

Schools Fraud Health Check Doing the Right Thing in Schools

December 2013

This package has been prepared on the basis of the limitations set out on page 23.



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Introduction

It is recognised that fraud is often one end of a spectrum that begins with poor practice and that poor practices are almost invariably found in organisations, including schools, where frauds are discovered. There is a reason for this - it is that poor practices often derive from weak processes or non-adherence to processes (deliberate or accidental). This in turn leads to a laissez faire attitude with regard to financial control and governance in which weaknesses can be deliberately exploited by an individual with the motivation to commit fraud.

Whilst a poor control environment provides the opportunity and may inevitably lead to fraud, a key issue for schools to consider is the autonomy given by the governing body to the head teacher and other staff involved in financial decisions. If you look at the publicised case studies, it is often these staff who were responsible for the losses. These cases are certainly not unique and there are likely to be many more that remain unreported.

The Audit Commission / Ofsted document 'Keeping Your Balance - Standards for Financial Management in Schools' and more recently the Department for Education (DfE)'s 'Financial Management Standards in Schools' (FMSiS) and subsequent 'Schools Financial Value Standard' (SFVS), have sought to highlight to governors their role and responsibility for good governance and financial management, and encourage proactive involvement in governing the school.

There is a risk of fraud at all levels, including head teachers, finance managers, teaching staff, caretakers or premises managers who are able to take advantage of opportunities afforded by poor governance and control environments and poor practices.

This document is divided into two parts:

- The first part highlights some of the areas of a school's business that have been defined, in a workshop with local authority staff involved in the area of investigation, as being at risk of fraud. Short case studies have been added at **Appendix 1** of this document to help show the type of problems that can be faced - these case studies have been linked where appropriate to the risks contained within the tables below.
- The second part is a self-assessment checklist that can be used by organisations in order to check their own health against the fraud risk areas identified. In addition, we have produced an accompanying Excel spreadsheet which organisations can use to score their controls in order to obtain a red, amber or green rating to help the organisation in considering fraud risks.

In addition to this package, four key sources of guidance that schools may wish to refer to with regard to fraud awareness and governance, are:

[Keeping Your Balance](#)

[Safer Recruitment in Education](#)

[Full Guide for Employers on Preventing Illegal Working in the UK](#)

[Fraud Risks in Schools: Advice for School Governors](#)

School Fraud Risks and Case Studies

Your People

| Type of Risk: Your People | Example Risks | Case Study |
|---------------------------|---|--|
| Recruitment | <p>Senior member of staff recruits family member or friend, or friends or family members are recruited through an agency rather than as a direct appointment.</p> <p>This may result in the best individual not being recruited for the post, reputational damage to the school, and a lack of objectivity in future decision making by senior staff.</p> | <p>There have been many instances where head teachers have appointed friends and family members to roles within schools and questions have been raised regarding the recruitment process, the salaries and/or the qualifications of the individual - links to examples can be found below:</p> <p>Link to case study 1</p> <p>Link to case study 2</p> <p>Link to case study 3</p> <p>Link to case study 4</p> |
| Application | <p>An applicant applies for a post and either fails to declare something they are legally required to declare - for example, a relationship or criminal record or declares something that is untrue, e.g. they are allowed to work in the UK when they are not, or have a qualification which they do not have.</p> <p>This may result in the best individual for the job not being recruited, children's safety being put at risk, and/or the school potentially being liable for a fine.</p> <p>Whilst checks on teacher qualifications are more common and therefore easier to do, it is the checks on non-teaching staff and teaching assistant qualifications that can cause problems.</p> | <p>There is guidance and online training for safer recruitment in education provided by the DfE that should be undertaken by staff with responsibility for staff appointments - a key requirement is that the interview panel must include a staff member trained in safeguarding - this is usually the head teacher - and problems arise where the head teacher takes shortcuts.</p> <p>In addition, there is guidance on preventing illegal working in the UK provided by the UK Border Agency.</p> <p>Links to both these can be found below:</p> <p>Safer Recruitment in Education</p> <p>Full Guide for Employers on Preventing Illegal Working in the UK</p> <p>The finance manager / bursar who falsely stated he was a qualified accountant; and the school that failed to undertake CRB checks in a timely manner</p> |

