- Circumstances surrounding the case and contributory factors.
- Quantification of losses.
- Progress with recovery action.
- Progress with disciplinary action.
- Progress with criminal action.
- Estimate of resources required to conclude the investigation.

17) Responsibility for investigation

Special investigations should not be undertaken by management, although management should co-operate with requests for assistance from the investigator.

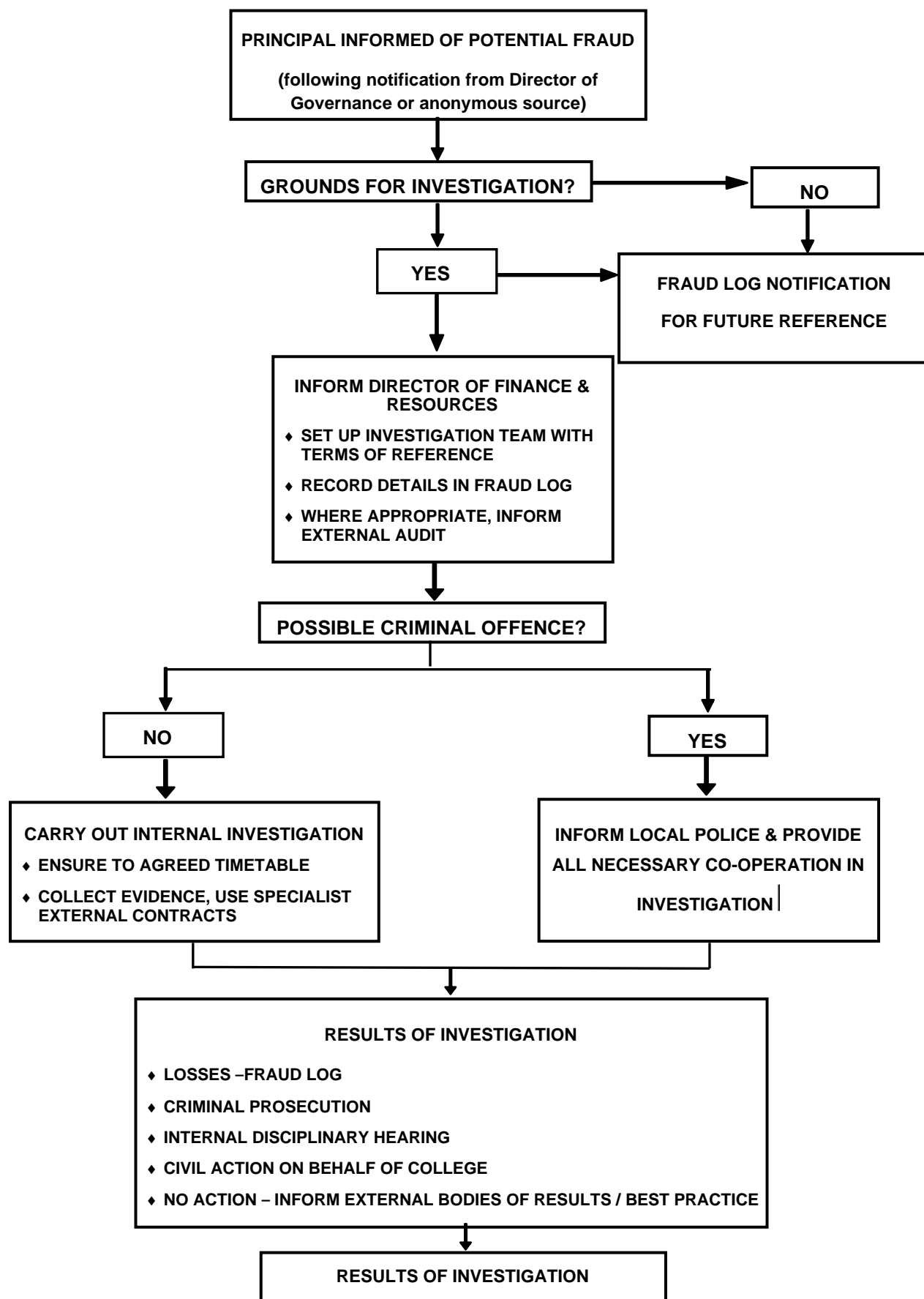
Some special investigations may require the use of technical expertise. In these circumstances the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

18) Review of fraud response plan

This plan will be reviewed for fitness of purpose at least annually or after each use. Future changes to this policy will be reported to the Audit Committee for approval.

