

Anti-Fraud, Bribery & Corruption Policy

Incorporating Fraud Response Plan and Fraud Risk Assessment

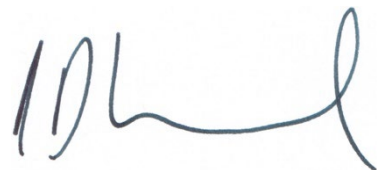
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Jason Lancaster

Principal



Contents

1.	INTRODUCTION.....	3
2.	RESPONSIBILITY	3
3.	SCOPE	3
4.	POLICY STATEMENT.....	4
5.	DEFINITIONS	4
6.	KEY PRINCIPLES	6
7.	PROCEDURES.....	6
8.	KEY RESPONSIBILITIES.....	8
9.	ASSOCIATED POLICIES	10
10.	APPROVAL PROCESS.....	10
11.	APPENDICES:.....	10
	Appendix 1: FRAUD RESPONSE PLAN	11
	Appendix 2: EXAMPLES & INDICATORS OF FRAUD	18
	Appendix 3: FRAUD RISK ASSESSMENT.....	20
	BIENNIAL FRAUD RISK ASSESSMENT	20

1. INTRODUCTION

As a publicly funded body, the College is committed to the highest standards of probity and propriety in all its activities. It requires that all staff follow the requirements of the College's Public Interest Disclosure Policy and related requirements. The College is committed to the prevention of fraud, bribery and corruption. The policy reflects the College's responsibilities under the Economic Crime and Corporate Transparency Act, including the new 'failure to prevent fraud' offence effective from 1 September 2025.

Suspensions of fraud, bribery or corruption must be reported immediately in accordance with this Policy and the College's Public Interest Disclosure Policy and related requirements.

2. RESPONSIBILITY

The Deputy Principal Finance & Corporate Affairs owns this policy on behalf of the Principal, as Accounting Officer, and Northampton College. The Deputy Principal Finance & Corporate Affairs is responsible for oversight of compliance with the Economic Crime Act, including ensuring the College has in place reasonable procedures to prevent fraud.

3. SCOPE

This policy applies to all associated persons as defined by the Economic Crime Act, including employees, agents, contractors, suppliers, and subsidiaries.

The College recognises the strict liability offence of 'failure to prevent fraud' under the Economic Crime Act. In addition to fraudulent activity which results in harm or loss to the College, this offence applies where an associated person commits a specified fraud offence intending to benefit the College or its clients. This policy is designed to address the risk of all fraud related to the College's activities, whether detrimental or beneficial fraud.

The term "clients" shall include any individuals or entities who receive services, support, or benefits from Northampton College. This includes, but is not limited to, enrolled students, apprentices, subcontracted learners, and recipients of funded educational provision. As such, any fraudulent activity undertaken to benefit the College or its students shall be considered within scope. The College recognises that an offence applies even if Governors and Senior Managers were unaware of the fraud.

References to "staff and students" within this document cover all the above categories of individuals. In general, the risk of fraud is higher amongst staff in any organisation, due to their greater levels of access and influence over decisions. The bribery elements of this policy would not usually apply to students unless they are themselves contracted by Northampton College to provide a service.

This Anti-Fraud Policy describes the College's position on fraud and what staff and students should do if they suspect a fraud. The Policy should be read in conjunction with the College's Whistleblowing (PIDA) Policy which identifies a framework to allow members of the College's staff, management, Governors or the College community to raise concerns confidentially. The policy will be reviewed annually, with a Fraud Risk Assessment carried out biennially, or in response to any significant fraud or fraud risk identified.

4. POLICY STATEMENT.

Northampton College is committed to the values of probity and accountability. The College requires staff and students to always act honestly and with integrity to safeguard the public resources for which the College is responsible. The College has a zero-tolerance approach to fraud, bribery and corruption, including to fraudulent activity undertaken to benefit the College, its students or clients. It is committed to maintaining an honest and open culture, to the elimination of fraud, and to the rigorous investigation of any reported cases of fraud, bribery or corruption.