| Type of Risk: Your People | Example Risks | Case Study |
|---|---|--|
| | | <p>- links to examples can be found below: Link to case study 5 Link to case study 6</p> |
| <p>Inappropriate Pay Awards including:</p> <ul style="list-style-type: none"> • Increments • Honorariums • Bonuses • Allowances | <p>A member of staff falsifies information in order to obtain an excessive pay award which may include those elements listed opposite.</p> <p>This type of fraud may also include conspiracy or collusion between the head teacher, governing body and financial managers and may result in financial and reputational damage to the school.</p> <p>This also happens as a result of poor judgement by the schools management team or governors, and it is not necessarily fraud.</p> | <p>There have been many examples of school staff being paid outside of the School Teachers Pay and Conditions Document (which is currently under review), the most common relating to head teachers' pay exceeding the 'group' for their school. Perhaps the best known example was the alleged £2.7 million in bonus payments made by a school in Brent:</p> <p>Link to case study 7</p> <p>In addition, schools should consider the Ofsted and Audit Commission produced document Keeping Your Balance which provides standards for financial management in schools; including a questionnaire for schools to self-assess the controls in place.</p> |
| <p>Off Payroll Payments</p> | <p>Payments to staff are made through petty cash or by other means in order to avoid the individual's and the school's duty to pay tax or national insurance.</p> <p>This may result in reputational damage and/or a fine from HM Revenue and Customs. In addition, if unpaid tax / national insurance cannot be recovered from the individual, the employer will be liable, in addition to any fines imposed by HMRC.</p> | |
| <p>Long Term Sickness</p> | <p>A member of staff represents themselves as sick and finds employment elsewhere whilst continuing to receive payment from the school.</p> <p>This may result in financial loss as the school may need to appoint extra resources to cover the absence.</p> | |

Procurement

| Type of Fraud Risk: Procurement | Example Risks | Case Study |
|--|--|--|
| <p>Collusion / corruption in supplier selection can be described as 'an illicit agreement between two or more parties, typically to limit open competition in the procurement process'</p> | <p>A member of staff with responsibility for the award of a contract colludes with the contractor in order to benefit the contractor, sometimes in return for a bribe or favours. Alternatively, the organisation or contractor breaches procurement regulations in order to win or roll-over a contract.</p> <p>This may result in a breach of procurement regulations which may not represent value for money, reputational damage and potential legal action by other contractors.</p> | <p>There have been many instances where a school has appointed a company, belonging to a friend or relative, to deliver goods and services; or where inspection of the appointment process shows that the procurement process had not been followed and relevant declarations of interests had not been made - links to examples can be found below:</p> <p>Link to case study 4</p> <p>Link to case study 8</p> <p>Link to case study 9</p> |
| <p>Leasing (particularly ICT hardware such as whiteboards and photocopiers)</p> | <p>A company approaches the school with what appears to be a reasonable scheme for the leasing of IT equipment. However the agreement is overpriced and the school is duped into purchasing more equipment than they need at a price higher than they can afford and, in some cases, using hire purchase arrangements which schools are forbidden from entering into. The companies that create the lease agreement then sell the debt on to other agencies for collection.</p> <p>As a result, the school may be left with debts it is unable to service and ICT equipment that is not fit for purpose.</p> | <p>There are examples of schools across the UK having been charged up to ten times more than would otherwise have been paid for laptops and other IT equipment through mis-sold lease agreements. Cases reported include a laptop that has a price of between £350 and £400 is being charged at £3,750 - links to examples can be found below:</p> <p>Link to case study 10</p> <p>Link to case study 11</p> |
| <p>Inappropriate Personal Use of Goods or Services</p> | <p>A head teacher uses school funds to procure goods or services for their own use, rather than for the benefit of the school.</p> <p>As a result, the school may suffer financial loss and reputational damage.</p> | <p>The head teacher enters into a vehicle lease agreement on behalf of the school. The vehicle leased is used solely by their partner.</p> <p>The head teacher pays for the refurbishment of a flat that he and his family plan to use for holidays, using money from school funds.</p> <p>Link to case study 2</p> |

Theft

| Type of Fraud Risk: Theft | Example Risks | Case Study |
|--|--|--|
| <p>Cash and Assets:</p> <ul style="list-style-type: none"> Assets e.g.: ICT equipment and inventory, lead flashing, stationery items e.g. from catalogues - printer cartridges, projector bulbs Cash e.g.: Voluntary funds, petty cash, income (e.g. trips, uniform) | <p>There are many areas of school business where there is a risk of theft -</p> <p>The areas listed to the left are typically high risk areas. Some are at risk of internal theft, while other assets are at a greater risk of external theft or collusion.</p> <p>As a result of IT theft, the school may also lose confidential information and may suffer financial loss through penalties and reputational damage.</p> | <p>A school pays for staff barbeque, alcohol and flowers out of voluntary school funds.</p> <p>Link to case study 12</p> |
| <p>Premises Rental</p> | <p>A member of school staff rents out part of the school building for an event,</p> <p>As a result of the inappropriate use of school premises, the school may lose revenue and the users of the premises may possibly be uninsured.</p> | <p>The school caretaker opens the school car park / playground to allow spectators for a nearby sporting event to park. The caretaker charges £5.00 to park, but does not pass the money on to the school.</p> |

