



# Counter Fraud Arrangements Guidance for Schools

## Boroughbridge High School

This Guidance was adopted by the Full Governing Board	03 December 2020
This Guidance is due for review	December 2023

### 1.0 BACKGROUND

1.1 The **LMS Scheme**, as amended in April 2012 on the instructions of the DfE, states that

- Schools should have a robust system of controls in place to safeguard themselves against fraudulent or improper use of public money and assets;
- The governing body and headteacher should inform all staff of school policies and procedures related to fraud and theft, the controls to prevent them, and the consequences of breaching these controls; and
- This information is included in induction for new school staff and governors.

1.2 This guidance has been prepared by Veritau Limited to assist schools to meet these requirements. Any queries should be addressed to the Audit Manager with responsibility for schools on 01609 532739 or by email to [internal.audit@veritau.co.uk](mailto:internal.audit@veritau.co.uk).

### 2.0 CONTROLS THAT NEED TO BE IN PLACE IN SCHOOLS

2.1 All schools have access to an online version of the **School Finance Manual** which can be found on cyps.info at <http://cyps.northyorks.gov.uk/index.aspx?articleid=13975>. The Manual includes, at Chapter 2, **LMS Procedure Rules** which set out the framework within which schools are required to work and the remaining sections of the Manual contain helpful guidance for school staff setting out how the Procedure Rules may be put into practice, together with other guidance and

best practice advice. The Procedure Rules are prescriptive whilst the Manual is not.

2.2 LMS Procedure Rules require **management** to put in place appropriate controls that meet the requirements of the Procedure Rules. The information below is a brief summary of the main arrangements that should be in place.

### 2.3 Management Controls

2.3.1 The school should have in place a **Budget Management Policy** approved by the Governing Body which details the arrangements for delegation to the Finance Committee, the Headteacher, and other senior members of staff.

2.3.2 Regular reports comparing expenditure and income to the approved budget should be produced and reviewed by the Headteacher (at least monthly) and the Finance Committee (at least once a term). Where significant discrepancies are identified explanations should be sought from the Headteacher or the School Business Manager.

### 2.4 Controls relating to Procurement

2.4.1 LMS Contract Procedure Rules require all purchases with a total cost above particular thresholds to be made in accordance with the procedures set out in the Rules. These thresholds are £5,000, above which written **quotations** have to be sought, and £50,000, above which **tenders** are required. Since the requirements include the need for quotations or tenders to be submitted in sealed envelopes, which will be opened by two people at the same time, they should act as a safeguard against favouritism. Contracts must only be awarded on the basis of price or, if a suitable evaluation model has been drawn up before bids are invited, on the basis of price and other factors including quality considerations. Copies of evaluation models for tenders should be forwarded to Veritau before tenders are opened.

2.4.2 Schools should seek to achieve Best Value for purchases under £5,000 but there are no prescribed procedures setting out how this should be done.

2.4.3 In addition, central government has set down Regulations that require all members of Governing Bodies to declare their **business interests** and members of staff who have responsibility for financial management or making purchasing decisions are required to make similar declarations. These must be reviewed on an annual basis. Guidance is included in

Section 17 of the Schools Finance Manual which can be found at <http://cyps.northyorks.gov.uk/index.aspx?articleid=13975>. Governors may do business with schools in their capacity as local tradespeople or professionals but must declare their interests at the start of meetings and take no part in any discussion about contracts that they may be awarded.

2.4.4 All purchases, with limited exceptions as listed in LMS Financial

Procedure Rules, should be subject to either an **official order** or a **contract**, the terms of which have been agreed by Legal Services, in order to protect the interests of both the school and the County Council.

2.4.5 Where staffing resources allow, there should be a division of duties between the following processes:

- Signing the official order
- Checking the receipt of goods into school
- Signing cheques to make payment to suppliers.

It is acknowledged that this would be difficult to apply in very small schools but **at least two** members of staff must be involved in processing every transaction. Cheques or BACS payments must be authorised by two members of staff who will review the relevant invoice(s) at the same time as signing cheques or approving BACS payments. **Under no circumstances should cheques be pre-signed.**

2.4.6 Where schools operate purchasing cards under the County Council's scheme with Company Barclaycard copies of all relevant invoices and receipts should be forwarded to the Bursar or Administrator as soon as possible after the monthly statement is received.

2.4.7 Where petty cash accounts are operated in school members of staff should provide receipts as proof of purchase and sign to indicate receipt of their reimbursement.

2.4.8 **Bank reconciliations** should be performed on receipt of every statement and all discrepancies should be investigated promptly. A senior member of staff should review and sign off the bank reconciliation to ensure that it has been properly performed and balanced.

2.4.9 When requests are received to change bank account details for the purpose of making BACS payments these should be checked with the supplier directly – and **not by using the telephone number provided on any letter received**. A number of fraudulent attempts have been made to divert public authority payments by sending letters purporting to come from their major suppliers.

2.4.10 If a school prints cheques ideally a dot matrix or inkjet printer should be used for this purpose. If a laser printer is used it should be approved by PIRA for infilling cheques. This is because school cheques have been intercepted in the post and the payee details and amount have been changed and it is easier to tamper with non-PIRA approved laser printed cheques than others.

