



Policy: Anti-Fraud & Corruption Strategy and Fraud Response Plan

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ANTI-FRAUD & CORRUPTION STRATEGY and FRAUD RESPONSE PLAN

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Appendix 1 DfE Indicators for potential fraud: a generic checklist for education providers

1. Introduction

- 1.1 Red Kite Learning Trust (The Trust) is committed to discharging its responsibility to safeguard public funds and the highest standards of integrity. It is committed to fighting fraud and corruption whether attempted from inside or outside and is committed to having effective measures to prevent and detect fraud and corruption.
- 1.2 The Trust expects all members, trustees, governors and employees to carry out their duties in accordance with appropriate legal requirements, internal codes of practice, rules and regulations and to act at all times with honesty and probity in the discharge of their functions.
- 1.3 In carrying out its duties and responsibilities, The Trust is determined to do everything it reasonably can to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of this Anti-Fraud Policy which will provide a framework for:
 - 1.3(a) encouraging fraud deterrence and prevention;
 - 1.3(b) raising awareness of fraud and corruption and promoting their detection;
 - 1.3(c) performing investigations and facilitating recovery of losses;
 - 1.3(d) responding effectively to instances of fraud when it is found;
 - 1.3(e) monitoring, publishing and updating the Policy and its related procedures.
- 1.4 The Trust also expects that all its stakeholders and parties with whom it has dealings, including suppliers and contractors will act toward it with honesty and will not act in breach of this Policy.

2. Definitions

- 2.1 For the purposes of this Policy:
 - 2.1.1 **“Theft”** means the dishonest taking of property belonging to another person with the intention of permanently depriving the owner of its possession.
 - 2.1.2 **“Fraud”** means the intentional distortion of the financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain. This differs from “theft” where no attempt at concealment is made. It is also important to distinguish fraud from negligence or accidental error where no intent exists.

- 2.2 Fraud may involve:
- 2.2(a) Falsification or alteration of accounting records or other documents
 - 2.2(b) Suppression or omission of the effects of transactions from records or documents
 - 2.2(c) Recording transactions which have no substance
 - 2.2(d) Wilful misrepresentation of transactions or of Red Kite Learning Trust's affairs.
- 2.4 **“Corruption”** means the offering, giving, soliciting or acceptance of an inducement or reward which may influence actions taken by the body, its members or officers. The main areas of activity, which are susceptible to corruption may include:
- 2.3(a) Procurement and contracts
 - 2.3(b) Asset disposals
 - 2.3(c) Planning consents and licenses.
- 2.5 **“Bribery”** means a financial or other advantage offered, promised or given to induce a person to perform a relevant function or activity improperly, or to reward them for doing so.

For ease of reference these defined terms are referred to collectively throughout this Policy as “Institutional Wrongdoing”.

3. Operating Culture

- 3.1 The Trust is determined that the culture and tone of the organisation meets the expectations of the Committee on Standards of Public Life and the Standards Board for England. It is committed to the ten principles of public life: objectivity, openness, stewardship, leadership, accountability, honesty & integrity, selflessness, personal judgement, duty to uphold the law and respect for others.
- 3.2 Employees are expected and are positively encouraged to raise any concerns relating to Institutional Wrongdoing, which they become aware of. These can be raised in several ways including with the employee's line manager, Headteacher, a member of the Executive Group or a member of the governing body or Board of Trustees.
- 3.3 The Trust expects members, trustees, governors and employees to lead by example in ensuring opposition to Institutional Wrongdoing, and in ensuring adherence to rules and regulations, and to relevant Policies and procedures. The responsibility of senior leaders is to ensure that all employees are aware of

what is expected of them. Specifically, the Expectations, Code of Conduct and Disciplinary Policy covers the requirements for employees to declare interests and record any gifts and hospitality received. The Reimbursement of Expenses Policy makes clear the procedures for claiming expenses. The Finance Policy details the various procedures concerned with expenditure of schools' and Trust funds.

