Music Masters' Anti-Fraud Policy

Created: March 2025

Adopted by Board of Trustees: April 2025

For Review: March 2027

Statement of intent

As a charity committed to doing the most good with our resources, Music Masters is committed to ensuring the proper use of funds and resources that have been donated to us.

This Anti-Fraud Policy applies to all aspects of our work, and this Policy outlines the steps we do take and will take to prevent and detect fraud. The Policy applies to all Music Masters staff, trustees, freelancers, volunteers and students on placement.

At Music Masters we look to promote an anti-fraud culture and are committed to taking an active and robust approach in safeguarding against the misuse or misappropriation of our funds. The highest standards of propriety and professional behaviour are expected of all those most closely associated with Music Masters' work. We will not tolerate any level of fraud or serious irregularity by members of staff, volunteers, contractors, their employees and agents acting on behalf of our Charity, and others (whether internal or external to our organisation). Staff involved in fraud of any kind will be subject to disciplinary action, including prosecution, if appropriate. Our Charity treats attempted fraud as seriously as accomplished fraud.

Everyone at Music Masters is committed to ensuring that opportunities for fraud are minimised. We therefore take an active approach to the design and operation of our financial and administrative systems to minimise the risk of fraudulent behaviour.

Definitions

The term Fraud is used to describe a range of activities, including deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. The source of the fraud may be internal or external to our Charity. Fraud involves the intention to deceive a person or organisation in order to obtain an advantage, avoid an obligation or cause loss.

Responsibilities

Trustees

Our Trustees are ultimately responsible for ensuring a robust system of internal control is in place to manage risk and protect the charity's assets, reputation and beneficiaries. This includes ensuring that:

- Fraud risks are understood in the context of wider risk management.
- An appropriate anti-fraud policy and response plan are in place and regularly reviewed.

Finance Director

The CEO holds overall responsibility for risk management, including fraud risk, in line with our scheme of delegated authority. However, the Finance Director leads on the day-to-day work of managing fraud risk. This work includes:

- Regularly reviewing fraud risks across key objectives.
- Designing and overseeing effective fraud prevention controls.
- Leading on fraud response planning and reporting serious incidents to Trustees, Action Fraud and the Charity Commission as applicable.
- Liaising with auditors and ensuring staff awareness and compliance with this policy.

Senior Leadership Team (SLT)

SLT are responsible for:

- Maintaining effective internal controls in their areas.
- Regularly reviewing systems for fraud risk and assessing the types of risk involved in the operations for which they are responsible.
- Preventing and detecting fraud as far as possible.
- Investigating anomalies and implementing new controls where needed.

All Staff, Trustees, Freelancers and Volunteers

Everyone has a role in preventing and reporting fraud. Responsibilities include:

- Acting with integrity and honesty when using our Charity's resources and handling an using of our funds.
- Staying alert to irregular activity or transactions that could be indicators of fraud.

- Staying vigilant for poor procedures that might expose the Charity to a risk of fraud, and alterting their manager when they believe the opportunity for fraud exists e.g. because of poor procedures or lack of effective oversight
- Reporting any suspicions of fraud immediately – you will be covered in doing this by our whistleblower policy.
- Co-operating fully with any investigations.

Reporting Suspicions

Any suspected fraud or irregular activity should be reported as soon as possible to the Finance Director or the CEO.

Alternatively, if you do not feel comfortable raising a concern with someone directly employed by Music Masters then concerns can be raised directly with our Chair of Trustees or any Trustee, their contact details are available on the staff SharePoint area.

As our Whistleblowing policy outlines, we hope that you'll feel comfortable voicing any concerns openly. However, if you want to raise your concern confidentially, we'll do our best to keep your identity secret. If it's necessary for anyone investigating your concern to know your identity, we'll discuss this with you.

We are committed to ensuring that no one suffers any detriment for reporting a genuine concern in good faith — even if it turns out to be mistaken.

More detailed information on how to raise a concern and how we protect whistleblowers can be found in our Whistleblowing Policy. This includes more guidance on confidentiality, how investigations are handled, and your rights and protections.

If you have any concerns at all, you may also seek independent, confidential advice from Protect, the whistleblowing charity, at www.protect-advice.org.uk or on 020 3117 2520.

Included at the end of this document in Appendix 1 are common fraud warning signs to look out for.

Fraud Response Plan

Where fraud is suspected please see the process outlined in Appendix 2 for Music Masters' full Fraud Response Plan that everyone is to follow.

