Schools anti-fraud toolkit
Introduction

As a Chair of School Governors or a Headteacher you play a key role in protecting your school and the Council against the risks of fraud and corruption. Fraud within the public sector costs the taxpayer millions of pounds each year and this is a particular concern when school finances are tight.

Frauds within Warrington schools are thankfully rare, but are not unknown. Many arise because controls in a financial system become weak and offer opportunities to a member of staff who is unable to resist the temptation that is then put in their way. Pages 8-10 gives some examples of recent cases.

The checklist on pages 11-12 gives Governors and Headteachers at all Warrington schools an opportunity to review fraud awareness within their school, to provide them with assurance that all is well or to give an opportunity to take action. It also provides information and links to relevant documents and procedures that will help you to fill any gaps in knowledge.

Completing the checklist and reading the other sections of this information pack will help you in completing your Schools Financial Value Statement (SFVS) each year. Effective anti-fraud measures apply to all parts of a school’s internal control framework, but going through the content of this pack will be of particular relevance to Section D of the SFVS (Protecting Public Money).

Lynton Green
Chief Finance Officer

Cllr Russ Bowden
Corporate Resources & Assignments
What can you do about it?

This pack contains detailed information on types of fraud you could experience and identifies fraud behaviours and key risk areas. Where fraud is concerned, prevention is better than cure, so we have set out below a number of key principles that should be embedded in the school to promote an effective counter-fraud culture.

• Set the right tone: in which honesty and integrity are, from the top down, seen to be paramount and where dishonesty will be dealt with appropriately.

• Employment: recruitment policies should include reference checks and background screening; ensure that job descriptions are kept up to date and reflect a person’s roles and responsibilities.

• Increase the perception of detection: put in place sensible supervisory controls including segregation of duties (where practicable), proper authorisation processes and management review. Carry out random sample checks where possible and take prompt action when you suspect fraud.

• Regularly review the financial performance of your school and follow up unexpected variations: lower than expected income or above budget spending could be due to fraudulent activity.

• Staff policies: educate your employees about fraud, its impact on the school and how they can help prevent it; keep all relevant policies and procedures up to date; ensure all staff are aware of the schools’ whistleblowing procedure; enforce mandatory holidays and rotate jobs if practicable.
What to do if you suspect fraud

As soon as you have a reasonable suspicion that something may be wrong, you should refer to the Council’s Schools Fraud Response Plan. This sets out the procedures to be followed by school staff and governors where instances of fraud, bribery and corruption are suspected or detected. The Plan has been sent to all schools via School News, but you can also find a copy on our intranet site: http://wired/ACE/finance/Audit/School_Audit_Pages.aspx

Fraud Risks

These are some examples of fraud risks that schools can face:

**Payroll**
- Making false entries on the payroll, such as inventing a fictitious employee and arranging to be paid an additional salary
- Claiming for overtime that has not been worked
- Payment of inappropriate bonuses
- Continuing to make payments that were intended to be one-offs, e.g. overtime, temporary increase to pay.

- Employing a family member or individual known personally to a member of staff without following appropriate recruitment procedures
- Claims for travel which did not take place
- Misuse of someone else’s log-in/email details to set up and/or authorise payroll payments

**Purchasing**
- Processing false invoices for goods or services not received and pocketing the proceeds
- Forging signatures on cheques and putting false information on cheque stubs
- Misuse of someone else’s procurement card to make unauthorised purchases
• Buying from a supplier or contractor known personally to a member of staff without following required procurement procedures or declaring a business interest

• Separating purchases to avoid having to get quotes or carry out a tender process

• Purchase of equipment for personal use

• Misusing school financial systems to run a personal business

• Carrying out non-school business in school time

• Using school facilities/materials/equipment for personal business purposes

• Transferring school funds into personal bank accounts

• Improper use of petty cash for personal purposes

Income

• Theft of school income

• Theft of other income, e.g. dinner monies, school funds

• Swapping cheques for cash

• Unauthorised hiring out of school facilities for free or at reduced rates
Fraud Behaviours

These are some of the behaviours that staff have been known to exhibit when committing fraud:

