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## Fraud Policy

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## **1 Introduction**

For the purposes of this policy, fraud is defined as dishonest, irregular or illegal acts, characterised by a deliberate intent at concealment or false representation, resulting in the diversion of resources, whether or not for personal gain, for the benefit of an individual or group of individuals at a consequent loss to the BPA and its subsidiaries.

The objective of this policy is to safeguard the proper use of the BPA's finances and resource. The BPA is a registered charity, and so has a particular responsibility to ensure that income and resources are used solely for the purposes intended.

Fraud is a serious matter and the BPA is committed to investigating all cases of suspected fraud. Any member of staff, regardless of their position or seniority, against whom prima facie evidence of fraud is found, will be subject to disciplinary procedures that may result in dismissal. The BPA will normally involve the police and may seek redress via civil proceedings.

## **2 Internal Procedures**

### **2.1 Prevention**

As the aftermath of fraud is costly, time-consuming, disruptive and unpleasant, and may lead to unwelcome adverse publicity, the major thrust of this fraud policy is prevention.

### **2.2 Leadership**

Charity Trustees (Board members), sub-committee members, and senior managers should ensure that their behaviour is demonstrably selfless and open, and should champion the BPA's organisational values and policies on conflicts of interest, hospitality and gifts.

### **2.3 Management procedures**

Fraud can be minimised through carefully designed and consistently operated management procedures, which deny opportunities for fraud. Staff must comply with and should receive training in the BPA's policies and procedures on segregation of duties, confidential information and data security, conflict of interest, and the BPA's financial regulations.

## **2.4 Staff appointments**

Potential new members of staff must be screened before appointment, particularly for posts with financial responsibility. For example:

- References should cover a reasonable, continuous period of at least three working years, and any gaps should be explained
- References should cover character, in addition to academic or other achievement
- An official employer's reference should be obtained
- Doubts about the contents of the reference should be resolved before confirming the appointment; if this is done by telephone, a written record of the discussion should be kept
- Essential qualifications should be checked before making an offer of employment, for example by requiring original certificates at the interview
- Where a post carries significant financial responsibility, further checks should be considered; the BPA HR Department (or equivalent) should be consulted.

## **2.5 Cash**

The BPA rarely handles cash receipts. However, when appropriate, handling of cash should be managed as follows:

- Segregation of duties - systems should prevent one person from receiving, recording and banking cash. Segregation of duties should continue during periods of leave or sickness absence
- Reconciliation procedures - an independent record of cash received and banked may deter and detect fraud
- Receipts should be issued in return for cash received, to provide an audit trail
- Physical security, such as the locked cupboards; keys and access codes should be kept secure
- Frequent banking.

## **2.6 Cheques**

The BPA increasingly rarely handles cheque receipts. Cheques are often completed in ways which facilitate opportunist fraud. Cheques are sometimes intercepted by organised criminals who falsify payee and value details using sophisticated techniques. Debtors may also be told to make cheques payable to a private account, possibly using an account name which is similar to that of the BPA.

The following preventative measures should be taken:

- Physical security - unused, completed and cancelled cheques should never be left unsecured. If cheques are destroyed, more than one officer should be present, and a record of the serial numbers should be maintained
- Frequent bank reconciliations - some frauds have gone undetected for long periods because accounts have not been reconciled promptly, or because discrepancies have not been fully investigated
- Segregation of duties
- Use of bank account names which it is difficult to represent as personal names, to prevent the simple theft of cheques in the post and their conversion into cash
- Clear instructions to debtors about correct payee details and the address to which cheques should be sent. The address should normally be the accounts department, not the department which has provided the goods or services
- Central opening of all post by and recording of all cash and cheques received
- Where practical, the rotation of staff responsibilities, including the regular rotation of counter-signatories, to reduce the risk of collusion
- Training in secure completion of cheques
- Use of electronic funds transfer (EFT) as an alternative to cheques

## **2.7 Purchasing**

Many of the largest frauds suffered have targeted the purchase ledger. Preventative measures should be taken as follows:

- Minimising little used or unusual account codes
- Ensuring that all account codes are effectively monitored and approved by line management
- Segregation of duties
- Secure management of the creditors' standing data, including segregating the origination and approval of new or amended data
- Requests to changes to bank account details must be confirmed by an appropriate senior employee within the supplier organisation
- All suppliers should be considered to establish that they are genuine and reputable companies before commercial arrangements are entered into.