To achieve these objectives, the College will address risks of fraud, bribery and corruption by ensuring that reasonable and proportionate measures are developed and implemented to mitigate them. This policy seeks to comply with the ESFA Post-16 Audit Code of Audit Practice and, following the reclassification of the college sector in November 2022, to the principles and expectations of HM Treasury's Managing Public Money guidance to public sector organisations and to the College Financial Handbook with effect from 1 August 2024.

The College and Corporation wish to ensure that anyone with reasonable suspicions of fraud, bribery or corruption is confident to report them. No-one will suffer in any way as a result of reporting reasonably held suspicions i.e. any suspicions other than those which are raised maliciously and found to be groundless.

5. DEFINITIONS

Fraud

The legal definition of fraud as defined in the Fraud Act 2006 is: 'The making of a false representation or failing to disclose relevant information, or the abuse of position, in order to make a financial gain or misappropriate assets'. The three classes of fraud are:

- False representation: a person commits fraud by intentionally and dishonestly making a false representation. A false representation includes intentionally giving a misleading or untrue statement.
- Failing to disclose information: a person commits a fraud if they dishonestly fail to disclose information.
- Abuse of position: a person commits a fraud if they dishonestly abuse their
- position.

To have committed a fraud, a person must have acted dishonestly and with the intent to:

- make a gain for themselves or anyone else; and/or
- cause loss to anyone else; or expose anyone else to a risk of loss.

Corruption

Corruption is the misuse of power for personal gain.

Bribery

Bribery is a subset of Corruption and is defined in the Bribery Act of 2010 as giving or receiving a financial or other advantage in connection with the improper performance of a position of trust, or a function that is expected to be performed impartially or in good faith.

Bribery can be through the offering, promising, giving, demanding or accepting of an advantage such as gifts, hospitality, fees, rewards, jobs, internships, examination grades or favours. An action is still classed as bribery regardless of whether the bribe is given or received directly or through a third party or whether it is for the benefit of the recipient or someone else.

The action or exchange of a bribe does not need to have taken place – promising to give or agreeing to receive a bribe would be considered bribery.

For the purposes of this Policy, unless specifically referenced, the term ‘fraud’ can be taken to cover deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation and concealment of facts/collusion. Computer fraud, where information technology has been used to manipulate programmes or data dishonestly or where the (mis)use of an IT system is a material factor is included in this definition.

Other illustrations of potential fraud include but are not limited to:

- Claiming payments for hours not worked
- False expense claims
- False qualification claims in job applications
- Falsely ordering goods or services for personal benefit
- Knowingly submitting false records to funders or awarding organisations

Examples of beneficial fraud in the College context might include, but are not limited to:

- Falsifying student records to secure funding
- Fraudulent claims for Student Support
- Manipulating Financial Statements
- Misrepresenting course offerings or outcomes

An act will be considered fraudulent under this policy if it involves the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party (including the College). Fraud, by its inherent nature of deception to result in financial or personal gain, means that a transaction must be irregular and improper.

6. KEY PRINCIPLES.

Colleges are publicly accountable for the stewardship of public funds, including to the Education & Skills Funding Agency (ESFA) and the Office for Students (OfS). Since November 2022, Colleges are classified within the central government sector and must adhere to HM Treasury guidance for public sector organisations.

Northampton College seeks to set high standards of conduct and propriety to ensure the correct and ethical use of public funds through adopting and implementing sound systems of internal control and an open, honest culture of integrity. The following values are central to our anti-fraud approach:

Accountability

- Everything done by staff and students must be able to stand the test of parliamentary scrutiny, public judgements on propriety and, where relevant, professional codes of conduct.

Probity

- Absolute honesty and integrity should be exercised in dealing with students, assets, staff, suppliers, and customers.

Openness

- The organisation's activities should be sufficiently public and transparent to promote confidence between the College and its students, staff and the public.

All staff and students should be aware of, and act in accordance with these values.

7. PROCEDURES

Northampton College adopts the **six principles for effective fraud prevention** set out in Home Office guidance:

1. Top-Level Commitment

The College's Corporation and executive leadership is fully committed to promoting an ethical culture of integrity, accountability, probity, and openness. Senior management actively supports and oversees the implementation of anti-fraud policies and measures.

