The Mercian Trust

Fraud Policy

Policy Owner	**The Mercian Trust**
Date Ratified by Trust Board	**September 2025**
Date to be Reviewed:	**October 2026**

1. DEFINITIONS

The following words/phrases shall have the meaning given below in this document:

"School"	Any school which falls within the umbrella of the Trust.
"Board"	The Trust board which is made up of the directors (and trustees) who together are responsible for the delivery of the core functions and hold the Chief Executive Officer to account.
"Contracted Person"	Any contractor, supplier, or any other person who is engaged with, entering into or trying to enter into contractual relations with the School.
"DfE"	Department for Education
"Chief Executive Officer and Accounting Officer"	The person with the overall responsibility for the day-to-day running of the Trust. The Principals/Headteachers of the individual schools are accountable to the Chief Executive Officer.
"Manager"	Any person who provides directions to other Trust Persons and whom the same Trust Persons report to.
"Principal/ Headteacher"	The person responsible for the day to day running of a particular School within the Trust.
"the Trust"	The Mercian Trust (Company number 07611347) Registered address: 26 Birmingham Road, Walsall West Midlands WS1 2LZ
"Trust Person"	All staff, trustees and governors engaged by or associated with the Trust.

2. INTRODUCTION

2.1. The Trust requires all Trust Persons, staff and volunteers (whether paid or unpaid) at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud is an ever-present threat to those resources and therefore must be a concern to staff. The Trust will not accept any level of fraud and corruption; consequently, any case will be thoroughly investigated and dealt with appropriately.

2.2. The purpose of this document is to set out the Trust's responsibilities regarding the prevention of fraud and the procedures to be followed where a fraud is discovered or suspected.

3. ASSOCIATED TRUST POLICIES

This policy relates to all Trust policies in relation to combatting fraud and corruption in the Trust. There are also separate policies relating to:

- Whistleblowing Policy
- Gifts and Hospitality Policy
- Financial Handbook
- Expenses Policy

4. FRAUD, CORRUPTION, OTHER IRREGULARITY AND GIFTS AND HOSPITALITY

4.1. The Fraud Act 2006 (the Act) introduced provision for a general offence of fraud. An individual is guilty of fraud if they commit the offence in any of the following ways:

- Fraud by false representation;
- Fraud by failing to disclose information; and/or
- Fraud by abuse of position

4.2. Fraud by false representation

To be guilty of fraud by false representation, an individual must:

- dishonestly make a false representation; and
- make the representation, to either make a gain for himself or another or intend to cause loss to another or to expose another to a risk of loss.

Under the Act, a representation is defined as false if:

- it is untrue or misleading; and
- the person making it knows that it is, or might be, untrue or misleading.

Under the Act, a representation means any representation as to fact or law. A representation may be express or implied, i.e. it can be stated by words or communicated by conduct, written, spoken or by electronic means.

4.3. Fraud by failing to disclose information

An individual is guilty of committing a fraud by failing to disclose information if:

- the individual dishonestly fails to disclose to another person information which they are under a legal duty to disclose; and
- by failing to disclose the information, the individual intends to make a gain for himself or another or intends to cause loss to another or to expose another to a risk of loss.

4.4. Fraud by abuse of position

An individual is guilty of committing a fraud by abuse of position if the individual:

- occupies a position in which s/he is expected to safeguard, or not act against, the financial interests of another person;
- dishonestly abuses that position; and
- by means of abuse of that position, the individual intends to make a gain for himself or another or intends to cause loss to another or to expose another to a risk of loss.

Alternatively, under the Act, an individual may be regarded as having abused their position where the individual's conduct consisted of an omission rather than an act.

4.5. Corruption

Corruption is a specific type of fraud and involves:
"The offering, giving, soliciting or acceptance of any inducement or reward which may influence the action of any person"

Corruption involves two or more persons. Corruption does not always result in a loss; indeed the corrupt person may not benefit directly from their deeds.

4.6. Irregularity

An irregularity may be any significant matter or issue, other than fraud or corruption, which is so defined and prescribed by the Board as to fall within the general principles of this policy and which may warrant consideration or investigation under section 8 below.

For example, an irregularity may occur where a Trust Person makes a genuine error or mistake during their duties/responsibilities, but where this error or mistake is subsequently hidden from the Trust, perhaps to the on-going detriment to the Trust. Additionally, an irregularity may also involve consideration of the possible inappropriate use of Trust funds or assets, but which may not technically constitute fraud or corruption.

4.7. Gifts & Hospitality

In conjunction with the prevention of fraud and corruption, the Trust has a separate policy which outlines its position with regards to gifts and hospitality. Please refer to this for more information.

