



# **FRAUD ADVISORY PANEL**

(A company limited by guarantee)

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

Charity number: 1108863  
Company number: 04327390

## Report of the Trustee Directors

For the year ended 31 December 2011

The Board of Trustee Directors submits their report and the financial statements of the company for the year ended 31 December 2011.

### ADMINISTRATIVE INFORMATION

Company name:	Fraud Advisory Panel	
Charity registration number:	1108863	
Company registration number:	04327390	(company limited by guarantee)
Registered (principal) office:	Chartered Accountants' Hall Moorgate Place London EC2R 6EA	
Trustee directors:	R Wright	(chairman)
	F J Banks	(ICAEW appointed)
	D M Clarke	
	W T M Cleghorn	(deputy chairman)
	N R Griffiths	
	P C Hagon	
	B J Hart	
	S M Hill	
	W Kenyon	
	S N Philippsohn	
	A Plavsic	
	P M Raphael	
	P O Rarden	(co-opted; appointed 06 October 2011)
	D Skade	
	No other trustee directors served during the year	
Secretary:	M Campbell	
Auditors:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP	
Bankers:	National Westminster Bank Plc Milton Keynes Branch 501 Silbury Boulevard Saxon Gate East Milton Keynes MK9 3ER	
Solicitors:	Bates Wells & Braithwaite London LLP 2 – 6 Cannon Street London EC4M 6YH	

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The Fraud Advisory Panel (the 'Panel') is a charitable company limited by guarantee which was established in 1998 through a public-spirited initiative by The Institute of Chartered Accountants in England and Wales (the 'ICAEW'). It was incorporated on 22 November 2001 and registered as a charity on 05 April 2005.

In 2010 the law firm Bates Wells and Braithwaite London LLP were instructed to review and update the Panel's constitutional documents to ensure they were fit for purpose and accounted for changes to company and charity law.

New articles of association were adopted by special resolution on 30 June 2011. At the same time the company's memorandum of association was also amended and restated by special resolution.

### **Membership**

Membership of the Fraud Advisory Panel is open on payment of an annual subscription fee to individuals, companies and other organisations, including government departments and statutory bodies, with an interest in the detection, investigation, prosecution and prevention of fraud. This fee may be waived in exceptional circumstances where an identifiable conflict of interest may arise if the individual were to become a paid member. These individuals are accorded 'observer' status.

At the end of the year the company had 243 individual members and 40 corporate members. Fourteen people were observers.

All members must comply with a Code of Conduct.

### **Recruitment and appointment of trustee directors**

The Board of Trustee Directors comprises a minimum of three and a maximum of 15 trustee directors who are appointed by ordinary resolution of the company for a fixed period not exceeding three years.

A maximum of three trustee directors may be co-opted to serve at any one time. The ICAEW also has the right to appoint up to one-third of the directors by notice in writing to the company.

### **Induction and training**

New trustee directors receive an induction handbook containing details of the Fraud Advisory Panel's governance and operational arrangements as well as its current financial position. This is augmented by a selection of relevant Charity Commission and Companies House publications including '*The Essential Trustee*' and '*Life of a Company*'.

The ongoing training needs of trustee directors are reviewed on an annual basis.

# Report of the Trustee Directors

For the year ended 31 December 2011

## Organisational structure

The Board of Trustee Directors meets six times each year and has overall responsibility for the legal and financial position of the Fraud Advisory Panel.

The Board is supported by two full-time staff seconded from the ICAEW. The Manager is responsible for the day-to-day management and operation of the company and is also the company secretary.

## Risk management

The Board of Trustee Directors has identified and reviewed the major risks to which the Fraud Advisory Panel is exposed and established systems and procedures to mitigate these risks where appropriate.

A risk register covering governance, operational, financial, reputational and other risks is maintained for this purpose and is regularly updated.

An assessment of fraud and error risk will be conducted in 2012 to ensure that new processes introduced to comply with the Payment Card Industry Data Security Standard (PCI DSS) are fit for purpose.