### **3 Detection**

#### **3.1 Checks and balances**

Detective checks and balances will be designed into all relevant systems and applied consistently, including segregation of duties, reconciliation procedures, random checking of transactions, and review of management accounting information, including exception reports. Systems should identify transactions which have not followed normal procedures.

#### **3.2 Behaviour patterns**

Suspect patterns of behaviour among staff dealing with financial transactions should be investigated, for example living beyond apparent means, taking few holidays, regularly working alone out of normal hours and resistance to delegation. Any indication of addiction to drugs, alcohol or gambling should be addressed promptly, for the welfare of the individual and to minimise the risks to the BPA.

#### **3.3 Public Interest Disclosure Policy**

Anyone suspecting fraud may use the BPA's Public Interest Disclosure (Whistleblowing) Policy, which provides protection against reprisal for any such disclosure.

### **4 Response Procedure**

#### **4.1 Purpose**

The purpose of this fraud response procedure is to define authority levels, responsibilities for action and reporting lines in the event of suspected fraud or irregularity. Those investigating a suspected fraud should:

- Aim to prevent further loss
- Liaise with the BPA's Insurance Officer (the Director of Finance and Corporate Services)
- Establish and secure evidence necessary for criminal and disciplinary action.
- Inform the police
- Endeavour to recover losses
- Take appropriate action against those responsible
- Keep internal personnel and outside organisations with a need to know suitably informed, on a confidential basis, about the incident and the institution's response

- Deal with requests for references for employees disciplined or prosecuted for fraud
- Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud.

## **4.2 Initiating action**

Members of staff or members of the Board may suspect fraud or irregularity in the BPA. If so, they should report it as soon as possible to the Director of Finance and Corporate Services or to one of the named roles under the BPA's Public Interest Disclosure (Whistleblowing) Policy. The person to whom the suspected incident is reported should then ensure that it is made known without delay to the Director of Finance and Corporate Services and the Chair of the Finance and Audit Committee.

The Director of Finance and Corporate Services should, as soon as possible (and with the aim of acting within 24 hours), chair a meeting of the following project group to decide on the initial response, using properly appointed nominees where necessary:

- Director of Finance and Corporate Services
- CEO
- A third member of the Executive Team

If the actual or suspected incident concerns or implicates the Director of Finance and Corporate Services, it should be reported without delay to the CEO, Chair of Board and Chair of the Finance and Audit Committee. In such a circumstance, the CEO will lead the project group. Should the incident concern or implicate any other member of the project team, the Director of Finance and Corporate Services will appoint a substitute.

The project group lead should consider whether it is necessary to report to the police, Charity Commission, HMRC, or other appropriate body at this stage (see also section 4.9 below).

## **4.3 Responsibility for investigation**

The project group, chaired by the Director of Finance and Corporate Services, will decide on the action to be taken. This will normally be an investigation led by a member of the Executive Team who is not a member of the project group, or appropriate manager.

#### **4.4 Prevention of further loss**

Where initial investigation provides reasonable grounds for suspecting a member or members of staff or others of fraud, the project group will decide how to prevent further loss. This may require the suspension of the suspect or suspects, under the appropriate disciplinary procedure. It may be necessary to plan the timing of suspension to prevent suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect or suspects should be approached unannounced. They should be supervised at all times before leaving the BPA's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the BPA. Any security passes and keys to premises, offices and furniture should be returned. Advice should be obtained on the best means of denying access to the BPA while suspects remain suspended, for example by changing locks and informing security staff not to admit the individuals to any part of the premises. Similarly, IT Support should be instructed to withdraw without delay access permissions to the BPA's computer systems.

The project group will consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the BPA's assets.

#### **4.5 Establishing and securing evidence**

The BPA will follow disciplinary procedures against any member of staff who has committed fraud and will normally pursue the prosecution of any such individual through the criminal courts. The BPA's Director of Finance and Corporate Services will:

- Ensure that evidence requirements are met during any fraud investigation
- Establish and maintain contact with the police
- Ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings

#### **4.6 Reporting lines**

The project group will provide regular, confidential reports to the CEO, Chair of Board and Chair of the Finance and Audit Committee, which will include:

- Quantification of losses
- Progress with recovery action
- Progress with disciplinary action

- Progress with criminal action
- Estimate of resources required to conclude the investigation
- Actions taken to prevent and detect similar incidents.

#### **4.7 Recovery of losses**

The Director of Finance and Corporate Services will endeavour to ensure that the amount of any loss is quantified. Repayment of losses will be sought in all cases. Where the loss is substantial, legal advice should be obtained about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice may be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The BPA will normally expect to recover costs in addition to losses.

