



Managing risk and preventing fraud

Annual Conference of Treasurers
June 2018

Financial risk & responsibilities

- *Quaker faith & practice* Chapter 14
- Charity Commission

East Kent AM

What is fraud?

- “*Fraud is a form of dishonesty, involving either false representation, failing to disclose information or*
- *abuse of position, undertaken in order to make a gain or cause loss to another.”*

- Charity Commission

It needs:

- An act
- Intent

Three possible ways to commit fraud

- Making a false representation.
- Failing to disclose information.
- By abuse of position.

Examples of INTERNAL fraud

- A role holder keeps cash or cheque donations meant for the meeting for themselves.
- A person claims false or inappropriate expenses.
- A role holder abuses a position of trust to override any financial controls.

Examples of EXTERNAL fraud

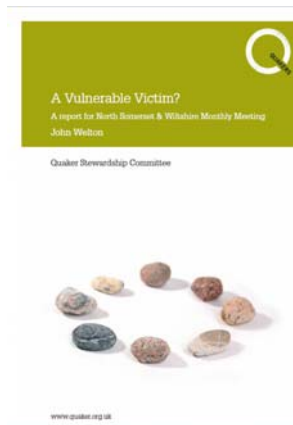
- Someone hijacks a meeting's bank account or creates a fake but very similar website with a donation link.
- A contractor under-delivers or over-charges for goods or services.
- Unauthorised fundraising in a meeting's name.
- Cyber fraud is becoming increasingly common and includes phishing emails, credit card fraud.

How could your meeting be vulnerable?

- Exchange experiences for 10 minutes



How could your meeting be vulnerable?



- Problem of finding people to serve
- Delays in handovers
- Trust and integrity valued more highly than (perceived bureaucratic) controls

What is the cost of fraud?

- An average 5.6% of expenditure is lost to fraud by organisations.
- With proper counter fraud measures this can be reduced to around 1%.

Why are financial controls important?

Internal financial controls are essential checks and procedures that help Friends and their trustees to:

- Meet their legal duties to safeguard the meeting's assets.
- Administer the meeting's finances and assets in a way that identifies and manages risk.
- Ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information.

Examples of robust financial controls are:

- Segregation of duties for financial processes.
- Basic records of all income and expenditure are kept.
- No special privileges for a role holder.
- Bank statements and other accounts are regularly reconciled

Would you detect a fraud?

• Some warning signs in accounting & transactions:

- Unusual discrepancies in accounting records and unexplained items on reconciliations between accounts.
- Missing documents or account books.
- A high number of cancelled cheques.
- Common names (e.g. John Smith) unexpectedly appearing as a payee.
- Duplicated payments or cheques.
- Transactions occurring at unusual times with irregular frequency, unusually in 'round' amounts or to unknown recipients.
- Suppliers regularly submit electronic invoices in non-PDF format that can be altered.

Would you detect a fraud?

- **Some warning signs - people:**

- Vague responses to reasonable and legitimate queries, queries taking a long time to explain or simply not being explained.
- Reluctance to accept assistance with finances.
- A person controls all of the financial processes from start to finish with no segregation of duties.
- Changing of the format of financial information, especially if the new format is difficult to understand.
- Delaying work reviews or audits.

Keeping vigilant

- Identity & impersonation fraud
- Money laundering
- Cybercrime

Help! I've detected a fraud

1. Report

- Charity Commission – serious incident report
- Action Fraud
- Your local police
- Issuing bank
- Information Commissioners Office

2. Prosecute

3. Review

Resources

- BYM website <http://www.quaker.org.uk/resources/directory-of-services/treasurers>
- Association of Church Accountants and Treasurers <https://www.acat.uk.com/>
- www.knowfraud.co.uk
- www.actionfraud.police.uk/resources
- www.cfg.org.uk/fraud
- https://www.bba.org.uk/wp-content/uploads/2014/10/BBA_Know-Fraud_Leaflet_v10_web_low-res.pdf