If any suspected fraud directly involves an officer referred to in this document, then the relevant reference should be replaced by their line manager.

APPENDIX 2 - Fraud Response Plan



APPENDIX 3

The Seven Principles of Public Life

'Seven Principles of Public Life' should apply to all in the public service. These are:

1) **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

2) **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

3) **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4) **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

5) **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

6) **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

7) **Leadership**

Holders of public office should promote and support these principles by leadership and example.

APPENDIX 4

Extract from DfEs College Financial Handbook effective 1 August 2024

Colleges must have procedures in place to ensure any suspected or discovered instance of fraud, cybercrime, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework are identifiable. Where identified, colleges must inform the chair of the audit committee, external auditors and internal auditors (if applicable) as soon as practically possible. ESFA, and any other relevant college funder, must also be informed as soon as possible when the fraud, or suspected fraud, is significant.

Contact ESFA through allegations.mailbox@education.gov.uk.

Significant fraud is where there is one or more of the following factors (though this list is not exhaustive):

- the gross amount of the loss (that is, before any insurance claim) is in excess of £5,000
- there is likely to be public interest because of the nature of the fraud or the people involved, especially when the fraud is committed by a governor or senior employee, regardless of the amount
- the particulars of the fraud are novel or complex
- the fraud is systematic or unusual in nature

With regard to the reporting of funding error, colleges must continue to adhere to the requirements of their accountability agreement and the funding rules. Fraud's inherent nature means that any fraudulent transaction must be irregular and improper. The accounting officer must include any significant fraud in their statement of regularity, propriety and compliance.

Fraud, including any suspected or attempted fraud, should be reported to [Action Fraud](#) to help identify systematic risks potentially affecting whole sectors (for example, cybercrime).

ESFA reserves the right to conduct investigatory work in respect of any college when there are reasonable grounds to believe that fraud or other financial irregularity has occurred. Such grounds may include a notification from the college itself or from other information received. ESFA may involve other authorities, including the police. If such a college is also funded by another public authority, then ESFA and that authority will cooperate to determine which authority will lead the investigation. ESFA will publish [reports on its investigations](#) at colleges.

Cybercrime, penetration testing and cyber ransoms

Colleges must also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred.

Colleges **must not** pay any cyber ransom demands. DfE supports the National Crime Agency's recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring services and may lead to repeat incidents.

Find out more about cybercrime and IT health checks at:

- [National Cyber Security Centre](#)
- [NCSC Alert: Further targeted ransomware attacks on education sector March 2021](#)
- [IT health checks](#)
- [CHECK penetration testing](#)

APPENDIX 5

Indicators for potential fraud: a generic checklist for education providers

1. Personal motives for fraud

- 1.1 Personnel believe they receive inadequate compensation and/or rewards (such as, recognition, job security, vacations, or promotions)
- 1.2 Expensive lifestyle (such as cars or trips)
- 1.3 Personal problems (such as gambling, alcohol, drugs or debt)
- 1.4 Unusually high degree of competition or peer pressure
- 1.5 Related party transactions (business activities with personal friends, relatives or their companies)
- 1.6 Conflicts of interest
- 1.7 Disgruntled employee (such as being recently demoted or reprimanded)
- 1.8 Recent failure associated with specific individual
- 1.9 Personal animosity or professional jealousy

2. Organisational motives for fraud

- 2.1 Organisation experiencing financial difficulty
- 2.2 Commercial arm experiencing financial difficulty
- 2.3 Tight or under unusually tight time deadlines to achieve level of outputs
- 2.4 Organisational governance lacks clarity, direction, or substance
- 2.5 Organisation closely identified with, or dominated by, one individual
- 2.6 Organisation under pressure to show results (such as budgetary matters or exam results)
- 2.7 Organisation recently suffered disappointment/ consequences of bad decisions
- 2.8 Organisation wants to expand its scope, obtain additional funding
- 2.9 Funding award/contract for services up for
- 2.10 Organisation due for a site visit by auditors, Ofsted or others
- 2.11 Organisation has for-profit component
- 2.12 Organisation recently affected by new and/or changing conditions (such as regulatory, economic or environmental)
- 2.13 Organisation faces pressure to use or lose funds to sustain future funding levels
- 2.14 Record of previous failure(s) by one or more organisational areas, associated business or key personnel
- 2.15 Sudden change in organisation practice or pattern of behaviour