- Personal problems, including financial problems
- Evidence of lifestyles inconsistent with position
- Unusual behaviour / increased stress for no obvious reason
- History of other HR-related issues, e.g. bullying and harassment, inappropriate behaviour
- Reluctance to take holiday entitlement
- Working outside of normal working hours or working late for no obvious reason
- Reluctance to share duties
- Not delegating tasks when they are on leave
- Taking on additional responsibilities, “doing the school a favour”
- Disproportionately concerned about visits from senior management, inspectors or auditors
- Poor work practices, including bending rules, or using ‘short cuts’
- Poor record-keeping, person seen as “disorganised”
- Hesitancy, avoidance or confrontation when asked direct questions
- Reluctance or refusal to sign up to school procedures, e.g. declarations of interest
- Reluctance to provide detail in reports, e.g. to Headteacher or Committee; reluctance to let someone else check the detail
- Unusually close relationships with a particular supplier/contractor

It is important to note that these behaviours are not by themselves proof that staff are committing fraud - you should have some other evidence to support any suspicion of wrongdoing. We have listed below some of the things that may also point to the possibility of fraud.
Other fraud indicators

- Problems with balancing accounts e.g. voluntary funds
- Late or poorly presented accounts
- Accounts not audited for a number of years
- Accounts and documents not circulated in advance of a meeting - verbal presentation of figures rather than in writing
- Lack of detail in reports presented to Headteacher/Governing Body
- Lack of response to questions asking for further information or clarification (e.g. after a GB meeting)
- Poor records and minutes/financial records not held with other filing
- Lack of audit trail/missing documents
- Procedures that are not in line with best practice, e.g. only requiring one signature on cheques
- Financial inaccuracies that cannot be explained clearly - decline in income / budget overspends
- Decreasing income collection rates e.g. reduction in uniform sales, school dinner sales
- Undocumented processes and activities that are only known to one individual
- Deliveries of items or stocks to somewhere other than the school/delivery notes not retained
- Purchase of items that do not appear to have been specifically requested by any member of staff
- Lack of openness and transparency, key decisions taken outside meetings, e.g. decisions to award contracts
- Final demands and ‘red letters’ received by the school/queries from suppliers over non-payment
Examples of frauds

These are some examples of frauds that have happened in other schools across the country. These have been chosen as they demonstrate many of the risks, behaviours and indicators mentioned above. All happened within the last couple of years. Although the amounts involved are often significant, most cases could have been prevented by effective management and supervision of the people involved.

You can find more examples on our intranet site: http://wired/ACE/finance/Audit/audit_home.aspx

School administrator embezzled £30,000 from school funds to pay her debts

Barbara Donald’s scam was discovered when a travel firm contacted the headmaster of Baldragon Academy in Dundee to say a cheque for a trip to France had bounced. Donald, 41, was then confronted and admitted she had taken the money.

She was employed at Baldragon Academy since January 1999 as administrative officer who had almost direct control over all school funds. Her duties involved looking after school accounts, paying bills, taking in cash from pupils for materials and school trips etc as well as other administrative duties. She was well respected and trusted in the school given her extensive period of service. Witnesses indicated the accused was disorganised but never appeared untrustworthy.

Certain financial protocols were not always adhered to with regard to obtaining authorisation signatures and checking invoices, this was often put down to her being disorganised.

Donald, pleaded guilty on indictment to embezzling £30,000 from the school between May 31, 2007 and September 1, 2010. Sheriff Tom Hughes jailed Donald for eight months and ordered her to pay £30,000 in compensation from her pension fund.
A finance manager stole more than £288,000 from Fibbersley Park Primary School at Willenhall near Walsall, West Midlands.

She spent the cash on holidays and home improvements. Kerry Smith, 43, began stealing from Fibbersley Park as soon as she became its £20,000-a-year finance officer in 2007.

No one noticed when she forged the deputy head’s name on cheques and for more than four years she signed 140 of them. The cheque stubs claimed the money had settled school bills. In fact 119 were made payable to her directly and to credit card firms she used. The married mother-of-three squandered the cash on luxury holidays to New York, Cyprus and Sri Lanka and on designer clothes and handbags. Smith also upgraded her home in Bilston, near Wolverhampton, to the standard of those featured in luxury magazines.