2. Risk Assessment

The College conducts regular fraud risk assessments to identify vulnerabilities across all areas of operation, including financial processes, curriculum delivery, and IT systems.

3. Proportionate Procedures

The College implements and maintains appropriate procedures and controls tailored to the nature and scale of its operations. These include financial regulations, codes of conduct, and clear procedures for reporting, investigating, escalating and evaluating suspected fraud.

4. Due Diligence

The College applies due diligence in its dealings with staff, students, suppliers, and subcontractors to ensure that risks of fraud are minimised and that all parties act with integrity.

5. **Communication and Training**

The College raises awareness of fraud risks through targeted training and regular communications. Staff and students are equipped to recognise, prevent, and report suspected fraud.

6. **Monitoring and Review**

Internal control systems are regularly tested and reviewed to ensure robustness, including by auditors and other external organisations. The College evaluates the effectiveness of its fraud prevention framework and reports regularly to the Audit Committee on compliance and outcomes.

Policies & Procedures

Appropriate policies and procedures provide the framework and guidance to support staff and students to adhere to the College's zero tolerance approach to fraud:

- The Corporation approves the College's Financial Regulations on an annual basis. These regulations provide the framework for all financial transactions within the College. The Regulations restate the College's commitment to the highest standards of probity and propriety, support the Public Interest Disclosure (Whistleblowing) Policy and require suspicions of fraud or corruption to be reported in line with College policies, including this Anti-fraud, Bribery and Corruption Policy.

The Regulations also set out financial procedures, rules and constraints which are incorporated into financial and other procedures, and form part of our system of internal control.

- College Finance Procedures can be found in the Document Library and set out expectations and processes to follow for budget holders, staff and students (where relevant).
- The College's Whistleblowing Policy (Public Interest Disclosure) applies to all employees, students, suppliers and other organisations we work with. It defines the circumstances and procedure for employees who reasonably believe that they have discovered organisational wrongdoing and wish to report this to someone in authority. It is an important complement to the processes set out in this Policy and in the Fraud Response Plan.
- Other College policies and procedures also contribute to our anti-fraud approach, including recruitment and disciplinary policies, enrolment and MIS procedures, and staff and student Codes of Conduct.

The best protection against fraud is through staff and students adhering to College policies and procedures and feeling secure to challenge matters which do not appear to be correct.

Prevention, Awareness and Training

The first line of defence in preventing fraud and theft is through the recruitment of staff, adhering to best practice policies. References will be taken up for all permanent and temporary staff to verify their suitability, honesty and integrity.

All staff and, where relevant, students need to be made aware of, and have ready access to the College's agreed policies and procedures e.g. Financial Regulations, Codes of Conduct, and any relevant practice and procedure documents. These are made accessible through the College intranet and Document Library and incorporated into relevant training and induction activities.

Internal Controls and procedures

The adoption of proper and adequate measures to prevent fraud and corruption are the responsibility of the Corporation, Principal and Chief Executive, and other managers.

The College has and will maintain in place systems and procedures, which incorporate internal controls, including adequate separation of duties to ensure that, as far as possible, errors, fraud and corruption are prevented.

Financial Procedures detail key financial systems and provide guidance to underpin the College's Financial Regulations. Managers are responsible for ensuring that appropriate internal controls are properly maintained.

Reporting and Responsiveness

The College will deal with any instances of fraud or corruption swiftly. Disciplinary action will be taken as necessary and the police informed / involved if appropriate.

In the event that fraud is suspected on the part of contractors, employees internally or by staff involved in agency or contract work on behalf of other bodies, procedures and responsibilities for reporting and initial investigation are the same as for staff. The College will inform and involve employing contractors or agencies when appropriate.

The College recognises that the continuing effectiveness of the Anti-Fraud Policy depends largely on the awareness and responsiveness of senior managers and staff.

It is essential that staff are made aware of the policy and have ready access to it, and to all other relevant documents, policies and procedures which regulate the College's activities.

Action will be taken on a regular basis to remind staff of the importance the College places on avoiding and preventing fraud and corruption.

Fraud's inherent nature means that any fraudulent transaction must be irregular and improper. The Accounting Officer will include reference to any significant fraud in their statement of regularity, propriety and compliance.