False Accounting

| Type of Fraud Risk: False Accounting | Example Risks | Case Study |
|--|--|---|
| False Records | Records are falsified or fabricated to disguise theft of school assets and cash. | The head teacher who raided more than £7,000 worth of funds set aside for children by submitting false invoices. Link to case study 13 |
| Moving Monies between years Delaying Payments | Goods or services that should be bought and paid for in one financial year are attributed to another financial year, resulting in a misrepresentation of accounts. This is often used to disguise fraud or theft in other areas. | |
| Staff Loans | The school gives a loan to a member of staff which is outside of regulations and does not arrange a repayment plan. As a result, the school may suffer financial loss and reputational damage. | A school bursar agrees a loan for herself with the head teacher. . The bursar then supplied false payment receipts to show that the loan had been repaid when it had not. The bursar was sacked and has now repaid the money. |
| Inappropriate increase in finance through falsely stating SEN numbers, student numbers, or free school meals | The school exaggerates the number of pupils receiving free school meals, or incorrectly accounts for pupils that leave during the year, and as a result receives funding to which the school is not entitled. This may cause reputational and financial damage to the school. | |
| Misuse of Public Money | The school pays for gratuities - for example, flowers or entertainment e.g. staff parties using school funds. This may result in financial loss and reputational damage to the school and is never a proper use of school funds. | A school takes teachers to an expensive hotel for a training day, this after making eight members of staff redundant to save money. Links to examples can be found below: Link to case study 14 Link to case study 15 |

Bribery

| Type of Fraud Risk: Bribery | Example Risks | Case Study |
|--|--|------------|
| <p>The Bribery Act 2010 defines bribery broadly 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. Areas that may be of particular risk within school are:</p> <ul style="list-style-type: none">• Results• Procurement | <p>The risk that building contractor offers the head teacher a significant discount on building an extension at their own home (or other inducements) in return for appointing the contractor to deliver work for the school.</p> <p>This may result in reputational damage to the school and may result in a contract that does not represent value for money for the school.</p> | |

School Fraud Risk Health Check - Self Assessment Checklist

Your People

| Type of Risk: Your People | Check |
|--|--|
| <p>Governors and Senior Leaders are not familiar with Governance and Financial matters</p> | <p>Has the governing body assessed its governance and financial management skills and put actions in place to address any gaps?</p> <p>Do school governors receive training in governance and finance?</p> <p>Do all school governors effectively and robustly challenge senior school leaders and apply professional scepticism?</p> <p>Do senior leaders, including the head teacher, receive training in governance and finance?</p> <p>Does this training include fraud and bribery risks?</p> <p>Does the school have a clear whistle blowing policy?</p> <p>Does the school encourage staff to raise concerns about financial irregularities through a whistle blowing policy that is communicated and available to all staff?</p> <p>Does the whistle blowing policy allow concerns to be raised outside of the school's management structure? (e.g. to the governors or local authority)</p> <p>Is there a clear and well communicated policy with regard to the declaration of interests, gifts and hospitality?</p> <p>Is the declaration of interests, gifts and hospitality policy adhered to?</p> <p>Are senior staff and governors cognisant of the way they should deal with declarations of interests, gifts and hospitalities?</p> <p>Does the school receive relevant fraud alerts? (e.g. from the National Anti-Fraud Network, see excerpt at Appendix 2).</p> |
| <p>Recruitment</p> | <p>Does the school have a clear recruitment process?</p> <p>Does the recruitment process include vacancies being agreed by governors?</p> <p>Is the recruitment process followed?</p> <p>Does the school employ or use family members of the senior leadership team for one off projects / support?</p> <p>Is there a clear separation of duties?</p> <p>Could it be considered that the recruitment of such family members was inappropriate?</p> <p>Does the school require relations employed in the school to be detailed on application forms?</p> |

| Type of Risk: Your People | Check |
|--|---|
| | <p>Does the application form ask for details of right to work in the UK?</p> <p>Are identity documents and qualifications on application forms checked prior to recruitment?</p> <p>Are references checked prior to recruitment?</p> <p>Is a Disclosure and Barring Service check performed?</p> <p>Are there contracts of employment signed by both parties prior to commencement of employment?</p> <p>Is induction training provided?</p> |
| <p>Pay Awards including:</p> <ul style="list-style-type: none"> • Increments • Honorariums • Bonuses • Allowances - links to examples can be found below | <p>Do school salaries (especially those of the senior leadership team) conform to the School Teachers Pay and Conditions Document?</p> <p>Are governors made aware of increments, honorariums, bonuses, allowances and gratuities paid to staff?</p> <p>Is there appropriate separation of duties with regard to the award of these payments?</p> <p>Is the salary to budget ratio monitored by governors with finance knowledge?</p> <p>Do governors review all pay awards and increments and ensure that these are made in accordance with the School Teachers Pay and Conditions Document?</p> |
| <p>Payroll (Ghost Employees)</p> | <p>Is access to payroll systems only granted to those who require it?</p> <p>Are payroll functions suitably segregated?</p> <p>Is the process for leavers clear and followed?</p> <p>Have data matching checks been undertaken for duplicate names, addresses and bank account details?</p> <p>Are the monthly pay reports checked and signed?</p> <p>Are budget variations in payroll spend monitored, and are higher than budgeted staff costs accounted for?</p> |
| <p>False Claims for:</p> <ul style="list-style-type: none"> • Overtime • Expenses • Unauthorised Use of Procurement Cards | <p>Does the school have a clear, comprehensive and well communicated expenses policy setting out exactly what staff can claim for and in what circumstances?</p> <p>Do all expense claims include original supporting documentation?</p> <p>Are explanations sought where this is not the case?</p> <p>Is there a process whereby the head teacher's expenses are reviewed or authorised by governors?</p> <p>Is petty cash only used to reimburse expense claims supported by a receipt, rather than paid out in advance?</p> <p>In instances where advance payments are made, are unexpended funds timely returned and is original documentation for expenditure reconciliation provided?</p> |

