

## **Springhead School – reviewed 16.3.21**

### **Are there adequate arrangements in place to manage related party transactions?**

#### **What does the question mean?**

##### **What is a related party transaction?**

A related party transaction is one where a contract is awarded to a person or body that has close links with the persons awarding the contract. It is a concept that largely applies to companies, but the same principles apply to public bodies such as maintained schools.

The principle is not that such transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are adequately and appropriately managed.

##### **What related party transactions might arise in schools?**

A member of the governing body, or a member of staff, or a close relative of such a person, might have a stake in a company or organisation that was bidding for a contract to be awarded by the school. The governor or member of staff concerned must declare this interest and take no part in the procurement procedure. The same would apply if a close relative of a governor or member of staff was applying for a job at the school.

##### **How should interests be declared to avoid conflicts of interest?**

The principal route for this is the declaration of business interests (Question 4). However, if any situation arises which is not covered by the register of business interests, any governor or member of staff should look to err on the side of making a new declaration of interest rather than putting the school in a potentially difficult position where a relevant interest had not been declared.

## **Good practice**

**The school should be aware of and have a record of any related party transactions that have been arrived at through proper procedures.**

As stated above, a related party transaction may in some cases provide the best deal and the best value for money. But to avoid any appearance of impropriety, the school should keep a record of any related party transaction, including:

- the value of the contract
- the person at the school whose interest makes this a related party transaction
- how the procurement (or appointment) was handled in order to avoid any impropriety either in practice or in appearance

## **What do you do if things are not right in your school?**

**What to do if you have an existing related party transaction that is not properly documented.**

You should immediately take steps to document the transaction as indicated above under good practice. If this suggests there may have been some impropriety, you should consider whether the school can extract itself from the contract and how soon this might be done.

## **25. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers?**

### **What does the question mean?**

**What are adequate arrangements against fraud and theft?**

Schools need a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. Arrangements should both prevent malpractice, and enable prompt detection should it nonetheless occur.

### **What are possible types of fraud and theft?**

The list below gives examples but cannot be exhaustive:

- theft, such as retaining cash collected for school dinners, trips or taking away school assets for personal use
- false claims, such as travel which did not take place or for un-worked overtime
- unauthorised purchase of equipment for personal use
- improper use of petty cash for personal purposes
- failing to charge appropriately for goods or services, such as not charging for school rooms used for private functions or providing improper gifts or hospitality
- processing false invoices for goods or services not received and pocketing the proceeds
- making false entries on the payroll, such as inventing a fictitious employee and arranging to be paid an additional salary
- payment of inappropriate bonuses
- misusing school financial systems to run a personal business
- improper recruitment, such as employing a family member or individual known personally to a member of staff without following appropriate recruitment procedures
- buying from a supplier or contractor known personally to a member of staff without following required procurement procedures or declaring a business interest
- separating purchases to avoid tendering thresholds
- suppliers or contractors failing to deliver the agreed goods or services but still being paid in full

### **Noting any instance of fraud or theft detected in the last 12 months.**

All schools should keep a written log of any instances of fraud or theft detected. This should include attempted fraud or theft, so long as this would not prejudice any on-going action such as legal action against the perpetrators. This log will help the school to identify patterns of

misconduct and any weaknesses in their current arrangements that need to be addressed.

### **Why you need to have adequate arrangements in place to guard against fraud and theft.**

Schools manage substantial sums of public money and consequently need to safeguard public funds. Local authorities would be likely to take strong action against maintained schools that appeared persistently vulnerable to fraud and theft.

## **Good practice**

### **How to ensure that your school has adequate arrangements in place to safeguard against fraud and theft.**

The governing body will expect the headteacher and other senior staff to assure them that adequate arrangements are in place, rather than seeking to put operational arrangements in place themselves. The main features of such arrangements are likely to include:

- financial management checks, reconciling accounts at the end of each month and keeping an audit trail of documents
- separation of duties – no one member of staff should be responsible for both validating and processing a transaction, for example, certifying that goods have been received and making the payment for them
- strictly limited access to systems for authorising and making payments
- spot checks on systems and transactions – this will help identify new risks and measure the effectiveness of existing controls. It also indicates to staff that fraud prevention is a high priority
- investigation and logging of every incident of irregularity, including instances of attempted fraud
- careful pre-employment checks on staff who will have financial responsibilities
- making staff members' financial responsibilities clear through written job descriptions and desk instructions

## **Make the information available to all staff.**

The governing body and headteacher should inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them, and the consequences of breaching these controls. This information should be included in induction for new school staff and governors. Staff should be reminded of this information if an incident occurs.

## **What do you do if things are not right in your school?**

### **What to do if adequate arrangements are not in place in your school.**

Adequate arrangements will need to be put in place as soon as possible. If you are unsure how to do this and are a maintained school, you should contact your local authority urgently. You need to identify which arrangements are not adequate and agree an action plan to address them with a deadline for implementation. Once the new arrangements are in place, you should evaluate their effectiveness and regularly review the school's full arrangements to make sure they remain adequate.

### **What to do if fraud or theft is suspected or discovered, including any instances of attempted fraud or theft.**

Maintained schools should contact their local authority for help and support in instances where fraud or theft is suspected or discovered and should always report the matter to the local authority.