# Policy Guide and Checklist

This front page is to guide users in developing their Financial Management and Governance Policy and Procedures. To help you complete your policy and procedures:

* Basic instructions and choices between specific terms are indicated by yellow highlighting.
* Sections requiring detail are indicated by green highlighting.

For guidance, the following resources are recommended:

* Australian Charities and Not-for-profits Commission (ACNC) [Governance for Good: A Guide for Responsible People](https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.acnc.gov.au/tools/guides/governance-for-good-acncs-guide-for-responsible-people&ved=2ahUKEwjg3ZaoqoqKAxVNSGwGHe7qKRwQFnoECBwQAQ&usg=AOvVaw0lzLqmVVpgwiQHHJNLceUl)
* ACNC [Managing Charity Money: A Guide for Responsible People](https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.acnc.gov.au/tools/guides/managing-charity-money-guide-for-responsible-people&ved=2ahUKEwjwy8PRqoqKAxUWRmwGHShIH0EQFnoECBYQAQ&usg=AOvVaw1-fVngffx3zk3p0TrmqixL) (Appendix 1)
* ACNC [Protecting Your Charity from Fraud](https://www.acnc.gov.au/tools/guides/protect-your-charity-fraud) (Appendix 2)
* Australian Institute of Company Directors [Not-for-Profit Governance Principles](https://www.aicd.com.au/content/dam/aicd/pdf/tools-resources/nfp-governance-principles/aicd-nfp-governance-principles-2024.pdf)
* CPA [Australia Financial Management and Governance Guide for Not-for-Profit (NFP) Organisations](https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/not-for-profit-and-public-sector/not-for-profit/cpaaom4315297x210financial-management-and-governance-guide-for-nfp-organisationsrgbweb.pdf)
* Institute of Community Directors Australia [Financial Management and Your Community Group](https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.communitydirectors.com.au/help-sheets/financial-management-and-your-community-group&ved=2ahUKEwiSz5PNq4qKAxUqSmwGHQGONjgQFnoECB0QAQ&usg=AOvVaw2F_tio7DUc78-kY5b5k6R_)
* NFP Law [Financial Reporting for Charities](https://content.nfplaw.org.au/wp-content/uploads/2024/04/Financial-Reporting-for-charities.pdf)

We also recommend that you source and use resources focused on particular areas of risk relevant to your organisation and types of financial dealings. For example, large national charities will need systems of financial controls that differ from those required by small neighbourhood centres.

Before submitting this document for approval, check that you have completed the following:

Read the current[[1]](#footnote-2) HSQF Framework Version.

Read the current HSQF User guide – Certification or HSQF User Guide – Self-Assessable (as appropriate to your service agreement and organisation).

Checked the most recent HSQF Version Control Register and Log of Changes and included any relevant changes in your policy draft.

Included the document code/version number in accordance with your organisation’s version control procedure.

Replaced all reference to organisation with your organisation name.

Customised or deleted (as appropriate) all yellow highlighted sections.

Drafted content for or deleted (as appropriate) all green highlighted sections.

Customised the Relevant Legislation and Standards, Related Policies and Procedures and Supporting Documents lists.

Customised, removed or added to the Appendices (as appropriate).

Updated the header and footer to reflect the document name, version and other relevant details for your organisation.

Added a review date.

Logged any changes to policies/procedures in your organisation’s Policies and Procedures Register.

Deleted all footnotes.

Removed QCOSS branding and replaced it with your organisation’s branding.

**Delete** these two pages once your Financial Management and Governance Policy and Procedures have been approved and finalised.

Financial Management Policy and Procedures

#### Document Code / Version Number

# Policy Statement

Financial management and governance are essential to the viability and sustainability of Organisation. We document and implement appropriate financial management and governance systems, processes, and practices to promote financial viability and comply with legislative and contractual requirements.

## Scope

This policy and associated procedures apply to Organisation as a whole, including all employees, volunteers, and governance body members.

# HSQF Related Standards

* Human Services Quality Standard Indicators 1.1, 1.2 and 1.4

# Relevant Legislation and Standards

To customise/complete the table below:

* Add any relevant documents; for example, if your organisation uses a risk management standard, link to that standard; if you have contracts/agreements that specify risk management processes/standards, include reference to these.
* Check for updates to guidelines, models, etc., and update links as appropriate.

|  |  |
| --- | --- |
| **Common**  Add to list as appropriate | [*Associations Incorporation Act 1981*](https://www.legislation.qld.gov.au/view/pdf/inforce/current/act-1981-074) OR [*Corporations Act 2001*](https://www.legislation.gov.au/C2004A00818/2019-07-01/text) OR [*Corporations (Aboriginal and Torres Strait Islander) Act 2006*](https://www.legislation.gov.au/C2006A00124/latest/text)  Australian Charities and Not-for-profits Commission [Governance Standards](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-standards)  Queensland Government [HSQF User Guide – Certification](https://www.dcssds.qld.gov.au/resources/dcsyw/hsqf/user-guide-certification.pdf) OR HSQF [User Guide – Self-Assessable](https://www.dcssds.qld.gov.au/resources/dcsyw/hsqf/user-guide-self-assessment.pdf)  Queensland Government [P2i User Agreement](https://www.dcssds.qld.gov.au/p2i/user-agreement)  Your service agreement(s)/investment specification(s), e.g.  Department of Child Safety, Seniors and Disability Services [Child Protection (Placement Services) Investment Specification](https://www.dcssds.qld.gov.au/resources/dcsyw/about-us/funding-grants/specifications/investment-spec-cp-placements.pdf)  Department of Child Safety, Seniors and Disability Services [Families Investment Specification](https://www.dcssds.qld.gov.au/resources/dcsyw/about-us/funding-grants/specifications/investment-spec-families.pdf)  Department of Child Safety, Seniors and Disability Services [Individuals Investment Specification](https://www.dcssds.qld.gov.au/resources/dcsyw/about-us/funding-grants/specifications/investment-specifications-individuals.pdf)  Department of Child Safety, Seniors and Disability Services [Service Agreement – Funding and Service Details](https://www.dcssds.qld.gov.au/resources/dcsyw/about-us/funding-grants/agreements/funding-service-details.pdf)  Department of Child Safety, Seniors and Disability Services [Young People Investment Specification](https://www.dcssds.qld.gov.au/resources/dcsyw/about-us/funding-grants/specifications/investment-specification-yp.pdf)  Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts [Community Services Investment Specification](https://www.dsdsatsip.qld.gov.au/about-us/funding-sponsorship/investment-specifications)  Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts [Service Agreement – Funding and Service Details](https://www.dsdsatsip.qld.gov.au/resources/dsdsatsip/about/funding/agreements/archive/funding-service-details-disability-v1.5.pdf)  Queensland Government [Domestic and Family Violence Support Services Investment Specification](https://www.publications.qld.gov.au/ckan-publications-attachments-prod/resources/c96539aa-1351-4971-8f5b-7515fb3c121c/investment-spec-dfvss.pdf?ETag=7157f7e289154a97190c02d3058167a8)  Queensland Government [Service Agreement – Standard Terms](https://www.forgov.qld.gov.au/__data/assets/pdf_file/0028/452782/updatedserviceagreementstandardterms.pdf)  Queensland Government [Sexual Violence and Women’s Support Services Investment Specification](https://www.publications.qld.gov.au/ckan-publications-attachments-prod/resources/68b6223c-6f48-4dd6-bb2a-cf967d344e8f/investment-spec-svwss.pdf?ETag=330b007816dc4d2714c00f7f2c03d979) |

