



Australian Government



Australian
Charities and
Not-for-profits
Commission

Protecting your charity against fraud

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acnc.gov.au/webinars



To Do List

1. Different types of fraud



To Do List

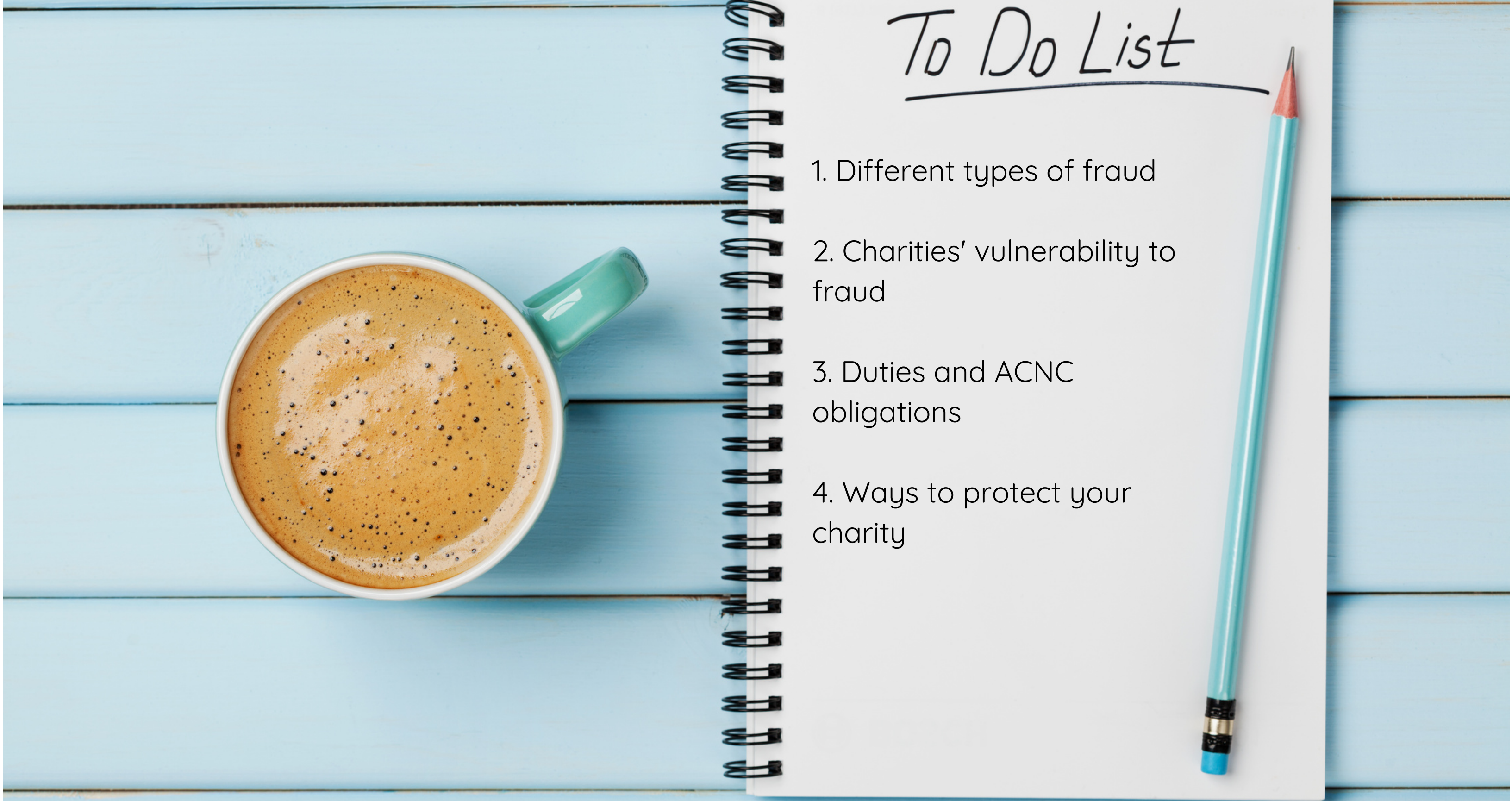
1. Different types of fraud
2. Charities' vulnerability to fraud



