



Corruption, Fraud, Bribery, and Cyber-Crime Policy

Staff, Trustees, Members and Governors must ensure that they read, understand and comply with this policy.

To be read in conjunction with the Gifts and Hospitality Policy.

Created by CFO April 2020	
Reviewed by CFO September 2025	Ratified by Trustees October 2025
Next Review due September 2027	

Contents

1.	Statement of Intent	2
2.	Legal Framework	3
3.	Definitions	4
4.	Roles and Responsibilities	5
5.	Procedure for Reporting Suspected Fraud, Bribery or Corruption.....	6
6.	Creating an Ethical Culture	8
7.	Preventing Fraud	8
8.	Record keeping	9
9.	Gifts and Hospitality	9
10.	Reporting concerns and making allegations	10
11.	Investigating Reports.....	10
12.	Reporting to the DfE	11
13.	Following an Investigation	12
14.	Cybercrime and Cyber-security.....	12
15.	Money Laundering	13
16.	What to do if you are a victim of bribery or corruption	14
17.	Confidentiality and Protection	14
18.	APPENDIX 1: Indicators for Potential Fraud	15

1. Statement of Intent

- 1.1 The Trust is committed to operating with the highest ethical standards and acting with integrity in all activities. The risks of fraud, theft, irregularity and cyber-crime are taken seriously, and proportionate controls will be implemented to mitigate the risks.
- 1.2 The prevention of fraud, bribery and other forms of corruption are the responsibility of all those working for or under the control of the Trust including those in governance roles. All persons are required to avoid any activity that might lead to or suggest a breach of this policy.
- 1.3 This policy sets out Keystone Academy Trust's (KAT's) responsibilities in promoting an ethical culture as well as observing and upholding the Trust's position on
 - fraud and bribery (including corruption)
 - cyber-crime
 - gifts, hospitality and benefits in kind
 - gifts to pupils

in order to protect staff, members, Trustees (including Local Governing Boards (LGBs)) and volunteers' from suspicions of dishonesty and ensure that they are free from any conflict of interest with respect to the acceptance or provision of gifts, hospitality, or any other inducement from or to suppliers of goods or services to schools.

This also applies to other individuals performing functions in relation to the Trust, such as agency workers, casual workers and contractors.

- 1.4 KAT requires all staff, Trustees, members, LGBs and volunteers to act honestly and with integrity at all times and to safeguard the public resources for which they are responsible. The Trust will not accept any level of fraud or bribery (including corruption). Consequently, any allegation will be thoroughly investigated and dealt with appropriately. KAT is committed to ensuring that opportunities for fraud, bribery and corruption are reduced to the lowest possible level of risk.
- 1.5 The policy provides information and guidance to those working for and with the Trust on how to recognise and deal with bribery and corruption issues.

2. Legal Framework

- 2.1 This policy has due regard to all the relevant legislation and guidance including, but not limited to the following:

- Public Interest Disclosure Act 1998
- Terrorism Act 2000
- Proceeds of Crime Act 2002
- Fraud Act 2006
- Companies Act 2006
- Bribery Act 2010
- Charities Act 2011
- DfE 'Academy Trust handbook' (ATH)

This policy operates in conjunction with the following Trust policies:

- Whistleblowing Policy
- Finance Policy
- Gifts, Hospitality and Anti-bribery Policy
- Conflicts of Interests Policy
- Disciplinary Policy and Procedure
- Staff Code of Conduct
- Board of Trustees Code of Conduct
- Cyber-security Policy

3. Definitions

Fraud is a criminal offence, which is defined in the Fraud Act 2006 as:

- Deceiving through false representation.
- Failing to disclose information where there is a legal duty to do so.
- Abusing a position of Trust.

Corruption is the offering, giving, soliciting or accepting of any inducement or reward which may influence the actions taken by the body, its members or officers.

Theft is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.