# Definitions

Add/modify definitions as appropriate

**Asset:** An item that the organisation owns (or has practical ownership of, such as in the case of a leased property or item) that has value, including property, vehicles, and equipment. Some organisations include *intangible assets* in their definitions.

**Compliance:** Ensuring that organisational decisions and actions meet all relevant legal, regulatory and ethical standards and requirements.

**Conflict of interest:** Where a member of the governance body has the potential to personally, professionally or financially benefit from an organisational decision or where it could be perceived that such an interest exists.

**Financial controls:** Policies, procedures, and processes that guide actions to reduce the risk of errors, financial misconduct, financial mismanagement and fraud, and to increase the likelihood of identifying any of these if they occur. (This policy and its procedures are examples of financial controls.)

**Financial management:** How organisational staff address financial responsibilities, including creating and managing bank accounts; budgeting; maintaining financial records, including all income and expenditure; and meeting financial reporting requirements.

* **Financial mismanagement:** The failure of a responsible person or group (e.g., a manager, the governance body) to meet their responsibilities for financial management and/or governance.

**Fraud:** Dishonest action to gain a benefit, such as by abuse of position or misleading a decision-maker in a manner that benefits a person or group.

* **Internal fraud:** Fraud committed by someone who works for the organisation.
* **External fraud:** Fraud committed against the organisation by someone outside it.

**Governance:** The framework set for and oversight of accountability and compliance within the organisation.

* **Financial governance:** Oversight and strategic direction of the organisation’s financial management and ongoing viability. A framework by which financial decisions are made and compliance and contractual or regulatory requirements are met.

**Misconduct:** Actions that are inconsistent with the requirements of a role.

* **Financial misconduct:** Actions that violate organisational policies or relevant standards, guidelines or laws such that financial assets are used for inappropriate or illegal purposes or financial management/governance responsibilities are not met.

**Operations:** The administration of an organisation or business activity; in the community sector, operations includes all service delivery and the administrative and management activities required to support this.

**Responsible people:** Defined by the Australian Charities and Not-for-profits Commission (ACNC) as members of the organisation’s governance body; we include both governance body members and those staff with management responsibilities for the purposes of this policy and its procedures.

**Risk management:** Coordinated activities to reduce or control risk.

**Solvency:** The ability of the organisation to pay its debts as they become due.

* **Insolvency:** The inability of the organisation to pay its debts when they become due. Preventing insolvency and preventing the organisation from trading while insolvent are key governance responsibilities.

# Financial Management and Governance Principles

The principles that support organisation’s Financial Management and Governance Policy and Procedures, and associated practices, are:

Add/adapt definitions relevant to your organisation’s risk management

**Accountability:** Taking responsibility for decision-making with clarity and in good faith.

**Ethical culture:** A culture in which ethical behaviour is integrated throughout the organisation and our actions, underpinning effective and ethical financial management and governance.

**Transparency:** Accurate informationis made available and accessible in a timely manner (e.g., in both internal and external reporting) and the reasons for financial decisions are clear, documented, and reviewable.

# Procedures

## Financial Roles and Responsibilities

Describe the financial responsibilities in your organisation, including the responsibilities of governance body members, management/leadership, and program staff and volunteers. All financial responsibilities must be designated here, with the specific financial role or general role including responsibility identified.

See Appendix 1 as you develop procedures relating to financial management responsibilities. Note that governance body members are responsiblepeople for the purposes of financial management and governance, as per Appendix 1, section: *Responsible People and charity money*).

Outline general expectations/responsibilities here. E.g:

Financial responsibilities are enacted in accordance with organisational policies and procedures. All staff, including managers and volunteers, are responsible for:

Acting in accordance with this policy and associated procedures.

Undertaking relevant activities (e.g., invoicing, making payments, creating financial records) in a timely manner.

Avoiding actions that are or could reasonably be perceived as mismanagement, misconduct or fraud.

Notifying a manager or the governance body of any action that breaches this policy, an associated procedure, or a relevant financial standard or principle.

### Governance Body Responsibilities

The governance body holds responsibility for setting and maintaining Organisation’s strategic direction, providing financial oversight, and determining financial viability. Outline the governance body’s responsibilities. The following are core/common responsibilities. Adapt, add to and contextualise them as appropriate. If your organisation’s governance body has a finance-focused sub-committee, add a procedure/sub-procedure outlining the sub-committee’s responsibilities and operations.

The governance body:

Establishes and maintains the financial governance system, including policies, procedures and practices that are appropriate and fit-for-purpose.

Monitors Organisation’s financial performance, viability and asset management, including regularly reviewing financial documents and reports; investigating indicators of financial mismanagement, misconduct or fraud; managing financial risks; and determining annual auditing/reviewing (as appropriate) processes.

Recruits members and/or consults professionals with financial management expertise as appropriate to meet their responsibilities.

Ensures that all governance body members receive sufficient training to understand and meet their financial responsibilities upon joining the governance body, and provides ‘refresher’ training to members regularly.

Engages with operational management in determining the annual budget and monitoring expenditure against this budget.

Determines, approves and maintains oversight of an appropriate accounting system.

Reviews and appropriately manages conflicts of interest.

Ensures the necessary records and notifications of relevant changes are provided to list bodies, e.g., Office of the Registrar of Indigenous Corporations, Australian Charities and Not-for-profit Commission, Australian Taxation Office.

Each governance body member is responsible for:

Reviewing the organisation’s current financial records and assuring themselves of the organisation’s solvency or raising the risk of insolvency and engaging with the governance body and management to determine appropriate actions, as appropriate.