- 3.4 The Trust employees and members of the public are important agents in the stance against Institutional Wrongdoing. They are positively encouraged to raise any concerns they may have on these issues which may impact on Trust activities. Concerns should be raised via Red Kite Learning Trust's Whistleblowing Policy.
- 3.5 As part of their responsibilities, the Chief Financial Officer working with members of the Executive Group is required to investigate allegations of Institutional Wrongdoing. The Trust's procedures and documentation are required to provide information about the risk of Institutional Wrongdoing and also reflect the requirements of its staff to be properly and regularly trained.
- 3.6 Although the Trust encourages its employees to report concerns any malicious allegations may be dealt with through its disciplinary procedures

4. Prevention

- 4.1 It is the responsibility of The Trust to put in place measures to minimise the risk of Institutional Wrongdoing arising and of mitigating the consequences if it does occur.
- 4.2 The Trust's Policies, Schemes of Delegation, Financial Policy and procedures, set out a framework for dealing with the affairs of Red Kite Learning Trust. All members, trustees, governors and employees have a duty to comply with their provisions.

These systems incorporate internal controls to prevent and deter fraud and corruption. Employees must ensure that working practices comply with these systems and procedures. The Audit & Risk Committee will regularly evaluate the appropriateness and effectiveness of these controls.

- 4.3 Employees are required to disclose any offers of gifts, hospitality or interests that could conflict with the interests of The Trust or might affect their judgement. This is completed via an Annual Declaration on People XD which is used to maintain a register to record and monitor disclosures.

5. Detection and Investigation

- 5.1 All managers are responsible for the prevention and detection of Institutional Wrongdoing. Managers should pay special attention to any circumstances, which may indicate an irregularity. Managers also have a responsibility to familiarise themselves with common fraud techniques in the areas for which they have control. Managers should also ensure that all staff in their areas of operation are familiar with common types of fraud.
- 5.2 It is the responsibility of all employees, in particular Managers to adhere to the procedures noted in the Fraud Response Plan below. If it is subsequently established that an employee has knowingly withheld information about a concern or allegation it may be dealt with as a disciplinary matter in itself
- 5.3 Reporting of suspected Institutional Wrongdoing to the Chief Financial Officer, Headteacher or a governor or Trustee is essential because it:
- 5.3(a) ensures the consistent treatment of information;
 - 5.3(b) facilitates proper investigation, including compliance with statutory requirements;
 - 5.3(c) ensures appropriate liaison at correct stages with law enforcement agencies;
 - 5.3(d) ensures the proper implementation of relevant system improvements.
- 5.4 The Trust will take appropriate action following an investigation into Institutional Wrongdoing which may include disciplinary action, reporting to regulators, civil recovery and/or making a referral to the Police.
- 5.5 All concerns will be treated in the strictest confidence and information will be shared only on a need-to-know basis.

6. Training

- 6.1 Training and guidance is vital in maintaining the effectiveness of this Policy and its general credibility. The Trust supports induction and work-related training, particularly for employees involved in internal control systems, to ensure that their responsibilities and duties are regularly highlighted and reinforced and best practice is followed.

7. Review

- 7.1 The Trust has in place a clear framework of systems and procedures to deter and investigate fraud and corruption. It will ensure that these arrangements are

fair, monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques.

- 7.2 To this end The Trust will continuously review these arrangements, in particular the terms of this Policy.
- 7.3 The DfE's Indicators for Potential Fraud provides some examples that could indicate fraudulent activity, but is not an exhaustive list. A copy of the guidance appears in **Appendix 1**.
- 7.4 The Trust's Annual Report and Financial Statements include an Independent Auditors' Report. This report includes a view as to whether the financial statements give a true and fair view and whether proper accounting records have been kept by the trust throughout the financial year. In addition, it reports on compliance with the accounting requirements of the relevant Companies Act and confirms compliance with the Academies Trust Handbook issued by the DfE.
- 7.5 The internal audit function consists of an external company who visit at least three times per year and have a clear remit to undertake work to prevent and detect potentially fraudulent acts. This work concentrates on areas of highest risk but also on areas which, although small, are subject to fraud.

8. Reporting & Fraud Response Plan

The Trust's Fraud Response Plan is as follows:

- 8.1 All members, trustees, governors, members of staff, and others connected with the Trust are required to notify the Chief Financial Officer immediately of any financial irregularity, or any circumstance suggesting the possibility of irregularity, affecting the financial procedures, cash, stores or other property of the schools and Trust. Records and evidence are to be secured and strict confidentiality maintained.
- 8.2 The Chief Financial Officer will ascertain whether or not the suspicions aroused have substance. They will, if appropriate, conduct a preliminary investigation to gather factual information and reach an initial view as to whether further action is required. The findings, conclusions and any recommendations arising from the preliminary investigation will be reported to the Chief Executive Officer. Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Chief Financial Officer will need to decide how to prevent further loss. If the Chief Financial Officer is implicated or suspected of financial irregularity the initial investigation will be carried out by the Chief Executive Officer or the Chair of the Board of Trustees.
- 8.3 The Chief Financial Officer will have the initial responsibility for co-coordinating the Trust's response. In doing this the Chief Financial Officer will consult with the Human Resource Department regarding potential employment issues. The

Chief Financial Officer may also seek appropriate expert advice on governance, regulatory and employment issues before taking any further action. The Trust's Disciplinary Policy will be invoked if an employee is found to be in breach of the is Policy.

