

# Anti-Fraud and Corruption Policy

## 1. Introduction

### 1.1 What is fraud?

Fraud is defined in this policy as an act carried out either by an internal source (staff, volunteer etc) or external source (anyone else) with the deliberate intention of deceiving the Charity, its donors, beneficiaries or the general public to gain a personal advantage, or cause loss to another. It covers acts varying from theft to false accounting, from the builder who dishonestly conducts unnecessary repairs to the candidate who falsely claims qualifications on their CV. It may involve not telling the truth, failing to say something when you should, or abusing your position<sup>1</sup>.

### 1.2 Corruption - money laundering

Money laundering is the process by which the proceeds of crime are converted into assets, which appear to have a legitimate origin. One area where a charity could be involved is by receiving donations in cash, which the charity is subsequently asked to repay by cheque. Please be on your guard for any donor providing funds and then trying to receive funds from the British Red Cross. This would result in the donor receiving what is referred to as “laundered” money, as it is now from a reputable source. It may not be challenged by the authorities or banking system in the way a large cash sum would, and helps to obscure the trail back to the original corrupt source of the funds. Please also be wary of gifts with unusual conditions, such as the requirement to pass money on to a third party.

### 1.3 Corruption - terrorist financing

We must ensure that we are not inadvertently used by a terrorist organisation. The authorities are concerned about employees working for charities, and therefore in positions of trust and authority, being used to smuggle weapons or purchase weapons on behalf of the terrorist organisation. Alternatively another concern is that an employee may use the charity's funds to support the terrorist organisation, by for example directing charity funds to a body connected with a terrorist organisation.

## 2. What is the attitude of the British Red Cross to fraud and corruption?

BRCS has a zero tolerance approach to fraud and corruption of any type or in any circumstances, whether perpetrated by staff, volunteers, contractors, partners or clients and is determined to prevent, and where this is not possible to detect and investigate such acts. Fraud reduces our ability to help people in crisis. It is reprehensible for

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<sup>1</sup> The Fraud Act 2006

anyone to attempt to defraud a charity, because this is, in effect stealing from the most vulnerable and needy in society, as the money would otherwise be used to assist these people. Likewise we must ensure that we are not used to assist in money laundering or any terrorist activity. As a matter of principle, the British Red Cross report all instances of fraud and corruption to the Police automatically and immediately.

BRCS expects that its governing body, managers, staff and volunteers will have the highest standards of honesty at all times.

### **3. Preventing and detecting fraud and corruption**

Fraud prevention and detection is the responsibility of everybody in the British Red Cross; staff, volunteers and management. Management may devise processes for preventing and detecting many frauds but the commitment and dedication of staff and volunteers is a vital ingredient to improve protection.

#### **3.1 Promoting an anti fraud and anti corruption culture.**

The British Red Cross attracts staff and volunteers who have a positive attitude to protecting and making best use of its assets. This attitude is reinforced by the Statement of Fundamental Principles and various policies and procedures. The policies and procedures noted below, combined with the Fraud Policy, are a major defence against fraud.



The anti Fraud and Corruption Policy is supported by four documents in particular:

- The Staff Anti-Fraud and Corruption guidance provides straightforward guidance to all staff and volunteers.
- The Whistleblowing policy provides guidance on how staff can report fraud and corruption in confidence.
- The Manager's Anti-Fraud and Corruption Guidance provides additional guidance for managers. Circulation is restricted to managers.
- The Anti-Fraud and Corruption Response Plan describes how fraud should be investigated and dealt with. Circulation is restricted to anyone involved in investigating a fraud.

In addition staff will be made aware of fraud and corruption risks in induction programmes, documents provided with the staff handbook, and in risk and control workshops.

### 3.2 Deterrence and detection

Management is responsible for reducing opportunities for fraud and corruption and improving detection rates. It can achieve this by:

1. identifying the risks to which operations, locations and assets are exposed
2. developing adequate controls
3. ensuring effective compliance with controls.

Well designed and cost effective controls include the following:

- thorough recruitment procedures
- physical security of assets
- clear organisation of responsibilities and reporting lines
- adequate staffing levels
- supervision and checking of output
- separation of duties to ensure that key functions and controls are not performed by the same member of staff
- rotation of staff
- random spot checks by managers
- complete and secure audit trails
- performance monitoring by management
- budgetary and other financial reports
- reviews by independent bodies such as audit

The Risk and Assurance department will review and provide advice on controls for existing and proposed activities.

Major deterrents to perpetrating fraud and corruption are the risk of being caught and the severity of the consequences. The British Red Cross will always take robust action, including prosecution, against those who commit fraud.

Most frauds (over 50%) are discovered through the normal operation of controls. Information from third parties accounts for around 30% of cases.<sup>2</sup> Staff should report suspicions of fraud, knowing they are protected under the Whistle Blowing Policy. Contractors, suppliers, clients and the public are also encouraged to report their suspicions.

In addition to reporting the fraud to the police, the British Red Cross Society will actively pursue the recovery of monies, using all legal means.

## 4. Working with partner organisations

When working with Partner organisations additional control systems must be developed to detect and prevent fraud or corruption. Otherwise we could inadvertently be associated with an organisation without the integrity of the British Red Cross, and which

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<sup>2</sup> H.M. Treasury, May 2003

is involved in illegal activities. Examples of additional controls required include, but are not restricted to:

- Ensuring a thorough, documented Partner Assessment is undertaken prior to engagement to assess the Partner's control environment. The assessment should expressly identify additional fraud risks, perhaps as a result of the environment (emergency context).
- Ensuring British Red Cross Policies are shared and understood by Partner staff, where Partner's own Policies are considered inadequate, conflicting or do not exist, e.g. procurement policy. This may involve training of Partner staff.
- Ensure reporting requirements are effectively communicated to Partner staff, including the type of documents expected to support all reports. This may involve training of Partner staff.
- Ensuring a signed Partnership Agreement supports all work with Partners. This agreement should stipulate any additional controls required for the British Red Cross funded aspect of Partner work, e.g. opening a separate bank account for British Red Cross funds.
- Ensure financial reports received from Partners are thoroughly reviewed, fully supported and compared to the approved budget prior to sending the next tranche of funds.

## 5. Reporting

It is the responsibility of all staff to report suspected, actual or attempted fraud or corruption, as set out in the Staff Guidance document.

All reported instances of actual, attempted or suspected fraud or corruption will be investigated and appropriate action taken against the perpetrator. Control weaknesses identified as a result of reported instances will be addressed with immediate effect to prevent future similar occurrences.

The Head of Risk and Assurance is required to maintain a register of all frauds and corrupt practices, actual and attempted, and to provide an annual report on these matters, including actions taken, to the Audit Committee. In addition, significant matters will be reported to the Chairman of the Audit Committee when they come to light.

There is a requirement to report major instances of fraud or corruption to the Charity Commission and OSCR (the Office of the Scottish Charity Regulator) as soon as these come to light. We are also required to report all instances of fraud or corruption to the Charity Commission and OSCAR on an annual basis as part of the Annual Return, even where the value of the issue is minimal, or is unknown. The Charity Commission and OSCAR must also be informed of any reporting to the Police. The Head of Risk and Assurance will provide the Head of Governance with the required information for onward reporting to the Charity Commission and OSCAR.

There may be additional requirements to report instances of fraud or corruption to Donors on a regular basis, e.g. DEC, even where the value is minimal or unknown. Details of what action has been taken must also be reported.