



# **FRAUD ADVISORY PANEL**

(A company limited by guarantee)

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2010**

Charity number: 1108863  
Company number: 04327390

## Report of the Trustee Directors

For the year ended 31 December 2010

The Board of Trustee Directors submits their report and the financial statements of the company for the year ended 31 December 2010.

### 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) J S Fisher (resigned 06 July 2010) N R Griffiths P C Hagon B J Hart S M Hill W Kenyon S N Philippsohn A Plavsic P M Raphael 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

# **Report of the Trustee Directors**

For the year ended 31 December 2010

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

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

The company is governed by its memorandum and articles of association as amended by special resolution on 10 March 2005 and 26 September 2007.

In 2010 Bates Wells & Braithwaite London LLP were appointed to review and update the constitutional documents to take into account recent changes to company and charity law. Special resolutions for the adoption of the new memorandum and articles of association are expected to be put before members at the next Annual General Meeting.

### **Membership**

Membership of the Fraud Advisory Panel is open on payment of an annual subscription fee to individuals, companies and other organisations 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, such as some Government departments. These individuals are accorded 'observer' status.

At the end of the year the company had 241 individual members and 40 corporate members. Twenty-one 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 that sets out the Fraud Advisory Panel's governance and operational frameworks as well as its current financial position. This is supplemented by various Charity Commission and Companies House publications such as '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 2010

## 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 Secretary.

## Risk management

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

In the current year this has included the introduction of new procedures to process plastic card payments to comply with Payment Card Industry (PCI) data security standards and a comprehensive review of insurance risk to ensure that the Panel's insurances remain 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, education, collaboration and advice.

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 aim is to reduce the harm caused by fraud and financial crime through:

- 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.

All activities are directed toward those actually or potentially affected by fraud and are primarily undertaken by volunteers who give their time and expertise to furthering the Fraud Advisory Panel's charitable objectives.

# Report of the Trustee Directors

For the year ended 31 December 2010

## 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 activities remained consistent with the stated aims and objectives of the Fraud Advisory Panel.

## ACHIEVEMENTS AND PERFORMANCE

The main focus for 2010 was on the expansion of existing activities and the development of new initiatives designed to enhance the capacity of businesses and individuals to prevent and detect fraud.

### Advice and information

<b>Aim:</b>	To raise awareness of fraud prevention, detection and reporting with particular emphasis on new and/or emerging issues
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The provision of advice and information to individuals and businesses is the cornerstone of the Fraud Advisory Panel's work and is where the greatest public benefit is achieved.

A major project to fully redesign the Fraud Advisory Panel's website ([www.fraudadvisorypanel.org](http://www.fraudadvisorypanel.org)) was undertaken to improve online accessibility and better signpost the practical advice and information contained therein. The new website was successfully launched in April, followed by the restricted members' website in November.

All publications are available free to download from the website. Other organisations are actively encouraged to use this information to highlight the risks arising from fraud and to promote best practice in fraud prevention.

- Much of the Fraud Advisory Panel's activity in this area has focussed on broadening the range of topics covered by its successful series of practical '*Fraud Facts*' in order to provide clear and concise advice to individuals and businesses alike. A total of 10 '*Fraud Facts*' were published in 2010 (2009: 7) covering online shopping scams, investment frauds (boiler room frauds and ponzi schemes), fraud risk management, parallel sanctions, fraud response plans and anti-fraud policies amongst others.
- More specialist publications examined the practical and legal issues to be considered in recovering assets from overseas jurisdictions and how to recover and realise art assets.
- Guidance on fraud in the third sector and on non-financial reporting fraud was deferred until 2011 due to resource and time constraints.

The Fraud Advisory Panel also contributed articles to a number of external publications and provided expert media comment on a range of fraud-related issues.

## Law and public policy

<b>Aim:</b> To contribute to the development of the national fraud agenda
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2010 saw the completion of two special projects designed to stimulate wider discussion and debate about the way in which fraud is reported, investigated and prosecuted in England and Wales.

- *'Fraud Reporting: A Shared Responsibility'* examined existing obligations on UK listed companies and their advisers to prevent, detect and report corporate fraud. A comprehensive review of relevant legislation, regulations and guidance was conducted followed by a pair of stakeholder forums which sought the opinions of more than 50 business leaders and representatives from law enforcement, regulatory authorities and professional services firms.

