



## **BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

### **FINANCIAL POLICY – FRAUD, IRREGULARITY AND CORRUPTION**

#### **2. GENERAL**

- 2.1 The Trust's Financial Policies cover those areas of financial management that play a key part in helping the Trust to meet its overall responsibility for ensuring that the Trust and its academies remains solvent, safeguards its assets and achieves its financial strategy.
- 2.2 As such, the Trust's Financial Policies take the form of high level statements that should be taken into account by the Board, Local Advisory Board's, Principals and other senior managers in the conduct of the Trust's activities in general and its financial affairs in particular. These principles should be read in conjunction with the Academies Financial Handbook.
- 2.3 The Trust's Financial Rules ensure that these policies are observed in practice by setting out in more detail the responsibilities and limits of authority of senior staff and by specifying certain procedures to be followed in the day-to-day financial transactions of the Trust.

#### **3. PURPOSE OF THIS FINANCIAL POLICY**

- 3.1 The purpose of this policy is to ensure that the Trust has effective arrangements in place to:
- prevent the occurrence of fraud, irregularity and corruption;
  - detect cases where fraud, irregularity and corruption may have occurred;
  - ensure that, in the event of suspected or actual cases of fraud, irregularity and corruption, appropriate action is taken.
- 3.2 It should be noted that no precise legal definition of "fraud" exists. For the purpose of this Financial Policy, the terms "fraud", "irregularity" and "corruption" encompass both the use of deception to obtain an unjust or illegal financial advantage at the Trust's expense and intentional misrepresentations affecting the Trust's financial statements or records by one or more individuals amongst Board members, management, employees or third parties. Although not intended to be a complete list, fraud, irregularity and corruption may involve any of the following:
- falsification or alteration of the Trust's accounting records or other documents;
  - misappropriation or theft of Trust assets or resources;
  - suppression or omission of the effects of transactions from the Trust's accounting records or documents;
  - recording of transactions without substance within the Trust's financial systems;
  - intentional misapplication of the Trust's accounting policies;

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- wilful misrepresentations of transactions or of the Trust's state of affairs.

#### **4. SCOPE**

- 4.1 This policy applies to all members of the Trust Group, whether wholly or partly-owned, trading or non-trading, incorporated or unincorporated.

#### **5. PREVENTION AND DETECTION OF FRAUD, IRREGULARITY AND CORRUPTION**

- 5.1 Members of the Trust Group and its internal and external auditors must comply with the provisions of the EFA and the Academies Financial Handbook in general and in relation to the prevention and detection of fraud, irregularity and corruption in particular.
- 5.2 Effective financial and management controls, including the segregation of duties, should be in place throughout the Trust Group in order to ensure that, as far as reasonably possible, occurrences of fraud, irregularity and corruption are prevented.
- 5.3 Because no system of financial and management controls can guarantee that fraud, irregularity and corruption will be prevented, arrangements should also be put in place to ensure that, as far as reasonably possible, any actual or suspected cases are detected at an early stage. (For example, controls which would assist in the detection of fraud, irregularity and corruption include segregation of duties, reconciliation procedures, spot checking of transactions and the review of management accounting information, including exception reports).
- 5.4 Whereas primary responsibility for the development and maintenance of the financial and management controls referred to in paragraphs 5.1 and 5.2 rests with the Trust Board and Responsible Officer, it is incumbent upon Principals, Local Advisory Boards and other budget holders to ensure that these controls are sufficient and are implemented and operated effectively within their areas of delegated responsibility. It is also the responsibility of Principals and Local Advisory Boards and other budget holders to ensure that agreed audit recommendations relating to their area of responsibility are implemented by the due date.
- 5.5 The work of the internal and external auditors should be informed by an analysis of the risks to which the Trust is exposed, including that of fraud, irregularity and corruption.

#### **6. ACTION TO BE TAKEN IN SUSPECTED OR ACTUAL CASES OF FRAUD, IRREGULARITY AND CORRUPTION**

- 6.1 **Investigation.** All cases of suspected or actual fraud, irregularity and corruption should be investigated in order to ascertain the nature, cause and materiality of the occurrence. Depending on the seriousness of the case in question, the involvement of a range of individuals or agencies in carrying out further investigation may be appropriate, including members of Trust staff, internal and external audit, specialist consultants or the police. Investigations into cases of suspected or actual cases of fraud, irregularity and corruption should normally be carried out independently of Trust management and of the individual who first alerts Trust management to the case. Where appropriate, the requirements of the Code of Practice on Whistleblowing must be complied with. It is important that care is exercised in order to ensure that such investigations do not compromise any possible subsequent prosecution by the police.

6.2 **Reporting to the Chair of the Trust.** The Trust's auditors (internal and external), Principals, Local Advisory Boards and other budget holders must inform, without delay, the Chair or, in his absence or alleged involvement, any other member of the Board of any suspected or actual instance of fraud, irregularity or corruption of which they become aware.

6.3 **Reporting EFA.** The Trust Board must inform, without delay, the Board and the EFA of any significant instance of fraud, irregularity, corruption or major accounting breakdown. "Significant" is as defined in the Academies Financial Handbook 2013 para 3.9.2. The current definition encompasses attempted, suspected or actual cases of fraud, irregularity or corruption where one or more of the following apply:

- the sums of money involved are, or potentially are, in excess of £5,000;
- the particulars of the fraud are novel, unusual or complex;

Any incident of fraud, irregularity or corruption affecting any member of the Trust Group that has resulted in action being taken under this policy should be reported to a meeting of the Trust Board.

6.4 **Reporting to the police and to Internal Audit.** In view of the public interest, the Chair of the Trust Board or a member of the Board or employee nominated by him, should normally notify the police and Internal Audit of all suspected or actual cases of fraud, irregularity or corruption. Where the police or Internal Audit are not notified, the Audit Committee should be advised of the reason.

## **7. RESPONSIBILITIES**

7.1 The Trust Board is responsible for approving this policy and any subsequent amendments to it, and for oversight of the application of its provisions.

7.2 The Audit Committee is responsible for overseeing this policy on behalf of the Board of Governors.

7.3 As the designated Officer of the Trust the Responsible Officer is responsible for ensuring that this policy is applied by the Trust and all members of the Trust Group.