Proactively identifying other issues in the organisation’s financial management or controls.

Determining the appropriate actions to address financial issues and facilitating the application of appropriate strategies to address issues and mitigate risks.

Engaging in appropriate training and professional development to build and maintain their capability for financial management and governance.

Determining areas where their own or another responsible person’s understanding or skill is not sufficient to meet their responsibilities, and taking or directing appropriate actions to remedy this.

Reporting or ensuring the body reports misconduct or fraud according to contract, funding and/or regulatory requirements and standards.

Ensuring that audits are undertaken frequency, e.g., annually by an appropriately accredited body.

### Management Responsibilities

Identify the role(s) with financial management responsibilities within your organisations; if these responsibilities are present across multiple roles, you may need to divide the procedure.

Role(s) is/are responsible for financial operations, including outline responsibilities, e.g.

Day-to-day financial activities and management (note core activities, e.g., payments, invoicing, banking, petty cash control, etc.; where appropriate, provide additional detail as further procedures or sub-procedures where activities are not covered below).

Developing and maintaining financial records (see *Record Keeping and Reporting*).

Monitoring payments and banking transactions to identify errors, scams and fraudulent activities, and reporting any potential issues to the role/governance body.

Financial reporting to the governance body frequency.

Arranging for an appropriately accredited body to undertake all required reviews and audits, and reporting on the outcomes of these to relevant people/bodies.

If the same person is responsible for payments and/or invoicing and/or banking, detail those activities here and specify the person or people – who must not include the same person – responsible for reviewing payments made and billed to others.

Providing or arranging for the provision of financial training/professional development where the financial knowledge or skill of anyone in the organisation is not sufficient to meet their responsibilities.

Proactively identifying financial issues and weaknesses in the organisation’s financial controls, reporting these as a matter of urgency, and recommending and implementing remedial strategies.

### Payments, Banking and Invoicing

Outline the roles and responsibilities for general financial activities here. An example is provided – amend/replace as appropriate. Divide the activities among roles as necessary

Role is responsible for:

* Paying bills and invoices.
* Purchasing items within the limits outlined in the Delegations Register or other relevant document and beyond these limits where directed to do so by a person with the appropriate level of responsibility under the Delegations Register or other relevant document.
* Undertaking regular banking activities.
* Invoicing debtors, monitoring payments received, and reporting these to the role.

Describe the financial controls on payments and banking processes, e.g.:

* These activities are conducted under the supervision of the role (from Management Responsibilities above) and are regularly reviewed by the role.
* Requirements for multiple signatories on payment approvals.
* Security measures implemented to prevent inappropriate access to banking information/accounts, etc.

### Payroll, Tax, and Superannuation

Describe the processes and software/systems your organisation uses and specify the role/s responsible for:

* Managing payroll and related considerations, including who undertakes each relevant task and the person responsible for approving payroll, as well as timeframes for relevant tasks.
* Meeting tax obligations.

### Financial Delegations and Approvals

Financial delegations are documented in the Delegations Register or other relevant document. These are reviewed frequency by people/group and may also be reviewed upon reasonable request by a person with delegated authority or at the discretion of the governance body. Changes to delegations can only be made with formal ratification by the governance body.

### Budgeting and Budget Management

Annual budgets are developed by the role/s in consultation with the governance body/other relevant bodies and monitored throughout the year. Outline your processes, e.g.:

* Outline the considerations and processes for budget development, e.g., forecasting inputs, ongoing and likely grants/income, increases in operating costs, etc.
* Identify when in each financial year a draft budget must be presented to the governance body for consideration and the date by which a budget must be approved.
* Describe how actual expenditure is evaluated in relation to the budget. E.g. Role compares budgeted and actual expenditure each month and reports this to the governance body monthly/quarterly.
* Outline how variations in actual expenditure beyond budgeted amounts are managed.

## Record Keeping and Reporting

Financial records are managed by role and, at minimum, include detail minimum records; for example, those that follow are listed by the [ACNC](https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/keeping-charity-records/examples-financial-and-other-records):

General account books.

Cash book records.

Expense records.

Banking records.

Creditors’ records.

Debtors’ records.

Details of contracts, including service agreements, leases, etc.

Grant payments and acquittals.

Employee-related records.

Tax records.

Stock records.

Asset list/register.

Communications (including emails) regarding finances.

Describe how the accounting system used and how these records are maintained and accessed, including who is responsible for oversight/ensuring that all necessary records are made in a timely manner, that the records remain secure, and that the records are accessible (e.g., for reporting purposes).

The role provides financial reports to the governance body frequency (e.g., monthly, quarterly). Reports provided are, at minimum, identify minimum records, e.g.:

budget and year-to-date expenditure,

profit and loss statement,

assets and liabilities statement/balance sheet, and

cash flow statement.

The role ensures financial reports are provided to list all regulatory bodies/other external bodies you need to report to and the nature of these reports, e.g., the Australian Charities and Not for Profit Commission[[2]](#footnote-3) annually, specifically an annual information statement and audited financial report each year.

## Fundraising

If your organisation engages in fundraising Appendix 1, section *Raising money*, for guidance on developing this procedure and outline the appropriate procedures here, such as:

* The kinds of fundraising activities that may be considered.
* How fundraising activities are decided upon.
* Role/s responsible for deciding upon/approving fundraising plans.
* Role/s responsible for management of fundraising activities.
* How fundraising efforts and results are recorded and reported.
* How the funds raised are managed.
* Standards the organisation meets in fundraising and expenditure of raised funds.

## Asset Management

To appropriately manage existing and newly acquired assets, we outline your processes, e.g.:

* Describe how you decide what assets to purchase and the process for purchasing, including who is able to make purchases of varying sizes or refer to a procurement policy associated procedures and Delegations Register or similar document.
* Outline how asset purchases and upkeep are recorded and monitored, e.g., through use of Assets and Maintenance Registers (including where these are kept and how they can be accessed), regular inspections for damage/maintenance needs, regular servicing, etc., and who is responsible for the associated tasks.
* Briefly describe how assets are insured or refer to Insurances section (below) and include sufficient detail there.
* Describe how assets are to be sold or disposed of and how records of this are kept and reported upon.
* Describe how you manage assets that are leased or borrowed, who is responsible for procurement and contractual arrangements, etc.