Bribery is defined by the Bribery Act 2010 as 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. In this policy, 'fraud' will be used to refer to all the definitions outlined above.

Examples of what could constitute fraud include, but are not limited to, the following:

- Theft of cash
- Substitution of personal cheques for cash
- Travelling and subsistence claims for non-existent journeys or events, or inflating claims
- Manipulating documentation to increase salaries
- Payment of invoices for goods received by an individual rather than the Trust
- Unauthorised borrowing of equipment
- Failure to declare a conflict of interest
- Concealing a generous gift or reward
- Creation of false documentation
- Falsification of employee expense claims, for example, claims for journeys which did not occur, expenses outside of HMRC guidelines and/or the expense policy, amending employment contract without due process and approval for financial gain.
- Falsification of supplier invoices. This could involve collusion with a supplier (for example a relative of the employee)
- Falsification of payroll records, for example, by the introduction of non-existent employees/overtime
- Misappropriation of pupils' monies by a staff member (e.g., for a trip)
- Misappropriation of employees' own money by a staff member
- Causing expense to the Trust that should have been borne by an individual, e.g., the private use of stationery, photocopiers etc to an unacceptable degree.
- Favouring one particular contractor or service provider over and above others in return for receiving personal benefit (e.g. a food hamper)
- Inappropriate gifts/offers of hospitality from a third party (see KAT Policy on gifts and hospitality)

- An individual making use of their official position to enter into contentious transactions, or actions to further their own private interests or those of others, for example, accepting quotes from friends without the MAT purchasing policy be adhered to.

4. Roles and Responsibilities

Overall responsibility for dealing with fraud (and the other elements of this policy) lies with the Accounting Officer. Responsibilities of the Accounting Officer include:

- Overseeing the development and implementation of a system of internal controls that aim to minimise the risk of fraud.
- Overseeing the financial transactions and the development and implementation of effective financial regulations, policies and procedures to prevent losses and misuse.
- Ensuring bank accounts, financial systems and financial records are operated by more than one person.
- Ensuring resources are being managed in an ethical, efficient and economical manner.
- Ensuring that rigorous investigations of potential fraud are carried out promptly.
- Ensuring the appropriate legal and/or disciplinary action is taken where fraud is proven.
- Ensuring that appropriate action is taken to recover assets and minimise loss.
- Keeping full and accurate accounting records and producing the Trust's annual accounts, including a statement on regularity, propriety and compliance.
- Advising the Board of Trustees in writing if action it is considering is incompatible with the Articles of Association, funding agreement or ATH, and notifying the DfE if the Board proceeds with action considered to be in breach.

The Board of Trustees will appoint, in writing, a senior executive leader, who may be appointed as a Trustee.

The Board of Trustees will appoint, in writing, a Chief Executive Officer and will ensure that the CEO is named as the appointed Accounting Officer. The roles of CEO and AO will not rotate. The Trust will not appoint the CFO as the Accounting Officer.

The external auditor will be responsible for certifying whether the Trust's annual accounts present a true and fair view of its financial performance and position.

The CFO will be responsible for:

- Assessing the areas of the Trust that are most vulnerable to fraud, in conjunction with the CEO.
- Conducting an initial investigation where a report of fraud is made, in conjunction with the CEO.
- Contacting the DfE to request prior approval for any transactions beyond the Trust's delegation limits, and transactions that are novel, contentious or repercussive.

The Chair of Trustees will be responsible for:

- Receiving reports of fraud that involve the CEO.

- Ensuring the DfE is notified as soon as possible in relation to instances of fraud, theft and irregularity in line with [section 11](#) of this policy.

The CEO will be responsible for:

- Assessing the areas of the Trust that are most vulnerable to fraud, in conjunction with the CFO.
- Receiving reports of fraud.
- Conducting an initial investigation where a report is made, in conjunction with the CFO.
- Approving gifts and hospitality in line with the Gifts, Hospitality and Anti-bribery Policy.
- Ensuring employees are provided with appropriate anti-fraud training.
- Maintaining the Conflicts of Interests Register and Gifts and Hospitality Register.

