

The six principles of fraud prevention

Top level commitment

Refers to the management (directors, partners and senior management) of the organisation being committed to preventing associated persons from committing fraud. They should foster a culture within the organisation in which fraud is never acceptable and should reject profit based on, or assisted by, fraud.

They will be responsible for communication and endorsement of the organisation's stance on preventing fraud, ensuring that there is clear governance across the organisation and providing or facilitating training to the workforce.

Risk assessment

Refers to the organisation assessing the nature and extent of its exposure to the risk of employees, agents and other associated persons committing fraud. The risk will depend on the activities performed by various members of the workforce and should be continually monitored.

Proportionate risk-based prevention procedures

Refers to the arrangements the organisation has created which are informed by the risk assessments conducted. These procedures could include:

- Measures to reduce the opportunities for fraud (such as training, ongoing risk assessment, pre-employment vetting or audits)
- Measures to reduce the motive for fraud (such as reviewing conflicts of interest, amending frameworks so that they do not encourage fraud via potential time or monetary gain)
- Consequences for committing fraud (internal disciplinary and reporting procedures for those found to be committing fraud)
- Measures to reducing the rationalisation of fraudulent behaviour (such as by pointing out the impact of fraud on colleagues, on the business, on the sector and on public trust)
- Testing of the fraud prevention measures

Due diligence

Refers to how the organisation considers and identifies potential risks, for example via pre-employment vetting, monitoring of well-being of staff and agents to identify persons who may be more likely to commit fraud because of stress, targets or workload or reviewing contracts with those providing services to the organisation.

In simple terms, how does the organisation continue to monitor the risk of fraud and what is it doing to prevent it from happening (as much as reasonably possible).

Communication

Refers to how the organisation ensures that its workforce are aware of and understand their procedures. This will be through communicating their policy or statement, training or a clear and fair whistleblowing process.

Monitoring and review

This should continue to happen after the procedures or risk assessment are completed. The organisation should make improvements where needed, including learning from investigations and whistleblowing incidents and reviewing information from its own sector.