## OBJECTIVES AND ACTIVITIES

### Objects

The Fraud Advisory Panel's object is the protection of life and property by the prevention, detection, investigation, prosecution and deterrence of fraud, in particular through the promotion of:

- Research into the nature, extent and causes of fraud and into the means, systems and techniques of preventing, detecting, investigating, prosecuting and deterring the same, making the useful results of such research available to the public.
- Education of those actually or potentially affected by fraud concerning the foregoing and in relation to regulatory and legal aspects of the same.
- Collaboration with and advice to Governments, public authorities, professional and other bodies, companies, firms and individuals concerning the development of general systems, standards, policies, regulations and laws with a view to the prevention, detection, investigation, prosecution and deterrence of fraud.

The Panel furthers this object exclusively for the benefit of the public in the United Kingdom and elsewhere in accordance with the law of charity in England and Wales.

### Main activities

The Fraud Advisory Panel's vision is to reduce the harm caused by fraud and financial crime. It achieves this by raising awareness of the immense human, social and economic damage caused by fraud and by helping individuals and organisations to develop effective fraud prevention strategies, in particular through:

## Report of the Trustee Directors

For the year ended 31 December 2011

- Advising Government, business and the general public on fraud prevention, detection and reporting.
- Originating proposals to reform the law and public policy, with particular emphasis on investigation and prosecution.
- Improving education and training in business and the professions as well as amongst the general public.
- Undertaking research to establish a more accurate picture of the extent, causes and nature of fraud.

Activities are directed toward those actually or potentially affected by fraud. Volunteer members give generously of their time, knowledge and expertise in order to further the Fraud Advisory Panel's charitable objects.

### Public benefit

The Board of Trustee Directors has paid due regard to the Charity Commission's guidance on public benefit in exercising their duties and in determining the current and future activities of the Fraud Advisory Panel. Performance was periodically reviewed throughout the year to ensure that all activities remained consistent with the stated aims and objects of the Fraud Advisory Panel.

## ACHIEVEMENTS AND PERFORMANCE

The main focus for 2011 was on reducing the harm caused by fraud and financial crime to communities – local, national and international; physical and virtual.

### Advice and information

<b>Aim:</b>	To advise Government, business and the general public on fraud prevention, detection and reporting
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A major focus for the year was on the continued expansion of the Fraud Advisory Panel's popular suite of '*Fraud Facts*' for individuals and businesses which are designed to provide a high-level overview of common frauds and scams with a particular emphasis on practical prevention advice.

A total of nine factsheets were published in 2011 (2010:10) including new titles on civil recovery, fraud detection, fraud indicators, and the risks associated with the use of social networks and cloud computing as well as revised and updated factsheets on bribery and corruption, (corporate) identity fraud, and pre-employment screening.

All publications are available free to download from the Fraud Advisory Panel's website and organisations are encouraged to use them to highlight fraud risks and promote best practice in fraud prevention.

## Report of the Trustee Directors

For the year ended 31 December 2011

Other key achievements included:

- Producing articles for external magazines such as Chartered Secretary, London Accountant, and Integrity as well as the Charity Finance Group (the 'CFG') yearbook.
- Maintaining the website [www.fraudadvisorypanel.org](http://www.fraudadvisorypanel.org) to provide timely and up-to-date information on counter fraud developments in the United Kingdom and the work of the Fraud Advisory Panel.
- Advocating the need for businesses to take a holistic approach for fraud risk management as part of the Fraud Advisory Panel's '12<sup>th</sup> Annual Review' and highlighting the growing fraud risks arising from new communications technologies, economic globalisation, and environmental and corporate social responsibility obligations.

A project to develop best practice guidance on preventing fraud in the third sector was put on hold pending the outcome of a National Fraud Authority initiative in this area.