It found that although responsibility for the prevention, detection and reporting of corporate fraud is shared amongst a range of stakeholders there are few obligations on companies to report fraud either internally or to 'official' third parties. The Fraud Advisory Panel is now working to encourage government and the business community to place greater emphasis on the improvement of corporate fraud prevention, detection and reporting mechanisms.

- *'Roskill Revisited: Is There a Case for a Unified Fraud Prosecution Office?'* examined whether the recommendations of the 1986 Fraud Trials Committee chaired by Lord Roskill to create a unified fraud prosecution office and independent oversight body (or 'Fraud Commission') might improve the way that fraud prosecutions are organised and conducted in England and Wales and facilitate the development of a more coherent national anti-fraud strategy.

The Fraud Advisory Panel also continued to contribute to the national agenda on fraud through participation on relevant stakeholder initiatives and in the provision of expert commentary on proposals to reform the law and public policy. This included:

- Submission of responses to three government consultation papers (2009: 1) on *'Policing in the 21<sup>st</sup> Century'*, *'E-Consumer Protection'*, and *'A New Approach to Financial Regulation'*.
- Provision of advice, information and support to advance the work of the National Fraud Authority, particularly in relation to its activities on data-sharing and fraud affecting small to medium-sized businesses.

## Education and training

<b>Aim:</b> To provide counter fraud education and training to business, the professions and the general public
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The Fraud Advisory Panel has continued to explore opportunities to improve counter fraud education in business, the professions and amongst the general public, principally through collaboration with other organisations in the provision of its annual programme of events. A

## Report of the Trustee Directors

For the year ended 31 December 2010

total of 16 events were convened (2009: 18) including the Annual General Meeting and annual lecture.

- Delivery of a comprehensive programme of events primarily aimed at counter fraud professionals from all sectors covering topics such as plea negotiations, bribery and corruption, the Fraud Act 2006, fraud response planning, and asset tracing as well as three practical and participative workshops on fraud detection in London, Birmingham and Leeds.
- Collaboration with the Chartered Institute of Internal Auditors – UK and Ireland (the 'CIIA') on the annual joint conference on '*Combating Fraud in the Current Economic Climate*' and in the provision of two one-day training courses on '*Fraud Risk and the Internal Auditor*' as well as the Association of Certified Fraud Examiners on an executive breakfast briefing on '*Conducting Successful Fraud Investigations*'.
- Provision of expert speakers to present on a range of fraud-related subjects at twenty-one external conferences (2009: 17) including events convened by the ICAEW, CIIA, Community Accounting Network, and British Bankers Association as well as commercial conference organisers.
- The Fraud Advisory Panel also broadened its regional presence through the introduction of regular practitioner meetings in Birmingham, Bristol, Edinburgh and Leeds to provide forums for members and guests to share information, experiences and best practice and to hear from guest speakers.

The Fraud Advisory Panel gratefully acknowledges the support of AlixPartners, Baker Tilly, Challinors, Clydesdale Bank, Deloitte LLP, Ernst & Young LLP, Grant Thornton UK LLP, KPMG Belfast, Moore Stephens LLP, National Audit Office, PKF (UK) LLP, Smith and Williamson, and RSM Tenon in the provision of suitable venues and/or sponsorship for these activities.

### Research

<b>Aim:</b> To improve understanding of the extent, causes and nature of fraud
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No new research was commissioned in 2010. However the Fraud Advisory Panel contributed to the developmental phases of the National Fraud Authority's research into fraud in small and medium sized businesses.

## FINANCIAL REVIEW

### Incoming resources

Key sources of income during the year include:

- Funding from the ICAEW of £57,192 (2009: £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 2010. The ICAEW will increase its funding contribution by 5% for 2011.

## Report of the Trustee Directors

For the year ended 31 December 2010

- Membership subscriptions of £55,817 (2009: £58,811). 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 £33,166 (2009: £33,354) derived from the Panel's annual event programme. In addition, a total of £5,200 (2009: £7,978) worth of event sponsorship was received for the *Embedding Fraud Risk Management* conference.
- Donations of £1,850 (2009: £1,100).

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 reduced to £139,226 (2009: £153,228) due to cost savings achieved in respect of publications. In addition, no new research was commissioned in the period.