## Insurances

Organisation holds insurances appropriate to our activities and assets:

* Identify types of insurance held, e.g. public liability, professional indemnity, Work Cover, contents, property, motor vehicle, cyber, etc.
* Detail any funder/service agreement requirements for particular insurances.
* Identify the roles responsible for:
  + Establishing that all appropriate insurances are purchased and remain current.
  + Processes for renewing and paying for insurances.
  + Checking/confirming insurance choices and coverage are appropriate (this will generally be the governance body).
  + Documenting insurances and keeping all relevant records, and where these are kept.
* Detail the insurances you require contractors to hold, how these are to be evidenced, and the role/s responsible for checking that the insurances are appropriate and current.

## Risk Management: Fraud, Misconduct and Mismanagement

See Appendix 2 for guidance in developing this procedure.

We recognise that Organisation is vulnerable to fraud, misconduct and mismanagement. The financial governance and management procedures already described help reduce these risks and increase the likelihood that we will identify such issues if they occur. To further this risk management, and in accordance with the ACNC’s guidance, we outline your processes, e.g.:

* Outline how the risk management process is applied to financial risks, e.g.:
  + Identifying and developing strategies to address specific risks in the Risk Register.
  + Reviewing financial risks and risk management strategies frequency.
  + Particular work areas or roles where risk is higher and describe how these are managed, e.g., requiring multiple signatories/approvals for particular tasks.
* Describe how awareness of relevant risks and indicators that staff should be concerned about are communicated across the organisation.
* Describe cyber safety processes, e.g., implementing two-factor identification for all financial and banking software/systems; limiting access to accounts and sources of sensitive information; and changing banking, email, and other account passwords frequency.
* Outline steps to communicate to staff about their responsibilities and what they need to do/avoid doing, e.g., instructing all staff, through induction and in this document, to avoid sharing sensitive information and credentials for accessing work-related online and banking accounts.
* Identify the people responsible for reporting issues/red flags both internally and externally.

# Related Policies and Procedures

List all relevant/related policies and procedures, including any that discuss particular risk management responsibilities and all those referred to in the body of this document.

Governance Policy and Procedures

Continuous Improvement Policy and Procedures

Relevant human resources policies and procedures

Risk Management Policy and Procedures

# Supporting Documents

List all relevant/related documents that are not policies and procedures, including registers, agreements, and guidelines and all supporting documents referred to in the body of this document.

Risk Management Worksheet/Plan

Risk Register

Business Continuity Plan

# Review

This document was last reviewed on date.

This document will be reviewed by date.

## **Appendix 1: Managing Charity Resources: A Guide for Responsible People**[[3]](#footnote-4)

It is a good idea to provide a summary of financial responsibilities and set the context for financial management, such as the documents from the ACNC in Appendices 1 and 2.

This guide has been developed to help charities understand their obligations to the ACNC regarding financial management, reporting on transactions and the use charity funds.

It looks at the main reporting and record-keeping obligations, as well as what the term ‘not‑for‑profit’ means in practice.

It also explains charities’ obligations to the ACNC when it comes to finances – including the provision of financial reports and ensuring that they operate as not-for-profits – and focuses on practical steps charities can take to ensure their finances are used appropriately and protected from misuse.

This guide is particularly aimed at those people who are, or who are thinking about becoming, [Responsible People](https://www.acnc.gov.au/tools/factsheets/responsible-people-board-or-committee-members) of a registered charity. Responsible People are those on a charity’s governing body. In your charity, these people may be called board or committee members, directors, trustees or members of the management committee.

## Responsible People and charity money

The responsible management of a charity’s financial affairs is vital to good charity governance, and charities’ Responsible People have a key role in ensuring this occurs.

### Duties of Responsible People

Under [Governance Standard 5](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/5-duties-responsible-people), Responsible People have duties to:

act with reasonable care and diligence

act honestly and fairly in the best interests of the charity and for its charitable purposes

not misuse their position or information they gain as a Responsible Person

disclose conflicts of interest

ensure that the financial affairs of the charity are managed responsibly

not allow the charity to operate while it is insolvent.

### Level of financial understanding Responsible People require

Responsible People must have a level of financial understanding that will enable them to make informed decisions about their charity’s finances.

While many boards appoint treasurers and board members with financial expertise, every board member must be able to read and understand a charity’s financial information – although it is important the financial information is presented to Responsible People in a way they understand.

Responsible People need to be appropriately informed about the matters on which they may make a decision, and they should be encouraged to ask questions about charity finances and accounts.

It is a good idea to participate in training to improve your understanding of finances as part of your role. Financial literacy training may help Responsible People become more familiar with financial terminology and financial concepts, as well as help them become more aware of some of the problems which poor financial practices may cause, and how they can be remedied.

Responsible People cannot make informed decisions about charity finances without a basic understanding of the concepts.

At the very least, Responsible People should be able to determine whether the charity is solvent and what the impact of any decision they make will be on the charity’s financial health.

### Managing money and other resources

An important responsibility for a charity’s board is to ensure the charity has the resources it needs to carry out its work and fulfil its charitable purpose.

Responsible People have an important role in gaining and maintaining charity funds, as well as in ensuring those funds are protected from abuse and used in an efficient and lawful way.

As part of the duties outlined in Governance Standard 5, Responsible People must ensure that a charity’s financial affairs are managed responsibly – including [not allowing the charity to operate while insolvent](https://www.acnc.gov.au/tools/factsheets/charities-and-insolvency). Responsible People also have a related duty to disclose any conflicts of interest.

Responsible People need to ensure their own accountability, as well as implementing structures and processes to guarantee accountability throughout the charity.

This accountability must also extend to any arrangements the charity has with other organisations, such as ‘third-party’ agencies that fundraise or deliver services.

Responsible People must be able to identify major strategic risks – for example, fraud – and ensure there are systems in place so the charity can identify, manage and respond to them.

### Raising money

Fundraising can be undertaken in a variety of ways, such as:

seeking public donations (such as through door knock appeals or highway collections)

holding public events for which you charge an admission fee

running fundraising events (including events in partnership with others)

running raffles (or other games, such as bingo)

raising money via online appeals or through crowdfunding.

Charities also raise money in other ways, including through:

charging membership fees

charging for services

operating an opportunity shop or holding a bake sale

receiving funding from government.

However a charity raises money, it is important its Responsible People understand the obligations that come with raising and having this money.

#### Responsibilities when raising money and obtaining funding

Responsible People must have a clear understanding of how their charity raises funds, including any money raised through fundraising operations.

They must ensure there are appropriate and lawful processes in place to manage any money raised. Any fundraising must occur in a way that is in the charity’s best interests. This includes considering the charity’s charitable purpose, its beneficiaries, public perception, and the impact on potential donors.

The Responsible People must ensure that charity money, less reasonable expenses, is put towards pursuing the charity’s [charitable purpose](https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/charitable-purpose).