### Law and public policy

<b>Aim:</b> To originate proposals to reform the law and public policy, with particular emphasis on investigation and prosecution
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The Fraud Advisory Panel regularly convenes expert roundtables to stimulate discussion and debate on new and/or emerging fraud issues which are in the wider public interest and publishes the results as occasional papers. Two issues were considered during the year:

- '*Investigating and Prosecuting Cases of Serious and Complex Fraud*' examined the potential impact of current restrictions on public resources to tackle fraud and speculation about the future of the Serious Fraud Office. It concluded that the fight against fraud needs to be co-ordinated by the right people – and enough of them – properly trained and led by those with experience and commitment.
- '*Fraud in Local Authorities: Past, Present and Future*' revisited the findings of a previous roundtable into the nature and extent of fraud against local authorities in England and Wales to gauge changes in perception and actual practice over the intervening period. It found that the local government environment has undergone enormous change over the last few years and made eight recommendations to Government to help local authorities effectively combat fraud including better education and guidance for senior management and audit committees, greater use of partnership working, securing the future of the National Fraud Initiative, and examining concerns about the possible reduction in the investigative capacity of local authorities as a result of the single fraud investigation service.

A planned roundtable on bribery and corruption in SMEs was cancelled due to other similar initiatives being undertaken elsewhere.

## Report of the Trustee Directors

For the year ended 31 December 2011

Other key achievements included:

- Submitting responses to three government consultation papers (2010:3) on 'A New Approach to Financial Regulation: Building a Stronger System', 'Review of the Money Laundering Regulations: The Government Response', and 'Audit Exemptions and Change of Accounting Framework'.
- Offering advice, information and support to advance the work of the National Fraud Authority (the 'NFA') through participation on its charity fraud steering committee. Most significantly, the Fraud Advisory Panel agreed to support the NFA's national strategy 'Fighting Fraud Together' by leading a civil justice initiative to commence on 1 January 2012.
- Providing expert input into the counter fraud work (particularly publications) of other organisations including the Charity Commission, Audit Commission and National Council of Voluntary Organisations.

### Education and training

<b>Aim:</b> To improve education and training in business and the professions as well as amongst the general public
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The Fraud Advisory Panel believes strongly in the importance of anti-fraud education and training and each year offers a comprehensive programme of events for professionals from the public, private and third sectors.

In the current year the emphasis was on providing shorter, more practical and participative sessions. Fewer events were convened compared to previous years (2011:9; 2010:16) in order to improve lead-in times and ensure sufficient resource capacity for other planned activities.

Topics covered included insider fraud, expert witness testimony, forensic tools, investigative interviewing, cybercrime, outsourcing and contract fraud and the Bribery Act 2010. Annual collaborative events were convened with the Chartered Institute of Internal Auditors (the 'CIIA') and the Association of Certified Fraud Examiners (the 'ACFE').

Generous support of these events was provided by Baker Tilly, Ernst & Young LLP, McGrigors LLP, PKF (UK) LLP, PricewaterhouseCoopers LLP, and Smith and Williamson through the provision of suitable venues and/or sponsorship.

Other key achievements included:

- Delivering three one-day training courses on 'Fraud Risk and the Internal Auditor' on behalf of the CIIA.
- Speaking at fifteen external anti-fraud conferences and other events convened by organisations such as the CFG, ACFE, CIIA, and ICAEW.
- Participating in the delivery of four fraud awareness training programmes for visiting delegations from China and Russia.

## Report of the Trustee Directors

For the year ended 31 December 2011

- Providing ad hoc general and bespoke education and training services to organisations as well as offering a free professional training session to corporate members. One session was delivered during the year.

### Research

<b>Aim:</b>	To undertake research to establish a more accurate picture of the extent, causes and nature of fraud
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No new research was commissioned in 2011.

### Other

The Board of Trustee Directors completed a major review of the Fraud Advisory Panel's constitutional documents in 2011 which led to the amendment and restatement of the existing memorandum of association and the adoption of new articles of association by way of special resolution at the annual general meeting. Associated changes were made to existing governance and operational frameworks which will be on-going in 2012.

Other key achievements included:

- Redesigning the quarterly members' electronic newsletter to enhance the professional image of the Fraud Advisory Panel as a membership organisation and to improve the quality and relevance of its contents to members.
- Convening fourteen London-based working group meetings and eight regional forums in Birmingham, Bristol and Edinburgh to enable members to network and exchange information, discuss new and current developments in the anti-fraud arena, hear from guest speakers and contribute to Fraud Advisory Panel activities. Local chairmen were appointed to each of the regional forums.