- 8.4 The Chief Financial Officer is required to notify the Board of Trustees and inform the Education and Skills Funding Agency of any serious financial irregularity. This action will be taken at the first opportunity following the completion of the initial investigations and will include keeping the Chair of the Board of Trustees fully informed between committee meetings of any developments relating to serious control weaknesses, fraud or major accounting breakdowns.
- 8.5 Once it has been agreed that there is sufficient evidence to justify a fuller investigation, the Chief Financial Officer should meet with the police where appropriate to decide who is best placed to undertake further investigation. Should it be decided that an internal investigation is appropriate, either in tandem with a police investigation or on its own, it is important that it is undertaken by individuals with experience of fraud investigations.
- 8.6 If evidence of a Institutional Wrongdoing is forthcoming then the Board of Trustees will inform the Department for Education DfE as required by the Funding Agreement and will consider whether or not to refer the matter to appropriate law enforcement agencies.
- 8.7 The Academy Trust Handbook confirms trusts must notify DfE of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in an academy's financial year. Any unusual or systematic fraud (e.g. regular occurrences of low value theft), regardless of value, must also be reported. The following information is required:
- full details of the event(s) with dates
 - the financial value of the loss
 - measures taken by the trust to prevent recurrence
 - whether the matter was referred to the police (and if not, why)
 - whether insurance cover or the risk protection arrangement has offset any loss

What to report

Report any knowledge or suspicions that an academy, college or training provider has:

- claimed funding from the Department for Education (DfE) or the Education and Skills Funding Agency (ESFA) through deception
- broken the funding rules
- not delivered education or training funded by DfE or ESFA

Appendix 1 – DfE Indicators for potential fraud: a generic checklist for education providers

Introduction

This is a generic list of red flags that could indicate fraudulent activity in your organisation, including bribery and corruption.

We've categorised them into:

- personal motives for fraud
- organisational motives for fraud
- weaknesses in internal controls
- transactional indicators
- possible methods used to commit or conceal fraud
- recordkeeping, banking and other

Due to the nature of fraud, red flags may not be exclusive to just one area.

This document is not exhaustive and is a guide only. It may be helpful as a checklist if you have concerns that fraudulent activity might be taking place.

Not all indicators may be relevant to all organisations.

Personal motives for fraud

Consider if any of these red flags are present in your organisation.

1. Do personnel believe they receive inadequate compensation and rewards (such as recognition, job security, annual leave or promotion)?
2. Does anyone have evidence of an expensive lifestyle (such as cars or trips) that seems disproportionate to their income?
3. Is anyone experiencing personal problems (such as with gambling, alcohol, drugs or debt)?
4. Is there an unusually high degree of competition or peer pressure?
5. Are there related-party transactions (business activities with personal friends, relatives or their companies)?
6. Are there any unrecorded or unmanaged conflicts of interest?
7. Are there any disgruntled employees (such as those who have recently been demoted or reprimanded)?
8. Has there been a recent failure associated with a specific individual?
9. Is there any personal animosity or professional jealousy?

Organisational motives for fraud

Consider if any of these red flags are present in your organisation.

1. Is the organisation experiencing financial difficulty?
2. Is the commercial arm experiencing financial difficulty?
3. Are deadlines to achieve outputs particularly tight?
4. Does the organisational governance lack clarity, direction or substance?
5. Is the organisation closely identified with or dominated by one individual?
6. Is the organisation under pressure to show results (such as budgetary matters or exam results)?

7. Has the organisation recently suffered disappointment or negative consequences as the result of bad decisions?
8. Does the organisation want to expand its scope or obtain additional funding?
9. Are funding awards or contracts for services up for renewal or continuation?
10. Is the organisation due for a site visit by auditors, Ofsted or others?
11. Does the organisation have a for-profit component?
12. Has the organisation recently been affected by new or changing conditions (such as regulatory, economic or environmental)?
13. Is the organisation facing pressure to use or lose funds to sustain future funding levels?
14. Is there a record of previous failures by one or more organisational areas, associated businesses or key personnel?
15. Have there been sudden changes in organisational practice or the usual pattern of behaviour?

