

## Anti-fraud policy statements

An anti-fraud policy establishes guidelines for preventing, detecting and dealing with fraud. It also sends out a clear message to staff and third parties about conduct that will not be tolerated by an organisation.

### What is an anti-fraud policy?

An anti-fraud policy (sometimes called a 'fraud policy statement') outlines an organisation's attitude to, and position on, fraud and sets out responsibilities for its prevention and detection.

It also communicates important deterrence messages to staff and third parties that fraudulent conduct will not be tolerated by the organisation and that the fight against fraud is endorsed and supported at the most senior level.

A good anti-fraud policy should aim to outline an organisation's commitment to:

- Take appropriate measures to prevent and deter fraud.
- Introduce and maintain necessary procedures to detect fraud.
- Encourage employees to report any suspicions of fraud.
- Investigate all instances of suspected fraud.
- Take appropriate disciplinary, civil or criminal proceedings.
- Report all suspected fraud to the appropriate authorities.

Note: Some organisations may be subject to obligations to report fraud to law enforcement and/or regulatory authorities.

### Why do you need an anti-fraud policy?

An anti-fraud policy outlines an organisation's commitment to building an anti-fraud culture and maintaining high ethical standards amongst its employees.

The purpose of an anti-fraud policy is to:

- Encourage an anti-fraud culture by setting the tone from the top.

- Define fraud, so that employees are aware of what actions constitute fraud and/or misconduct.
- Establish the responsibilities of managers and staff.
- Ensure that all employees know the procedure to follow in the event of a fraud being discovered or suspected, including how to report fraud (this is particularly important in order to preserve evidence).
- Reduce the exposure of an organisation to fraud.
- Make staff aware of fraud and describe what to look for.
- Act as a deterrent by setting out the consequences of engaging in fraudulent conduct.
- Encourage management to think about fraud and develop a plan to deal with it.

It may also set out an organisation's whistleblowing policy and/or fraud response plan, if these are not separately documented.

### Whom should it cover?

It should cover all instances of actual or suspected fraud and dishonesty involving employees as well as consultants, contractors, suppliers and other third parties that have a business relationship with your organisation.

### Designating responsibility

Designate oversight to an individual or body with sufficient authority, such as a director, senior manager, or the audit committee.

### Drafting an effective anti-fraud policy

An effective anti-fraud policy should be simple, concise and easily understood. As a minimum your anti-fraud policy should include:

**Policy statement:** Preface the policy with a short statement that clearly sets out your organisation's commitment to prevent, detect, investigate and report fraud; the behaviour expected of staff and other third parties; and the action that will be taken against fraudsters.

**Definition of fraud:** Define fraud and provide examples of what might constitute fraud and dishonesty in the specific context of your business. This may include theft, the misuse of funds or other resources, or more complicated crimes such as bribery and corruption, false accounting and the supply of false information.

**Key responsibilities:** Highlight the responsibilities of senior management and staff in preventing, detecting and reporting fraud, and in co-operating with any investigations. Specify the individual and/or body with overall responsibility for the policy.

**Reporting suspicions:** Set out whistleblowing arrangements (if appropriate) and/or specify a designated individual(s) to whom staff can report concerns on a confidential basis. If a separate whistleblowing policy exists, state where this can be found.

**Fraud response plan:** Outline the process that will be followed in the event of a fraud being discovered or suspected, such as how evidence will be secured and the investigation conducted. If a separate fraud response plan exists, state where this can be found.

## Communicating your policy

All staff and third parties should be made aware of your anti-fraud policy. Actively and regularly promote the policy throughout the organisation to staff – irrespective of grade, position or length of service. For example:

- Provide a copy of your anti-fraud policy to all new employees with their employment contract.
- Include fraud awareness training as part of your induction programme for new joiners.
- Put your anti-fraud policy on the intranet, on posters displayed in common areas, or on computer screensavers etc.
- Facilitate ongoing awareness of the policy for existing employees through periodic management briefings and/or training sessions.

## Reviewing your policy

Businesses change over time. It is essential to regularly review your anti-fraud policy to ensure that it remains relevant and effective.

## Further information

See our separate fraud factsheet *Anti-fraud Policy Statements – A Sample* for more information.

### Fraud Advisory Panel

[www.fraudadvisorypanel.org](http://www.fraudadvisorypanel.org)

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## Hallmarks of an effective policy

### DO:

- ✓ Ensure that your organisation's exposure to fraud is considered when introducing new, or when amending existing, systems and processes.
- ✓ Designate responsibility for oversight of the anti-fraud policy to an individual and/or body with sufficient authority.
- ✓ Establish reporting to management on fraud-related issues, including reports received and investigation outcomes.
- ✓ Support the existence of an anti-fraud policy with a robust internal control system for the prevention and detection of fraud.
- ✓ Ensure regular monitoring of fraud prevention and detection controls, for example by internal audit.
- ✓ Review the policy on a regular, preferably annual, basis.
- ✓ Update the policy to take account of changes in business activities and/or control procedures that may open up new potential fraud risks.

### DO NOT:

- ✗ Expect employees to understand the term 'fraud' without defining it. Individuals will have different views on acceptable business practices, and the policy needs to be specific enough to ensure that employees are adopting a consistent approach.
- ✗ Adopt generic control procedures and policies across the business where the risk of fraud varies by business area.
- ✗ Introduce overly generic training. It may be necessary to tailor training for different roles within your business.
- ✗ Ignore 'red flags'. Certain industries and/or activities are exposed to specific fraud risks. Ensure that any risks specific to the business are adequately addressed.
- ✗ Introduce an anti-fraud policy and fail to follow up on it. Do not expect that the existence of an anti-fraud policy alone is enough to prevent and detect fraud.

*The Fraud Advisory Panel gratefully acknowledges the contribution of Keith Williamson and Nikki Coles (AlixPartners) and Mia Campbell (Fraud Advisory Panel) in the preparation of this Fraud Facts.*

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