| Type of Risk: Your People | Check |
|---------------------------|---|
| | <p>Has the school prohibited the use of credit and debit cards?</p> <p>If procurement cards are issued, are the statements received by the school and not just by the card holder?</p> <p>Are these statements monitored and reconciled to expense claims?</p> <p>Does the school have a 'no exceptions' time limit for the submission of expenses?</p> |

Procurement

| Type of Risk: Procurement | Check |
|--|---|
| Procurement, including: <ul style="list-style-type: none"> • Not following Procurement Guidelines • Splitting Tenders • Nepotism • Bribes • Collusion / Corruption • Rolling Contracts Forwards • Misuse of Single Tender Actions • Procurement Card Abuse | Does the school have a clear and well communicated process with regard to the procurement of goods and services? Is the process adhered to? Are senior staff aware of governance and the requirement to declare interests, gifts and hospitalities? Are relevant contracts (as identified by the scheme of delegated authority) subject to a competitive tendering process? Are standard procurement templates / tools used for transparency and consistency? Is there a segregation of duties in business case approval and the procurement process? Do authorisation limits require anything over a set limit to be signed off by the relevant governors committee? Can the same individual requisition and approve orders? Are the circumstances in which a single tender action may be considered clear? Are any tender waivers agreed by the governing body? Are all single tender actions considered by the governing body? Are undeclared interests that subsequently come to light treated as a breach of contract and a disciplinary offence? All requirements for staff resources and subsequent recommended appointments approved by an independent panel? Are consultants only employed where there is a clear business need with approval and sign off? |
| Leasing (particularly ICT hardware such as whiteboards and photocopiers) | Have relevant staff within the school been informed / reminded of which leasing agreements are allowed and which are not permitted? Is there a clear channel for advice to be sought from the local authority in order to clarify complex lease agreements? |

Theft

| Type of Risk: Theft | Check |
|--|--|
| Theft / False Accounting including: <ul style="list-style-type: none"> • Bursar making payments to him / herself • Office staff pocketing money raised through fundraising activities • Undeclared revenue - e.g. rental of school premises at weekends | Does the finance manager have too much autonomy? Are the results of fundraising activities publicised? Are records of cash received kept and are all funds including any 'unofficial' fund and petty cash reconciled to cheque stubs and bank accounts by someone other than the bursar? Are the accounts reported and explained to the governing body? |
| Stolen / Forged / Missing Cheques | Are bank accounts reconciled with cheque stubs and queries followed up with the bank if necessary? |
| Mandate Fraud (payment diversion resulting from inappropriate changes of account details) | Is there a clear process in place in order that any change requested to a supplier bank account is verified and the veracity of the request ensured? |

Appendix 1 - Case Studies

Case Study 1

Funds 'Mismanaged' at Academy

One of the country's flagship free schools has been accused of serious financial mismanagement. As a free school, it is state funded but not under local authority control. A draft Education Funding Authority (EFA) report was leaked to the BBC's Newsnight programme and the DfE has now published a redacted final version of it on its website.

The school was paid a £182,933 grant when it opened in September 2011, but the EFA investigation found that £59,560 of payments were not supported by any evidence of payments being made, and £10,800 of this was supported by fabricated invoices for rent.

There was also a total of £26,775 which had been over-claimed against payments which had been made legitimately.

Therefore, there was a total of £86,335 which had not been used for its intended purpose. The DfE said that when the discrepancies were discussed with the academy, the academy was able to provide some evidence of legitimate payments which resulted in the total amount which could not be justified being reduced to £76,933.

The DfE says there is a plan in place for the school to pay back that amount.

The report also flagged up the fact that a number of the head teacher's family members were hired to work at the school. His brother was on the board of governors, his sister was a senior teacher at the school, his wife also worked there and his father drove the school bus.

Speaking on condition of anonymity, a former staff member spoke to Newsnight about their time at the academy.

'I think with the benefit of hindsight, now looking back on it, it's fair to say certainly the key decisions or the key power and authority was based around his family,' they said.

The EFA report does not say whether the head teacher's family members were appointed through the usual processes or not. However, it did flag up that some staff were appointed without interviews.