4.8. Examples of what could constitute fraud and corruption are:

- theft of cash;
- non-receipt of income;
- substitution of personal cheques for cash;
- travelling and subsistence claims for non-existent journeys/events;
- travelling and subsistence claims inflated;
- manipulating documentation to increase salaries/wages received, e.g. false overtime claims;
- payment of invoices for goods received by an individual rather than the Trust or School;
- failure to observe, or breaches of, regulations and/or other associated legislation laid down by the Trust, intentionally and not normally negligently;
- unauthorised borrowing of equipment;
- breaches of confidentiality regarding information;
- failure to declare a direct pecuniary or otherwise conflicting interest;
- concealing a generous gift or reward;
- unfairly influencing the award of a contract;
- creation of false documents;
- money laundering by for example accepting payment from an unauthorised person and then repaying it when the original purpose has been cancelled;
- deception; or
- using position for personal reward.

5. COMPLIANCE

5.1. This policy applies to all Trust Persons and volunteers (whether paid or unpaid) of the Trust. Any breach of this policy, or of the Act itself will invoke the Trust Disciplinary policies and procedures.

5.2. In disbursing and accounting for the Trust's funds, the Trust must demonstrate that it is adopting high standards of financial probity. Implicit within this rule is the requirement for Trust Persons and volunteers to, at all times, conduct financial affairs in an ethical manner.

5.3. All Trust Persons and volunteers are responsible for disclosing any personal, financial or beneficial interest in any transaction with respect to the Trust or its related companies, minority interest companies and trading areas.

5.4. All Trust Persons and volunteers must act at all times in good faith in relation to the Trust's interests and never use their office or employment for personal gain.

5.5. All heads of departments within Schools or persons responsible for the Trust and each School's budget are required to adhere to the Trusts financial regulations and policies at all times and use their best efforts to prevent the misuse or misappropriation of funds and other Trust property.

5.6. The Trust expects all Contracted Persons to act with integrity and without thought or actions involving fraud and corruption. Where relevant, the Trust will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption. Evidence of such acts, in most cases, will likely lead to a termination of the particular contract and may lead to prosecution.

5.7. The Trust subscribes to the seven principles of public life set out in the Nolan Committee's first report and expects the Trust Persons and volunteers to conduct themselves according to these principles. These principles are:

a) **Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

b) **Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

c) **Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

d) **Leadership** - Holders of public office should promote and support these principles by leadership and example.

e) **Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

f) **Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

g) **Selflessness** - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

5.8. This policy will be updated as necessary to reflect best practice with regards to the prevention of fraud and corruption within the Trust.

6. RESPONSIBILITIES

6.1. Trust

6.1.1. Overall responsibility for dealing with fraud and corruption rests with the Chief Executive Officer (CEO), who is the Trust's Accounting Officer.

6.1.2. The responsibilities of the Accounting Officer include:

a) establishing and maintaining a sound system of internal control to prevent fraud;
b) establishing effective financial regulations, policies and procedures;
c) establishing appropriate mechanisms for reporting fraud risk issues including reporting to the Board, the Internal Auditors and the DfE where appropriate;
d) ensuring that vigorous and prompt investigations are carried out;
e) taking appropriate legal and/or disciplinary action where fraud is proven;
f) ensuring that appropriate action is taken to minimise the risk of similar frauds in the future; and
g) taking appropriate action to recover assets and minimise the loss.

6.1.3. The Board and staff in positions of financial responsibility and authorisation are required to provide the Chief Financial Officer with information concerning their direct or indirect pecuniary interests via the Annual Declaration of Interest Form and to keep that information up to date.

6.2. Line Management

6.2.1. Senior staff are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that those controls are effective. The responsibility for the prevention and detection of fraud therefore rests primarily with the Managers.

6.2.2. There is a need for all Managers to:

- assess the types of risk that their individual department is exposed to;
- to review and test those control systems regularly;
- to ensure that controls are being complied with; and
- to satisfy themselves that their systems continue to operate effectively.

6.2.3. Senior staff must be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to the Manager's attention by a third party.

6.2.4. The internal auditors are responsible for providing an opinion to the Board and Accounting Officer on the adequacy of arrangements for managing the risk of fraud and assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls.

6.2.5. In terms of establishing and maintaining effective controls, the Trust will ensure that:

- there is a separation of duties so that control of a key function does not rest with one staff member; and
- when new systems are being designed, safeguards against fraud are considered at an early stage.

