

AN INTRODUCTION CHARITY RETAIL FRAUD

Because charity shops often operate on a greater level of trust than regular retail outlets they can sometimes be seen as soft targets for both shoplifters and corrupt staff or volunteers.

Introduction

The role of charity shops involves much more than just selling donated items. They also offer your organisation a window on the high street. But combatting fraud and theft in this area can be challenging because many of the usual rules around inventory don't apply, and shops are staffed by volunteers, employees or a mixture of both.

What is charity retail fraud?

'Charity retail theft' and 'charity retail fraud' are intrinsically linked, but charity retail fraud involves an element of deception. The distinction can be illustrated as follows.

- Shoplifting (which typically involves distraction and concealment) is theft. Switching a price tag, returning a stolen item for a legitimate one or returning a different, lesser-valued item than the one purchased is fraud.
- If an employee steals an item without deception then it is theft. However, if an employee deliberately underprices an item, colludes to give a false refund or manipulates banking records then these things are fraud.

Given the close relationship between theft and fraud it is important to have clear processes in place so that staff and volunteers know where to report concerns and when to report to the police and/or charity regulator.

Common risks

External

- Shoplifting.
- Price tag switching.
- Theft of donations (breaking and entering or unauthorised access to staff-only areas and the stock room).
- Counterfeit banknotes.

Internal

- Theft of inventory (including donated items) by staff or volunteers.
- Pricing a donated item at a discounted price.
- Refunds made by staff or volunteers to their own bank account.
- Theft from takings.
- Identifying items as rag when they are not.
- Theft or undervaluing items with a view to selling them for personal gain.
- Volunteers taking money from the till for 'expenses' such as lunch or travel.

In addition to internal and external fraud, an employee working with a third party can increase the frequency and value of a fraud or theft.

HELPSHEET

Basic controls

These safeguards should always be considered.

- Staff and volunteer training (including crime prevention).
- A well-publicised process for reporting concerns about crime as well as whistleblowing and grievance processes.
- Use of CCTV, alarms and staff monitoring/surveillance.
- A procedure for staff and volunteer purchases (including purchases from rag).
- A process for the disposal of forbidden items such as weapons, alcohol, foodstuffs and counterfeit goods.
- Regular audits, including 'surprise audits' to ensure policies and procedures are followed.
- Documented processes for pricing items and issuing refunds.
- Regular banking reconciliations.
- Joining local 'shop watch' schemes.
- Having an active barring policy.

It is also worthwhile considering the need for a dedicated profit/revenue protection team to manage security and theft, and a counter-fraud function to manage larger cases and fraud.

Warning signs

Certain kinds of behaviour can be red flags for retail fraud.

- Banking not undertaken regularly.
- Unusual refund trends.
- Shop manager is difficult to contact or obtain information from.
- Complaints from the public and/or staff.
- Takings inexplicably low.
- Donations unusually low.
- Gift aid irregularities.

None of these are clear-cut evidence of fraud, but they might point to the need for further investigation.

Taking action

If you suspect charity retail fraud act promptly.

- Ask witnesses to make a note of their suspicions so that statements can be taken at a later stage.
- Follow your internal processes to manage theft and fraud, ensuring that the correct people are informed.
- Report matters promptly to your charity regulator. For reports to the Charity Commission for England and Wales treat it as a serious incident. Use the **online form** to make your report, stating what happened and how you're dealing with it.
- Ensure that recovery processes are considered in all cases.

CHECKLIST

BUILDING YOUR CHARITY'S DEFENCES

ASK YOURSELF:

- Is there a clear route for the public, staff and volunteers to report suspected fraud?
- Do we have a process to manage any allegations received which distinguishes between management issues and criminal behaviours?
- Do we have a clear policy on our disciplinary process and are managers aware of this?
- Do we have a policy on barring customers who have been found to be shoplifting, and is this communicated to all our stores?
- Do our shops belong to 'shop watch' schemes or other local retail community anti-crime initiatives?
- Are our staff and volunteers aware that taking items (including rag) or donations without paying is theft, or that items that are not to be sold to the public are not to be sold to anyone, including them?
- Have we considered the use of CCTV cameras in public and staff areas (for staff and stock protection) and do we have the right policies and procedures to legally do so (including GDPR considerations)?

OTHER RESOURCES

Preventing Charity Fraud contains resources to help charities prevent, detect and respond to fraud.

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DISCLAIMER

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