'We were informed that a small number of staff were employed by the academy without applying for posts, although they were interviewed by the governing board members to ensure their suitability' the report said.

The school's former finance director also spoke to Newsnight saying '... [the head teacher] would do a lot of things behind closed doors. He wouldn't get me involved or anybody else. And I don't know how much he was telling the governors and, even if he was telling them, the majority of them were all their friends anyway, so they would back him up,'

<http://www.bbc.co.uk/news/education-24677371>

Case Study 2

Police Investigate 'Super Head'

Police have told parents and pupils at a school in Lincolnshire that they are investigating financial irregularities relating to a head teacher of a Lincolnshire school. The Trust responsible for the school found out earlier in 2012 that the former chief executive had used his school credit card to buy erotic games and sex supplements.

A report from the DfE also found that he had employed his wife, son and daughter in well paying positions and spent school cash on personal tax advice, training for his own son and a luxurious makeover of a flat owned by the school and a private apartment in a French chateaux retreat, which he intended to use.

<http://www.theguardian.com/education/2012/apr/27/inquiry-academy-chief-school-funds>

Case Study 3

Academy Head Quits Amid Claims of Misusing School Money

A head teacher has stepped down from her £170,000 a year post after allegations of financial mismanagement.

The allegations first emerged in 2012, highlighting the dangers that academies face in maintaining budget controls once overseen by local authorities through strictly controlled spending guidelines. During her time as head teacher, the academy received repeated ratings of 'outstanding' from Ofsted inspectors.

The government's school spending watchdog, the EFA, issued a report detailing loose accounting and spending controls at the school, including £3,000 spent on flowers in one year. In addition, the EFA's report found that between January 2011 and August 2012, the school spent £11,500 on travel, £8,400 of which was not on school business. That total was said to include trips taken by the head teacher to restaurants and hotels in London, some of which was repaid later.

'It is clear that the personal use of the academy taxi accounts was widespread before the school became an academy, continued after conversion, and that, until prompted by the bursar, there was no attempt to ensure that all personal costs incurred had been identified and repaid' the EFA reported.

The EFA also found that seven members of the head teacher's family, including her mother and children, had been employed in one form or another by the school. In addition, her sister made five promotional films for the school and got paid £25,000 over five years. According to the EFA investigation, the head teacher appeared to have blurred the boundaries between personal and professional resources. The investigation had been triggered by a whistleblower.

The head teacher had a dual role, meaning she was both head teacher and school accounting officer, allowing her wide powers over the school's spending.

The school also held overnight meetings in hotels in Hertfordshire, which cost £8,000, and at a London hotel costing £4,400.

The report also estimated that the head teacher received about £15,000 for consultancy and speaking fees during school time.

http://www.hamhigh.co.uk/news/quintin_kynaston_academy_head_jo_shuter_spent_7_000_of_school_s_cash_on_own_birthday_st_john_s_wood_headmaster_headteacher_1_2206325

Case Study 4

DfE Report Exposes Conflicts of Interest at Free School

A DfE report, leaked to Channel 4 News, criticised a free school in Derby, suggesting that the governors had conflict of interests with school suppliers, and that they had not kept accurate accounts.

The report follows an audit of the school, which revealed irregular payments in excess of £20,000, as well as the close involvement of some of the governors with suppliers to the school 'either directly or through family connections'.

The DfE's audit said the school had been left in a 'complicated' situation after the resignation of several senior figures, including the principal, vice principal and business manager.

According to the audit, those who had conflicts of interest are reported to be one former governor and one current governor whose companies supplied the school, one governor with relatives working as suppliers to the school, and another governor with a relative working at the school.

It found further potential conflicts with one governor whose company provides HR services to the school. There was also found to be no complete record of expenditure or receipts from September 2012 to August this year [2013]. The report also exposed gaps in policies at the school, which it said had no guidance on what travel expenses or meals could be claimed.

Ofsted's report, published last month, condemned the running of the school, concluding that the governing body is ineffective and had failed to appreciate how poor pupils' experiences are. It stated: 'The basic systems and processes a school needs to operate well are not in place. The school is in chaos and reliant on the goodwill of an interim principal to prevent it totally collapsing'.

<http://www.channel4.com/news/al-madinah-free-school-department-for-education-report>

Case Study 5

Bursar Accused of Stealing School Cash

A school bursar accused of pocketing £80,000 in a decade-long swindle appeared in court charged with 29 fraud and theft offences alleged to have been committed while he worked at a school in Bromley.

It is alleged that the bursar falsely stated he was a qualified accountant and an associate of the Chartered Institute of Management Accountants when he went for the job in 1995. He is said to have siphoned off a series of debts owed to the school by Lloyds TSB bank and managed to cover up the thefts until August 2005. He is also accused of fraudulently obtaining cash transfers, including one to fund a car.