Weaknesses in internal controls

Consider if any of these red flags are present in your organisation.

1. Is there a general lack of transparency about how the organisation works and implements procedures and controls?
2. Does management demonstrate a lack of:
 - attention to ethical values, including a lack of communication regarding the importance of integrity and ethics?
 - concern about the presence of temptations and inducements to commit fraud?
 - concern regarding instances of fraud?
3. Is there a clear fraud response plan or investigation policy?
4. Does management fail to specify or require appropriate levels of qualification, experience or competence for employees?
5. Does management display a tendency to take risks?
6. Is there a lack of appropriate organisational and governance structure, with defined lines of authority and reporting responsibilities?
7. Does the organisation lack policies and communication relating to individual accountability and best practice (for example, related to procurement, travel and subsistence, use of alcohol, or declarations of interest)?
8. Is there a lack of human resources policies and recruitment practices?
9. Does the organisation lack employee performance appraisal measures or practices?
10. Does management display a lack of commitment towards the identification and management of risks relevant to the preparation of financial statements (that is, they do not consider the significance of risks, the likelihood of occurrence or how they should be managed)?
11. Is there inadequate comparison of budgets with actual performance and costs, forecasts and prior performance? Is there no regular reconciliation of control records and a lack of proper reporting to a governing body?
12. Is the management of information systems inadequate (such as having no policy on information technology security, computer use and access,

verification of data accuracy, or completeness or authorisation of transactions)?

13. Is there insufficient physical security over facilities, assets, records, computers, data files and cash? Is there a failure to compare existing assets with related records at reasonable intervals?
14. Is there inadequate or inappropriate segregation of duties regarding initiation, authorisation and recording of transactions, maintaining custody of assets and the like?
15. Are accounting systems inadequate (that is, there is an ineffective method for identifying and recording transactions, no tracking of time periods during which transactions occur, insufficient descriptions of transactions and 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 prevent missing payment dates)?
16. Are the purchasing systems and procedures inadequate (such as poor or incomplete documentation to support procurement, purchase, payment or receipt of goods and services, and poor internal controls for authorisation and segregation of duties)?
17. Do subcontractor records and systems reflect inadequate internal controls?
18. Is there a lack of internal, ongoing monitoring of the controls that are in place or failure to take any corrective actions, if needed?
19. Is management unaware of, or does it display a lack of concern about applicable laws and regulations (for example, companies acts, charities acts, child protection, funding agreement, contract for services)?
20. Are there specific problems or reportable conditions that were identified by prior audits or other means of oversight that have not been corrected (such as a history of problems, a slow response to past findings or problems, or unresolved present findings)?
21. Is there no mechanism to inform management, directors, trustees or governors of possible fraud?
22. Is there a general lack of management oversight?

Transactional indicators

Consider if any of these red flags are present in your organisation.

1. Are there related-party transactions with inadequate, inaccurate or incomplete documentation or internal controls (such as business or research activities with friends, family members or their companies)?
2. Does the not-for-profit entity have a for-profit counterpart with linked infrastructure (such as a shared board of trustees, governors or other shared functions and personnel)?
3. Are there specific transactions that typically receive minimal oversight?
4. Are there previous audits with findings of:
 - questioned costs?
 - evidence of non-compliance with applicable laws or regulations?
 - weak internal controls?
 - a qualified audit opinion?