### Allocated funds

The Fraud Advisory Panel currently has no allocated funds.

### 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 £118,717 (2009: £104,608). This was considered appropriate based upon the anticipated operating expenditure for 2011.

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

## PLANS FOR THE FUTURE

Most of the activities outlined above will continue in the forthcoming year subject to satisfactory resourcing and funding arrangements.

A major focus for 2011 will be on initiatives aimed at reducing the harm caused by fraud and financial crime to communities. Special projects will consider issues relating to bribery and corruption, fraud in the third sector, local authority fraud and fraud in the property sector.

The Fraud Advisory Panel will also explore opportunities to facilitate the greater involvement of volunteer members in planned activities. This will include the continuation of regional forums in Bristol, Birmingham and Edinburgh to explore local issues, and the utilisation of new project feedback functionality on the restricted members website.



## **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, the Charities Act 1993 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 2010

**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 07 April 2011 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 2010

We have audited the financial statements of the Fraud Advisory Panel for the year ended 31 December 2010 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 8, 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 2010 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 2010

**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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2011

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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 2010

### STATEMENT OF FINANCIAL ACTIVITIES Incorporating Income and Expenditure Account For the year ended 31 December 2010

	Note	Unrestricted funds 2010 £	Unrestricted funds 2009 £
<b>Incoming resources</b>			
<b>Incoming resources from generated funds</b>			
Voluntary income - membership subscriptions		55,817	58,811
Voluntary income - sponsorship donations		64,242	66,270
Investment income – bank interest		110	113
<b>Incoming resources from charitable activities</b>			
Event income		33,166	33,354
<b>Total incoming resources</b>		<u>153,335</u>	<u>158,548</u>
<b>Resources expended</b>			
Charitable activities	2	131,821	148,334
Governance costs	3	7,405	4,894
<b>Total resources expended</b>		<u>139,226</u>	<u>153,228</u>
<b>Net surplus/(deficit) for the year</b>		<u>14,109</u>	<u>5,320</u>
Retained balance brought forward	4	<u>104,608</u>	<u>99,288</u>
Retained balance carried forward	4	<u>118,717</u>	<u>104,608</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 14 to 15 form part of these financial statements.

## Financial Statements

For the year ended 31 December 2010

### BALANCE SHEET AT 31 DECEMBER 2010

	Note	2010 £	2009 £
<b>Current assets</b>			
Trade debtors		11,141	15,870
Other debtors		-	-
Prepayments and accrued income		1,288	1,294
Cash at bank and in hand		137,180	127,354
		<u>149,609</u>	<u>144,518</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year		686	20
Accruals and deferred income		30,110	38,528
Amounts due to related undertaking		96	1,362
		<u>30,892</u>	<u>39,910</u>
<b>Net Assets</b>		<u>118,717</u>	<u>104,608</u>
<b>Funds of the charity</b>			
Unrestricted funds	4	<u>118,717</u>	<u>104,608</u>

Approved by the Board on 07 April 2011:

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R Wright  
Trustee Director

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F J Banks  
Trustee Director

The notes on pages 14 to 15 form part of these financial statements.

## Financial Statements

For the year ended 31 December 2010

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

#### 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

	2010	2009
	£	£
Employment costs	82,660	80,123
Direct event costs	27,085	35,222
Publications	8,015	16,281
Fraud research	-	5,139
Website development	6,750	7,050
Other expenses	7,311	4,519
	<u>131,821</u>	<u>148,334</u>

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

#### 3. Governance costs

Trustee directors receive no remuneration for their services. Their services are given voluntarily and they receive no benefits in kind. Directors expenses of £119 (2009: £117) were paid during the year for travel to Leeds to chair a regional members' meeting, and are included within governance costs. Volunteers expenses of £238 (2009: £383) were paid for the services provided to trustee directors, including meeting room hire and refreshments, and are also included in governance costs.

There are no contracts of service between the company and the trustee directors.

## Financial Statements

For the year ended 31 December 2010

The auditors' remuneration amounted to £1,700 (2009: £1,625) 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 (2009: £nil) is payable in respect of investment income at 19%.

### 4. Reconciliation of movements in funds

	2010
	£
Members' funds at 1 January	104,608
Surplus for the year	14,109
Members' funds at 31 December	<u>118,717</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.