



Registered Charity No: 1108863

**FRAUD ADVISORY PANEL**  
**(Limited by guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2005**

# FRAUD ADVISORY PANEL

## Directors' Report

The Board of Trustee Directors submit their report and the financial statements of the Company for the year ended 31 December 2005.

### Administrative details

Company:	Fraud Advisory Panel ('FAP')	
Charity number:	1108863 (since 5 April 2005)	
Company number:	04327390 company limited by guarantee	
Registered/principal office:	Chartered Accountants' Hall, PO Box 433, Moorgate Place, London, EC2P 2BJ	
Board of Trustees:	R Wright, Chairman F J Banks K C Farrow N R Griffiths W Kenyon J P Perry S N Philippsohn A Plavsic P M Raphael	(reappointed 22 November 2005) (ICAEW appointed) (appointed 22 November 2005)    (co-opted)
	No other Trustee Directors served during the year.	
Secretary:	M Campbell, Executive	
Bankers:	NatWest, Milton Keynes Branch, 501 Silbury Boulevard, Saxon Gate East, Milton Keynes, MK9 3ER	
Auditors:	RSM Robson Rhodes LLP, Bryanston Court, Selden Hill, Hemel Hempstead, HP2 4TN	

### Structure, governance and management

The Fraud Advisory Panel is governed by its memorandum and articles of association as amended by special resolution on 10 March 2005.

The Fraud Advisory Panel is a membership organisation with membership open to individuals, companies and other organisations with an interest in the detection, investigation, prosecution and prevention of fraud on payment of an annual subscription fee. This fee may be waived in 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.

Fully paid up members are entitled to vote at any general meeting. Companies or organisations only have one vote and must appoint a representative for this purpose.

The Board of Trustee Directors has overall legal and financial responsibility for the Fraud Advisory Panel. The Board 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. Trustee Directors can serve for a total period of six consecutive years.

## FRAUD ADVISORY PANEL

A maximum of three Trustee Directors may be co-opted to serve at any one time. The Institute of Chartered Accountants' in England and Wales (ICAEW) also has the right to appoint up to one-third of the Directors by notice in writing to the Company.

Upon appointment new Trustee Directors receive an induction handbook containing important information including memorandum and articles of association, organisational and Board structure, financials, agreed policies and recent publications. Ongoing training is provided as required, and in May 2005 the Board received trustee and governance training through the National Council for Voluntary Organisations (NCVO).

The Board meets six times a year to consider matters relating to the management and governance of the Fraud Advisory Panel. A subcommittee of the Board also meets six times a year to supervise all projects including research and publications.

The Executive is responsible for the day-to-day management of the Fraud Advisory Panel and is also the company secretary.

### Review of risks

The Board has conducted a review of the major risks to which the Fraud Advisory Panel is exposed, including an assessment of fraud and error risk, and confirms that systems have been established to regularly reassess and mitigate these risks.

### Objectives and activities

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 Fraud Advisory 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.

In furtherance of this object the Fraud Advisory Panel aims to raise awareness of the immense social and economic damage caused by fraud and to help the private and public sectors, and the public at large, to fight back.

The Fraud Advisory Panel's strategic plan comprises three main areas of work: charitable activities, governance and finance. Principal areas of charitable activity include research, seminars and events, education and training, and publications.

Much of the Fraud Advisory Panel's detailed work is conducted by volunteers via multi-disciplinary groups. These groups report to the project subcommittee of the Board of Trustee Directors which has overall responsibility for supervising the Company's charitable activities.

### Achievements and performance

During 2005 staff and volunteers worked successfully towards achieving the objectives of the Fraud Advisory Panel. Key achievements were:

#### Research

- Completion of preliminary research into the perceptions on the impact of data protection legislation on the successful private sector investigation of fraud.

## FRAUD ADVISORY PANEL

### Education and Training

- Delivered eight one-hour introductory fraud awareness presentations “*Fraud: Is this a risk you manage?*” to organisations including financial institutions, charities, museums and local and central government. Initial sessions were free to organisations whilst subsequent sessions were offered on a fee-for-service basis.
- Hosted one full-day conference on *Art and Crime* and two full-day conferences on the role of audit in fraud management.
- Hosted three half-day seminars and briefings on fraud in the charity sector, cybercrime and data-mining.
- Hosted the Great Fraud Debate “*Are expert witnesses more often a hindrance than a help in serious fraud cases?*”
- Endorsed five fraud-related conferences organised by external conference providers.