3. Weaknesses in internal controls

- 3.1 There is a general lack of transparency about how the organisation works, procedures and controls
- 3.2 Management demonstrates lack of attention to ethical values (including a lack of communication regarding importance of integrity and ethics, lack of concern about presence of temptations and inducements to commit fraud, lack of concern regarding instances of fraud, no clear fraud response plan or investigation policy)
- 3.3 Management fails to specify and/or require appropriate levels of qualifications, experience, or competence for employees
- 3.4 Management displays a penchant for taking risks
- 3.5 Lack of an appropriate organisational and governance structure with defined lines of authority and reporting responsibilities
- 3.6 Organisation lacks policies and communication relating to individual accountability and best practices, for example related to procurement, travel and subsistence, use of alcohol, or declarations of interest.
- 3.7 Lack of personnel policies and recruitment practices.
- 3.8 Organisation lacks personnel performance appraisal measures or practices.
- 3.9 Management displays lack of commitment towards the identification and management of risks relevant to the preparation of financial statements (that is, they do not consider significance of risks, likelihood of occurrence or how they should be managed).
- 3.10 There is inadequate comparison of budgets with actual performance and costs, forecasts and prior performance. No regular reconciliation of control records and lack of proper reporting to governing body.
- 3.11 Management of information systems is inadequate (such as, no policy on information technology security, computer use/access, verification of data accuracy, completeness or authorisation of transactions).
- 3.12 There is insufficient physical security over facilities, assets, records, computers, data files, cash; failure to compare existing assets with related records at reasonable intervals
- 3.13 There is inadequate or inappropriate segregation of duties regarding initiation, authorisation and recording of transactions, maintaining custody of assets and alike.
- 3.14 Accounting systems are inadequate (that is, they have an ineffective method for identifying and recording transactions, no tracking of time periods during which transactions occur, insufficient description of transactions and to which account they should be allocated to, no easy way to know the status of funds on a timely basis, no adequate procedure to prevent duplicate payments or prevent missing payment dates.)
- 3.15 Purchasing systems and/or

procedures inadequate (such as poor or incomplete documentation to support procurement, purchase, payment or receipt of goods/services; poor internal controls for authorisation and segregation of duties)

3.16 Subcontractor records and/or systems reflect inadequate internal controls

3.17 There is a lack of internal, ongoing monitoring of controls which are in place and/or failure to take any corrective actions, if needed

3.18 Management is unaware of or displays lack of concern regarding applicable laws and regulations, for example Companies Acts, Charities Acts, Child Protection, Funding Agreement, Contract for Services

3.19 Specific problems and/or reportable conditions identified by prior audits or other means of oversight have not been corrected, such as history of problems, slow response to past findings or problems or unresolved present findings

3.20 No mechanism exists to inform management, directors, trustees or and governors of possible fraud 3.21 General lack of management oversight

4. Transactional indicators

4.1 Related party transactions with inadequate, inaccurate or incomplete documentation or internal controls (such as business/research activities with friends, family members or their companies)

4.2 Not-for-profit entity has a for-profit counterpart with linked infrastructure (such as shared board of trustees, governors or other shared functions and personnel)

4.3 Specific transactions that typically receive minimal oversight

4.4. Previous audits with findings of questioned costs, evidence of non-compliance with applicable laws and or regulations, weak internal controls, a qualified audit opinion, inadequate management response to any of the above

4.5 Transactions and/or accounts which are difficult to audit and/or subject to management judgement and estimates

4.6 Multiple sources of funding with: inadequate, incomplete or poor tracking, failure to segregate funds and/or existence of pooled funds

4.7 Unusual, complex or new transactions, particularly if occur at year end, or end of reporting period

4.8 Transactions and accounts operating under time constraints

4.9 Cost sharing, matching or leveraging arrangements where industry money or other donation has been put into a foundation (foundation set up to receive gifts) without adequate controls to determine if money or equipment has been spent/used and whether it has gone to allowable costs and at appropriate and accurate valuations; outside entity provided limited access to documentation

4.10 Travel accounts with: inadequate, inaccurate or incomplete documentation or poor internal controls such as appropriate authorisation and review, variances between budgeted amounts and actual costs, claims in excess of actual expenses, reimbursement for personal expenses, claims for non-existent travel, and/or collecting duplicate payments

4.11 Credit card accounts with inadequate, inaccurate or incomplete documentation or internal controls such as appropriate authorisation and review

