CREATING AN ANTI-FRAUD POLICY

An anti-fraud policy sets out a charity's stance on preventing, detecting and responding to fraud.

What is an anti-fraud policy?

An anti-fraud policy (sometimes called a 'fraud policy statement') outlines a charity's attitude to, and position on, fraud. It sets out the charity's responsibilities for the prevention and detection of fraud and its response to fraud.

It also sends an important deterrence message to staff and third parties that the charity does not tolerate fraudulent conduct, and that this is supported and endorsed at the most senior level.

A good anti-fraud policy should aim to outline the charity's commitment to:

- effectively manage the risk of fraud;
- establish systems, procedures and controls to prevent and detect fraud;
- encourage staff to report any suspicions of fraud;
- investigate all instances of suspected fraud;
- take appropriate disciplinary and/or legal action; and
- report all suspected fraud to the appropriate law enforcement and regulatory authorities.

AN ANTI-FRAUD POLICY sets out a charity's commitment to building an anti-fraud culture and maintaining high ethical standards amongst its staff and volunteers.

Purpose

The purpose of an anti-fraud policy is to:

- encourage an anti-fraud culture by setting the tone at the top;
- define fraud so that employees are aware what actions constitute fraud and/or misconduct;
- establish the responsibilities of trustees, managers, staff and/or volunteers;
- ensure that all staff know the procedure to follow when fraud is discovered or suspected (including how to report);
- reduce the charity's exposure to fraud;
- act as a deterrent by setting out the consequences of engaging in fraudulent conduct; and
- encourage management to think about fraud and develop a plan to deal with it.

Scope

The policy should cover all instances of actual or suspected fraud and dishonesty involving trustees and staff as well as volunteers, suppliers, grant recipients, partners, contractors and other third parties that have a relationship with the charity.

Designating responsibility

Designate oversight to an individual or body with sufficient authority, such as a trustee, senior manager or the audit committee.

Creating a policy

An effective anti-fraud policy should be simple, concise and easily understood. As a minimum your anti-fraud policy should include the following elements.

Statement of intent

Preface the policy with a short statement that clearly sets out your charity's commitment to prevent, detect and respond to fraud; the behaviour expected of staff and third parties; and the action that will be taken against fraudsters. You may also want to set out the culture you wish to foster within your charity.

Definitions

Define fraud and provide examples of what might constitute fraud and dishonesty in the specific context of your charity. This may include theft, the misuse of funds or other resources, or more complex crimes such as bribery and corruption, false accounting and/or the supply of false information.

Key responsibilities

Everyone has a role to play in protecting your charity from fraud. Highlight the responsibilities of trustees, senior managers, staff and volunteers in preventing, detecting and reporting fraud, and in cooperating with any investigations. Specify the individual and/or body with overall responsibility for the policy.

Reporting suspicions

Set out whistleblowing arrangements (if appropriate) and/or specify designated individual(s) to whom staff and volunteers can report concerns on a confidential basis. Alternatively, if a separate whistleblowing policy exists, state where this can be found.

Fraud response plan

Outline the process that will be followed in the event of a fraud being suspected or discovered. Alternatively, if a separate fraud investigation or response plan exists, state where this can be found.

Review

Set out how frequently the policy will be reviewed.

Communicating your policy

All staff, volunteers and third parties should be made aware of your anti-fraud policy. Actively and regularly promote it throughout the charity. This might include:

- providing a copy of the policy to all new employees with their employment contract;
- including fraud awareness training within your induction programme for new joiners;
- putting the policy on your intranet or on posters displayed in common areas etc; and
- facilitating ongoing awareness through periodic management briefings, staff meetings and/or training sessions etc.

Reviewing your policy

It is essential to review your policy regularly to ensure that it remains relevant, up to date and effective, and takes into account any changes to your charity's operations.

CHECKLIST

HALLMARKS OF AN EFFECTIVE POLICY

ASK YOURSELF:

☐ Is our charity's exposure to fraud considered when introducing new systems and processes or when changing existing ones?

☐ Have we designated responsibility for oversight of the anti-fraud policy to an individual and/or body with sufficient authority?

☐ Are trustees and management kept informed on fraud-related matters, including reports received and investigation outcomes?

☐ Do we have robust internal controls to prevent and detect fraud?

☐ Do we regularly monitor our fraud prevention and detection controls to ensure they are working properly and fit for purpose?

☐ Is our anti-fraud policy reviewed regularly and updated? (Ideally, this should be on an annual basis.)

☐ Are staff, volunteers and third parties made aware of our anti-fraud policy?

OTHER RESOURCES

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