



Registered Charity No: 1108863

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2006**

# 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 2006.

### Administrative details

Company:	Fraud Advisory Panel ('Panel')	
Charity number:	1108863	
Company number:	04327390 company limited by guarantee	
Registered/principal office:	Chartered Accountants' Hall, PO Box 433, Moorgate Place, London, EC2P 2BJ	
Board of Trustee Directors:	R Wright, Chairman F J Banks (ICAEW appointed) W T M Cleghorn (appointed 22 November 2006) K C Farrow J S Fisher (appointed 22 November 2006) N R Griffiths S M Hill (appointed 22 November 2006) W Kenyon J P Perry (co-opted) S N Philippsohn A Plavsic P M Raphael	
	No other Trustee Directors served during the year.	
Secretary:	M Campbell, Manager	
Auditors:	RSM Robson Rhodes LLP, 30 Finsbury Square, London, EC2P 2YU	
Bankers:	NatWest, Milton Keynes Branch, 501 Silbury Boulevard, Saxon Gate East, Milton Keynes, MK9 3ER	
Solicitors:	None	

### Structure, governance and management

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

The Panel is a membership organisation 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.

## **FRAUD ADVISORY PANEL**

### **Directors' Report continued**

The Board of Trustee Directors has overall legal and financial responsibility for the 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, unless the Trustee Directors resolve unanimously that a Trustee Director should not be obliged to retire.

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.

All new Trustee Directors are provided with an induction handbook containing a copy of the memorandum and articles of association, organisational and Board structure, the latest annual report and accounts, strategic and operational plans, policies, minutes, recent publications and a selection of guidance published by the Charity Commission, Companies House and the National Council for Voluntary Organisations (NCVO).

The Board received initial trustee and governance training through the NCVO in May 2005. No additional training was provided in 2006. Requirements for training of new Trustee Directors will be reviewed in 2007.

The Board meets six times a year to consider matters relating to the management and governance of the Panel.

In the period 2004 to 2006 a subcommittee of the Board also met six times a year to supervise the Panel's projects. This subcommittee will be downgraded to working group status from the beginning of 2007.

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

### **Review of risks**

In 2005 the Board conducted a review of the major risks to which the Panel is exposed, including an assessment of fraud and error risk, and confirmed that systems have been established to regularly assess and mitigate these risks. As a matter of good governance an assessment of fraud and error risk will be conducted in early 2007.

### **Objectives and activities**

The 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.

In furtherance of this object the Panel aims to reduce the harm caused by fraud by raising 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.

Principal areas of charitable activity include research, seminars and conferences, education and training, and publications.

Much of the 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.

## FRAUD ADVISORY PANEL

### Directors' Report continued

#### Achievements and performance

During 2006 staff and volunteers worked successfully towards achieving the objectives of the Panel.

#### Research

##### *Data Protection*

In March 2006 the Panel published the findings of its preliminary research into '*Perceptions on the impact of data protection legislation on the successful private sector investigation of fraud*'. Subsequently an informal email survey was conducted which asked members of the Panel to provide feedback of their experiences in applying the requirements of the Data Protection Act 1998 (the 'DPA') in financial and commercial fraud investigations.

The combined results of these separate pieces of work suggested a lack of understanding and awareness of the DPA was a reason for non-disclosure within and between the public and private sectors. The results were considered by a small subgroup which concluded that the Panel should develop guidance on the role of data protection in the investigation of fraud.

##### *Human (Social) Impact of Fraud*

The Panel did not commission research into the social impact of fraud during 2006 as a result of the project being put on hold pending the findings of similar research commissioned by the Government Fraud Review.

However as part of the Panel's ongoing project to explore the wider human and social impact of fraud an expert roundtable on the victims of financial and commercial crime was convened on 10 March 2006 which resulted in the publication of the Panel's first occasional paper.

Further research into the social impact of fraud was deferred to 2007.

#### Seminars & Conferences

##### *Annual Programme of Events*

The Panel successfully implemented a programme of seminars and conferences in 2006 which included:

- Three full-day conferences on fraud risk and internal audit (in conjunction with the Institute of Internal Auditors UK and Ireland), film and music piracy, and money laundering.
- Three half-day seminars on procurement fraud, corporate fraud, and cybercrime.
- Two evening networking events for members and non-members.

In addition, a series of three members' discussion forums were trialled covering IT governance and security, charity fraud, and ethics in practice. The forums were introduced to enable members to discuss specialist subjects in more depth. A guest speaker introduced the subject followed by a case study and facilitated group discussion on the issues raised.

##### *Event Endorsement*

The Panel endorsed five fraud-related conferences organised by external conference providers including the British Bankers' Association, IIR Conferences, City and Financial, and Osney Media.