<http://www.bucksfreepress.co.uk/news/1636344.0>

<http://www.telegraph.co.uk/news/uknews/1572328/School-bursar-stole-63000-for-holidays.html>

Case Study 6

School Caretaker was Serial Fraudster

A conman with 95 crimes to his name worked in a Maryport school for seven months because his Criminal Records Bureau check was delayed.

The 'persistent fraudster' was caretaker and site manager at a school, had the master keys and alarm codes as well as being in charge of the CCTV cameras.

The head teacher said the system had taken too long, but the caretaker had no direct responsibility for children.

He had access to all areas of the secondary school and in the evenings worked unsupervised. He appeared in court to be sentenced for two counts of fraud.

One charge related to his job interview for the school, when he did not own up to his criminal past and pretended to have a first class degree in electrical engineering. The other concerned lies he told about his qualifications to previous employers.

He started work at the school in June 2009 and, until January 2010, no suspicions were raised about either his character or work.

Then a laptop was stolen and a member of staff noted he was 'uncomfortable' when she told him about the theft.

<http://www.newsandstar.co.uk/news/cumbria-school-caretaker-was-serial-fraudster-1.799106?referrerPath=news>

Case Study 7

Head Teacher Avoids Jail over Fraud

A head teacher who was receiving a salary of £160,000 a year when he retired in 2009 was given a suspended prison sentence in October 2013 after admitting that he created a false paper trail with regard to on bonus payments and allowances for himself and other staff at the school.

The head teacher pleaded guilty to six counts of false accounting after he admitted creating eight back-payment documents at the same time. The court heard that he paid himself, three staff members and two governors a total of £2.7m over several years through bonuses and salaries.

Two counts of money laundering and conspiracy to defraud were dropped and conspiracy charges against five others were also dropped. In a statement, the local authority said: 'The council will always act robustly and take action where allegations of financial irregularities have been made, to investigate and pursue legal action'.

'In this case the guilty plea of false accounting vindicates the actions taken although we are disappointed the Crown Prosecution Service saw fit not to pursue the conspiracy to defraud.'

http://www.kilburntimes.co.uk/news/schools_2_4502/former_headteacher_wembley_school_accused_of_2_7m_bonus_fraud_walks_free_after_admitting_false_accounting_1_2837336

Case Study 8

Executive Head Teacher Suspended

An executive head teacher who runs five primary schools has been suspended while allegations are investigated over the awarding of a computer contract to a firm run by a man with whom he has a close personal relationship. The schools' governing body has also had its powers over financial and staffing matters removed.

In an email to staff, the head of the computer contractor said he and the head teacher were not together in 2009 when the first contract was awarded to the firm and accused the local authority of 'going on a fishing expedition within the schools to find dirt'.

The schools, which had announced their intention of converting to academy status, had to put the plan on hold once the investigation was launched in April and have appealed to the Education Secretary to intervene in the case.

<http://www.independent.co.uk/news/education/education-news/blow-for-gove-one-of-magnificent-seven-superheads-resigns-after-it-contract-probed-8955314.html>

Case Study 9

Head Teacher Appointed Husband as Consultant on Governing Body

The former head teacher of a primary school who appointed her husband to the governing body, made unauthorised payments to him and claimed further unauthorised expenses for a trip to Sri Lanka, has been banned from teaching.

The General Teaching Council (GTC) found the head teacher guilty of unacceptable professional conduct while head teacher at a school in Yiewsley between November 2003 and 31 March 2009. It banned her for at least two years.

The GTC's committee chairman said that the appointment of the head teacher's husband to the governing body in a consulting role 'required a very clear audit trail as to his appointment', and added that she had a responsibility to make sure that the correct procedures were carried out and the governors advised accordingly. He said the evidence was that there was no note of the appointment, no terms and conditions of employment, and sparse minutes of the governing body as to the appointment.

The GTC's committee chairman added there was evidence that three payments were made to the husband before his appointment on 5 November 2007, and a further £5,200 payment made to him afterwards, which was 'in breach of the delegation authority of the head teacher'. He continued that they are satisfied that the head teacher failed to declare on the register of interest that the individual was her husband; and as the lead professional, the head teacher should have been aware of the need to protect the public interest.

As well as making unauthorised claims for expenses for a trip to Sri Lanka, he said, she also falsified documents, declared incorrect financial figures to the council and authorised payments to builders and their sub-contractors that were 'not in line with procedures', and allowed the consequent false reclamation of VAT refunds. She also made 'irregular' changes to documents, changing one female member of staff's contract from part-time to full-time just before her maternity leave. Another had her contract changed without the consent of, and against the wishes of, school governors.

<http://schoolgoverning.blogspot.co.uk/2010/12/head-teacher-appointed-husband-as.html>

Case Study 10

Schools Lease Scam

The school was approached by a company called Direct Technology Solutions Limited which offered to take on the contract for supplying the school's photocopiers. Their sales person phoned us up and said: 'We've managed to source about 1,000 laptops, would you like any?'