- inadequate management response to any of the above?
5. Are transactions or accounts difficult to audit or subject to management judgement and estimates?
 6. Are there multiple sources of funding with inadequate, incomplete or poor tracking, failure to segregate funds or the existence of pooled funds?
 7. Are there unusual, complex or new transactions, particularly if they occur at year end, or the end of a reporting period?
 8. Are there transactions and accounts operating under time constraints?
 9. Are there 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 or collecting duplicate payments?
 10. Are there credit card accounts with inadequate, inaccurate or incomplete documentation or internal controls (such as appropriate authorisation and review)?
 11. Are there accounts in which activities, transactions or events involve handling of cash or wire transfers, or are there high cash deposits maintained with banks?
 12. Are there assets that are easily converted to cash, such as items that are:
 - small size, high value, high marketability or lack of ownership identification?
 - easily diverted to personal use, such as cars, houses, equestrian centres or villas?
 13. Are there accounts with large or frequent shifting of budgeted costs from one cost centre to another without adequate justification?
 14. Does the payroll (including fringe benefits) system have inadequate controls to prevent an individual being:
 - paid twice?
 - paid for non-delivery or non-existence?
 - outsourced but with poor oversight of starters, leavers and payments?
 15. Are consultant agreements vague about work carried out, the time period covered, the rate of pay or the product expected, or is there a lack of proof that the product or service has actually been delivered?
 16. Are sub-contractor agreements vague about work carried out, the time period covered, the rate of pay or the product expected, or is there a lack of proof that the product or service has actually been delivered?
 17. Is there a sudden or rapid growth of newly contracted or existing education providers, for example:
 - a rapid or significant increase in learner numbers for newly contracted providers?
 - providers with large cohorts of newly recruited learners in occupational areas where the provider has minimal or no previous experience?
 - concerns that a provider's infrastructure or staffing is insufficient to manage the increase in learners?

Methods used to commit or conceal fraud

Consider if any of these red flags are present in your organisation.

1. Are there employee indicators such as:
 - an eagerness to work unusual hours?
 - access to or use of computers at unusual hours?
 - a reluctance to take leave or seek support?
 - an insistence on doing tasks alone?
 - the refusal of a promotion or a reluctance to change job?
2. Are there employee issues with auditors such as:
 - a 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 the auditors?
 - an attempt to control the audit process (such as its timetables, access or scope)?
 - the auditee or employee blaming a mistake on a lack of experience with financial requirements or regulations governing funding
 - promises of co-operation followed by subsequent excuses to limit or truncate co-operation?
 - subtle resistance?
 - answering a question that was not asked?
 - offering more information than was asked for?
 - providing a wealth of information in some areas but little in others?
 - explaining a problem by saying, “We’ve always done it that way” or “Someone at 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 (indicated by the overuse of “we” and “our” rather than “I”)?
 - blaming someone else?
 - too much forgetfulness?
 - trying to rush the audit process?
 - an uncharacteristic willingness to settle questioned costs in an attempt to deter further investigation or analysis?
3. Is there a general lack of transparency about how the organisation works, and about its procedures and controls?
4. Are explanations fabricated to support an inability or unwillingness to provide evidence for transactions or assets (such as stated computer failure, loss of electronic data or theft of business records or assets)?

Recordkeeping, banking and other red flags

Consider if any of these red flags are present in your organisation.

1. Are documents missing, copies rather than originals, in pencil or altered, or do they contain false signatures, the signature of an incorrect person or no authorisation where it would be expected?



2. Is there deviation from standard procedures (for example, all files but one having been handled a particular way or all documents but one having been included in a file)?
3. Are there excessive or poorly evidenced journal entries, or a lack of explanation for journal entries?
4. Are there transfers to or from any type of holding or suspension account?
5. Are there inter-fund company loans to other linked organisations?
6. Are there records that are inadequate or have not been updated or reconciled?
7. Are several different banks or bank accounts being used, or have there been frequent changes of bank?
8. Has there been a failure to disclose unusual accounting practices or transactions?
9. Are there unusual accounting practices or transactions, such as:
 - an uncharacteristic willingness to settle questioned costs?
 - non-serial-numbered transactions or out-of-sequence invoices or other documents?
 - the creation of fictitious accounts, transactions, employees or charges?
 - the writing of large cheques to cash or repeatedly for a particular individual?
 - excessive or large cash transactions?
 - payroll checks with unusual or questionable endorsements?
 - payees who have similar names or addresses?
 - non-payroll checks written to an employee?
10. Have delivery needs been defined in ways that can only be met by one source or individual?
11. Is there continued reliance on a person or entity despite poor performance?
12. Have non-business or personal goods or services been treated as business transactions in financial records (such as goods and services purchased for trustees, directors or their family members)?
13. Has the directors' loan account facility been misused (for example, deliberately miscoding transactions to gain personal advantage)?
14. Are material goods or services fictitiously or erroneously reported as having been purchased, with evidence fabricated to support the claim, so they can be used as a conduit to remove funds from the organisation? Potential evidence could include:
 - repeated purchases of the same items
 - identical items purchased in different quantities within a short time period
 - invoices and statements used as evidence for purchases facilitating duplicate transactions or payments
 - anomalies in the format of purchase invoices
 - goods and equipment not being used as promised, or that do not work or do not exist
15. Are legitimate business assets being used for non-business or private use?