8. KEY RESPONSIBILITIES

The Principal

The Principal, as designated Accounting Officer, is responsible for ensuring that an effective system of internal control is maintained and operated by Northampton College. This system includes the establishment of financial regulations and procedures, which must be adhered to at all times and by all staff.

Deputy Principal Finance & Corporate Affairs

The Deputy Principal Finance & Corporate Affairs is responsible for developing, implementing and maintaining adequate systems of internal control to prevent and detect fraud, bribery and corruption.

Managers' Responsibilities

Managers are responsible for ensuring that adequate controls exist within their areas of responsibility and that these controls operate effectively. The responsibility for the prevention and detection of fraud, therefore, rests primarily with managers. Managers are responsible for familiarising themselves with the types of fraud which may occur in the operations for which they are responsible; for monitoring compliance with internal controls, policies and procedures, and for notifying indications of fraudulent activity in accordance with College procedures.

The Deputy Principal Finance & Corporate Affairs and the Internal Audit Service are available to offer advice and assistance on control issues as necessary. In terms of establishing and maintaining effective controls it is desirable that:

- There is a regular rotation of staff responsibilities, particularly in posts where key financial controls are operating.
- 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; and
- In designing any new system, consideration is given to building in safeguards against internal and external fraud.

All Staff Responsibilities

Every member of staff has a duty to ensure that public funds are safeguarded, whether they are involved with payments systems, receipts, stocks, assets or dealing with contractors or suppliers. Staff must not engage in activity which could be interpreted as fraud, dishonesty, bribery or corruption.

Staff should alert the Deputy Principal Finance & Corporate Affairs (or his/her nominee) where they believe that the opportunity for fraud exists because of poor procedures or lack of effective controls. Staff should not accept gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their integrity. Guidelines are included in the College's Financial Regulations and Finance Procedures.

As a matter of urgency, staff should alert the Deputy Principal Finance & Corporate Affairs (or his/her nominee) if they suspect a fraud has been committed or see any suspicious acts or events.

If the suspected fraud involves the Deputy Principal Finance & Corporate Affairs the member of staff should make their concerns known to the Principal. If the suspected fraud involves the Principal, the member of staff should make their concerns known to the Clerk to the Governors. If a member of staff feels unable report in these ways, they should consult the Whistleblowing Policy for further guidance.

Staff should also assist in any investigations by making available all relevant information and by co-operating in interviews.

Students

Students must act with integrity in respect of their studies, and provide full, accurate and truthful information when seeking any form of support or financial assistance. They should report any activity of the employees of Northampton College, or other staff, which they consider may be in breach of this policy.

Investigation and Disciplinary Action

After proper investigation, the College will take legal and/or disciplinary action in all cases where it is considered appropriate. Generally, in relation to proven frauds or frauds which come to light, whether perpetrated by a member of staff, students or by persons external to the College, the case will be referred to the police at the earliest possible juncture. The College will co-operate fully with police enquiries, and these may result in the offender(s) being prosecuted. All investigations will consider whether there has been a failure of supervision and where this has occurred appropriate disciplinary action will be taken against those responsible.

Recovery of Losses

In all cases, the College will take steps to recover any losses resulting from the fraud.

9. ASSOCIATED POLICIES

Fraud Response Plan
Whistleblowing Policy
Financial Rules
Disciplinary Policy

10. APPROVAL PROCESS

Policy and Strategy Group
Audit Committee (Consultation)

11. APPENDICES:

Appendix 1: FRAUD RESPONSE PLAN

Appendix 2: EXAMPLES & INDICATORS OF FRAUD

Appendix 1: FRAUD RESPONSE PLAN

1. Scope and Purpose of Plan

1.1 Introduction

The Fraud Response Policy describes the College's position on fraud and what staff should do if they suspect a fraud. 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
- assign responsibility for investigating the incident
- establish circumstances in which external specialists should be involved
- establish circumstances in which the police should be notified and establish lines of communication with the police
- notify ESFA, in accordance with the Post 16 Audit Code of Practice and the College Financial Handbook. From 1 August 2024, the current threshold for reporting is frauds in excess of £5,000
- 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

Stages may be undertaken in parallel or out of sequence depending on specific circumstances.