The Finance, Audit and Risk Committee will be responsible for reviewing the Trust's internal controls, and for conducting a full investigation of reports and determining what the next steps will be.

The Board will identify and demonstrate sufficient financial knowledge to hold the setting's executives to account.

All employees (including volunteers and temporary staff) and third parties that work with the Trust will be responsible for:

- Demonstrating the highest standards of honesty, probity, openness and integrity in the discharge of their duties.
- Complying with the provisions outlined in this policy.
- Being vigilant to the risks and indicators of fraud.
- Promoting an ethical, anti-fraud culture.
- Reporting their concerns in relation to fraud to the Headteacher or Chair of Trustees.
- Reporting any breach of this policy to the Headteacher or Accounting Officer.
- Providing information about any conflicts of interest and direct or indirect pecuniary interests to the Headteacher.
- Maintaining the academy Trust's estate in a safe working condition.

Management accounts which set out the Trust's financial performance and position are prepared every month and shared with the Chair of Trustees every month. The Trust Board will consider management accounts when it meets.

Appropriate and timely action will be ensured by the Board to maintain financial viability.

5. Procedure for Reporting Suspected Fraud, Bribery or Corruption

All Trust individuals must notify either their line manager, Headteacher or CEO as soon as possible if they believe or suspect that a conflict with this policy has occurred or may occur in the future.

School governors must inform the Head Teacher, CEO and the Board of Trustees. Any suspicion around the CEO must be referred to a member of the Board of Trustees.

If any staff/Trustees etc encounter any red flags while working for or on behalf of the Trust, they must report it promptly using the KAT Whistleblowing Policy.

Vigorous and prompt investigations will be carried out into all cases of actual or suspected fraud or bribery discovered or reported.

The Board of Trustees MUST notify the DfE, as soon as possible, of all instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year. Unusual or systematic fraud, regardless of value, MUST also be reported.

The DfE will require details of the event(s) with dates, the financial value of the loss, measures taken to prevent recurrence, whether the matter was referred to the police (and if not, why not) and whether insurance cover or the RPA (or alternative insurance cover) has offset any loss. In addition, it is up to the CEO and/or the Chair of Trustees to inform the Chair of the Finance, Audit and Risk Committee (FAR) so that the impact can be discussed and mitigated against.

5.1 Indicators for Potential Fraud

Some actions and behaviours may give cause for concern, arouse suspicion and possibly indicate fraudulent activity. Fraud can take many different forms, and all employees must be vigilant to the indicators of fraud.

Indicators for potential fraud are provided in the **Appendix**. This is an indicative list and not exhaustive. Areas include:

- Personal motives for fraud
- Organisational motives for fraud
- Weakness in internal controls
- Transactional indicators
- Record keeping, banking etc
- Methods used to commit or conceal fraud including:
 - Employee indicators
 - Auditor or employee issues
 - General indicators

Some examples of third-party activity that may indicate bribery or corruption are listed below. This list is not intended to be exhaustive and is for illustrative purposes only:

- Awareness of not acceptable examples within this policy occurring.
- Awareness that a third party engages in, or has been accused of, improper business practices
- Awareness that a third party has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a “special relationship” with e.g. government officials.
- A third party insists on receiving a commission or fee payment before committing to signing up to a contract with the Trust or carrying out a government function or process for the Trust.
- A third-party requests payment in cash and/or refused to sign a formal commission or fee agreement, or to provide an invoice or receipt for payment made.
- A third party requests an unexpected additional fee or commission to “facilitate” a service.

- A third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services.
- A third-party request that a payment is made to "overlook" potential legal violations.
- A third-party request that the Trust provide employment or some other advantage to a friend or relative.
- An invoice from a third party appears to be non-standard or customised.
- A third party insists on the use of side letters or refuses to put terms agreed in writing.
- Awareness that the Trust have been invoiced for a commission or fee payment that appears large given the service stated to have been provided.
- A third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to the Trust.
- An unusually generous gift or lavish hospitality is offered by a third party.