When the school explained it could not afford the equipment, they were told it would not be a problem as the equipment would be free and part of a promotion, so the school agreed to take on 100 computers on the basis that it would not cost anything. The school says they were told they had to sign an agreement to satisfy EU regulations, but were assured that DTS Limited would cover the cost of the equipment. In fact, they had unwittingly signed long-term leases on the laptops. This meant they were effectively hiring the equipment from a finance company.

Initially, this caused them no difficulties because the first few payments on the lease were covered by DTS Limited. But then the company went into administration, leaving the school exposed to an estimated £500,000 worth of liabilities owed to Clydesdale Bank.

The DfE says there is lots of advice available for head teachers, but the Leasing Advisory Service, a claims management company which represents victims of mis-sold leases says it has identified a particular problem with schools leasing computer equipment. Under such schemes, schools effectively hire equipment from a supplier by taking on a loan from a bank that funds the supplier.

An accountancy firm which is investigating the non-payment of leases by schools on behalf of one of the banks which financed the agreements says that this school is just one of dozens of victims. And not only are they facing huge and unexpected costs, but they have also been significantly overcharged.

'For example, a laptop that has a price of between £350 and £400 is charged at £3,750,' one accountant said, adding: 'Some schools were having 100-200 laptops delivered at this price'.

In a statement, Clydesdale Bank said: 'We can confirm that we have financed the purchase of equipment for a small number of local authority schools through a third party.'

'We have acted in good faith and have had no involvement with the supply of the equipment itself, nor have we had any financial relationship with Direct Technology Solutions Limited, who had been selected by the schools as their preferred supplier.'

'We are carrying out our own investigations and have provided information to the police.'

Many other schools have knowingly signed up to lease agreements for photocopiers and other equipment but have still been significantly overcharged by their suppliers.

The Finance and Leasing Association, which represents the banks and other companies financing leases for schools, urged schools to be wary of signing agreements which sound too good to be true. It has recently issued new guidance on leasing in schools and said it would be monitoring developments.

A DfE spokesman said: 'Schools need to be absolutely sure of what they sign up to and read the small print because it is usually very difficult to legally challenge or break these type of contracts'.

'These issues tend to be a combination of very poor decision making from schools and opportunistic / predatory sales tactics from suppliers - so schools need to be clued up.'

'We always help schools as best we can who may be locked into poor deals, but many are reluctant to come forward for help.'

It added that the department was happy to support individual head teachers concerned about their existing or potential leasing agreements.

<http://www.bbc.co.uk/news/education-16441186>

Case Study 11

Warning as Schools are Left with Huge Debts in IT Scam

Almost 169 schools across Britain have been left in debt after being promised free laptops - only to see the company behind the programme fold. The scandal left some schools on the brink of closure with debts representing a sizeable proportion of their overall budget. In several cases, head teachers at the affected schools were forced to quit.

MPs criticised the disclosure last night but warned that schools would be increasingly vulnerable to 'rip-off' deals under plans to turn more primaries and secondaries into independent academies, with complete financial freedom from local authority control.

According to the BBC's Panorama, schools were offered computers by two Hertfordshire-based IT and office equipment supply companies.

Some head teachers were told the equipment was free and had been financed by corporate sponsorship deals.

The head teacher of one school had to quit when it emerged that her school owed more than £500,000 for 125 laptops.

In another school in south London, leased laptops which should have cost £650 rose to £4,000 each. The school's total losses came to £1.9m.

A school in Reading signed a deal for 330 laptops. More than 100 were never delivered and the school was left owing £1m, prompting the head teacher's resignation.

At a Slough school, the head teacher and other members of staff were suspended after being landed with debts of £1.4m. The school was almost forced to close until neighbouring schools stepped in provides funds from their own budgets.

<http://www.telegraph.co.uk/education/educationnews/9561147/Warning-as-schools-are-left-with-huge-debts-in-IT-scam.html>

Case Study 12

Inappropriate Use of Voluntary Funds

A school has defended subsidising its staff barbecue, paying for alcohol at a head teachers' training day and spending £820 on leaving presents. It bought staff who retired or left £796 worth of flowers in a single academic year, and also paid £136 for food and alcohol for a head teachers' conference and subsidised a staff barbecue with £276.

Auditors branded the expenditure as 'inappropriate' and said the school had broken official guidelines.

The head teacher said the money used was not part of the school's budget but was raised from 'voluntary private donations, commissions and parent contributions'.

In its written response, the school accepted the auditors' criticisms, adding: 'The use of the school fund will be reviewed and appropriate action taken'.

But, in a statement to the Advertiser, the head teacher said the money was not part of the school's delegated budget. He said: 'We raise the money ourselves from voluntary private donations, commissions and parent contributions and the monies spent allow us to thank long-standing members of staff and purchase additional items for the pupils.'