Her fraud was spotted last November when a financial adviser found the school accounts should have been £70,000 in the black rather than £14,000 in the red. Immediately Smith admitted theft and 12 counts of fraud. Earlier this year she was jailed for three years and four months.

Head teacher who stole £53,000 to fund internet gambling addiction jailed for 16 months

A high flying headmaster who stole £53,000 of school funds to finance his gambling addiction was jailed for 16 months today. A court heard how father of three Andrew Thomas Wilkie blew the family’s £90,000 savings, then the £70,000 he got by remortgaging the family home without his wife’s knowledge, and finally turned to the school’s fund. Mold Crown Court heard how Wilkie knew that the charitable fund was operated within the school and was not subject to LEA auditing.

After he gambled away the funds a proposed extension to the school hall at Southdown Primary School, in Buckley, had to be put on hold. Two anonymous letters were received by Flintshire LEA and following the tip-off Wilkie - at the school for 17 years, the last three as headmaster - was told an emergency audit would take place.

The headmaster had been so trusted that other signatories signed blank cheques. He photocopied one and made up a legitimate reason for spending it, while the real cheque was paid into his own account. He had also used school computers to transfer money to himself.

Wilkie admitted two theft charges with eight similar offences taken into consideration, amounting to £53,438. Judge Merfyn Hughes QC said “The most significant aggravating feature is that you were in a position of trust. The funds that ought to have been used for the benefit of pupils have been lost and there has been an impact on both staff and pupils at the school.”
Examples of frauds

An “extremely dishonest” school bursar who systematically stole £212,000 over five years and spent it in various ways has been jailed for three years. Sandra Ross used £74,658 from funds at Temple Mill Primary School, to pay for care for her mother. Thousands of pounds were transferred into her own account and a deposit was put down on a £45,000 Mercedes car.

Ross joined Temple Mill when it opened in 2001 as a secretary and was promoted to finance manager in 2005. “From the outset of that promotion she abused her position to help herself to public funds over a period of five-and-a-half years,” said Edmund Burge, prosecuting. She was able to obtain such a large amount of money because of the trust placed in her by the head teacher who had known her for many years and, therefore, had no reason to suspect she was, in fact, abusing that trust to enrich herself at the school’s expense.”

Ross was exposed after Medway education finance department noticed suspicious transactions in the school’s bank accounts. When confronted, Ross admitted to head teacher Jane Bright she had been using the school’s money to pay for her mother’s residential care. But it was not the full picture. She also used it for the Mercedes, to pay council tax on a holiday home on the Isle of Wight, furniture for her house and to refurbish her mother’s home after she went into care.

Ross admitted 23 fraud offences. The judge made a compensation order for Ross to pay the £171,000 owing to the school within six months or face a further two-and-a-half years in jail in default.

Head teacher Sir Alan Davies avoids jail over fraud.

An “inspirational” head teacher has been given a suspended prison sentence after admitting false accounting. Sir Alan Davies was handed a 12-month sentence, suspended for two years. He pleaded guilty to creating a false paper trail on bonus payments and allowances. Sentencing the 66-year-old, Judge Deborah Taylor said: “You have failed in your duty as head of the school - in failing to ensure proper, transparent management, and, more importantly, you lied about it and resorted to dishonest fabrication. What sort of message did that send to the children?”

The court heard Davies created retrospective paperwork to support the payments. Suspicions had occurred because of alleged impropriety in bonus payments to staff at the school, over a period of many years.

Mr. Black said there was no dishonesty in the making or receiving of the payments, money to which he said Davies was entitled. “The dishonesty relates to false paper trails in order to legitimise these payments,” the prosecutor said. “The Crown say they (paperwork backing up payments) were all generated at the same time, after Sir Alan Davies had become aware of the impending or likely scrutiny, to give the impression the right procedure was being adhered to.”

William Clegg QC, defending Davies, said the offences (which referred to eight pay documents) needed to be taken in context. He said: “This is not a case of documents being forged to permit payments to be made that were unlawful and not agreed or made dishonestly. The position is the opposite. The payments were honestly made and honestly received. This is not somebody seeking to obtain money he was not entitled to.”