### Advice and Information

- Published guidance for SMEs entitled *Protecting Your IT Systems: A guide for SMEs* in September 2005.
- Highlighted the human cost of fraud via the annual review 2004 – 2005.
- Published a quarterly e-newsletter to members.
- Redesigned the Fraud Advisory Panel website to include more information on fraud for members, business and the general public.

### Collaboration

- Hosted two joint events with the Institute of Internal Auditors - UK and Ireland (IIA) to raise awareness of fraud amongst internal auditors.
- Responded to Government consultations on *Company Law Reform* (June 2005) and *Reviewing the FSA Handbook* (November 2005).
- Shared a stand with the North-East Fraud Forum (NEFF) at the *Crime Prevention: A strategic approach* conference held under the auspices of the UK Presidency of the European Union in Hungary (September 2005).

## Financial review

The Fraud Advisory Panel's principal sources of income are membership subscriptions, seminars and conferences, and donations. Sponsorship is also sought for specific projects.

The ICAEW has committed to provide continuing funds to support the Fraud Advisory Panel's work to a maximum of £45,000 per annum for the years 2004 to 2006, and to provide accommodation and associated overheads at no cost to the Company for 2005.

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.

### Reserves Policy

The Board of Trustee Directors has adopted a reserves policy whereby reserves should be not less than a quarter and not more than one year's subscription income. At the end of the year, reserves exceeded the maximum level, however, in consideration of current operating expenditure the level of reserves is considered appropriate at this point and will remain under review.

### Data Protection Research

During 2004 the Fraud Advisory Panel commissioned research into perceptions of the impact of data protection legislation upon the successful private sector investigation of fraud. The project was funded by sponsorship income of £15,659 received during 2004/2005. Expenses associated

## FRAUD ADVISORY PANEL

with the project began to be borne by the Fraud Advisory Panel during 2005 and will continue into 2006 as the final research report is published.

### Plans for the future

The Fraud Advisory Panel's operational plan for 2006 outlines the key activities for the forthcoming year. Key activities include:

#### Research

- Publishing and launching the findings of preliminary research into the perceptions of the impact of data protection legislation on the successful private sector investigation of fraud.
- Commissioning research into the social impact of fraud.

#### Education and Training

- Implementing a programme of seminars and conferences for the 2006 year.
- Continuing to offer free one-hour introductory fraud awareness presentations "*Fraud: Is this a risk you manage*" to organisations upon request.
- Endorsing fraud-related conferences organised by external conference providers.

#### Advice and Information

- Publishing advice and information on a range of fraud-related issues including *Fighting Fraud: A guide for SMEs*, *The Mobile Device in Cybercrime* and *Annual Review 2005 – 2006*.
- Publishing a quarterly e-newsletter to members.
- Regularly updating the Fraud Advisory Panel website on current issues.

#### Collaboration

- Hosting joint events with other organisations and professional bodies to raise awareness of fraud amongst the public and private sectors and the general public.
- Contributing to the Government's review of fraud and other consultation papers of relevance.

#### Other Activities

- Securing ongoing funding for an additional three-year period from the ICAEW and identifying new sources of funding.
- Developing and implementing new systems and policies to continue to improve the governance and management of the Fraud Advisory Panel.

### Statement of Directors' responsibilities

Law applicable to charities in England and Wales requires the Trustee Directors to prepare financial statements for each financial year which give a true and fair view of the Company's state of affairs and of its financial activities during the year. In preparing these financial statements the Trustee Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards and the SORP Accounting and Reporting by Charities' revised 2005;
- and prepared the financial statements on the going concern basis.

The Trustee Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company and ensure that the financial statements comply with the Companies Act 1985, the Charities Act 1993 and regulations thereunder. The Trustee Directors are responsible for safeguarding the assets of the Company

## FRAUD ADVISORY PANEL

and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

A proposal to re-appoint RSM Robson Rhodes LLP as auditors will be made at the Annual General Meeting.