Clarification should be sought from the CEO or CFO if there are any questions over whether something could be considered as an indicator of fraud. The presence of any other indicators may not be a cause for concern; however, they must always be investigated appropriately in accordance with this policy.

6. Creating an Ethical Culture

An ethical, anti-fraud culture must underpin all the work done by the Trust to counter fraud. All employees and third parties that work with the Trust will be expected to act with high levels of integrity and to adhere with the rules outlined in this policy.

Employees will be encouraged to report any concerns, and clear reporting mechanisms will be implemented. Victimisation or harassment of anyone who has made a report will not be tolerated.

7. Preventing Fraud

The CEO and CFO will regularly assess the areas of the Trust that are most vulnerable to fraud risks. Fraud risks will be identified for all areas and processes of the Trust and will be assessed in terms of impact and likelihood. Both monetary and non-monetary impacts will be considered, such as the impact on the Trust's reputation.

Robust internal controls will be put in place to manage the risk of fraud – these will cover areas including the following:

- Process of authorising transactions
- Access restrictions and transaction controls
- Account reconciliations
- Physical security of assets
- Segregation of responsibilities
- Pre-employment checks

All employees that are involved in the implementation of these controls will be provided with relevant training. Internal controls will be reviewed on by the FAR committee, in conjunction with the CEO, to ensure they remain effective and are being consistently applied. This will be done, in part, with the use of external Internal Auditors.

All employees will follow the Staff Code of Conduct and will be required to declare any business or pecuniary interests, or other conflicts of interest, to the Headteacher. Trustees will be required to declare conflicts of interest to the Chair of Trustees.

Following a case of fraud, all associated policies and processes will be reviewed to ensure it considers all relevant risks and that the internal controls are effective to avoid a reoccurrence.

8. Record keeping

Financial records will be kept, along with evidence for the business reasons for making payments to third parties.

Employees will be required to make the CFO/Headteacher aware of all gifts or hospitality received or offered over the value of £20; these will be subject to review. Employees' expenses claims relating to gifts, hospitality or expenses incurred to third parties will be submitted in accordance with the Staff Expenses Policy.

All invoices, accounts and related documents will be prepared and maintained with the highest accuracy and completeness. No accounts will be kept "off-book" and any reports of fraud, and subsequent investigations, will be recorded.

The Trust will submit an Academies Budget Forecast return to the DfE by the end of August.

9. Gifts and Hospitality

It is not acceptable for employees to:

- Give, promise or offer payment, gifts or hospitality, with the expectation or hope that an advantage for the Trust will be received or to reward an advantage already received.
- Give, promise or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure.
- Accept payment from a third party if they know or suspect that it is offered with an expectation of a business advantage in return.
- Threaten or retaliate against another employee who has refused to commit a bribery offence or who has raised concerns regarding bribery.

The Trust will not prohibit normal and appropriate hospitality or gifts (both given and received) if the following requirements are met:

- It is not made with the intention of influencing a third party to obtain or retain business or business advantage, or to reward the provision or retention of business or business advantage, or in exchange for favours or benefits
- It is given in the Trust's name, not the individual's name
- It complies with the law and any HMRC regulations
- It does not include cash or a cash equivalent, e.g. vouchers or gift certificates
- It is appropriate in the circumstances, e.g. the giving of small gifts at Christmas
- The type and value of the gift is reasonable given the reason the gift is offered
- It is given openly, not secretly.

Gifts should not be offered to, or accepted from, government officials or representatives without the prior approval of the CEO. In all circumstances, employees should consider whether the gift or hospitality is reasonable and justified and consider the intention behind the gift.