## FINANCIAL REVIEW

### Incoming resources

Key sources of income during the year include:

- Grant funding from the ICAEW of £60,052 (2010: £57,192). The ICAEW committed to provide continuing funds to support the Panel's work, and to provide accommodation and associated overheads at no cost to the company for 2011. The ICAEW will increase its funding contribution by 5% for 2012.
- Membership subscriptions of £53,510 (2010: £55,817). On 1 January each year membership subscriptions increase by the rate of inflation as determined by the Retail Price Index (RPI) as at 30 September in the preceding year.
- Event income of £29,787 (2010: £33,166) derived from the Panel's annual event programme. This figure includes a successful joint event with the CIIA generating income of £15,261. In addition, a total of £2,000 (2010: £5,200) worth of event sponsorship was received for the '*Great Fraud Debate*'.

## Report of the Trustee Directors

For the year ended 31 December 2011

- Donations of £1,502 (2010: £1,850).

Under the constitution of the company, no amounts can be distributed to members and any surplus or deficit is carried forward in the company. All income is applied solely towards the promotion of the Fraud Advisory Panel's object.

None of the trustee directors had any financial interest in the company during the year.

### Resources expended

The Fraud Advisory Panel's expenditure has increased to £145,328 (2010: £139,226) due to costs associated with charitable activities, and in particular publications.

### Reserves policy

The Fraud Advisory Panel's reserves policy is to maintain sufficient free revenue reserves to meet the equivalent of at least three months operating costs.

At the end of the year the Panel held unrestricted funds of £120,369 (2010: £118,717). This was considered appropriate based upon the anticipated operating expenditure for 2012.

The reserves policy is reviewed on an annual basis by the Board of Trustee Directors.

### PLANS FOR THE FUTURE

A major focus for the 2012 year and beyond will be on improving access to civil justice approaches for the victims of fraud in England and Wales as part of a special project under the auspices of the NFA's national strategy for 2011 – 2015 '*Fighting Fraud Together*'. The project will fall within the scope of all three of the Fraud Advisory Panel's charitable objects.

Many individuals and businesses do not understand the civil recovery process and this project will enable the Panel to contribute to national initiatives to raise awareness of criminal justice alternatives and to help improve outcomes for certain groups of fraud victims, particularly those whose cases are not suitable for criminal investigation and prosecution.

Other core activities such as the annual programme of events, training initiatives, publications and member services will continue as normal subject to satisfactory resourcing and funding arrangements.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The trustee directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- UK Accounting Standards and the SORP Accounting and Reporting by Charities' revised 2005 have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and regulations thereunder. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustee directors is aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Auditors**

A proposal to re-appoint Grant Thornton UK LLP as auditors will be made at the Annual General Meeting.

**Report of the Trustee Directors**  
For the year ended 31 December 2011

**Approval of the annual report and financial statements**

The attached Annual Report and Financial Statements were approved by the trustee directors at a meeting of the Board held on 03 May 2012 and are signed on their behalf by:

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R Wright  
Trustee Director

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F J Banks  
Trustee Director

## **Independent Auditor's Report to the Members of the Fraud Advisory Panel**

For the year ended 31 December 2011

We have audited the financial statements of the Fraud Advisory Panel for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of the Fraud Advisory Panel**  
For the year ended 31 December 2011

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

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2012

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**Judith Newton**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

## Financial Statements

For the year ended 31 December 2011

### STATEMENT OF FINANCIAL ACTIVITIES Incorporating Income and Expenditure Account For the year ended 31 December 2011

	Note	Unrestricted funds 2011 £	Unrestricted funds 2010 £
<b>Incoming resources</b>			
<b>Incoming resources from generated funds</b>			
Voluntary income - membership subscriptions		53,510	55,817
Voluntary income - sponsorship donations		63,554	64,242
Investment income – bank interest		129	110
<b>Incoming resources from charitable activities</b>			
Event income		29,787	33,166
<b>Total incoming resources</b>		<u>146,980</u>	<u>153,335</u>
<b>Resources expended</b>			
Charitable activities	2	136,123	131,821
Governance costs	3	9,205	7,405
<b>Total resources expended</b>		<u>145,328</u>	<u>139,226</u>
<b>Net surplus/(deficit) for the year</b>		<u>1,652</u>	<u>14,109</u>
Retained balance brought forward	4	<u>118,717</u>	<u>104,608</u>
Retained balance carried forward	4	<u>120,369</u>	<u>118,717</u>

All activities are continuing.