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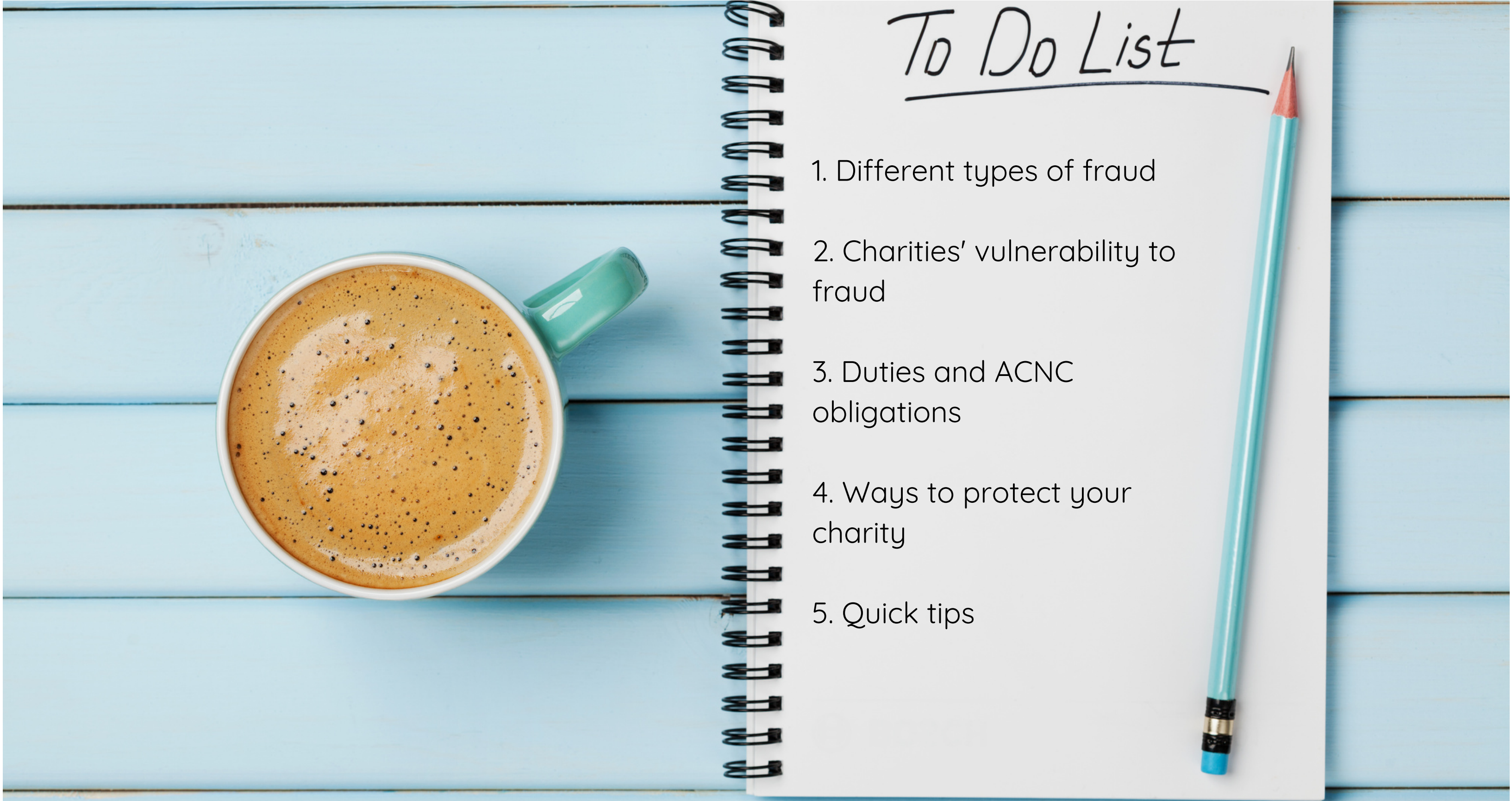
1. Different types of fraud
2. Charities' vulnerability to fraud
3. Duties and ACNC obligations





To Do List

1. Different types of fraud
2. Charities' vulnerability to fraud
3. Duties and ACNC obligations
4. Ways to protect your charity



