

BRIEFCASE

Identifying and Preventing Fraud

Trustees are responsible for managing and protecting their charity's money and assets. With fraud estimated to cost charities about £1.9 billion a year, it's vital that charity boards and senior leadership have processes in place to reduce the risk of fraud, can identify fraud and understand how to respond to fraud in their charity.

Trustee Responsibilities

Trustees' responsibilities include protecting their charity finances and assets to enable them to deliver their charitable outcomes. Financial controls and records – and fraud prevention – are trustee responsibility. A trustee should be able to demonstrate what you have done and how your actions are in the best interest of the charity. Your actions and prevention measures should be reasonable and proportionate to the risk you face.

Policy

A charity might benefit from implementing appropriate policies, such as anti-fraud and whistle-blower policies. It is important that the policies detail your stance on fraud so that everyone is aware of what is acceptable and what isn't.

A good anti-fraud policy should include a statement about the key fraud-related risks that your organisation faces; the process to be followed if fraud occurs; the roles senior staff and trustees have taken on in relation to fraud prevention and identification and how anyone can report fraud or suspected fraud.

Culture

A culture of ethical behaviour is key to combating fraud. Culture is developed from behavioural norms and values and your organisation's leadership. So, as well as leading by example, you create this culture by promoting, supporting and teaching ethical values.

Risk Assessment

Do not make the mistake of treating fraud as a separate issue to the rest of your risk management; you should regularly review the types of fraud your charity is exposed to, just as you do for every other risk you assess.

As part of your risk assessment process, you can should break down your cash flows and assess where there is the potential for fraud or theft to occur.

Controls

Whenever your risk assessments identify a potential for fraud to occur, your immediate response should be to minimise the risk. The most direct and effective way to do this is likely to be with robust financial controls and record-keeping.

Some ideas for controls that may benefit your organisation include:

- Keep thorough records of income and expenditure and do not ignore any source.
- Segregation of financial duties to ensure no 'monopoly' on financial control.
- Treat all staff equally in terms of financial rules within your organisation.
- In terms of financial rules and processes, you should have procedures in place for:
 - Opening/Closing Bank Accounts
 - Changing Signatories or other Bank Account security details
 - Making Payments (Approval etc.)
 - Access to and Use of Credit Cards and Cash

Vigilance

Once your assessments and controls are in place, it is the trustees' and senior leadership/managers' responsibility to be vigilant and on the lookout for warning signs of fraud.

Links

There are various other resources available on-line. You could start by looking at ...

[Fraud Advisory Panel Guidance](#)

[CFG Small Charities Guide to Preventing Fraud](#)

[NCVO Knowhow Nonprofit Guidance on Financial Controls and Record Keeping](#)

Preventing Fraud KC21.100

aQmen Underwriting Services is a trading name of Q Underwriting Services Limited. Q Underwriting Services Limited is authorised and regulated by the Financial Conduct Authority FRN 657367. Registered in England under No. 08946569. Registered office: Rossington's Business Park, West Carr Road, Retford, Nottinghamshire, DN22 7SW. Disclaimer: This *BriefCaSE* is intended purely as introductory information on the subject matter and does not provide you with information on risk management or insurance, or advice (whether legal or financial) on which you should rely. You should always seek professional advice specific to your requirements.