The Company has no recognised gains and losses other than those reported above for the year.

The notes on pages 15 to 16 form part of these financial statements.

## Financial Statements

For the year ended 31 December 2011

### BALANCE SHEET AT 31 DECEMBER 2011

	Note	2011 £	2010 £
<b>Current assets</b>			
Trade debtors		20,627	11,141
Prepayments and accrued income		8,801	1,288
Cash at bank and in hand		<u>126,081</u>	<u>137,180</u>
		<u>155,509</u>	<u>149,609</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year		1,865	686
Accruals and deferred income		33,027	30,110
Amounts due to related undertaking		<u>248</u>	<u>96</u>
		<u>35,140</u>	<u>30,892</u>
<b>Net Assets</b>		<u>120,369</u>	<u>118,717</u>
<b>Funds of the charity</b>			
Unrestricted funds	4	<u>120,369</u>	<u>118,717</u>

Approved by the Board on 03 May 2012:

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R Wright  
Trustee Director

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F J Banks  
Trustee Director

The notes on pages 15 to 16 form part of these financial statements.

## Financial Statements

For the year ended 31 December 2011

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 1. Accounting policies

a. Basis of preparation

The financial statements have been prepared on an accruals basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the Charities (Accounts and Reports) Regulations 2008 and the SORP revised in 2005 titled 'Accounting and Reporting by Charities'.

b. Income

Membership subscriptions are recognised in the accounting period to which the services covered by those subscriptions relate. Other income is recognised when it is received.

c. Resources expended

Expenditure is recognised when it is incurred on the following bases:

- Charitable activities – expenditure associated with the delivery of the Company's activities including events and publicity.
- Governance costs – include those costs incurred in the governance of the Company's assets and are associated with constitutional and statutory requirements, including external audit and trustees' expenses.

#### 2. Charitable activities

	2011	2010
	£	£
Employment costs	83,104	82,660
Direct event costs	20,802	27,085
Publications	21,429	8,015
Fraud research	-	-
Website development	6,518	6,750
Special projects	183	-
Other expenses	4,087	7,311
	<u>136,123</u>	<u>131,821</u>

The Company has no direct employees. Two employees were seconded to the Company from the ICAEW for the year.

#### 3. Governance costs

The Trustee Directors receive no remuneration for their services. Their services are given voluntarily and they receive no benefits in kind. Directors expenses of £75 (2010: £119) were paid to two trustee directors during the year for travel into London to chair the 'Cybercrime: Protecting Your Business Assets' executive breakfast briefing and 'Forensic Tools: Harnessing New Technologies to Counter Fraud' breakfast seminar as well as one meeting of the Board of Trustee Directors. These expenses are included within governance costs. Volunteers expenses of £213 (2010: £238) were paid for the services provided to

## Financial Statements

For the year ended 31 December 2011

Trustee Directors, including meeting room hire and refreshments, and are also included within governance costs.

There are no contracts of service between the Company and the Trustee Directors.

The auditors' remuneration amounted to £1,500 (2010: £1,984) inclusive of irrecoverable VAT.

As a registered charity, the Company has no liability to corporation tax with the exception of investment income. Corporation tax of £nil (2010: £nil) is payable in respect of investment income at 19%.

### 4. Reconciliation of movements in funds

	2011
	£
Members' funds at 1 January	118,717
Surplus for the year	1,652
Members' funds at 31 December	<u>120,369</u>

### 5. Members' funds

The Company is limited by guarantee. Each member of the Company (being those individuals who have subscribed to membership) has guaranteed £1 on winding up or dissolution of the Company.