Review

This policy will be reviewed at least every two years, or earlier if new risks emerge or relevant legislation changes. The next scheduled review will take place by April 2027. Policy Owner: Finance Director

Appendix 2: Fraud Warning Signs

Whilst by no means being proof alone, the circumstances below may indicate fraud, and should be treated as a warning sign:

1. Emails that are out of character for the sender and with instructions to make payments or disclose information;
2. Business emails sent from a personal email account;
3. Unusual discrepancies in accounting records and unexplained items on reconciliations;
4. Financial documents - such as invoices, credit notes, delivery notes, orders etc. – provided as photocopies rather than originals, or frequently contain alterations or deletions. This might indicate counterfeit or falsified documents being used to support bogus account entries. Persistent failure to provide receipts for credit card or expenses transactions (regularly claiming receipts have been lost etc)
5. High numbers of cancelled cheques, or duplicated payments or cheques;
6. Suppliers regularly submitting invoices electronically in non-PDF format that can be altered;
7. Unexplained variances from agreed budgets or forecasts;
8. Misdescription of purchase and expense items in the accounting system;
9. Inconsistent, vague or implausible responses to reasonable and legitimate queries about the accounts or accounting records, and/or queries being left unexplained, or taking a long time to resolve;
10. Reluctance by a volunteer, member of staff or trustee involved in handling finances to accept assistance or over-protectiveness of work;
11. Single member of staff or trustee have control of a financial process from start to finish with no segregation of duties;
12. Member of finance staff working unsociable hours or working from home without reason, and a reluctance to take holidays;
13. Sudden changes to the format of financial information presented to the trustee board or senior managers which make them complicated or difficult to understand.

Appendix 2: Fraud Response Plan

This Fraud Response Plan outlines roles, responsibilities, and procedures to be followed in the event of suspected or actual fraud. Its aim is to ensure a consistent, fair and effective response that protects Music Masters’ assets and supports compliance with legal and regulatory duties.

All actual or suspected incidents should be reported without delay to the Finance Director, CEO or Chair of Trustees, who should as soon as possible convene a project group of the following people or their nominees to decide on the initial response:

- The CEO and/or Chair who shall chair the meeting;
- the Finance Director;
- Others as determined by the Chair, e.g. legal or IT experts.

The project group will decide on the action to be taken, normally an investigation. If necessary, external specialist investigative auditors and legal experts may be appointed to carry out the investigation.

The Auditors should be advised at the earliest stage when an investigation under this procedure has been initiated.

Investigation

All allegations and reports of fraud will be investigated, the format of the investigation will be determined by the project group. Immediate steps should be taken to secure physical assets, including computers and any records thereon, and all other potentially evidential documents.

A detailed record of the investigation should be maintained. This should include a chronological file recording details of telephone conversations, discussions, meetings and interviews, details of documents reviewed, and details of any tests and analyses undertaken. Interviews should be conducted in a fair and proper manner.

The project group will consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the Foundation's assets.

Prevention of further loss

If there is thought to be any possibility of ongoing or recurring fraud, then action should be taken to prevent further losses, including suspending or recalling BACS or cheque payments.

Where there are reasonable grounds for suspecting a staff member of fraud, the staff member under suspicion will be suspended on full pay (as per our disciplinary policy and process). In these circumstances, the suspect(s) should be approached unannounced and should be interviewed about the allegation prior to being informed of their suspension. They should be supervised at all times before leaving Music Masters' premises. They should be allowed to collect personal property under supervision but should not be able to remove any property belonging to Music Masters. This should be carried out as discretely as possible bearing in mind at all times that an investigation may conclude there is no case to answer and the staff member may well be returning to their role in due course.

Any keys to premises should be returned. Laptop computers and mobile phones. and associated hardware/software must also be returned. Any Oyster or credit cards should also be returned and must not be used during any period of suspension.

Music Masters' Operations & Systems Manager should be instructed to immediately withdraw access permissions to Music Masters' computer systems. Access to internal communications platforms such as WhatsApp groups and Slack should also be withdrawn and the staff member should be advised that they are not to make contact with any other Music Masters, staff, contractors or beneficiaries such as schools, students etc until the investigation is complete. The relevant SLT members should take the lead on ensuring the relevant cover is in place.

Recovery of Losses

Recovery of losses is a major objective of any fraud investigation. The project group will ensure that, in all fraud investigations, the amount of any loss is quantified. Repayment of losses will be sought in all cases.

Where the loss is substantial, legal advice may be obtained about the need to freeze the suspect's assets through the court, pending conclusion of the investigation.

Legal advice may also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. Music Masters will normally expect to recover costs in addition to losses. If appropriate, Music Masters will liaise with our insurance to process a claim.

Reporting to the Board of Trustees

Any incident shall be reported without delay by the Chair of the Project Group investigating the potential fraud to the Board of Trustees and updates shall be given on a regular basis on the investigation.

On completion of the investigation, a written report shall be submitted to the Board of Trustees containing a description of the incident, including the value of any loss; the people involved; the means of perpetrating the fraud; the measures taken to prevent a recurrence; and any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken. This report will represent the definitive document on which management (in a disciplinary situation) and possibly the Police (in a criminal situation) will base their decision.

The CEO and Finance Director together with the Board of Trustees will consider whether the matter should be reported to the Police and whether they should also make a report to the Charity Commission under the Serious incident reporting regime. All fraud and attempted fraud must be reported to Action Fraud.