Stage 1: Initiating Action

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

- requirements on all staff under the Financial Regulations and Anti-Fraud Policy to report fraud
- Public Interest Disclosure Policy otherwise known as "Whistleblowing"
- 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 Deputy Principal Finance & Corporate Affairs (or other persons as set out in the Anti-Fraud Policy), or
- as specified in the Whistleblowing Policy

Stage 2: Initial Response

2.2 Establish as many details as possible by discussion with the notifying individual only.

Suspected fraud can be discovered in a number of ways: an alert by staff, the identification of an unusual event or transaction, through a specific management check; or in the course of an audit review. Irrespective of the source, the Deputy Principal Finance & Corporate Affairs should undertake an initial enquiry to ascertain the facts to confirm or repudiate the suspicions which have arisen so that, if necessary, further action may be taken.

2.3 Secure the evidence

Preliminary examination may involve the review of documents and, if initial investigation confirms the suspicion that a fraud has been perpetrated, the Director of Finance & Corporate Affairs should take steps to ensure that this is preserved in a safe place. The response should adhere to the five basic principles of evidence management:

- a) Provenance – maintaining accurate and comprehensive records of the location, timing and nature of the evidence and recovery;
- b) Continuity – ensuring all evidence is maintained and movements and transfers of storage recorded;
- c) Security – ensuring the physical and/or digital security of evidence;
- d) Integrity – ensuring evidence cannot be tampered with or lost; and
- e) Inventory – maintaining a complete inventory log of evidence.

2.4 Notify the appropriate Member of the Executive Management Team

Whilst the Deputy Principal Finance & Corporate Affairs should establish as many details as possible he/she should normally report the incident to the Member of the Executive Management Team responsible for the area concerned.

Stage 3: Activate Fraud Response

3.1 Establish Fraud Response Group

The Deputy Principal Finance & Corporate Affairs will notify the Principal who will in turn notify the Chair of the Corporation and the Chair of the Audit Committee within 24 hours of the Fraud Response Group meeting below.

The Deputy Principal Finance & Corporate Affairs should, within 24 hours, hold a meeting of the following group to decide on the initial response, including confirming its Terms of Reference:

- Principal
- Vice Principal Human Resources
- Deputy Principal, Finance & Corporate Affairs

- Any other person, including Internal Audit, that the Deputy Principal, Finance & Corporate Affairs considers necessary to assist the Group.

The group should consider the significance of the fraud and decide on the level of action to be taken. The group will consider:

- whether an investigation is required.
- who should undertake the investigation.
- whether and at what stage internal audit needs to be involved in the investigation;
- whether the individual needs to be suspended and
- whether the matter should be reported to the police and in this case obtain advice as to the acquisition and preservation of evidence. Suspected criminal behaviour should normally be reported to the police.

An investigation may be an internal investigation led by a senior member of College staff or a Special Investigation led by Internal Audit or another expert fraud response provider. Where the Investigating Officer is not the Head of Internal Audit, then the latter should be kept informed of progress and will always be available to assist the Investigating Officer.

Following notification, the Chair of the Corporation and Chair of the Audit Committee, may commission a special investigation, which will normally be led by Internal Audit who will follow their own written procedures on fraud investigation.

Special investigations should not be undertaken by management, although management should cooperate with requests for assistance from internal audit. Some special investigations may require the use of technical expertise which internal audit does not possess. In these circumstances, the Audit Committee may approve the appointment of external specialists to lead or contribute to the special investigation.

3.2 Prevention of Further Losses

Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Fraud Response Group will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action. Suspension will be in accordance with College disciplinary procedures.

In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the College. Any security passes and keys to premises, offices and furniture should be returned.

Advice should be obtained on the best means of denying access to the College while suspects remain suspended (for example, by changing card access and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the College's computer systems should be withdrawn immediately.

The investigatory officers and/or Internal Audit Service Provider 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 the opportunity to misappropriate the College's assets.