### **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 Board held on 2 May 2006 and are signed on their behalf by:

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R Wright  
Trustee Director

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F J Banks  
Trustee Director

## FRAUD ADVISORY PANEL

### Independent auditors' report to the members of the Fraud Advisory Panel

We have audited the financial statements of Fraud Advisory Panel for the year ended 31 December 2005 which comprises the statement of financial activities, the balance sheet and the related accounting policies and notes.

This report is made solely to the charitable Company's members as a body in accordance with Section 235 of the Companies Act 1985. 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 Trustee Directors and auditors**

The Trustees' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the directors report. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the charitable Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charitable Company is not disclosed.

We read other information included in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the charitable Company as at 31 December 2005 and of its incoming resources and application of resources expended, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
London

## FRAUD ADVISORY PANEL

### Statement of financial activities For the year ended 31 December 2005

	Note	Unrestricted funds 2005 £	Unrestricted funds 2004 £
<b>Incoming resources</b>			
<b>Incoming resources from generated funds</b>			
Voluntary income - membership subscriptions		46,589	41,635
Voluntary income - sponsorship donations		57,457	64,868
Investment income – bank interest		2,502	1,036
<b>Incoming resources from charitable activities</b>			
Event income		31,139	14,123
<b>Total incoming resources</b>		137,687	121,662
<b>Resources expended</b>			
Charitable activities	2	113,529	90,512
Governance costs	3	6,425	1,581
<b>Total resources expended</b>		119,954	92,093
<b>Net income for the year</b>		17,733	29,569
Retained balance brought forward	4	76,830	47,261
Retained balance carried forward	4	94,563	76,830

All activities are continuing.

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

The notes on pages 9 to 10 form part of these financial statements.



## FRAUD ADVISORY PANEL

### Balance sheet at 31 December 2005

	Note	2005 £	2004 £
<b>Current assets</b>			
Trade debtors		13,017	4,150
Cash at bank and in hand		<u>118,343</u>	<u>108,700</u>
		<u>131,360</u>	<u>112,850</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year		698	2,570
Accruals and deferred income		<u>36,099</u>	<u>33,450</u>
		<u>36,797</u>	<u>36,020</u>
<b>Net Assets</b>		<u>94,563</u>	<u>76,830</u>
<b>Funds of the charity</b>			
Unrestricted funds	4	<u>94,563</u>	<u>76,830</u>

Approved by the Board on 2 May 2006

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R Wright  
Trustee Director

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F J Banks  
Trustee Director

The notes on pages 9 to 10 form part of these financial statements.

## FRAUD ADVISORY PANEL

### Notes to the financial statements For the year ended 31 December 2005

#### 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 1995 and the SORP revised in 2005 titled 'Accounting and Reporting by Charities'. The Company obtained charitable status from 5 April 2005; the comparative figures in these accounts have therefore been re-classified according to SORP 2005, however there have been no changes to the accounting policies or to the net result.

##### 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

	2005 £	2004 £
Employment costs	41,426	36,980
Direct event costs	20,354	13,052
Publications	23,082	19,927
Fraud research	8,753	-
Website development	6,500	6,500
Other expenses	13,414	14,053
	<u>113,529</u>	<u>90,512</u>

The Company has no direct employees. One employee was seconded to the Company from the ICAEW for the year and an additional part time employee was also seconded from September 2005.

#### 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 out of pocket expenses of £1,422 (2004: £1,364) were paid during the year, and are included within governance costs.

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

The auditors' remuneration amounted to £1,410 (2004 £1,410) inclusive of irrecoverable VAT.

As a registered charity, the Company has no liability to corporation tax with the exception of investment income. No corporation tax is payable in respect of the year as the investment income is below the profit limit for the starting rate (2004: nil).

## FRAUD ADVISORY PANEL

### 4. Reconciliation of movements in funds

	2005
	£
Members' funds at 1 January	76,830
Surplus for the year	<u>17,733</u>
Members' funds at 31 December	<u>94,563</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.