



Australian
Charities and
Not-for-profits
Commission

What you can do to protect your charity from fraud

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acnc.gov.au/webinars





The ACNC acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community.

We pay our respects to them and their cultures and elders past, present and emerging.



We.

Can.

Do.

This.

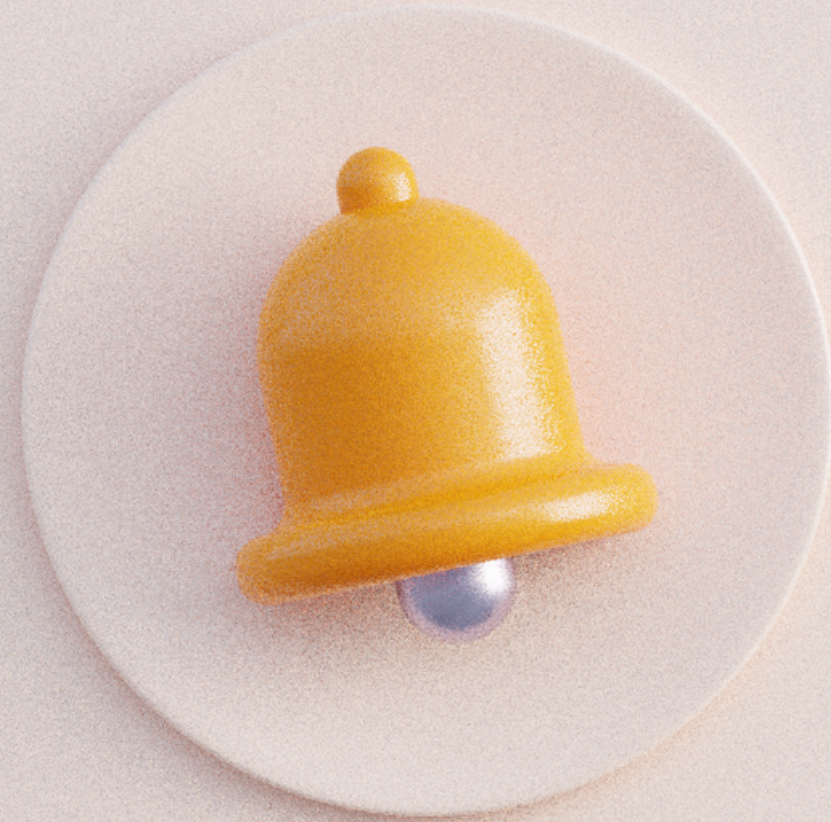
Charity Fraud Awareness Week

17-21 October 2022

#StopCharityFraud

A close-up photograph of a red pencil with a sharpened lead tip pointing towards the word 'Agenda'. The pencil is positioned diagonally from the upper left. The background is a textured, yellowish paper. The word 'Agenda' is printed in a dark, serif font.

Agenda.



What we will cover today

- What is fraud, and how can I recognise it?
- Preventing, mitigating and managing fraud
- Case studies



What is fraud?

What is fraud?

Fraud is when someone sets out to deliberately and deceitfully gain an advantage. It should always be treated seriously.

There are two categories of fraud relevant to charities:

- Internal fraud
- External fraud



Internal fraud

Internal fraud is when fraud originates from **inside** the organisation.

It occurs when a person within an organisation uses their position to gain advantage for themselves or somebody else.



External fraud

External fraud originates from **outside** an organisation.

It might originate from suppliers, customers or clients, or even from people not related to the charity.

External fraud also includes scams and cyber attacks.



Preventing and mitigating fraud



Preventing internal fraud

Suggested steps:

- Money handling and 'sign-off' procedures.
- Retain a register of charity assets, and review it regularly.
- Limit information access to only what is required for people to properly do their role.
- HR considerations: Equitable remuneration, avenues to express concerns or complaints.



Case Study



Case study 1: A Helpful Charity Inc.

Helpful Charity Inc should consider:

- A Conflict of Interest register, and policy.
- A Related Party Transactions policy.
- Limiting the CEO's power to approve invoice payment if there is a conflict.

The charity's board should also seek alternative quotes.





