

Countering fraud in Charities and Not-for-Profit organisations

The National Fraud Authority estimates that fraud against the charity sector costs £1.3 billion a year, representing an estimated 2.4% of all income generated in this sector in the UK. As well as the obvious financial impact on charities and the resulting reduction in the services they are able to undertake, the reputation and public confidence built up over many years can be significantly diminished overnight. Despite the significance of this, the importance of managing internal and external fraud risk is often underestimated.

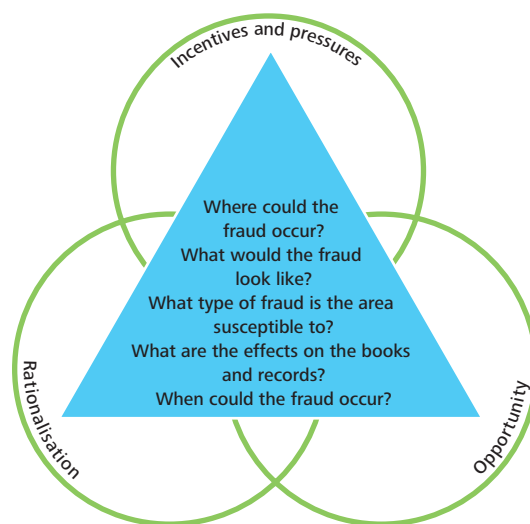
As the economy declines, new organisational threats emerge, not least that the control environment is such that the three factors commonly found when fraud occurs merge into what can be described as the 'Perfect Storm'.

In an environment of job insecurity, the **pressure** to commit fraud increases. Equally, the pace of change facing Charities because of the economy, leads to gaps in the control environment which provides much greater **opportunity** for individuals to commit fraud. The third factor is that the economy increases the capacity for people to **rationalise** fraud.

Charities need to ensure they have adequate and effective controls to mitigate each of these factors so that the risk of fraud is managed.

How we can help you?

The counter fraud team in our Enterprise Risk Services practice offers a comprehensive counter fraud service to help you develop your counter fraud arrangements.



Fraud risk profiling

Many charities recognise that more specific action is needed to give assurance to Trustees that the risk of fraud is being minimised. A first step to achieving this can be a fraud risk profiling exercise to identify areas of the charity at greatest risk from fraud. Once the exercise has been completed we would be able to identify and assess the significance of specific fraud risks and the controls in place to manage these risks.

Assessing your counter fraud arrangements

We can work in partnership with you to develop or assess your existing fraud strategy, policies, fraud response plans and whistleblowing arrangements. Where required we can provide practical recommendations and support to enhance and embed them within your organisation.

Case study:

A UK based charity
We have recently completed a review of the fraud prevention and detection arrangements at a UK based charity. Our work was completed in two phases; the purpose of the first phase was to assess the design of the control framework in place to identify, manage and report on fraud risk. The second phase involved testing the effectiveness of controls by using Computer Assisted Audit Techniques (CAATS) to analyse payroll, purchasing and expense claim data. Our report included management actions to enhance the control framework, a list of additions to be made to the charity's Anti-fraud Policy and details of a number of duplicate expense claims to be recovered from employees.

Bribery Act

Charities that do not have effective anti-corruption policies risk falling foul of the Bribery Act which came into force on 1 July 2011. We can work with you to assess your current policies and processes to ensure that your organisation effectively mitigates risk in this area.

Fraud awareness and training

Fraud is a hidden crime and it essential to raise awareness of fraud so that all staff, the public and any stakeholder can help you in preventing or detecting fraud. We can work with you to review any existing training material or undertake additional awareness or training session for you. We have developed products to improve the efficiency and effectiveness of raising fraud awareness:

- **DeloitteDex (Fraud Awareness survey)** – we can provide your staff with a hyperlink to this web-based product which takes the form of a survey to assess the level of fraud awareness. The survey questions can be tailored to meet your requirements but typical questions include: What would you do if you have a concern? What risks are there in your team? Etc.
- **E-Learning** – we can design or use a pre-existing package to provide fraud awareness training tailored to meet the needs of specific groups or all staff. The package can include a short learning test at the end and produce a record of staff completion.

Use of these tools can help to demonstrate that you have pro-actively embedded a counter fraud culture across the charity.

Pro-active fraud work

We can work with you to develop a prioritised counter fraud programme allowing you to focus and work on the greatest risks. Specific exercises can be planned which can be delivered by your own staff or with our support. One of the most powerful tools at our disposal is Deloitte analytics, which enables us to analyse the electronic data organisations hold. Typically, we perform such analytics on payroll and expenses data although it can be performed on any electronic data file. The payroll master data makes up a key element of your ability to record and manage one of your major assets – your people.

Fraud investigations

Our response to any investigation considers the key issues outlined in the diagram. Early effective planning of an investigation is critical to ensuring that a positive outcome is achieved, ranging from control improvement through to recovering losses and prosecution. Our team of Counter Fraud Specialists and Forensic Services has the skills and resources available to respond to frauds effectively. We are experienced in undertaking investigations in accordance with the Police Criminal and Evidence Act and liaising with the police and relevant authorities to provide comprehensive prosecution files for court and disciplinary purposes.



Further information on our commitment to the Charities and Not-for-Profit sector and our services can be found at:

http://www.deloitte.com/view/en_GB/uk/industries/charities-not-for-profit/index.htm

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