In addition to managing funds responsibly, charities must also ensure they appropriately store any information collected from donors. Use of this information must comply with any relevant privacy laws. For more information, see [our guide on managing people's information and data](https://www.acnc.gov.au/tools/guides/managing-peoples-information-and-data).

Outsourcing fundraising does not allow Responsible People to outsource their responsibilities. The charity’s Responsible People still carry the ultimate responsibility.

If Responsible People are not clear about how funds are raised or are to be used, they must be diligent and seek further information.

#### Fundraising regulators

The ACNC does not have responsibility for fundraising regulation – fundraising is regulated at the state and territory level.

If your charity conducts fundraising activities, it must comply with any relevant state or territory fundraising legislation. View more information on the relevant state and territory regulators of charity fundraising.

Generally, you will need to register your charity to fundraise. This may mean your charity will need a fundraising permit. You may also need to provide a report on any funds raised to your state or territory government regulator.

In some states and territories, special arrangements apply to charities that undertake fundraising through gaming activities such as raffles or bingo. Make sure you understand any special requirements associated with this kind of fundraising.

If your charity is endorsed as a deductible gift recipient (DGR), it will also have requirements with the Australian Taxation Office (ATO). See our [list of regulators](https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators) for more information.

While the ACNC does not directly regulate fundraising, registered charities must comply with the [ACNC Governance Standards](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-standards), [ACNC External Conduct Standards](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/acnc-external-conduct-standards) if operating overseas, and any relevant legal or other obligations they may have. They must ensure they have appropriate record-keeping and reporting in relation to their activities – including their fundraising.

## Keeping your finances secure

Understanding and securing your charity’s finances is essential to ensuring your charity has access to the resources it needs to do its work.

One way of doing this is to establish a sub-committee of your governing body with responsibility for overseeing your charity’s financial performance and controls. Often these are known as finance committees or finance sub-committees. This sub-committee could review financial reports in greater detail and provide advice to the charity about the organisation’s financial position.

You may even consider including one or two people on this sub-committee who are not on the charity’s board. This can provide an extra level of accountability when examining your charity’s finances.

### Protecting against fraud

Fraud occurs when someone acts in a dishonest way so that they receive a benefit or someone else experiences a loss.

People can commit fraud in a variety of ways, including by:

making false representations

abusing their position

failing to disclose information

using other forms of deception.

Fraud does happen in charities, but taking a few simple steps can help prevent problems. These steps include having comprehensive money-handling processes in place.

For more information, see [our guide on protecting your charity from fraud](https://www.acnc.gov.au/tools/guides/protect-your-charity-fraud).

### Protecting against the risk of terrorism financing

Charities can be potential channels for raising and distributing funds for terrorism financing.

Because of this, charities must take all reasonable precautions and exercise due diligence to ensure that funds are not inadvertently directed towards terrorism.

Charities need to take proportionate action to reduce risk, particularly when working with other people or organisations.

Strong financial controls, as well as robust and appropriate governance arrangements can reduce the risk of your charity being used for terrorism financing.

There may be serious consequences for charities if they are used as a channel for terrorism financing (even if the charity is not aware). This includes criminal penalties.

For more information, see [our guide on protecting your charity from terrorism financing](https://www.acnc.gov.au/tools/guides/terrorism-financing).

### Establishing strong financial systems and controls

Strong financial systems and controls are very important in helping protect you and your charity.

Charities can establish several different financial controls, and the ones your charity uses will depend on the complexity and size of your charity’s resources.

Some examples include:

**Requiring multiple signatures on payments and receipts** – with any money leaving the charity or coming into it subject to more than one person authorising and completing the transaction.

**Keeping a budget and tracking your performance against it** – establishing an annual budget and tracking your charity’s performance against it throughout the year is vital. Any significant variations that turn up should be investigated.

**Providing regular and up-to-date financial reports to the board** – the charity’s board has ultimate responsibility for the financial health.

**Establishing clear financial delegations** – for those in your charity who are authorised to approve purchases and transactions, ensure your policies establish how much they are permitted to spend without seeking approval.

**Securing your account information** – this includes everything from bank account passwords to the keys to the petty cash tin.

Charities should also look to constantly review and strengthen their financial controls.

## ACNC obligations relating to money

Your charity must meet several obligations to remain registered with the ACNC. If your charity fails to comply with these obligations, we may revoke its registration.

The ACNC obligations that relate to managing and using money include duties to:

[record information](https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/keeping-charity-records) (retain financial records)

[report annually](https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc)

[maintain eligibility for registration](https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/maintaining-your-charitys-entitlement-registration) (including remaining not-for-profit and pursuing charitable purposes)

[notify us of certain changes](https://www.acnc.gov.au/for-charities/manage-your-charity/notifying-acnc)

meet the [Governance Standards](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-standards) (including [Governance Standard 5](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/5-duties-responsible-people): Duties of Responsible People to manage the charity’s finances responsibly and not allow the charity to operate while insolvent)

meet the [External Conduct Standards](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/acnc-external-conduct-standards) if operating overseas (including [External Conduct Standard 1](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/acnc-external-conduct-standards/external-conduct-standard-1): Activities and control of resources, including funds).

The ACNC has [more information about charities’ ongoing obligations](https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc) in relation to money.

### Obligations to other agencies that may relate to money

Unless we tell you otherwise, these obligations are in addition to any other obligations your charity has under other laws or to [other Commonwealth, state and territory governments](https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators).

Your charity might have obligations because of:

concessions, exemptions or other benefits it may receive from other government agencies (for example, for certain Commonwealth, territory and local government taxes)

its legal structure (for example, as an incorporated association or company limited by guarantee) – your charity’s governing document may also have obligations relating to money

the way it raises money (for example, grants or fundraising such as street collections or raffles)

how it operates and what it does (for example, specific sectors such as aged care, housing, childcare and education have other reporting requirements, as do charities who receive grants from the government).

Some charities also choose to meet voluntary standards such as codes of conduct or codes of ethical practice set by professional associations, peak bodies or other agencies.

Charities that are aid and international development organisations may be members of the Australian Council for International Development (ACFID), and follow the [ACFID Code of Conduct](https://acfid.asn.au/code-of-conduct/).

Charities that fundraise may be members of the Fundraising Institute of Australia, and must comply with the [FIA Code](https://fia.org.au/fiacode/).

