



PROMOTING BEST PRACTICE  
IN CHARITY FINANCE

# **Fraud and corruption policy**

**December 2006**

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## 1. Introduction

Charity Finance Directors' Group expects employees at all levels will adopt the highest standards of propriety and accountability. This procedure is non-contractual, and sets out the steps we are taking to combat fraud and corruption.

**Fraud** is defined as: "The intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain".

In addition, fraud can also be defined as: "The intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to mislead or misrepresent".

**Corruption** is defined as: "The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person". In addition, "the failure to disclose an interest in order to gain financial or other pecuniary gain."

## 2. Reporting allegations of fraud or corruption

Concerns must be raised when employees reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:

- a criminal offence
- a failure to comply with a statutory or legal obligation
- improper unauthorised use of funds
- deliberate concealment of or complicity in any of the above.

Charity Finance Directors' Group will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner. (See our "Whistleblowing policy")

We will deal firmly with those who defraud Charity Finance Directors' Group, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.

When fraud or corruption has occurred because of a breakdown in our systems or procedures, Charity Finance Directors' Group will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

### **3. Prevention**

#### **3.1 The role of managers**

Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of our Financial Regulations and Procedure Rules, and that the requirements of each are being met in their everyday business activities.

Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Managers are responsible for initially following up any allegation of fraud or corruption received and will:

- deal promptly with the matter
- report the matter to the Chief Executive
- obtain advice from the Chief Executive, who will arrange for an appropriate investigation to be carried out
- record all the evidence received
- ensure that evidence is sound and adequately supported
- contact other agencies, for example the police, when necessary
- notify our insurers, where appropriate
- implement our disciplinary procedures where appropriate.

Special arrangements may be applied where employees are in charge of financial systems and systems that generate payments, for example payroll.

Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed.

#### **3.2 Responsibilities of employees**

Each employee is governed in their work by our procedures and policies (for example health and safety, IT security). They are also governed by our codes of conduct for employees. (Included in this are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest.)

Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of Charity Finance Directors' Group.

Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. However, should he/she prefer (perhaps because the manager is unavailable or indeed might be the cause of the concern), then any of the following, all of whom are designated to deal with such matters, may be approached: Chief Executive, Deputy Chief Executive or any Trustee.

If employees still feel unable to raise their concerns through any of the above internal routes then they may wish to raise them through Public Concern at Work (020 7404 6609) a registered charity whose services are free and strictly confidential.

We recognise that a key preventative measure in dealing with fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. Our equal opportunities policy will be adhered to during this process.

In particular, written references will be obtained regarding known honesty and integrity of potential employees before employment offers are made and checks will be made against the application form regarding qualifications and previous employment.

#### **4            Detection and investigation**

There are systems controls in place to deter fraud and corruption, but it is often the vigilance of employees that aids detection.

In some cases fraud is discovered by chance or by 'tip-offs' and arrangements will be in place to enable such information to be properly dealt with. Any decision to refer a matter to the police will be taken by the Chief Executive.

We will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.

Our disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.

## **5 Awareness and training**

The organisation recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of employees throughout the organisation.

To facilitate this, positive and appropriate provision will be made via induction and for employees via their development plans. This may include specialist training for certain employees.

## **6 Review of this policy**

This procedure will be kept under regular review to ensure its effectiveness. Any comments on this procedure should be made to the Chief Executive.