External fraud

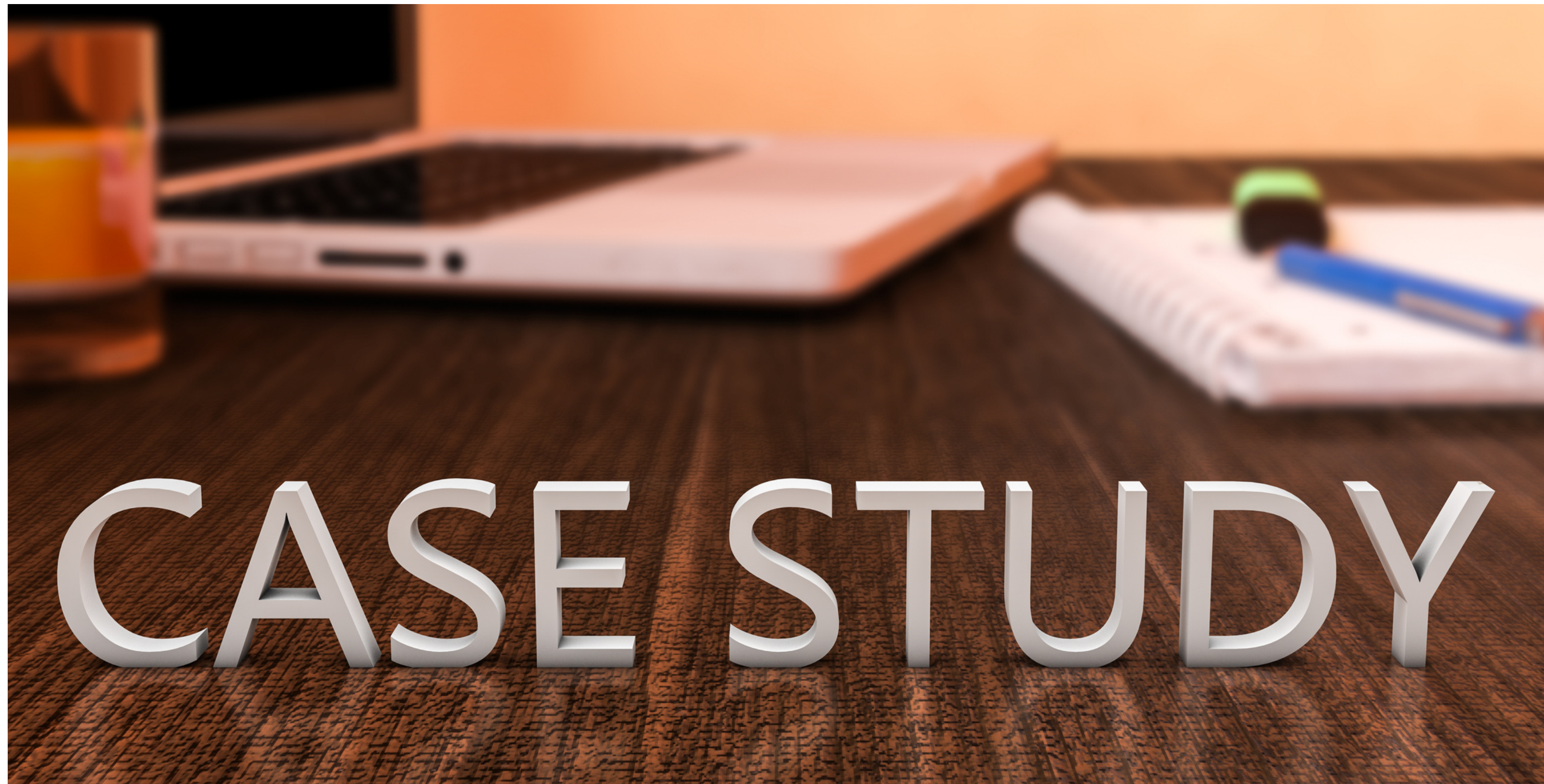
Preventing external fraud

Suggested steps include:

- Thorough training to staff and volunteers.
- Regular audits across all areas.
- Effective use of passwords.
- Backing up charity information.
- Creating a fraud response plan.

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Case study 2: Lost Pets Home Ltd.

Some steps to consider include:

- Carefully assessing every email and its source, especially when requesting money.
- Ensuring a sign-off process for money transfers.