In September 2006 the Board of Trustee Directors ratified a new policy whereby the Panel no longer offers endorsement or sponsorship of any commercially organised seminar or conference, although this does not prevent the Panel from collaborating with other organisations on events of mutual interest.

## FRAUD ADVISORY PANEL

### Directors' Report continued

#### Education and Training

The Panel offers a one-hour introductory fraud awareness presentation '*Fraud: Is this a risk you manage*' to organisations upon request. During 2006 the Panel delivered three sessions to public and private sector organisations.

Initial sessions are free to organisations whilst subsequent sessions are offered on a fee-for-service basis. Past beneficiaries have included financial institutions, charities, museums, local and central government.

#### Publications

The Panel published advice and information on a range of fraud-related issues for government, business and the general public including:

- 8<sup>th</sup> Annual Review 2005 – 2006: Which way now?
- Bringing to Book: Tackling the crisis in the investigation and prosecution of serious fraud
- Cybercrime: Protecting your mobile device
- Fighting Fraud: A guide for SMEs, 2<sup>nd</sup> Edition
- Fraud Bill: Guidance for industry
- Improving the Investigation and Prosecution of Fraud
- Sample Fraud Policy Statements
- Victims of Fraud

In addition the Panel published a quarterly electronic newsletter for members of the Panel containing current activities, forthcoming events and other items of interest.

The Panel continues to regularly update its website on current and emerging fraud issues.

#### Collaboration

##### *Government Fraud Review*

The Panel proactively contributed to the Government Fraud Review over the last year. In particular, the Panel:

- Hosted the second of two practitioner roundtables in January to facilitate members' input into the review process.
- Contributed to the development of public policy by submitting the findings of the Panel's special project group's detailed proposals to reform the law and court procedures as they relate to cases of serious fraud, and our expert roundtable on the victims of fraud.
- Submitted a formal response to the *Fraud Review: Final report*.
- Evaluated the review as part of its 8<sup>th</sup> Annual Review concentrating largely on those issues where the Panel's analysis, emphasis or recommendations differed in some significant respect to the consultation paper, and suggested seven essential steps for fraud policy.

##### *Other Government Consultations*

In addition, the Panel also responded to Government consultations on:

- Judicial powers to management conflict of interest and capacity issues in very high cost cases
- New powers against organised and financial crime, and
- The immediate steps government could take to combat identity fraud.

## FRAUD ADVISORY PANEL

### Directors' Report continued

#### Other Activities

##### *Ongoing Funding*

In December the Institute of Chartered Accountants in England and Wales (the 'ICAEW') approved continued funding of the Panel for 2006, including accommodation and associated overheads at no cost.

A corporate members evening was also held to enable existing and potential corporate members and financial supporters to hear more about the work of the Panel in raising awareness of fraud.

##### *Governance and Management*

The Board of Trustee Directors continued to develop and implement new systems and policies to improve the governance and management of the Panel. In November 2006 a full-time Executive was appointed to assist the Manager in the administration of the Panel.

#### **Financial review**

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

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 2006. For 2006 this totalled £49,620 (2005: £47,250).

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 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 policy whereby reserves should be not less than a quarter and not more than one year's subscription income. This is considered sufficient to cover at least three months operating costs.

At the end of the year the Panel held unrestricted funds of £102,848 which exceeded the maximum reserves level of £51,017. However in consideration of the anticipated operating expenditure for 2007 the level of reserves is deemed appropriate at this point.

The reserves policy and position are reviewed annually by the Board of Trustee Directors.

#### *Data Protection Research*

In 2004 the Panel commissioned research into '*Perceptions on 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 with the project were borne by the Panel during 2005/2006.

Remaining sponsorship income of £3,661 will be used during 2007 to fund the development of guidance to address some of the major concerns identified in the preliminary research.

#### *Human (Social) Impact of Fraud Research*

The Panel allocated funds of £14,000 to commission research into the social impact of fraud. These funds were unspent during 2006 and have been carried forward to the 2007 year.

## FRAUD ADVISORY PANEL Directors' Report continued

### Plans for the future

The Panel's operational plan for 2007 outlines the key activities for the forthcoming year. Much of the proposed activities will be business as usual.

#### Research

A key priority for the Panel during 2007 will be to advance its proposed research into the human and social impact of fraud with a view to commissioning a preliminary piece of work in this area.

#### Seminars and Conferences

The Panel will continue to host an annual programme of seminars and conferences on a range of fraud-related subjects.

This will include a major conference focussing on a subject not typically considered within the context of fraud. Previously this has included art and crime, and film and music piracy. In 2007 the conference will be on '*Fraud in Research*' covering all forms of fraudulent practices in research and ethical frameworks for research and publication.

The discussion forums trialled during 2006 will become a regular feature of the annual events programme with registration open to members and non-members alike.

