

Welcome to the latest Not for Profit newsletter from PKF Littlejohn. Our aim is to pull together current sector news, issues and opportunities in an easily digestible format for everyone involved in the financial, governance and strategic side of running a not for profit organisation.

Getting tough on fraud – five top tips

Fraud is a serious problem across all areas of the economy, including the not for profit sector. The latest estimates show that fraud costs the UK economy up to £193 billion each year and that organisations lose almost 6% of their annual expenditure due to fraud. That's why PKF Littlejohn is an active supporter of CFG's Counter Fraud Campaign.

Protecting yourself against fraud and reacting effectively to fraud has never been more important. Fraud can lead to significant losses, reputational damage and, in the case of large frauds, potentially the collapse of your organisation. Effective fraud advice can help you significantly reduce costs and enable you to spend more of your resources on the outcomes that you are targeting.

Here are five tips on how not for profit organisations can tackle fraud:

- 1. Prevention is better than cure** – Spending relatively limited amounts of time and money now could save you significant amounts of time and money in the future. Remember, the biggest threat to your organisation is not always a financial one - the reputational damage caused by fraud, especially if it is shown that you made no attempt to minimise the risk, could be terminal. In particular, your cyber fraud prevention systems are key.
- 2. Look for weaknesses** – There are many red flags that can give you an indication that all is not well. You are particularly vulnerable when cash payments are involved, so try and reduce these to an absolute minimum wherever possible. Internal fraud may be small in value but over time these small amounts could represent a significant loss. Always ask for evidence of expenses and periodically check a random sample in detail to make sure all is well.
- 3. Strengthen your culture** – An anti-fraud culture needs senior management buy-in and has to be led from the top. It will take time to develop if it is to be successful. Consider introducing a fraud policy, a whistle-blowing policy and a fraud response plan. Place fraud as a repeat agenda item at your regular management meetings; this will focus your thinking on the constant threat to your organisation. Consider training your staff to look out for fraud indicators.
- 4. Keep monitoring** – Tackling fraud is an ongoing challenge. Fraudsters operate in the same way as a virus, continually mutating once a solution has been found to stop them. Fraud monitoring should not be something that is reviewed once a year on a tick sheet; it needs constant review. If you want your organisation to become more fraud resilient, you need to continually work at reducing the threats.
- 5. Don't bury your head in the sand** – Fraud exists in all organisations no matter how large or small. It is not good enough to say 'We don't have a fraud problem in our organisation'. The fact is that you probably have not found it yet. Do not wait for it to hit you hard; think about what preventative measures you could introduce. If you spot something is amiss, get help sooner rather than later.

We hope you find this bulletin helpful.

Contact Alastair Duke, Nicky Whitehead or James Earp if you would like to discuss anything mentioned in more detail.



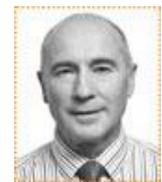
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For registered charities that suffer a fraud, do not forget to consider whether the matter is a “serious incident” and should be reported by the Trustees to the Charity Commission.

We hope you’ve found this issue useful. If members of your team or your trustees would like to receive future issues, please send their details to Julia Krol (jkrol@pkf-littlejohn.com).

Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact Alastair Duke or Nicky Whitehead (details provided above).

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