10. Reporting concerns and making allegations

Any allegations or concerns of suspected fraud will be reported to the CEO. Allegations involving the CEO will be reported to the Chair of Trustees. Allegations involving local governors, Trustees or members will be made to the Accounting Officer.

Third parties will report any concerns to the Headteacher or the Chair of Trustees, depending on what the allegation involves. Any person with a concern or allegation will not investigate the matter themselves.

Procedures outlined in the Whistleblowing Policy can be followed to report concerns. Employees, volunteers and third parties will be made aware that reports can also be made directly to the DfE.

11. Investigating Reports

Reports will be initially investigated by the CEO and CFO, who will ascertain the facts of the report, seeking HR and legal advice as necessary. The CEO will notify the Chair of Trustees of any serious financial irregularities at the first opportunity following the completion of an initial investigation.

Following the initial investigation, the matter will be reported to the FAR committee who will undertake the management of the investigation. When a report has been escalated to the FAR committee, the individual(s) the allegation has been made against will be informed of the investigation. They will not be informed of who made the allegation.

In undertaking an investigation of a report, the FAR committee will:

- Conduct an investigation to gather factual information and reach an initial view as to whether further action is required.

- Collect relevant evidence, interview all relevant people and analyse any related documentation.
- Decide if the evidence suggests that the allegation or concern is proven.
- Recommend any changes to the internal controls in light of the findings.
- Determine whether the findings, conclusions and any recommendations arising from the investigation should be reported to the Chair of Trustees.
- If further investigations are required, determine which outside agencies should be involved, e.g. auditors or the police.

The FAR committee will, where possible, quantify any potential or actual financial loss and ensure steps are taken at an early stage to prevent further loss occurring. The FAR committee will notify the Trust's external auditor of any cases it is investigating, and of the outcome of these cases.

All concerns and reports will be taken seriously and investigated in line with the process outlined above. Reporters will be asked to provide any evidence they have to support their allegations. Any person who makes a report will be reassured that they will not suffer recrimination as a result of raising any reasonably held suspicion.

Reports will be investigated objectively; the facts will be considered as they appear, based on the information to hand. Individuals about which a report is made will not be accused or approached directly prior to an investigation.

12. Reporting to the DfE

The Chair of Trustees will report any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year, to the DfE as soon as possible. Unusual or systematic fraud, regardless of value, will also be reported. When making a report to the DfE, the Accounting Officer will provide the following information:

- Full details of the event(s) with dates
- The financial value of the loss
- Measures that have been taken to prevent recurrence
- Whether the matter was referred to the police, and, if not, the reasoning behind this
- Whether insurance or the risk protection arrangement (RPA) have offset any loss

Following a report, the DfE may conduct or commission its own investigation into actual or potential fraud, theft or irregularity in the Trust, either as a result of a notification from the Trust or from other information the DfE has received. Other authorities, including the police, may be involved in the investigation.

The Trust will obtain the DfE's prior approval for the supply of goods or services to the Trust agreed on or after 1 September where a contract or other agreement exceeds £40,000 in the same financial year ending on 31 August. This approval process will not apply when contracts or agreements for goods or services are arranged between the Trust and the following establishments:

- Colleges, universities and schools that are sponsors of the academy Trust
- State-funded schools and colleges, including academies

13. Following an Investigation

The Trust will seek to apply appropriate criminal, civil and disciplinary sanctions to all cases of proven fraud and corruption. Where fraud involving an employee is proven, this constitutes as gross misconduct, and cases will be dealt with accordingly in line with the Disciplinary Policy and Procedure. The Trust may terminate the contracts of any third party or other associated person acting on behalf of the Trust where they are found to have breached this policy. Disciplinary action may be taken against employees that make malicious reports of fraud.

Where appropriate, cases will be referred to the police in order for them to consider taking criminal action.

Following any incident of fraud, a 'lessons learned' exercise will be conducted. All individuals involved in the investigation of the case will be involved in the activity, which will aim to identify areas of internal controls or other procedures that should be improved to prevent further cases occurring.