#### Education and Training

The Panel will continue to offer its free one-hour introductory fraud awareness presentation '*Fraud: Is this a risk you manage*' to organisations upon request.

In addition, consideration will also be given to other educational initiatives aimed at raising awareness of fraud amongst the public, private and third sectors, and the general public.

#### Advice and Information

The Panel will publish advice and information on a range of fraud-related issues including identity theft, internet payment systems and annual review 2006 – 2007. Other ad hoc publications will be produced in response to emerging or current issues.

In response to the findings of the Panel's preliminary research into the DPA a special project will produce and publish best practice guidance on the release of data in fraud investigations. The Information Commissioner's Office (ICO) will be consulted as part of the project.

All publications will continue to be made available to download free from the Panel's website.

#### Collaboration

During 2007 the Panel will focus on strengthening its linkages with other organisations, both new and existing, in order to facilitate future collaboration on issues of mutual interest. A key component of this will be continued engagement with the Government Fraud Review after the publication of its implementation plan in early 2007.

The Panel will continue to contribute to the development of public policy on fraud via its responses to Government consultation papers.

## FRAUD ADVISORY PANEL

### Directors' Report continued

#### Other Activities

A financial plan will be developed for the Panel which will include the identification of new sources of funding in order to work towards its goal of financial independence.

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

Each person who is a Trustee Director at the date of approval of this report confirms that:

- So far as the Trustee Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Trustee Director has taken all the steps that he/she ought to have taken as a Trustee Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 234ZA of the Companies Act 1985.

#### **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 \_\_\_\_\_ and are signed on their behalf by:

---

R Wright  
Trustee Director

---

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 2006 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 the Director's Report and consider the implications for our report if we become aware of any apparent misstatements with it.

#### **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 2006 and of its incoming resources and application of resources expended, including its income and expenditure for the year then ended,
- The financial statements have been properly prepared in accordance with the Charities Act 1993 and the Companies Act 1985, and
- The information given in the director's report is consistent with the financial statements.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
London

**FRAUD ADVISORY PANEL**  
**Statement of financial activities**  
**For the year ended 31 December 2006**

	Note	Unrestricted funds 2006 £	Unrestricted funds 2005 £
<b>Incoming resources</b>			
<b>Incoming resources from generated funds</b>			
Voluntary income - membership subscriptions		51,017	46,589
Voluntary income - sponsorship donations		72,860	57,457
Investment income – bank interest		3,012	2,502
<b>Incoming resources from charitable activities</b>			
Event income		16,967	31,139
<b>Total incoming resources</b>		143,856	137,687
<b>Resources expended</b>			
Charitable activities	2	129,987	113,529
Governance costs	3	5,584	6,425
<b>Total resources expended</b>		135,571	119,954
<b>Net income for the year</b>		8,285	17,733
Retained balance brought forward	4	94,563	76,830
Retained balance carried forward	4	102,848	94,563

All activities are continuing.

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

The notes on pages 12 to 13 form part of these financial statements.

**FRAUD ADVISORY PANEL**  
**Balance sheet at 31 December 2006**

	Note	2006 £	2005 £
<b>Current assets</b>			
Trade debtors		4,294	13,017
Other debtors		452	-
Cash at bank and in hand		<u>133,756</u>	<u>118,343</u>
		<u>138,502</u>	<u>131,360</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year		685	698
Accruals and deferred income		<u>34,969</u>	<u>36,099</u>
		<u>35,654</u>	<u>36,797</u>
<b>Net Assets</b>		<u>102,848</u>	<u>94,563</u>
<b>Funds of the charity</b>			
Unrestricted funds	4	<u>102,848</u>	<u>94,563</u>

Approved by the Board on

---

R Wright  
Trustee Director

---

F J Banks  
Trustee Director

The notes on pages 12 to 13 form part of these financial statements.

**FRAUD ADVISORY PANEL**  
**Notes to the financial statements**  
**For the year ended 31 December 2006**

**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'.

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**

	2006	2005
	£	£
Employment costs	57,566	41,426
Direct event costs	21,743	20,354
Publications	27,565	23,082
Fraud research	3,243	8,753
Website development	7,000	6,500
Other expenses	12,870	13,414
	129,987	113,529

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 out of pocket expenses of £100 (2005: £nil) were paid during the year, and are included within governance costs. Volunteers expenses of £2,393 (2005: £1,422) were paid for the services provided to 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 (2005: £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 period to 5 April 2006 as investment income is below the profit limit for the starting rate (2005: £nil). Corporation tax of £435 is payable in respect of investment income for the period from 6 April at 19%.

## FRAUD ADVISORY PANEL

### 4. Reconciliation of movements in funds

	2006
	£
Members' funds at 1 January	94,563
Surplus for the year	8,285
Members' funds at 31 December	<u>102,848</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.