

Fraud risks in schools

advice for school governors



As a school governor, should I be concerned about fraud?

Yes, school staff are usually completely trustworthy, but things can sometimes go wrong. This can have dire consequences for a school.

Anyone can be subject to pressure or temptation. Those who have high levels of control and low supervision may be tempted.

Types of risks particular to schools include:

- wages and overtime claimed fraudulently;
- fraudulently contracted work or pay for contractors;
- misappropriating money for school trips or petty cash; and
- lack of regular scrutiny by senior management, governors and internal audit.

Some school governors are unsure what to challenge and or scrutinise in detail. Here are two cases where things went wrong.

A secretary worked at a school for nine years. She was responsible for paying invoices and managing accounts. She was due a pay rise; the headteacher signed the necessary form but

soon after left the school. After the postholder left, the secretary forged the headteacher's signature and backdated her pay rise. She also forged signatures on school cheques with which she paid her own debts. The secretary was then off work ill and the new headteacher discovered the backdated pay rise in the school accounts. More investigation led to the forged cheque being discovered. The loss to the school was £20,000.

A special-school headteacher falsely claimed expenses to finance trips to the horse races. He used school funds to pay his own mobile phone and petrol bills. The headteacher was helped in the theft by the deputy headteacher, who was complicit in the fraud. The loss to the school was £90,000.

School governors share a responsibility for protecting taxpayers' money

As a school governor you have a special additional role. As governors you are individually and collectively responsible for proper control of your school's finances. The buck does not stop with the financial administrator.

Fraud risks in schools

advice for school governors

Being a school governor means putting the interests of taxpayers and children first. School governors have a responsibility for the sound finances and reputation of their school.

Hopefully, you will have productive and friendly working relations with your school staff. However, in some places these friendships become too close.

If you think something is not right, say so.

Do:

- act quickly;
- record your concerns – the more detail the better; and
- tell someone – for example, call the internal or external auditor.

Don't:

- accuse anyone you suspect directly;
- investigate the matter yourself;
- do nothing; or
- be afraid.

Indicators of fraud can be behavioural, financial or organisational.

Behavioural indicators

- Increased stress for no obvious reason.
- Hesitancy, avoidance or confrontation when asked direct questions.
- Secretive or economical with the truth.
- Personal problems, including financial problems, alluded to but not shared.

- Reluctance to take holiday entitlement.
- Poor work practices, including bending rules, or using 'short cuts'.
- Constant complaints about the person from others.
- Person works late for no obvious reason.
- Lifestyle not equal to income.

Financial and organisational indicators

- Late or poorly presented accounts.
- Accounts and documents not circulated in advance.
- Accounts that do not balance.
- Financial inaccuracies that cannot be explained clearly.
- Poor records and minutes.
- Lack of openness and transparency, key decisions taken outside meetings.
- Poor forward planning.
- Final demands and 'red letters' received by the school.

For more information contact the Audit Commission

Alan Bryce

Head of Counter Fraud

0844 798 2343 / 0776 644 2593

a-bryce@audit-commission.gov.uk

Duncan Warmington

Technical Specialist Counter Fraud

0844 798 2271 / 0787 960 8945

d-warmington@audit-commission.gov.uk