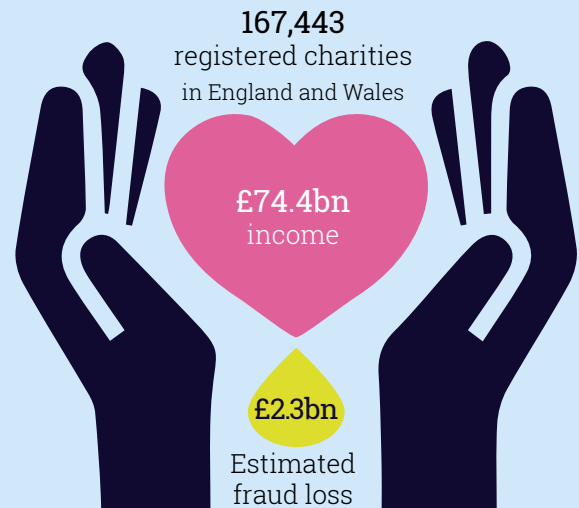


Financial Crime in the Charities Sector and the role of the Trustee

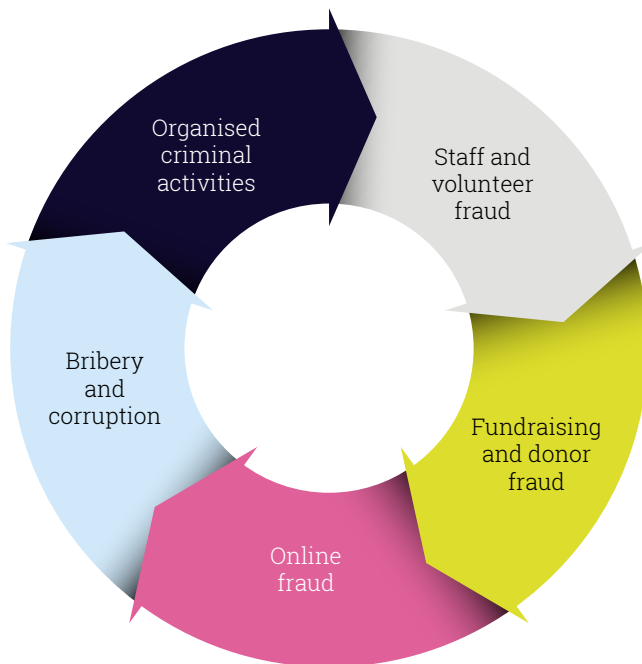
Fraud and financial crime in the UK is on the increase and the charity sector is not immune to this very real threat.

£74.4 billion¹ is a very attractive amount to those who wish to steal from your organisation, regardless of your size. Financial crime may occur within a charity, carried out by someone involved in or connected to it, or the charity may be the victim of crime committed by external individuals or criminal networks. These criminals will target your vulnerabilities.

¹ 2017 UK Annual Fraud Indicator - University of Portsmouth



Where is the Fraud Risk?



"Fraud originates from weak financial controls and poor governance. Those were the contributing factors in most of the cases we reviewed."

Helen Stephenson, The Charity Commission Chief Executive

Staff and volunteer fraud - Fraud committed by someone involved with the charity, whether a trustee, an employee or volunteer who diverts money to themselves.

Fundraising fraud - Asking for donations from a genuine charity but keeping the money, collecting sponsorship for an event not undertaken and keeping the sponsorship.

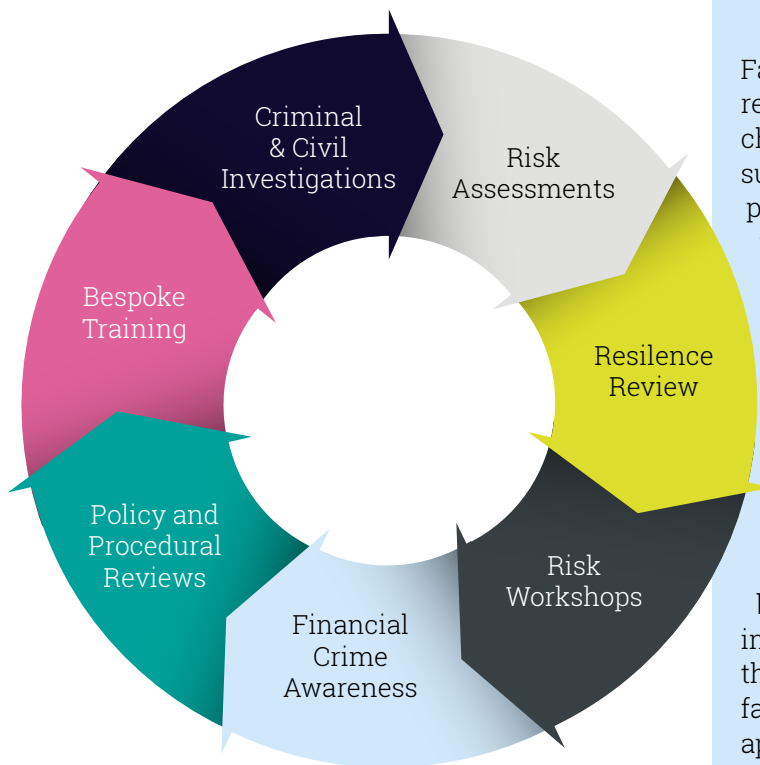
Online fraud - Criminals accessing websites to steal donor information, personal information and bank card details, phishing emails requesting confidential information from the charity which is then used by fraudsters to obtain funds illegally.

Bribery and corruption - Charitable donations can be a conduit for corrupt payments, a trustee could be connected to a political party or a person with a decision making function elsewhere who requests donations made to their charity to win new clients, retain existing clients or to gain a financial advantage.

Organised crime - Unauthorised fundraising in a charity's name e.g. fraudulent disaster appeal websites, hijacking a charity's bank account.

The financial crime landscape and the very real threat criminals pose, highlights the significant importance of regularly reviewing and updating financial controls and safeguards against financial crime, and highlights the importance for trustees to be aware of what is going on in their charities. We recognise a comprehensive and successful financial crime risk management framework interlinks with robust governance and a proportionate strategic and operational approach of addressing your financial crime risks. We also recognise the importance that this must be proportionate to the size and nature of your organisation.

Our financial crime service offerings to assist your charity and trustees include:



What must a Trustee do to prevent Financial Crime?

Trustees' have legal duties to safeguard a charity's money and assets and to act prudently. This means that trustees must:

- do their best and take reasonable steps to help prevent financial abuse of the charity's funds in the first place
- make sure that proper robust financial controls and procedures suitable for their charity and its activities are in place
- make sure they act responsibly when, and in the interests of the charity, dealing with incidents of fraud and financial crime

Failure on the part of trustees to take reasonable and proper steps to protect the charity and its assets, such as not having suitable and proper financial controls in place, or not acting responsibly when dealing with incidents of financial abuse may be regarded as evidence of misconduct and/or mismanagement in the administration of the charity. Ultimately, if trustees do not discharge their duties they may be personally liable to replace any loss, be liable to criminal prosecution or be barred from being a trustee in the future.

Some charities may face additional risks because of the activities they undertake, but no charity can regard itself as being immune to the risk. All trustees must ensure that they are aware of the risks their charities face, assess them objectively and take appropriate and proportionate steps to manage them in the context of their charities and what they do.

Further details

Please contact Allan Maund, Head of Compliance & Risk for more details.

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