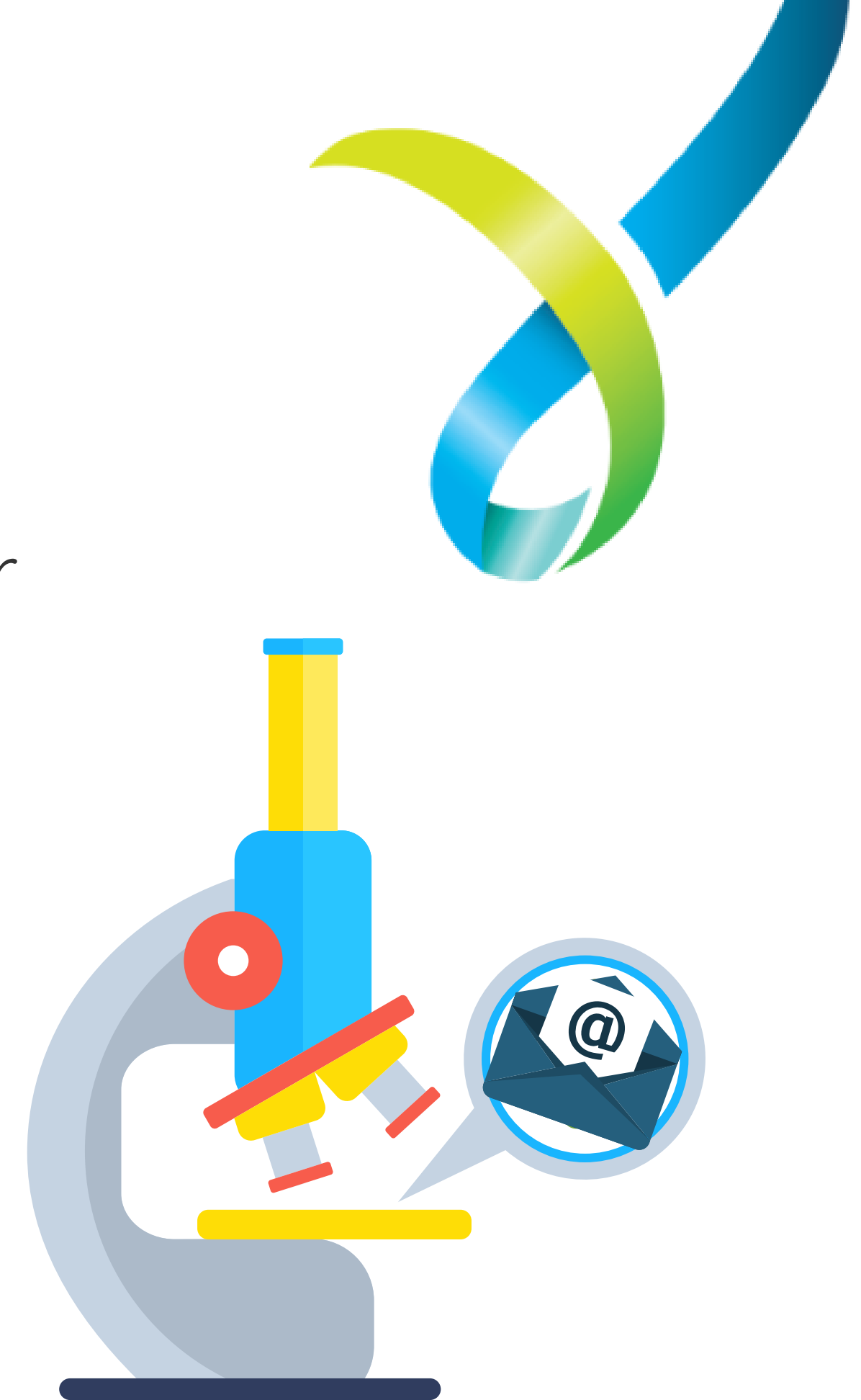
And if you suspect it's a scam, shout out
- ask someone!



Spotting email fraud


Signs an email is fraudulent:

- The request claims to be urgent and/or confidential
- It says to ignore standard payment authorisation processes
- It contains unusual requests, language and/or formatting
- The 'reply to' email address is different to the sender's address.



