



Developing A Charity Fraud Response Plan

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Where the stakes are high and the reaction is critical, we build response plans to protect what matters most and mitigate risks. As stewards of a charity's resources, trustees prepare for different scenarios to ensure that the charity's mission can continue. Your charity likely has in place an insurance policy to protect against property damage or safeguarding protocols to protect children or vulnerable adults. As the most common crime in the UK, fraud comprises over 40% of all report crime. Falling victim to fraud, and in particular failing to respond effectively, can cause devastating financial and reputational damage. A fraud response plan can enable charities to react quickly and proportionately.

Here are four components of an effective fraud response plan:

1) Receiving a report

Your team and stakeholders need to know that you're ready and willing to listen to any concerns which could help fight fraud. It can be as simple as a process for warning colleagues about a new type of phishing email received. Or it might be publishing contact details on your website which would allow a whistleblower to raise concerns about an employee or volunteer's behaviour.

Practical step: Appoint a trustee and a staff member as your "Counter-fraud champions". Share their contact details. Encourage staff and volunteers that they can best protect the organisation by sharing any concerns.

2) Triage

Just like an Accident & Emergency Department, a successful response starts by having the right people informed and asking the right questions. Receiving a report of suspected fraud can be an emotional moment, particularly if it calls into question the integrity of someone you had previously relied upon. Knowing in advance who needs to be made aware immediately can stop you making a misstep. Don't delay in seeking legal help and advice. Use the experience of legal experts to ensure you're asking the right questions and give your charity the best chance of a successful outcome.

Practical step: Ensure your "Counter-fraud champions" have your solicitor's contact details.

3) Investigate

Planning an investigation can prevent the loss of vital evidence or the charity incurring new risks. Consider the scale of the loss involved and how quickly new information can be

acquired. Your legal advisor can guide you when law enforcement or the Charity Commission NI should be informed. Good governance is demonstrated by making a Serious Incident Report and outlining to regulator that you're taking steps to uncover more information. Appoint a small team to lead the investigation and consider what additional support and expertise your team requires – e.g. further legal, HR or financial advice. You can prepare by planning where evidence will be stored.

Practical step: Note in advance what trustees and senior staff members have experience in conducting investigations, particularly interviews.

4) Communication and Response

Clear channels of communication are essential to an effective response. There will be multiple stakeholders who need to be kept informed. It is particularly important to consider your obligations to keep the charity's funders informed. Don't baulk at letting them know there is an investigation ongoing. This is an opportunity to demonstrate good governance to a funder and that you take the threat of fraud seriously. Communication with employees and volunteers will also be essential to ensuring the charity's future health. Regardless of the outcome of an internal or external incident, consider what lessons can be learned and how the charity can improve its resilience. Where wrongdoing is uncovered, consider if the charity can recover its loss.

Practical step: Keep a list of who needs to be updated on the progress of any investigation.

We can't anticipate every scenario a charity might face but that doesn't negate the positive impact of discussing and forming a fraud response plan. Like your charity's safeguarding policy, an appropriate fraud response plan adds significant value by encouraging reporting and creating an outline response which can be adapted as the circumstances require. I also appreciate that the attention of trustees and senior leadership can be thinly stretched over many issues. The next step for your team might be as simple as discussing the threat of fraud internally or with your advisors. At Harbinson Mulholland we're part of the Fraud Advisory Panel, a registered charity which provides a huge number of free resources to help charities like yours. By ensuring fraud is given a place on your charity's agenda, you can reduce the risk of it suddenly dominating the agenda.

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You can also refer to the Fraud Advisory Panel for further resources -

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