

Countering Fraud in Education



“ The security in our PS Financials system gives us confidence that staff can only do what is needed for them to complete their primary roles in-line with the Academy’s Scheme of Delegation. The audit trails also provide a full history of amendments to master records, which saves time during internal and external audit. ”

Pershore High School

Introduction

Those who manage the business aspects of our schools and colleges have been juggling lots of new responsibilities as autonomy becomes more embedded within our education system, not least in ensuring that all financial systems and processes are sufficiently robust to pass the more detailed scrutiny now necessary to fulfil legal requirements and accountability measures. The incidence of more sophisticated fraud targeting, in particular, online purchasing/banking and transactions relating to contracts means that business leadership practitioners everywhere, regardless of the type of institution they work in, need to be aware of this evolving risk, understand what the latest scams are and how to combat them, so that the opportunity for fraud is managed and minimised at every level.

The guidance in this publication provides some outline practical considerations from experts within the field to help support the work of business leaders/managers in managing this aspect of risk.



ASCL represents more than 18,000 members, including secondary heads, deputy heads, assistant heads, bursars, business managers, college principals, vice-principals and others with whole school responsibility. Numbers continue to grow as more leaders recognise the benefits of joining an association that so clearly addresses their needs.

Through ASCL, members receive legal cover and support, access to advice through a telephone hotline, guidance, resource materials and updates on the latest education news, as well as commercial discounts.

ASCL represents members' views and concerns at the highest levels of government through the organisation's Council and its network of education specialists.

ASCL is also a major provider of training courses and consultancy for its members and for schools.

A handwritten signature in black ink that reads 'Val Andrew'. The signature is written in a cursive, flowing style.

Val Andrew
ASCL Business Leadership Specialist



PS Financials Using Your Technology to Counter Fraud

It is impossible to gain 100% protection from fraud. Anybody who is intent on committing fraud could potentially find a way. However it is essential that all reasonable steps are taken to help reduce your school's exposure to any potential fraud.

Fraud can be broadly categorised into two forms - internal and external. External fraud involves an external body attempting to extract money from a school. Internal fraud is committed by a connected party - this does not have to be an employee but can be any person who has access to the financial systems or assets.

All schools should have finance policies in place that are designed to minimise the risk of fraud and ensure that relevant controls are implemented to stop fraud from occurring. All too often controls are only tested retrospectively and, therefore, the potential for fraud is still a real threat. Proactively countering the scope for fraud is a much more effective option than retrospective testing.

To ensure the robustness of a school's financial controls, finance systems should enforce:

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- Segregation of duties

 - Staff access limited to their authorised duties

 - Control over any changes to Master Records
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Segregation of duties, as a term, essentially means one finance team member is unable to complete all stages of a particular process, whether this is a payment or receipt, there should be at least two team members involved. Examples of segregation include: staff that enter Purchase Orders cannot enter Purchase Invoices or authorise Purchase Ledger Payments, and staff that raise Sales Invoices do not record or collect money received.

Enforcing access security (i.e. controlling access to particular processes or modules within the Finance System) means reliance does not need to be placed on staff members 'only doing their prescribed tasks'. For example, a purchase ledger clerk can only do their part of the process and the system access will not allow them to process cash or Sales Ledger transactions or authorise a Purchase Ledger payment.

Master Records (i.e. supplier or staff details) should be one of the most protected areas of the finance system. A large proportion of fraud cases surround lax controls in these areas. In many cases, amendments to Master Records go unchecked. Where these changes are checked, this is often a retrospective process, which still leaves a school open to fraud. Systems should be configured to firstly prevent changes by un-authorised staff and secondly, changes should be electronically approved via a system workflow, so that changes are only approved once the relevant verification evidence has been reviewed and the correct process has been followed.



PS Financials Award Winning Financial Management Software has helped our education customers to make better business decisions for more than 10 years.

PS Financials is used by 1 in 3 Academies

Browne Jacobson

The Growing Risk of Fraud

Despite the risk posed by fraud many institutions still do not have formal policies, procedures and measures to prevent, detect and respond to fraud.

An Association of Certified Fraud Examiners (ACFE) survey found smaller organisations were more likely to be a victim. While no system is completely bulletproof, a rigorous and methodical approach can deter and make fraud difficult to commit.