#### **4.8 Final report (internal reporting)**

On completion of a special investigation, a written report, normally prepared by the project group, shall be submitted to the Finance and Audit Committee containing:

- A description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
- The measures taken to prevent a recurrence, any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken
- The final outcome will be reported to the individual who reported the suspected fraud.

#### **4.9 External reporting responsibilities**

##### Action Fraud

Incidents of fraud should be reported by the Director of Finance and Corporate Services to Action Fraud, the UK's national fraud reporting centre and central point of contact for information about fraud by the chair of the project group. Reports are made online at ([www.actionfraud.police.uk](http://www.actionfraud.police.uk)), or by telephone (0300 123 2040).

Action Fraud will provide a crime reference number and a Crime Report will be submitted to the National Fraud Intelligence Bureau (NFIB) which may also be forwarded to local law enforcement.

## BPA's Bankers

Frauds that relate to online banking, cheques or the BPA's credit card(s), or relate to fraudulent activity on the BPA' account, should be reported by the Director of Finance and Corporate Services to the BPA's bankers or credit card company immediately.

## Charity Commission

Trustees are responsible for reporting any actual or suspected serious incidents of fraud to the Charity Commission under the "Reporting Serious Incidents" process. The project group chair will support and advise the Trustees with respect to this.

Charity Commission publication, "Reporting Serious Incidents – Guidance for Trustees", states that:

- There is no minimum level that should or must be reported – the BPA must decide whether the incident is serious or significant enough to be reported, taking into account the actual harm and potential risk.
- Low value incidents may not seem important but can pose serious risks and have a cumulative effect. Therefore, it is recommended that repeated or frequent low value instances of fraud are reported.
- If the BPA decides the fraud is too minor to report records must be retained to document the decision – Trustees need to demonstrate they acted appropriately if the Charity Commission is notified about the incident and decides to check this.

The Charity Commission always expects instances of high value fraud or theft, and/ or where there is public or media interest, to be reported to them immediately. Other factors that are likely to indicate seriousness include:

- if the person accused of taking the funds/ assets is involved in the charity;
- if the person accused of taking the funds/assets is in a senior position (for example the CEO) or holds a position of special responsibility for safeguarding the finances (for example, a member of the finance team);
- numerous incidents have taken place that are connected;
- the charity has been subject to a number of separate incidents over a period of time;
- the funds are from a public appeal or collection or from grant funding;
- there are signs of public interest, for example media reporting;
- if the charity has had to take serious action against an individual, for example disciplinary procedures or suspension.

As part of the annual return the BPA is required to sign a declaration that there are no serious incidents or any other matters relating to the charity over

the previous financial year that should have been raised with the Charity Commission but have not.

### HMRC

Frauds that relate to tax issues, such as Gift Aid or VAT, should be reported by the Director of Finance and Corporate Services to HM Revenue & Customs.

#### **4.10 Corporate communications and reputational damage**

The Director of Corporate Relations should be consulted as soon as an investigation is commenced. Initially that consultation should be confidential and for information only, in order to allow the Director of Corporate Relations to prepare a reactive media and public statement. The Director of Corporate Relations should also prepare and present to the CEO an internal statement or communication to ensure that all staff and Board members are aware of relevant facts.

Once a case of fraud has been confirmed, the Director of Corporate Relations will be responsible for the necessary liaison with internal and external stakeholders (excepting those noted in section 4.9 above), and for ensuring that a full communications plan is created. The Communications Plan should include:

- An internal statement;
- External Press release and other communications (e.g., letters to relevant stakeholders);
- Q&A and other factual responses to questions;
- Timeline and communications cascade, including detailed responsibility flow chart in relation to who has the authority to speak internally and externally on the matter.

The Communications Plan should be signed off by the CEO, or if the CEO is implicated, the Chair of the Board.

#### **4.11 References for employees disciplined or prosecuted for fraud**

Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud must be referred to the BPA's Director of Finance and Corporate Services for advice.

#### **4.12 Review of policy and fraud response plan**

This Policy and plan will be reviewed every two years. Any recommended changes will be reported to the Finance and Audit Committee for approval, under powers delegated by the Board.

<i>Document Owner</i>	<i>Director of Finance and Corporate Services</i>
<i>Approved by</i>	<i>Board</i>
<i>Date</i>	<i>12 December 2017</i>
<i>Review Date</i>	<i>December 2019</i>