Stage 4: Conducting an Investigation

4.1 The Investigating Officer and Deputy Principal Finance & Corporate Affairs must:

- initially assess, in consultation with the Vice Principal of People and Organisational Development, whether there is a need for any employee to be suspended (the decision should be kept under review at all stages of the ensuing investigation);
- identify a course of action (what, who, when, how, where);
- identify the reporting process (who by, to whom, when and how); and ensure that strict confidentiality is continuously maintained.

If the suspected Fraud involves the Deputy Principal Finance & Corporate Affairs, the Principal shall undertake the responsibilities of the Deputy Principal Finance & Corporate Affairs.

Those investigating the incident will:

- maintain familiarity with the College's disciplinary procedures and 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

Stage 5: Liaison & Notification

5.1 Department for Education

The circumstances in which the College must inform DfE about actual or suspected frauds are detailed in the College Financial Handbook.

Colleges must notify the Department for Education (DfE) immediately upon becoming aware of any instance of:

- Suspected or actual significant fraud
- Theft
- Financial irregularity
- Cybercrime

The College is required to report all significant fraud where one or more of the following apply:

- the gross amount of the loss (i.e., 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

Notifications to the DfE should be via the 'allegations' mailbox at allegations.mailbox@education.gov.uk

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 DfE.

5.2 Internal and External Audit

The primary role of internal audit is to report on the adequacy and effectiveness of systems and procedures (the 'internal control' environment). Where the Investigating Officer is not the Head of Internal Audit, then the latter should be kept informed of progress and will be available to assist the Investigating Officer if required.

The College also has a duty to report all suspected frauds to its external auditors at the earliest reasonable opportunity.

5.3 The Police

The experts at investigating fraud are the police. They can also advise on the likely outcome of any intended prosecution. If the police decide that a formal investigation is necessary, all staff should cooperate fully with any subsequent requests or recommendations. All contact with the police following their initial involvement will usually be via the Investigating Officer or the Deputy Principal Finance & Corporate Affairs. When the police decide to formally investigate this will not prejudice any internal disciplinary procedures; these should continue as normal. However, the College's investigation and the Police's should be co-ordinated to make maximum use of resources and information.

5.4 Action Fraud

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). Action Fraud monitors the cost of fraud across the UK and has been set up to provide a single point of reporting and information for individuals and organisations.

Stage 6: Reporting Investigation Outcomes

6.1 Interim Report

As soon as the initial 'detection' stage of the investigation has been completed an interim confidential report, which may be verbal, but is more likely to be in a written format, should be made by the Investigating Officer to the Deputy Principal Finance & Corporate Affairs and any other officer decided upon at the preliminary stage.

The Interim Report should set out:

- the findings to date;
- the interim conclusions drawn from those findings; and
- should seek approval to continue the investigation if this is appropriate.

If it is decided to continue the investigation, then future reporting arrangements and any changes to the planned action should be confirmed.

6.2 Final Report

This report will supersede all other reports. The format of the Final Report will not always be the same as each case is unique, but will frequently set out:

- how the investigation arose.
- who the suspects are.
- their position within the organisation and their responsibilities.
- how the investigation was undertaken.
- the facts and evidence which were identified.
- quantification of losses.
- progress with any recovery action.
- progress with any disciplinary action.
- progress with any criminal action.
- action taken to prevent and detect similar incidents; and
- a summary of findings and recommendations, both regarding the fraud itself and any additional work required on the system weaknesses identified during the investigation.

6.3 Report to Audit Committee

On completion of the investigation the project group will submit to the Governance and 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, and any action needed to strengthen future responses to fraud with follow up report on whether the actions have been taken.

Any variations from the approved fraud response plan, together with reasons for the variation should be reported promptly to the Chair of Audit Committee and the Chair of the Governing Body.

9 Report to Corporation

Where the Audit Committee feels that there is evidence of irregularity, fraud, corruption or any impropriety, the Chair of the Audit Committee must notify the Chair of the Corporation who must raise the matter at their next meeting. Where the matter is considered significant, the Governors must consider holding a special meeting.

The Accounting Officer must include reference to any significant fraud in their statement of regularity, propriety and compliance.