14. Cybercrime and Cyber-security

The Trust will be vigilant to cyber-crime and clear cyber-security measures, and proportionate controls will be implemented, as outlined in the Cyber-security Policy. Appropriate action will be taken where a cyber-security incident occurs, in line with the Trust's Cyber Response and Recovery Plan.

The following measures will be implemented specifically relating to addressing the risk of fraud:

- Firewalls, anti-virus software and strong passwords will be used
- Data will be routinely and securely backed up
- A restricted number of devices will be used to access financial or other sensitive data

Staff will receive training to ensure they:

- Check the sender of an email is genuine before, for example, sending payment data or passwords.
- Make direct contact with the sender where an email requests a payment – this will be done in person where possible, but at a minimum staff must use another method other than the direct reply function, such as a phone call.
- Understand the risks of using public Wi-Fi.
- Understand the risks of not following payment checks and measures.

Any suspected incidents of fraud relating to cybersecurity will be reported and investigated

If cybercrime is suspected by any employee, or party associated with the Trust then they must immediately follow the process outlined in below:

https://www.keystoneacademyTrust.org.uk/assets/ckfinder_library/files/Policies/GDPR%20-%20Data%20Protection%20Policy.pdf

The Trust **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 access or services and is likely to result in repeat incidents.

In addition, it is up to the CEO and/or the Chair of Trustees to inform the Chair of the FAR Committee so that the impact can be discussed and mitigated against.

15. Money Laundering

"Money laundering" describes offences concerning the possession, concealment, conversion, transfer or making of arrangements relating to the proceeds of crime. This is not limited to money or cash. Trustees will take appropriate and reasonable steps to ascertain where funds received by the Trust come from. This includes:

- Identifying who they are dealing with.
- Verifying identities, where appropriate, and there are high risks.
- Checking the nature of the organisation's or individual's business to be assured that this is appropriate for the Trust to be involved with.
- Watching out for unusual, complex or suspicious activities, conduct or requests.
- Ensuring that any conditions attached to receiving the funds are appropriate and can be accepted and there is reasonable assurance that the funds are not from any illegal or inappropriate source.

All decisions by Trustees to accept or refuse donations will be recorded in writing in order to demonstrate that decisions were taken responsibly, with due consideration given to any risks.

The Trust has a no-cash policy within the schools and so cash payments are only expected in occasional situations from known individuals e.g., parents. Payments by cash are not permitted from unknown individuals or organisations.

Any concerns held by staff relating to money laundering will be raised with the Accounting Officer. Where the Trust knows or suspects that an individual or organisation is engaged in money laundering or dealing in criminal property, the Accounting Officer will submit a suspicious activity report (SAR) to the NCA. The individual or organisation the report concerns will not be informed of the suspicion. Careful consideration will be given to the Trust's relationship with the individual or organisation once the report has been submitted.

16. What to do if you are a victim of bribery or corruption

It is important that staff/Trustees/governors tell the CEO/Head Teacher/Board of Trustees as soon as possible if they are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that they are a victim of another form of unlawful activity.

17. Confidentiality and Protection

The Trust understands that the decision to report a concern can be a difficult one to make. Victimisation or harassment of anyone who has made a report will not be tolerated.

KAT is committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or because of reporting in good faith their suspicion that an actual or potential bribery or other corruption offence has taken place or may take place in the future.

Detrimental treatment includes dismissal, disciplinary action, threats, or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the Head teacher/CEO immediately. If the matter is not remedied, and you are an employee, you should raise it formally using the KAT Grievance Procedure.

Where possible, the identity of the person who made the report will be kept confidential; their identity will only be shared on a need-to-know basis. The identity of the individual(s) about whom an allegation is made will also be kept confidential and only shared on a need-to-know basis. Where an allegation is proven to be unfounded or malicious, the individual about whom the allegation was made will be provided with appropriate support.