#### ACNC resources

[Charity money myths](https://www.acnc.gov.au/for-public/understanding-charities/charity-money-myths-facts-about-operating-not-profit)

[Charity reserves: financial stability and sustainability](https://www.acnc.gov.au/tools/guides/charity-reserves-financial-stability-and-sustainability)

[Charities and insolvency](https://www.acnc.gov.au/tools/factsheets/charities-and-insolvency)

#### Additional resources

Our Community: [Damn good advice for treasurers](https://communitydirectors.com.au/advice-guides/damn-good-advice-for-treasurers) and [Damn good advice for board members](https://communitydirectors.com.au/advice-guides/damn-good-advice-for-board-members)

Institute of Community Directors: [Financial management](https://communitydirectors.com.au/help-sheets/financial-management-and-your-community-group)

CPA Australia: [Guide for not-for-profits](https://www.cpaaustralia.com.au/~/media/corporate/allfiles/document/professional-resources/reporting/not-for-profit-guide.pdf)

Business Victoria: [Cash flow forcasting template](https://business.vic.gov.au/tools-and-templates/cash-flow-forecasting-template)

Davidson Institute: [Guide for community board members](https://www.westpac.com.au/docs/pdf/bb/guide_communityboard.pdf)

[Accounting for Good](https://accountingforgood.com.au/)

[Australian Taxation Office (ATO)](https://www.ato.gov.au/Non-profit/)

# Appendix 2: Protecting Your Charity from Fraud[[4]](#footnote-5)

Fraud and fraud-related issues are among the biggest areas of concern for charities, and ones we hear a lot about at the ACNC.

Fraud can, of course, vary in nature. It can involve the theft of funds, goods or assets, or encompass issues such as overpayment of wages or attempts to claim excessive or unauthorised expenses.

Some charities may be reluctant to report fraud due to the reputational issues it can cause them, and the fear that, in turn, it can damage their ability to attract donations and recruit volunteers.

Some charities may also be reluctant to divert time and resources from their core work in order to address these instances of fraud.

However, the very real risks that fraud poses, and the harms it can cause to public trust and confidence in both individual charities and across the sector, highlight how vital it is that charities take steps to:

prevent and detect fraud, and

respond to any instances of fraud.

This guide highlights some of the risks to which for charities can be vulnerable, and provides some practical steps that your charity and its Responsible People can take to prevent, detect, and act in response to fraud.

It is aimed at [Responsible People](https://www.acnc.gov.au/tools/factsheets/responsible-people-board-or-committee-members) (board or committee members, or trustees) and other senior charity staff. It will also be of interest to employees and volunteers.

## Fraud

**Fraud occurs when a person acts in a dishonest way so that they receive a benefit or someone else experiences a loss.**

People can commit fraud in a variety of ways, including by:

making false representations

abusing their position

failing to disclose information, and

using other forms of deception.

Many of the allegations of fraud the ACNC receives related to the conduct and activities of senior and entrusted members of the charity, including the chief executive officer (CEO), Responsible People and financial officers like the treasurer.

But fraud can be committed by any staff member, any volunteer or any other person with some level of responsibility.

Fraud does not necessarily need to involve large sums of money either. Fraud involving small amounts can still cause significant harm, particularly for smaller charities with limited resources.

And beyond any damage caused by the financial loss resulting from a fraud; the impact on its reputation and the negative effect on a charity’s staff, volunteers and Responsible People can also be profound.

### Types of fraud

There are many different types of fraud, and the methods used to commit them are constantly evolving. But generally fraud and other types of financial crime can be categorised as either:

**internal fraud** – committed by someone within or connected to a charity

**external fraud**– committed by someone with no connection to the charity.

Examples of internal fraud include:

misusing charity banking facilities – including credit and debit cards, or internet banking accounts – for personal expenditure

claiming non-existent, excessive or inappropriate expenses

creating false or inflated invoices or purchase orders to obtain payment for goods and services that have not been supplied

submitting false applications for grants or other benefits

creating non-existent beneficiaries or employees for the purposes of directing unauthorised payments.

Examples of external fraud include:

using false invoices to obtain money from a charity

committing identity fraud, for example, hijacking a charity’s bank account

unauthorised fundraising in a charity’s name, such as setting up a fraudulent disaster appeal website.

Many of the incidents of fraud reported on by the Australian media involve substantial sums taken from charities over a long period of time, resulting in criminal investigation.

These typically affect larger charities and are often committed by someone involved in running them - such as those in finance or payroll areas.

For smaller charities profiled in the media, the common issue is funds or goods taken by frontline staff and volunteers.

Of the concerns reported to the ACNC, and in many cases highlighted in the media, the main factors leading to fraud were breaches of trust and a lack of satisfactory controls.

While charities must individually weigh up the need for protective measures against administrative burden, all charities can take some simple steps that will significantly reduce the risk of fraud.

### Charity vulnerability to fraud

It is important to note that charities are not necessarily any more vulnerable to fraud and financial crime than other parts of society. But there are characteristics many charities share that can attract opportunists and those with criminal intent.

These include:

high levels of public trust and confidence, which can provide a cover of respectability to those committing fraud

a culture of trust, built on volunteerism and pursuit of common goals, that can enable the unscrupulous to operate with less suspicion

a lack of segregation of duties, or over-dependence on one or two individuals within a charity, that can result in ineffective oversight of funds and assets, particularly in smaller charities

irregular cash flow in and out of the charity that can make suspicious activities harder to identify.

## Legal obligations

[Governance Standard 5](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/5-duties-responsible-people) outlines the legal duties that Responsible People have to their charity.

Responsible People have a duty to act in the best interests of their charity, to avoid conflicts of interest and to act with reasonable care and diligence.

They should act in a way that protects their charity’s assets and ensures its financial affairs are managed in a responsible manner and for its charitable purpose.

Their role includes:

ensuring everyone – from the charity's board or committee through to staff and volunteers – is aware of the risk of fraud and what it can mean for the charity

using proper financial controls and procedures suitable for their charity's size and nature

acting responsibly and in the interests of their charity if it becomes the victim of fraud or other financial crime – this includes notifying the police and the ACNC, as well as taking appropriate steps to manage the consequences of fraud.

Where charities operate overseas, they must also comply with the [ACNC External Conduct Standards](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/acnc-external-conduct-standards), which aim to promote transparency and give confidence that resources sent overseas or services provided overseas reach their intended beneficiaries, and are used for legitimate charitable purposes.

Specifically, [External Conduct Standard 3](https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/acnc-external-conduct-standards/external-conduct-standard-3-anti-fraud-and-anti-corruption) requires charities to take reasonable steps to minimise the risk of corruption, fraud, bribery or other financial impropriety by those working with the charity (including third parties working in collaboration with the charity).