Stage 7: Recovery of Losses

- 7.1 Recovering losses is a major objective of any fraud investigation. In all investigations, the amount of any loss should be quantified, and repayment of losses should be sought.
- 7.2 Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about 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.
- 7.3 The possibility of recovering a loss through insurance should not be overlooked. There may be time limits for making a claim and in certain cases claims may be invalidated if legal action has not been taken.

8. Review of the Fraud Response Plan

The Fraud Response Plan will be reviewed annually.

9. Linked Policies

- Anti-Fraud Policy
- Whistleblowing Policy
- Financial Regulations
- Disciplinary Policy

10. Location and Access

This plan is available on the Document Library as part of the Anti-Fraud Policy.

Appendix 2: EXAMPLES & INDICATORS OF FRAUD

Transactional Indicators

- Related party transactions with inadequate, inaccurate or incomplete documentation or internal controls (such as business/research activities with friends, family members or their companies)
- 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)
- Specific transactions that typically receive minimal oversight
- 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
- 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 and/or existence of pooled funds
- Unusual, complex or new transactions, particularly if 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 (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
- 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
- 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 (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)
- Accounts with large or frequent shifting of budgeted costs from one cost centre to another without adequate justification
- 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
- Consultant agreements which are vague re: work, time period covered, rate of pay, product expected; lack of proof that product or service actually delivered
- Subcontract agreements which are vague re: work, time period covered, rate of pay, product expected, lack of proof that product or service actually delivered
- 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

Methods used to commit and/or conceal fraud

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

Record keeping/banking/other

- 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
- Deviation from standard procedures (for example, all files but one handled a particular way; or all documents but one included in file)
- Excessive and/or poorly evidenced journal entries, unable to provide explanations for journal entries
- Transfers to or via any type of holding or suspension account
- Inter-fund company loans to other linked organisations
- Records maintained are inadequate, not updated or 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, 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
- Defining delivery needs in ways that can only be met by one source/individual
- Continued reliance on person/entity despite poor performance
- 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
- Misuse of directors loan account facility, for example: deliberate miscoding of transactions in directors loan account to gain personal advantage
- 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

- Legitimate business assets put to non-business/private use

Appendix 3: FRAUD RISK ASSESSMENT

FRAUD RISK ASSESSMENT

As part of the overall approach to mitigating fraud risk, the College will undertake a biennial fraud risk assessment to ensure that its controls remain effective against the most likely examples of potential frauds against the College, and those which may benefit the College and its clients. The Fraud Risk Assessment addresses more common types of fraud within the education sector, including elements from the generic examples in Appendix 2, identifies the College's key controls against those risks, and reaches a risk assessment on a Green / Amber-Green / Amber-Red / Red scale. Additional controls introduced as a result of the Fraud Risk Assessment are highlighted in the text. The Fraud Risk Assessment will be updated should a significant fraud occur.

COMMON TYPES OF FRAUD WITHIN THE EDUCATION SECTOR

This risk assessment is focused on more common fraud risks within the education sector, which can include but are not limited to:

- Fraud involving cash, physical assets, intellectual property or confidential information
- Misuse of bank accounts
- Procurement fraud
- Senior Staff fraud
- Payroll fraud
- Financial accounting fraud, including fees
- Fraudulent claims

In practice, fraud risk is unlikely to be fully mitigated. The risk rating ascribed below therefore applies judgement in relation to likelihood of material loss occurring.

BIENNIAL FRAUD RISK ASSESSMENT

The College has robust overall risk assessment processes, which includes identification of fraud. This is identified in the Strategic Risk Register and Board Assurance Framework, but there are several ways that the risk of fraud can also be managed, including:

- Using internal auditors, external auditors or a specialist consultant to conduct a fraud risk review.
- Using external reference material to identify the frauds experienced by colleges and other providers.
- Working with external agencies, like JISC to identify risk and prevent cyber-attacks.
- Regular review of the Risk Registers and Board Assurance Framework.
- Effective confidential reporting and whistleblowing arrangements: Employees and individuals who work closely with the College are often the best placed to identify bad practice and wrongdoing. The College has in place a confidential reporting Whistle-blowing Policy and an Anti-Fraud, Bribery and Corruption Policy, which both outline how to raise concerns and the protection available once those concerns have been raised.
- Relevant reporting and training.