18. APPENDIX 1: Indicators for Potential Fraud

This list is not exhaustive and is a guide only. Due to the nature of fraud, indicators may not be exclusive to just one area.

Personal motives for fraud

- Personnel believe they receive inadequate compensation and/or rewards, e.g. recognition, job security, holidays or promotions
- Expensive lifestyle, e.g. cars and holidays
- Personal problems, e.g. gambling, alcohol, drugs or debt
- Unusually high degree of competition or peer pressure
- Related party transactions (business activities with personal friends, relatives or their companies)
- Conflicts of interest
- Disgruntled employee, e.g. being recently demoted or reprimanded
- Recent failure associated with specific individual
- Personal animosity or professional jealousy

Organisational motives for fraud

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

Weakness in internal controls

- There is a general lack of transparency about how the organisation works, and its procedures and controls
- Management demonstrates a lack of attention to ethical values – including a lack of communication regarding the importance of integrity and ethics, a lack of concern about the

presence of temptations and inducements to commit fraud, a lack of concern regarding instances of fraud, and no clear fraud response plan or investigation policy

- Management fails to specify and/or require appropriate levels of qualifications, experience or competence for employees
- Management displays a penchant for taking risks
- Lack of an appropriate organisational and governance structure with defined lines of authority and reporting responsibilities
- Organisation lacks policies and communication relating to individual accountability and best practice, e.g. related to procurement, expenses, use of alcohol and declarations of interest
- Lack of personnel policies and recruitment practices
- Organisation lacks personnel performance appraisal measures or practices
- Management displays a lack of commitment towards the identification and management of risks relevant to the preparation of financial statements
- There is inadequate comparison of budgets with actual performance and costs, forecasts and prior performance – there is also no regular reconciliation of control records and a lack of proper reporting to the Board of Trustees
- Management of information systems is inadequate, e.g. no policy on ICT security, computer use, verification of data accuracy, or completeness or authorisation of transactions
- There is insufficient physical security over facilities, assets, records, computers, data files and cash
- Failure to compare existing assets with related records at reasonable intervals
- There is inadequate or inappropriate segregation of duties regarding initiation, authorisation and recording of transactions, maintaining custody of assets, and alike
- Accounting systems are inadequate, i.e. 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 missing payment dates
- Purchasing systems and/or procedures are inadequate, e.g. poor or incomplete documentation to support procedure, purchase, payment or receipt of goods or services
- Subcontractor records and/or systems reflect inadequate internal controls
- There is a lack of internal, ongoing monitoring of controls which are in place and/or failure to take any necessary corrective actions
- Management is unaware of or displays a lack of concern regarding applicable laws, e.g. Companies Act, Charities Act
- Specific problems and/or reportable conditions identified by prior audits or other means of oversight have not been corrected
- No mechanism to exists to inform management, directors, Trustees or governors of possible fraud
- General lack of management oversight

Transactional indicators

- Related party transactions with inadequate, inaccurate, or incomplete documentation or internal controls, e.g. business activities with friends