4.12 Accounts in which activities, transactions or events involve handling of cash or wire transfers; presence of high cash deposits maintained with banks

4.13 Assets which are of a nature easily converted to cash (such as small size, high value, high marketability or lack of ownership identification) or easily diverted to personal use (such as cars, houses, equestrian centres or villas)

4.14 Accounts with large or frequent shifting of budgeted costs from one cost centre to another without adequate justification

4.15 Payroll (including fringe benefits) system: controls inadequate to prevent an individual being paid twice, or paid for non-delivery or non-existence; or outsourced but poor oversight of starters, leavers and payments

4.16 Consultant agreements which are vague re: work, time period covered, rate of pay, product expected; lack of proof that product or service actually delivered

4.17 Subcontract agreements which are vague re: work, time period covered, rate of pay, product expected, lack of proof that product or service actually delivered

4.18 Sudden and/or rapid growth of newly contracted or existing education providers. For example: rapid and/or significant increase in learner numbers for newly contracted providers or providers with large cohorts of newly recruited learners in occupational areas where provider has minimal/no previous experience, concerns provider's infrastructure/staffing is insufficient to manage increase in learners

5. Methods used to commit and/or conceal fraud

5.1 Employee indicators such as: eagerness to work unusual hours, access to/use of computers at unusual hours, reluctance to take leave/seek support, insistence on doing job alone and/or refusal of promotion or reluctance to change job

5.2 Auditor/employee issues such as: refusal or reluctance to provide information/turn over documents; unreasonable explanations; annoyance/aggressive responses to at questions/requests in an attempt deter auditors; trying to control the audit process (timetables, access, scope); auditee/employee blames a mistake on a lack of experience with financial requirements or regulations governing funding; promises of cooperation followed by subsequent excuses to limit or truncate co-operation; subtle resistance; answering a question that wasn't asked; offering more information than asked; providing wealth of information in some areas, little to none in others; explaining a problem by saying "we've always done it that way", or "someone at ESFA/DfE (or elsewhere) told us to do it that way" or "Mr X said he'd take

care of it”; a tendency to avoid personal responsibility (overuse of “we” and “our” rather than “I”); blaming someone else; too much forgetfulness; trying to rush the audit process; uncharacteristic willingness to settle questioned costs in an attempt to deter further investigation/analysis

5.3 A general lack of transparency about how the organisation works, procedures and controls

5.4 Fabricated explanations to support inability or unwillingness to evidence transactions/assets (such as stated computer failure/loss of electronic data, or stated theft of business records/assets)

6. Record keeping/banking/other

6.1 Documents: missing documents; documents are copies, not originals; documents in pencil; altered documents; false signatures/incorrect person signing/no authorisation where it would be expected

6.2 Deviation from standard procedures (for example, all files but one handled a particular way; or all documents but one included in file)

6.3 Excessive and/or poorly evidenced journal entries, unable to provide explanations for journal entries

6.4 Transfers to or via any type of holding or suspension account

6.5 Inter-fund company loans to other linked organisations

6.6 Records maintained are inadequate, not updated or reconciled

6.7 Use of several different banks, or frequent bank changes; use of several different bank accounts

6.8 Failure to disclose unusual accounting practices or transactions

6.9 Unusual accounting practices or transactions, such as: uncharacteristic willingness to settle questioned costs; non-serial-numbered transactions or out-of sequence invoices or other documents; creation of fictitious accounts, transactions, employees, charges; writing large cheques to cash or repeatedly to a particular individual; excessive or large cash transactions; payroll checks with unusual/questionable endorsements; payees have similar names/addresses; and/or non-payroll checks written to an employee

6.10 Defining delivery needs in ways that can only be met by one source/individual

6.11 Continued reliance on person/entity despite poor performance

6.12 Treating non-business and/or personal goods or services as business transactions in financial records (such as goods and services purchased trustees, directors and/or their family members)

6.13 Misuse of directors loan account facility, for example: deliberate miscoding of transactions in directors loan account to gain personal advantage

6.14 Materials goods and/or services fictitiously erroneously reported as purchased; evidence fabricated to support claim, can be used as conduit to remove funds from organisation. Potentially evidenced by: repeated purchases of same items; identical items purchased in different quantities within a short time period; invoices and statements used to evidence purchase facilitating duplicate transactions/payments; anomalies in format of purchase invoices; and/or goods/equipment not used as promised, doesn't work, doesn't exist

6.15 Legitimate business assets put to nonbusiness/private use