### Protecting your charity from fraud

In identifying how to best protect your charity, you should consider:

its ethical culture

the communication flow within it

relevant fraud risks and red flags.

Importantly, these things must be considered together, and reflected in your charity's policies and procedures. Keep in mind, policies are ineffective if they are not supported by your charity’s culture and promoted by those who hold positions of responsibility.

#### Ethical culture

Your charity should be clear about the ethical values it prioritises, such as honesty and accountability.

This means your charity’s Responsible People and managers need to set the tone at the top. There are several ways they can do this:

establish and communicate clear expectations about behaviours, roles and responsibilities

develop a ‘no blame’ culture that enables any concerns to be voiced and queries listened to and followed up

promote fairness, and protect those who report concerns.

#### Communication

Your charity needs to be open and honest about the possibility of fraud occurring.

It is important to acknowledge and communicate that there is always a risk of fraud, even if there is widespread belief that the risk is low.

#### Relevant fraud risks and red flags

Discuss what fraud is and what it might look like in your charity. Identify the types of fraud, both internal and external, that your charity may be susceptible to.

Consider the risks relevant to your particular charity, such as those related to the types of activities it undertakes, the roles and responsibilities of staff and volunteers, and the banking procedures and fundraising methods it uses.

This work will help you assess risks, but also increase awareness and understanding of any specific warning signs – red flags – that may indicate fraud.

You may identify red flags relating to your charity's financial procedures, or the behaviour of Responsible People, staff or volunteers.

*Financial procedures*

Most fraud can be detected by a charity’s internal controls or audit process. Regularly check your charity’s accounts and records and look for the following warning signs:

Are reconciliations completed regularly and checked for discrepancies?

Have any documents, books or records gone missing?

Are your charity’s financial documents photocopies rather than originals? This can indicate counterfeit documents.

Do alterations or deletions frequently appear on charity documents? This can indicate falsified records.

Are there any duplicated payments or cheques?

Do transactions take place at unusual times with irregular frequency? Do they involve unusual amounts or unknown recipients?

Are suppliers submitting electronic invoices in a format that can be altered?

Are there unexplained variances from agreed budgets or forecasts?

Have audits or reviews highlighted any inconsistencies or irregularities?

#### Behaviour of Responsible People, staff or volunteers

Most people who work and volunteer for charities are honest and law-abiding. But being a charity does not automatically make you immune from dishonesty.

When it does happen, fraud is often carried out by employees, including people in positions of trust.

People commit fraud for a variety of reasons – to pay debts, out of greed or through opportunism. Be alert to the following behaviours:

Does any person have sole control of a financial process from start to finish?

Are vague responses being given to reasonable and legitimate queries? Are legitimate queries taking a long time to resolve?

Does anyone with financial management responsibilities seem reluctant to accept help with their tasks, or unwilling to take holidays or leave?

Has the format of financial information provided to your board changed or become more complicated?

Is anyone trying to delay work reviews or audits?

When looking at risk indicators, it is worth remembering that:

the typical perpetrator of fraud is a paid employee

the most common types of fraud suffered are cash theft, payroll or credit card fraud

having internal financial controls remains one of the most effective ways to uncover fraud.

Once you have completed a risk assessment, document it and schedule regular reviews of procedures.

This is especially important if your charity's situation changes – for example, if there are changes to activities, staff or funding levels and sources.

## Policies and procedures

Sound written policies and procedures provide accountability and fraud prevention.

Charities should have detailed and robust financial procedures in place, as well as a fraud prevention policy and human resources procedures to protect from fraud.

### Financial procedures

The steps you take will depend on your charity's size and complexity. Remember that all charities are required to [keep financial and operational records](https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/keeping-charity-records).

We recognise that small charities often do not have access to the same resources, professional advice and risk management processes as large charities.

However, all charities can take some practical and sensible steps to significantly reduce the risk of fraud. Use your judgement, and your knowledge of your charity, to ensure that anti-fraud measures are appropriate and proportionate.

We suggest you:

separate duties where possible – for example, one person should not be solely responsible for authorising, completing and reviewing your charity’s financial transactions

keep proper financial records, and retain records of finance-related decisions as they are made – this might be in the form of meeting minutes, or email exchanges

ensure transaction records are detailed enough so that you can check that funds have been spent as intended

regularly check your bank statements to ensure all amounts you expect to be banked are actually received in your charity's bank account, and have the accounts reviewed by more than one person

reconcile supplier statements, invoices and creditor balances to check that invoices match payments

regularly change your internet banking password and limit the number of people who have access to it

ensure you know which staff or volunteers can access the charity’s accounts, including their level of access to the accounting system, and put in place a system to independently check transactions

establish a system where only certain people can approve orders or payments which exceed a particular amount of money – you can do random checks on spending below this amount

require at least two signatories for all bank account activity, including new debit or credit cards, and online banking –ensure no banking can be done without both people signing

regularly review and spot check payroll records for any paid staff.

### Fraud prevention policy

A fraud prevention policy is a written document that:

describes actions and responsibilities for preventing, identifying and responding to incidents of fraud

outlines the key responsibilities of senior staff and Responsible People.

Developing and implementing a fraud prevention policy can help raise awareness of fraud risks, as well as help staff and volunteers take appropriate steps to prevent, detect and act if there is fraud.

This policy can be endorsed by a charity's governing body.

In developing a fraud prevention policy for your charity consider including:

a short statement about what fraud means within the context of your charity – you could start with our simple definition of fraud and explain how it may apply to you

a plan for how your charity will respond to fraud – who in the charity needs to be told and if anyone outside the charity needs to be informed

how suspicions of fraud will be reported

how your charity will provide fraud prevention training

how and when your charity will review the policy.

### Human resources procedures

Consider your recruitment process, ongoing training and how you communicate with staff.

Practical steps include:

using a clear job description and sufficiently detailed application form, and reference checking procedures

ensuring certain standards are met when using volunteers, particularly in the areas of fundraising and money handling

including fraud prevention policies and procedures in a staff handbook, and having designated staff responsible for them

where possible, dividing duties between staff so irregularities can be spotted

introducing supervisory and monitoring checks, where appropriate

encouraging fraud awareness by training staff in the use of fraud prevention measures, such as financial controls and reporting suspicions

making risk assessments a regular feature on meeting agendas – this ensures fraud is always considered and provides an opportunity to raise concerns

having a whistleblower policy that is supported

having a prominently displayed code of conduct that sets out your charity's ethical culture and is used as a standard by which behaviour is judged.

## Reporting fraud

If you suspect your charity has fallen victim to fraud, you should report it immediately.