- Not-for-profit entity has for-profit counterpart with linked infrastructure, e.g. shared Board of Trustees, governors or other shared functions and personnel
- Specific transactions that typically receive minimal oversight
- Previous audits with findings of questioned costs, evidence of non-compliance with applicable laws or regulations, weak internal controls, a qualified audit opinion, or an inadequate management response to any of these issues
- Transactions and/or accounts which are difficult to audit and/or subject to management judgement and estimates
- Multiple sources of funding with inadequate, incomplete or poor tracking, failure to segregate funds, or existence of pooled funds
- Unusual, complex or new transactions, particularly if they occur at year end or end of reporting period
- Transactions and accounts operating under time constraints
- Cost sharing, matching or leveraging arrangements where industry money or other donation has been put into a foundation without adequate controls to determine if money or equipment has been spent or used and whether it has gone to allowable costs and at appropriate and accurate valuations
- Outside entity provided limited access to documentation
- Travel accounts with inadequate, inaccurate or incomplete documentation or poor internal controls, variances between budgeted amounts and actual costs, claims in excess of actual expenses, reimbursement for personal expenses, claims for non-existent travel, or collecting duplicate payments
- Credit card accounts with inadequate, inaccurate or incomplete documentation or internal controls such as appropriate authorisation and review
- Accounts in which activities, transactions or events involve handling of cash or wire transfers
- Presence of high cash deposits maintained with banks
- Assets which are of a nature easily converted to cash (e.g. small size, high value, high marketability or lack of ownership identification) or easily diverted to personal use (e.g. cars or houses)
- Accounts with large or frequent shifting of budgeted costs from one cost centre to another without adequate justification
- Payroll (including fringe benefits) system has inadequate controls to prevent an individual being paid twice or paid for non-delivery or non-existence
- Payroll (including any benefits) system is outsourced but there is poor oversight of starters, leavers and payments
- Consultant and subcontract agreements which are vague regarding the work, time period covered, rate of pay or product expected
- There is a lack of proof that a product or service was actually delivered by a consultant or subcontractor
- Sudden and/or rapid growth of newly contracted or existing education providers, e.g. significant increase in pupil numbers for newly contracted providers

Methods used to commit and/or conceal fraud

Employee indicators such as:

- Eagerness to work unusual hours
- Access to or use of computers at unusual hours
- Reluctance to take leave or seek support
- Insistence on doing their job alone
- Refusal of promotion or reluctance to change their job

Auditor or employee issues such as:

- Refusal or reluctance to provide information or hand over documents
- Unreasonable explanations
- Annoyance or aggressive responses to questions or requests, in an attempt to deter auditors
- Trying to control the audit process
- 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 cooperation
- Subtle resistance
- Answering a question that was not asked
- Offering more information than asked
- Providing a lot of information in some areas and little to none in others
- Explaining a problem by saying “we’ve always done it that way”, “someone from the government told us to do it that way” or “Mr X told us to do it that way”
- A tendency to avoid personal responsibility, e.g. 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 or analysis

General indicators such as:

- A general lack of transparency about how the organisation works and its procedures and controls
- Fabricated explanations to support inability or unwillingness to evidence transactions or assets, such as stated loss of electronic data or theft of business records

Record keeping, banking and other

- Documents that are missing, copied, written in pencil, altered, or that contain false signatures, the incorrect signature or no authorisation where it would be expected
- Deviation from standard procedures, e.g. all files but one handled in a particular way
- Excessive and/or poorly evidenced journal entries, unable to provide explanation for journal entries
- Transfer to or via any type of holding or suspension account
- Records maintained are inadequate, not updated or not reconciled
- Use of several different banks or frequent bank changes
- Use of several different bank accounts

- Failure to disclose unusual accounting practices or transactions
- Unusual accounting practices or transactions, including:
 - Uncharacteristic willingness to settle questioned costs
 - Non-serial-numbered transactions or out-of-sequence invoices or other documents
 - Creation of fictitious accounts, transactions, employees or charges
 - Writing large cheques to cash or repeatedly to a particular individual
 - Excessive or large cash transactions
 - Payroll cheques with unusual or questionable endorsements
 - Payees have similar names or addresses
 - Non-payroll cheques written to an employee
- Defining delivery needs in ways that can only be met by one source or individual
- Continued reliance on person or entity despite poor performance
- Treating non-business and/or personal goods or services as business transactions in financial records
- Materials, goods and or services fictitiously erroneously reported as purchased, and evidence has been fabricated to support the claim. This could potentially be evidenced by:
 - Repeated purchases of the same items
 - Identical items purchased in different quantities within a short time period
 - Invoices and statements used to evidence purchase facilitating duplicate transactions or payments
 - Anomalies in the format of purchase invoices
 - Goods or equipment are not used as promised, or they do not work or exist
 - Legitimate business assets put to non-business or private use