## **2.5 Controls relating to income collection, recording and banking**

2.5.1 Where cash and cheques are collected they should be recorded, either in dinner money registers, receipt book, class lists or other appropriate method and stored in a secure location prior to being banked. **Wherever possible two people should always be involved in counting cash.**

2.5.2 All income should be banked in the appropriate account and, in particular, income relating to activities that have been paid for by the school from its delegated budget should be banked into the BAFS account. For example, where the school has had lettings income this should be paid into the BAFS account since any additional cleaning, heating and lighting costs will have been borne by that account.

2.5.3 Where invoices are to be raised for amounts due to the school in respect of lettings and other services these should be handwritten using the proforma invoice pads supplied by the County Council. The file of outstanding invoices should be reviewed on a regular basis and an agreed arrangement for their follow up should be implemented. Where debts need to be written off this should be approved by either the Governing Body (where the amount involved is less than £250) or the Corporate Director – Finance & Central Services.

## **2.6 Controls relating to staff appointments**

2.6.1 All staffing vacancies should be advertised and applications should be assessed against a person specification for the post. Applicants should declare any relationship they have to a member of the Governing Body or the school's senior staff on the application form, and if such a relationship is declared the relevant governor or member of staff should take no part in shortlisting or interviewing applicants.

2.6.2 During the appointment process it is important to

- Check any gaps in the applicant's employment history as recorded on their Application Form
- Review and copy evidence of any qualifications that are recorded as essential in the person specification. If necessary checks should be made with the qualification awarding body about the authenticity of certificates presented.
- Review, copy and retain evidence that the applicant has a right to work in the United Kingdom. Guidance is shown on the UK Border Agency website at <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/employersandsponsors/preventingillegalworking/>
- Obtain two references, one of which should be from the applicant's current or latest employer
- Ensure that CRB clearance is received
- Ensure that the applicant is physically fit to commence work

2.6.3 Where the school uses the County Council's HR system (Resourcelink) to set up or amend employees this is a two part process – the details are input by a member of staff and checked and authorised by a senior member of staff.

## **2.7 Controls relating to the payment of staff**

2.7.1 All timesheets submitted for additional work should be carefully reviewed and only signed by a senior member of staff, usually the Headteacher. Where the member of staff is related to the Headteacher their timesheet should be authorised by another senior member of staff or the Chair of the Governing Body.

2.7.2 When staff leave the school they should be promptly taken off the payroll system – either by notifying HR Services on the appropriate form or by updating the system in school. Checks should be made each month of payments made to employees by the school by the school's Business Manager or Administrator.

## **2.8 Controls relating to the school's assets**

2.8.1 LMS Finance Procedure Rules require each school to maintain an up to date **inventory** of all its equipment. This ensures that all assets with a purchase price in excess of £100 or of a lower value but of an attractive nature are recorded and tracked. If the school has a subsequent insurance claim or theft it is important to be able to quote serial numbers and purchase prices to insurers or the police. In addition, an annual stock check of assets to the inventory should be carried out. This should be done by a member of staff who is not responsible for maintaining the inventory, and any discrepancies noted and investigated. This check should be documented.

2.8.2 A separate register should be maintained of all assets taken off the school premises. Where this is in the form of the permanent assignment of an asset, such as a laptop to a teacher this only needs to be recorded once. **All laptops that are taken off the premises which contain personal, confidential or sensitive information must be encrypted.**

2.8.3 Assets should be marked as the property of the school and wherever possible Smartwater should be used to protect them, with the prominent display of posters to advertise its use.

## **3.0 CONSEQUENCES OF BREACHING CONTROLS**

3.1 In the event of staff breaching the controls detailed in this document they could be subject to disciplinary proceedings or criminal prosecution.

## **4.0 WHISTLEBLOWING ARRANGEMENTS**

4.1 All schools should adopt a Whistleblowing Policy and the latest versions can be found at <http://www.northyorks.gov.uk/index.aspx?articleid=2933>. The Policy should be publicised to staff by means of posters which can be obtained from the Internal Audit Service.

## 5.0 INTERNAL AUDIT ARRANGEMENTS

5.1 The County Council's internal audit service is provided by Veritau Limited. In addition to periodic audit visits to schools to review the controls that are in place the auditors are happy to advise schools on financial matters and suspected irregularities. Please either email [internal.audit@veritau.co.uk](mailto:internal.audit@veritau.co.uk) or telephone 01609 532739 for assistance.

***5.2 In the event of governors or school staff identifying or suspecting any financial irregularity this must be reported at the earliest possible opportunity to Veritau for investigation by either internal audit or the Fraud investigation team. We will arrange to liaise with the police, Human Resources and other services as necessary and report the results of our enquiries to senior management.***

4.3 In addition to undertaking audits Veritau Limited produce a Schools Audit Newsletter each term and run training courses for school governors and staff on the need for controls. Occasional Alerts are sent to schools by email to warn of potential fraudulent activities, such as cold calling to sell advertising space or phishing emails.

Veritau Limited  
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