### Reporting fraud to the police

Report any suspected instances of fraud to the police as soon as possible. This helps ensure your charity, and the sector, is protected from fraud.

Where Commonwealth laws have been broken, the [Australian Federal Police](https://www.afp.gov.au/contact-us/report-commonwealth-crime) has primary law enforcement responsibility for investigating serious or complex fraud.

Consider reporting fraud to your local police, particularly if the situation is urgent and there is a risk of immediate loss or harm.

[Australian Capital Territory Police](https://www.police.act.gov.au/)

[New South Wales Police](https://portal.police.nsw.gov.au/)

[Northern Territory Police](https://pfes.nt.gov.au/contact-us)

[Queensland Police](https://www.police.qld.gov.au/)

[South Australia Police](https://www.police.sa.gov.au/)

[Tasmania Police](https://www.police.tas.gov.au/)

[Victoria Police](https://www.police.vic.gov.au/homepage)

[Western Australia Police](https://www.police.wa.gov.au/)

### Reporting fraud to your bank

If the fraud relates to your charity's bank account, cheques or your debit or credit card, you should immediately contact your bank or credit card company to organise a stop to be put on access.

### Reporting scams or fraud to other regulators

You can report a scam (like a fake website in a charity’s name) to [SCAMwatch](https://www.scamwatch.gov.au/), a website run by the Australian Competition and Consumer Commission (ACCC) that provides information about how to recognise, avoid and report scams.

You can also report fraudulent behaviour to your [state or territory consumer affairs or fair trading regulator](https://www.acnc.gov.au/for-charities/manage-your-charity/other-regulators/state-and-territory-regulators).

### Reporting fraud to the ACNC

Reporting incidents of fraud to the ACNC allows us to work with charities to manage the consequences of fraud and to support charities to act to better protect themselves.

We take information-handling and privacy seriously, and do not comment publicly about individual ACNC investigations.

The ACNC Act requires charities to report breaches of the Act, Governance Standards or External Conduct Standards as soon as practicable, and no later than 28 days after the charity has knowledge of the breach.

Reporting an incident of fraud to the ACNC is simple and easy to do. You can use [Form 3C](https://www.acnc.gov.au/for-charities/manage-your-charity/acnc-forms): Notification of contravention or non-compliance to do so.

There is no minimum level that must be reported – charities themselves need to decide whether the incident is serious or significant enough to be reported. Your charity should take into account the actual harm or potential risk to your charity – including to those it works to help, its assets, its staff, members, donors, funders and the public.

The ACNC expects instances of high value fraud or theft, or instances of fraud where there is media or public interest, to be reported immediately.

And while low value incidents may not seem important, they may be an indicator of a deeper issue in your charity. If you decide fraud is too minor to report, you should keep records and document your decision.

Reporting an incident is one way to demonstrate that your charity’s board or committee members are dealing with the issue appropriately.

Fraud may also be reported by staff or volunteers, or by member of the public raising a concern about the charity. We take information-handling and [privacy](https://www.acnc.gov.au/privacy) seriously, and do not comment publicly about individual ACNC investigations. For more information, see our [Commissioner's Policy Statement: Complaints about charities](https://www.acnc.gov.au/about/corporate-information/corporate-policies/commissioners-policy-statement-complaints-about-charities).

## Our approach to reports of fraud

If a registered charity has been involved in fraud, or is the victim of fraud, the ACNC’s key areas of regulatory interest are:

protecting the charity’s funds and assets

maintaining, promoting and protecting trust and confidence in the charity and not-for-profit sector, and

ensuring members of the governing body comply with their legal duties and responsibilities in managing the charity.

Where a charity has been the victim of fraud, we will generally work with it to understand the causes, help it protect assets, and provide guidance and education to ensure fraud doesn’t re-occur.

If the charity is not willing to work cooperatively with the ACNC, or the fraud has resulted from organisational or deliberate non-compliance, we are more likely to consider using our formal enforcement powers. These can include the ACNC revoking a charity's registration.

The ACNC works closely with law enforcement agencies, who generally take the lead in cases involving criminal offences.

We also work in partnership with the police and other agencies, and our role is to investigate any regulatory concerns that arise in connection with a registered charity.

This includes considering if there has been misconduct or mismanagement in a charity's administration, and any issues about the suitability of the charity’s trustees or board or committee members.

Criminal activity in a charity can indicate mismanagement. If an instance of fraud is reported to the ACNC, we will then consider if we need to act to protect the charity and those it helps.

Our approach is outlined in our [Regulatory Approach Statement](https://www.acnc.gov.au/raise-concern/regulating-charities/acnc-regulatory-approach-statement).

## Things to remember

Have clear, written financial procedures (such as requiring two cheque signatories) and delegations that restrict approvals for transactions over a certain dollar amount.

Ensure your recruitment processes are sound, and that there is ongoing training and communication to staff and volunteers about fraud prevention measures. This should include guidance on financial controls, and how to report suspicions.

Demonstrate and encourage ethical behaviour by displaying and embodying your code of conduct.

Ensure people with financial responsibility are competent and understand their roles. It is a good idea to have written role descriptions that set out expectations of staff, including their financial responsibilities.

Develop a fraud prevention policy that specifies the steps your charity takes to prevent, identify and respond to fraud, as well as who is responsible for overseeing them.

Ensure your accounts and online banking passwords are secure, and limit who has access to them. Regularly change your passwords.

Limit the amount of cash staff and volunteers handle, as large amounts can encourage theft and fraud.

Review your bank account statements regularly, and identify anything that does not make sense.

Monitor your charity’s performance against its budget, and if you see a significant variation in spending or income, ask for more information.

Keep a record of all grant applications and how the grant funds were acquitted.

Ask questions about financial information. Ensure people are accountable, and do not take anything for granted.

Ensure your staff and volunteers understand the importance of reporting fraud to senior management and that your charity has a clear process to report concerns to the police and the ACNC as soon as possible.

1. At time of writing, the current Quality Framework is V10.0 and the current User Guides are V9.0. For the latest version of the Quality Framework and associated User Guides, contact DFSDCS 1800 034 022, [hsqf@qld.gov.au](mailto:hsqf@qld.gov.au) or [their website](http://www.dcssds.qld.gov.au/our-work/human-services-quality-framework). [↑](#footnote-ref-2)
2. See <https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc> for further guidance. [↑](#footnote-ref-3)
3. <https://www.acnc.gov.au/tools/guides/managing-charity-money-guide-for-responsible-people> [↑](#footnote-ref-4)
4. <https://www.acnc.gov.au/tools/guides/protect-your-charity-fraud> [↑](#footnote-ref-5)