To Do List

1. Different types of fraud
2. Charities' vulnerability to fraud
3. Duties and ACNC obligations
4. Ways to protect your charity
5. Quick tips

Charity Fraud Awareness Week

Charity Fraud Awareness Week is led by an international partnership of more than 40 charities, regulators, professional representative bodies and other not-for-profit stakeholders.



www.fraudadvisorypanel.org/charity-fraud/charity-fraud-awareness-week/

Charity Fraud Awareness Week



Charity Fraud Awareness Week

- raise awareness
- share good practice
- help charities understand risks
- promote honesty and openness



www.fraudadvisorypanel.org/charity-fraud/charity-fraud-awareness-week/

Charity Fraud Awareness Week



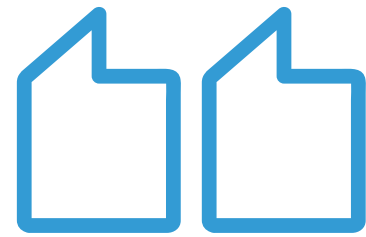
This year's campaign has three core messages:

- be fraud aware
- take time to check
- keep your charity safe.

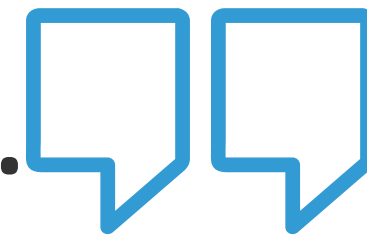


www.fraudadvisorypanel.org/charity-fraud/charity-fraud-awareness-week/

What is fraud?



**Fraud is a form of dishonesty
- where someone acts in a
dishonest way so that they
receive a benefit or someone
else experiences a loss.**



What is fraud?

People can commit fraud in a variety of ways:

- making false representations
- abusing their position
- failing to disclose information
- using other forms of deception



What is fraud?

Fraud can have a negative effect on a charity's reputation, and can profoundly affect staff, volunteers and board or committee members.



Types of fraud

Fraud and other types of financial crime can be classed as either **internal** or **external**.



Types of fraud

Internal fraud

- Stealing goods, money or cash donations
- Misusing charity funds for personal expenditure
- Claiming false or inappropriate expenses
- Claiming false or inflated invoices
- Making unauthorised payments



Types of fraud

External fraud

- Using false invoices to obtain money from a charity
- Committing identity fraud
- Unauthorised fundraising in a charity's name



Are charities particularly vulnerable?

Charities are not necessarily more vulnerable to fraud or financial crime than others.

But there are some things charities share which makes them attractive targets.



Are charities particularly vulnerable?

These include:

- High levels of public trust and confidence providing plausible cover for people.



Are charities particularly vulnerable?

These include:

- High levels of public trust and confidence providing plausible cover for fraudsters.
- A culture of trust that can allow the unscrupulous to operate with less suspicion.



Are charities particularly vulnerable?

These include:

- Problems with oversight due to a small number of people being responsible for a large number of duties.



Are charities particularly vulnerable?

These include:

- Problems with oversight due to a small number of people being responsible for a large number of duties.
- Irregular cash flow, making suspicious activities hard to identify.



RESPONSIBILITY X

Duties and responsibilities

Legal and other responsibilities

- Report concerns to police if you suspect a crime has been committed in your charity.
- Contact your bank if the fraud involves charity bank accounts, debit or credit cards.



Duties and responsibilities

Legal and other responsibilities

- Report suspected scams to the ACCC via Scamwatch.
- Report fraudulent behaviour to state or territory consumer regulators.

scamwatch.gov.au



Duties and responsibilities

ACNC obligations

The ACNC Act requires charities to report breaches of the Act as soon as practicable, and no later than 28 days after the charity has knowledge of the breach.

acnc.gov.au/fraudguide



Duties and obligations


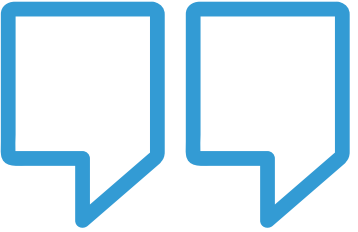
ACNC obligations

- No minimum level that must be reported.
- Charities should consider a number of factors when deciding whether to report an incident.

acnc.gov.au/fraudguide



Duties and obligations

 Reporting an incident is one way to demonstrate that your charity's board or committee members are dealing with the issue appropriately. 