There are three main elements to effective fraud management:

A Set the Strategy. The main building block is a fraud and corruption strategy and policy:

1. Own the problem. Appropriate governance is essential and to meet that aim put in place a management led team to ensure policy compliance and review.
2. Identify the risk. Review processes and procedures relating to access to finance. In doing so, the scale of the problem and likelihood of occurrence is identified and an appropriate response can be formulated.
3. Develop the fraud risk policy and allocate roles, including:
 - a. Developing an anti-fraud culture, which encourages transparency, training around risks and reporting, including whistleblowing and enforcement.
 - b. Identifying risks, which can be managed in-house by internal controls, e.g. IT processes, audit and management checks, as well as staff authorisations.
 - c. Identifying those risks, which should be managed externally by auditors.

B Monitor and test. Ongoing monitoring of the internal processes forms part of detection and deterrence. By testing your resilience to exposure, the controls are assessed and checked for robustness. The result is the opportunity to commit fraud is minimised. Use comparative benchmarking, exception reporting and data mining to assist in identifying issues.

C React and respond. Document and review warning signs with an appropriate audit trail, particularly as the report and its results may form part of legal proceedings. The policy must be clear for situations when fraud is identified, including the following:

1. Review allegations and suspicions.
2. Identify the investigation team and conduct investigations.
3. Understanding objectives and outcomes whether disciplinary, civil or criminal.
4. Management of publicity, particularly if the fraud involved public funds.
5. Evaluating lessons learned – through internal review and change to policies.

By adopting these fundamentals you will have taken the right steps to safeguard from financial risk.

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NASBM

Fighting Fraud in Schools

It should come as no surprise that schools are as vulnerable to fraud as the private sector or indeed other public bodies. Examples of irregularity or fraud may include collusion with external contractors or agencies providing subtle kickbacks to decision makers, misappropriation of funds or even theft. There should be a clear distinction between fraud and poor internal controls that may give the appearance of fraud but actually turn out to be either a compliance issue or a procedural policy not being followed.

Many cases of fraud are not instigated by school employees. Even with controls in place, there are ways to circumvent them. There are people who are clever enough to find the gaps in school procurement processes. If the right questions are not asked, unscrupulous providers can take advantage of the situation.

The triangulation of governance, administration and school leadership underpins a robust assurance regime and commitment to regularity. Appropriate financial delegation, segregation of duties and effective whistleblowing procedures are essential.

Whether schools have the necessary professionals internally (this may include governors) or need to buy in professional help, they must have access to the following:

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- Knowledge and experience of contract management

 - Procurement expertise

 - Experience with tender processes and EU limits

 - Ability to develop a product or service specification

 - Strong financial control experience

 - Strong budget planning and monitoring experience



The National Association of School Business Management is the UK's leading association working exclusively on behalf of the school business management profession.

There has been unprecedented change in the education sector and Schools are now operating with much greater freedom and autonomy but equally greater levels of direct accountability.

The skills and experience to provide this focus lay firmly with school business management professionals. The Association recognises the importance of innovative and sustainable change for this sector and strive to provide high quality support and training to drive excellence within the profession.

The role of a strong school business manager should not be underestimated here.

Internally, schools should not be afraid to introduce accountability measures at every management level. A head teacher should not be in a position to veto a finance director (or equivalent) where a risk of impropriety has been brought to their attention. Equally, structures need to ensure that the head teacher is never placed in an untenable position by members of the governing body.

Sub-committees allow for a healthy distribution of decision-making power and provide a structure of accountability. It is also good practice to avoid having the same individuals on multiple committees. Actions from all committee meetings should also be shared with the full governing body, again to ensure appropriate and greater transparency within the decision making process.

Top Tips – Using Your Technology to Counter Fraud

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- Implement access security – ensure that staff members can only access areas of the system that they need, no blanket ‘one size fits all’ approach
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- Implement system authorisation or multi-staff process for changes to Master Records e.g. Supplier/Staff bank details
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- Verification process must be adhered to changes made to Master Records, e.g. Independently contact supplier/staff and request written confirmation for changes
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- Segregation of duties – staff members must be restricted so that they are unable to complete all stages of a particular finance process. If this is not possible due to staffing structures, SLT authorisation and review is vital
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- Regularly review processes for potential loop holes and random spot-checking of audit trails to ensure compliance
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- Re-assure staff that these controls are in place to protect them and the school rather than any doubt of their integrity
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