<http://www.croydonadvertiser.co.uk/Croydon-primary-school-defends-spending-staff/story-16686891-detail/story.html>

Case Study 13

Head Teacher in £7,000 Fraud

A head teacher who raided more than £7,000 worth of funds set aside for children at a West Midland school has been given a 10-month prison sentence suspended for two years.

The Court heard that as part of her role as head teacher, she was allowed to order items on behalf of the school. In a number of transactions, she visited websites to order items and printed off web pages that detailed the cost of what she said she had 'ordered' so she could claim the money back. However, the prosecutor told the court that the orders never actually processed past the 'proceed to checkout stage' on the websites and that the goods never arrived.

In one transaction, the head teacher obtained money from a school fund allocated for activities, presents and Christmas and Easter treats for pupils.

The head teacher must carry out 240 hours unpaid work and repay her remaining debt to the school as well as £1,200 court costs.

<http://www.expressandstar.com/news/2011/03/09/headteacher-in-7000-fraud-avoids-jail>

Case Study 14

Gratuitous Gifts

A school mired in debt took teachers to an expensive hotel for a training day - after making eight members of staff redundant to save money. The school spent £752.55 on a trip to a hotel when the school had a deficit of £78,929. The bill covered lunch for 39 members of staff at a cost of £602.55 and £150 to hire a conference room.

The outing was one of a number of extravagances and discrepancies highlighted in the school's audit for the 2009/10 financial year. In its audit report, the school was given a rating of 'no assurance' - meaning it had significant weakness in the way it was being run.

<http://www.croydonadvertiser.co.uk/Gratuitous-gifts-overpaid-head-teacher/story-11362330-detail/story.html>

Case Study 15

Head Wrote 'Unlawful' Cheque

A head teacher bought his staff lunch and then reimbursed himself with the school's money. A former head teacher of a London school spent £75 on food for his teachers then signed off a cheque to pay himself back.

In uncovering the 'questionable expenditure', auditors who visited the special school said: 'This payment was a reimbursement to the head teacher authorised by the head teacher for which the receipt had been misplaced'.

'Staff meals should not be (paid for) from school funds. The auditor pointed out that the head teacher's 'unlawful' actions had broken Section 50 of the School Standards and Framework Act 1998. It states that, as a 'custodian of public monies', a school must ensure funds are spent explicitly for its own purposes.'

Concerns were also raised that staff had spent £66.99 on flowers, which the auditor deemed 'gratuitous and not (an) appropriate use of public funds'. In the report, the school said all future expenditure would be managed appropriately and any staff meals paid for with school funds agreed by the governors.

However, the auditors responded: 'The purchase of flowers and staff meals, regardless of whether agreed by the governors, would only in exceptional circumstances not be considered inappropriate'.

<http://www.croydonadvertiser.co.uk/Head-wrote-unlawful-cheque/story-11370292-detail/story.html>

Appendix 2 - Excerpt from NAFN Intelligence Alert

Christmas that Rocks! / X-Factor - Possible Scam

We have been inundated with contacts from schools who have been approached by email to take part in an event entitled 'Christmas that Rocks'. It is purported to involve singing and recording of a CD of three Christmas songs with stars of the X-Factor, at an event to be held on 16th November 2013 at the ExCel Exhibition Centre in London.

We would like to warn all schools that this offer may not be what it seems and schools are advised to proceed with extreme caution if approached by this organisation.

The ExCel Exhibition Centre have confirmed to us that although they have received an initial enquiry about hiring their venue for the 'Christmas that Rocks' event, there has been no actual booking of the venue by the promoter. This is suspicious given that the application pack for the event states the exact date, venue and timings for the day. Furthermore, the 'X-Factor' email address provided to the school for queries has proved to be unobtainable and both the venue and ITV have confirmed that this event is not linked in any way to the X-Factor.

The promoters are asking for a minimum of 50 people from each school to attend at a cost of £10 per person if places are booked and paid for before the end of June, along with up to an additional £10 per person for X-factor t-shirts. If this event doesn't take place, this could represent a significant financial loss of parental payments.

In all circumstances we would advise schools to seek guarantees from the promoter before making any financial commitment to marketed events such as this.



The content of the package includes case studies which are real life examples which are in the public domain.

It is noted that the package only serves as a tool to help raise awareness and understanding of the issue of school fraud. It does not alone constitute a comprehensive approach to tackling fraud. Fighting Fraud Locally outlines further aspects to be considered.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

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Contact Details

If you have any comments on any aspect of the package, or if you need any assistance regarding any of the next steps, we would like to hear from you.

We have a dedicated team with the relevant skills and experience of delivering both preventative work and investigations within the Local Government sector, as well as across the wider public and private sectors.

We also have a range of specialist tools which we can utilise to help you, either with more complex investigations, or to analyse data sets in key fraud risk areas as part of your preventative approach to countering fraud.

Specifically, we are keen to develop this further, so please let us know if you have any bespoke requirements and/or any ideas for further modules which would be of value to you.



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