6.3. Staff

6.3.1. It is the responsibility of all members of staff within the Trust to ensure that public funds controlled by the Trust are safeguarded against fraud. All staff budget holders are required to complete annual cyber / fraud awareness training. All staff involved in any banking processes are required to undertake additional specific fraud awareness training. The Trust maintains a zero-tolerance approach to fraud, bribery, and corruption. A record of training undertaken for staff will be maintained.

6.3.2. All staff are required to:

- alert their line manager if they believe an opportunity for fraud exists because of poor procedures or controls;
- report any suspicion of fraud immediately to their line manager (or other person in authority where appropriate) who should record this and report it to the Chief Finance Officer or, in the event that the allegations of malpractice are to be made against the Chief Finance Officer, these should be reported to the Chief Executive Officer, and if against the Chief Executive Officer, reported to the Board of Trustees
- co-operate fully with any internal checks, reviews or fraud investigations; and
- comply with policies and procedures. Failure to comply may result in disciplinary action.

6.3.3. All employees have the right to 'blow the whistle' on what they perceive to be a cause of serious concern or malpractice.

6.3.4. All staff should familiarise themselves with the Trust's Whistleblowing' policy and in particular the protection afforded them under the Public Disclosure Act 1998. The Board assures all staff that they will not suffer in any way as a result of reporting reasonably held suspicions.

6.4. Internal Auditors

6.4.1. The Internal Auditors are required to oversee the financial arrangements on behalf of the Trust.

6.4.2. The Internal Auditor is responsible for providing an opinion to the Accounting Officer on the adequacy of arrangements for managing the risk of fraud and assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls.

7. CREATING AN ANTI-FRAUD CULTURE

7.1. The creation of an anti-fraud culture underpins all other work to counter fraud. Staff within the Trust must understand the risk of fraud faced by the Trust, that fraud is serious and that it diverts valuable resources from its primary objective.

7.2. The Trust expects all Trust Persons at all levels to lead by example in ensuring adherence to legal requirements, financial rules, codes of conduct and relevant procedures and practices.

7.3. The Trust recognises the importance of training in the delivery of high-quality services and the Trust supports the concept of fraud awareness training for key staff involved with internal control systems.

7.4. The Trust implements and maintains a system of accountability and control to ensure

resources are used and applied in the manner intended. These systems include internal controls to detect significant errors, fraud and corruption.

8. DETECTION AND INVESTIGATION

8.1. Where fraud is detected or suspected in association with the Trust's activities, initial responsibility for investigating the matter rests with the CEO who has been nominated as the Trust's Investigating Officer. In their absence, or if the CEO is in any way alleged to be involved in the fraud, responsibility for investigating the matter rests with the Board. The Investigating Officer shall inform and consult with the relevant Principal/Headteacher in all cases except where the relevant Principal/Headteacher is the alleged perpetrator. Investigations will commence as soon as possible.

8.2. The Investigating Officer does not have authority to determine the process for undertaking the investigation independently of the Internal Auditor. The Internal Auditor will be able to offer specialist advice and should be consulted at the first opportunity. If it is established that a fraud may have occurred, then a comprehensive investigation must be carried out by an experienced fraud specialist or referred to the police.

8.3. It is essential that all material that may be of evidential value must be recovered and preserved for further investigation if required. Additionally, the Trust must consider whether to suspend any individual, under the Trust's disciplinary procedures, who is the subject of the investigation. Suspension does not imply guilt; it may be necessary to safeguard further evidence that may be used to prove or disprove the allegation.

9. SANCTION & REDRESS

9.1. The Trust's disciplinary procedures provide for offences such as fraud, theft and deliberate falsification of Trust registers, reports, accounts, expense claims and self-certification forms to be regarded as gross misconduct which may result in dismissal. The Trust will take disciplinary action in all cases where it is considered appropriate.

9.2. In cases where fraud is proven the Trust will notify the police of the outcome. The Trust will co-operate fully with the investigating body and will always seek to recover funds lost through fraud. It may be necessary for the Trust to initiate a civil action against the fraudsters. If, during the course of the investigation, any failure of supervision is identified, the Trust must consider whether disciplinary action is appropriate for those involved.

9.3. The Trust will notify the Department for Education of any actual fraud or irregularity in accordance with the regulations and limits set out in the Academies Financial Handbook.

9.4. Any request for a reference for persons disciplined or prosecuted for fraud must be referred to the Chair of Trustees or CEO for advice.

10. LEARNING FROM THE EXPERIENCE

Where fraud has occurred, it is vital that management recognises the need to examine systems and procedures and make necessary changes to ensure that similar frauds will not occur.