ACNC Charity Fraud Guide - acnc.gov.au/fraudguide



Protection

Protecting your charity from fraud

To identify how to best protect your charity, consider:

- its ethical culture
- its communication flow
- its formal policies and procedures.

It is important to consider these together.



Protecting your charity from fraud

Be clear about your charity's values. Talk about them and model them.

- Set the tone at the top
- Clear expectations
- 'No blame' culture
- Promote fairness
- Protect whistleblowers



Protecting your charity from fraud

Be open about the possibility of fraud, even if the risk is low.

Discuss what fraud is, what it might look like in your charity, and emphasise that you take the threat of fraud seriously.



Protecting your charity from fraud

- Conduct a risk assessment and document the results
- Schedule regular reviews of procedures and policies.

This is especially important if there are changes to your charity's activities, staff, and funding.



Protecting your charity from fraud

Identify the types of fraud your charity might be susceptible to.

Assess and consider fraud risks presented by:

- Your charity's activities
- The roles your charity's people have
- Your charity's banking procedures and fundraising methods



Protecting your charity from fraud

Understand your charity's 'red flags' for fraud: finances.

- Altered, deleted or missing records
- Duplicated payments, unexplained or unusual transactions
- Unexpected invoice or budget variances
- Irregularities identified through audits
- Reconciliations not completed regularly or checked for discrepancies



Protecting your charity from fraud

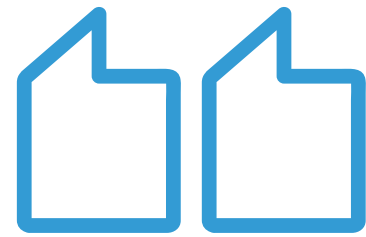
Understand your charity's 'red flags' for fraud: behaviour.

Being a charity does not make an organisation immune from dishonesty.

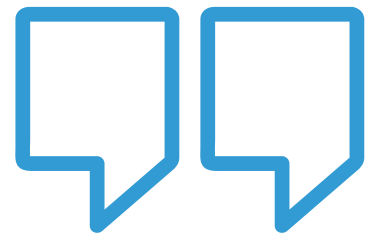
When it does happen, fraud is often carried out by employees, including people in positions of trust.



Protecting your charity from fraud



A significant proportion of the fraud allegations the ACNC has received relate to the conduct and activities of senior and trusted members of the charity, including CEOs, directors and financial officers.



Protecting your charity from fraud

Understand your charity's 'red flags' for fraud: behaviour.

- One person with sole control of a financial process
- Vague responses to legitimate queries
- Reluctance to accept help or take holidays
- Delays to work reviews or audits



Protecting your charity from fraud

When looking at risk indicators, it is worth remembering:

- Typical fraud perpetrator is a paid employee
- Most common types of fraud are cash theft, payroll or credit card fraud
- Having internal financial controls is one of the most effective ways to prevent and uncover fraud



Protecting your charity from fraud

Develop sound written policies and procedures:

- Detailed and robust financial procedures
- A fraud prevention policy
- Human resources procedures



Remember!

Fraud prevention tips to remember



1

Clear written financial procedures and delegations

2

Robust human resources procedures

Fraud prevention tips to remember



3

Code of conduct - display it and embody it

4

Financial responsibility - make sure it is shared and transparent

Fraud prevention tips to remember



5

Limit staff and volunteers' cash handling

6

Monitor charity budget and bank accounts, and keep track of grant funding.

Fraud prevention tips to remember



7

Take time to check - ask questions and don't take anything for granted

8

Understand the importance of reporting fraud

Questions?

Stay in touch

- Web guidance and publications
- The Charitable Purpose e-monthly
- Webinars - acnc.gov.au/webinars
- Podcasts - acnc.gov.au/charitychat
- ACNC Advice Services: advice@acnc.gov.au

 facebook.com/acnc.gov.au

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 youtube.com/ACNCvideos



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education@acnc.gov.au