Managing fraud





Our Governance Toolkit is a great resource to help your charity actively plan for and manage fraud, partnerships, and even working with vulnerable people:

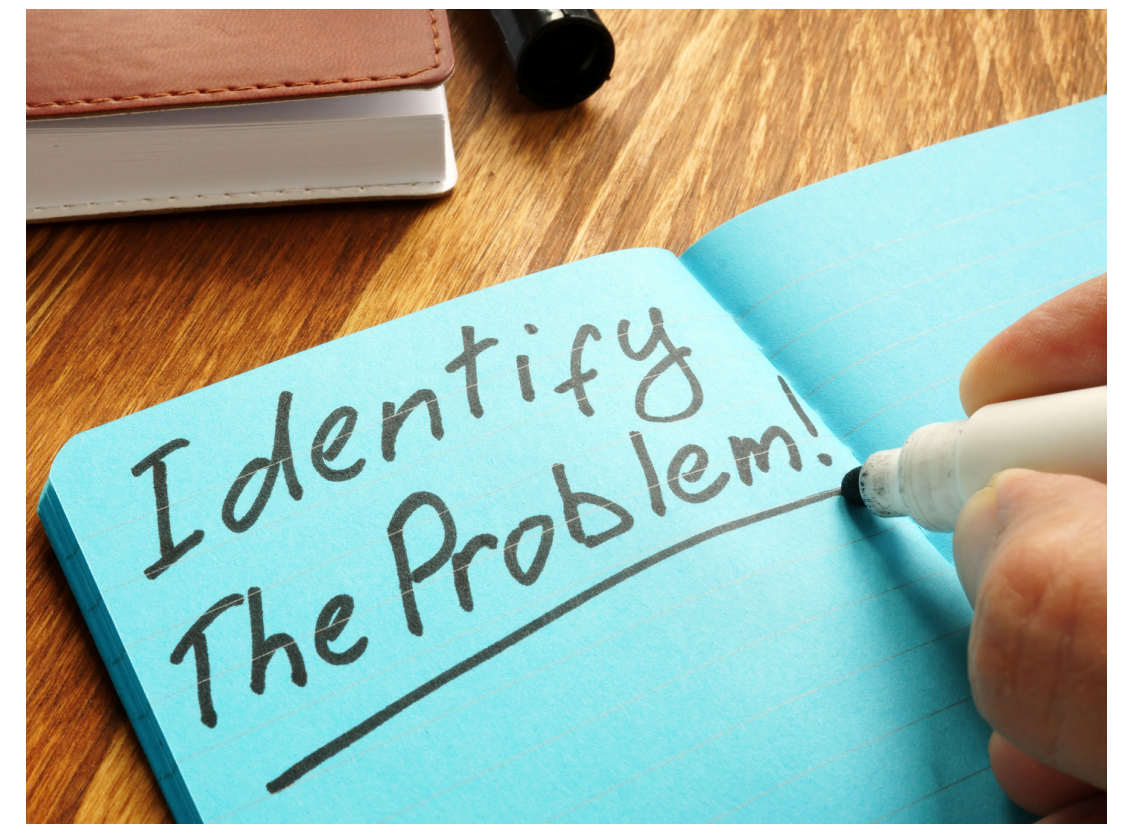
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Fraud response: Identify

Ensure your charity's people know who to go to about potential fraud. Appointing a Response Coordinator can help.

You should identify:

- Time and date of the potential fraud
- Who is involved.
- Potential impacts.



Fraud response: Investigate

Gather the relevant facts and store them securely.

Consider:

- Reviewing bank account activity.
- Meeting with people who might have more information.
- Documenting exactly how the issue occurred.



Fraud response: Assess

Based on what any investigation uncovers, examine how the fraud or issue has affected your charity.

- What were the impacts?
- Was there a loss?
- Were people harmed?

Then ask: How can this be remedied?



Fraud response: Notify

Notify those who are affected by the fraud or breach.

Think about if you need to notify a government regulator:

- Is there a required time-frame?
- Do you need to complete a form to report the fraud or breach?



Fraud response: Review

Suggested steps include:

- Updating policies to strengthen them against fraud or scams.
- Thinking about changes to operational procedures, and considering extra training.
- Keeping clear records of what happened, why, and how you will prevent it re-occurring.



Conflicts of Interest

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Case study 3: A-Plus Charity Inc.

Suggested steps include:

- Ensuring multiple delegations across your charity's financial matters.
- Encouraging staff to speak up, and helping them realise when 'something doesn't look right.'
- Ensuring the board understands the charity's financial position and activity.



Remember!

Things to remember



1

Fraud occurs when a person deliberately and deceitfully gains a benefit, at the cost of a person or organisation.

2

Work to prevent internal fraud by having multiple people sign off on financials.

Things to remember



Work on preventing external fraud by keeping aware of scams and regularly audit all areas.



Keep a fraud response plan, and check out the Governance Toolkit:
acnc.gov.au/governancetoolkit





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Thank you

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