

Examining Risk Based Approach to Financial Crime in the Charity Sector: The Challenges and Solutions, Evidence from the Regulation of Charities in England and Wales

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Abstract : Purpose - The purpose of this paper, which is part of a PhD thesis is to examine the role of risk based approach in minimising financial crime in the charity sector as well as offer recommendations to improving the quality of charity regulation whilst still retaining risk based approach as a regulatory framework and also making a case for a new regulatory model. Increase in financial crimes in the charity sector has put the role of regulation in minimising financial crime up for debates amongst researchers and practitioners. Although previous research has addressed the regulation of charities, research on the role of risk based approach to minimising financial crime in the charity sector is limited. Financial crime is a concern for all organisation including charities. Design/methodology/approach - This research adopts a social constructionist's epistemological position. This research is carried out using semi structured in-depth interviews amongst randomly selected 24 charity trustees divided into three classes: 10 small charities, 10 medium charities and 4 large charities. The researcher also interviewed 4 stakeholders (NFA, Charity Commission and two different police forces in terms of size and area of coverage) in the charity sector. Findings - The results of this research show that reliance on risk based approach to financial crime in the sector is weak and fragmented with the research pointing to a clear evidence of disconnect between the regulator and the regulated leading to little or lack of regulation of trustees' activities, limited monitoring of charities and lack of training and awareness on financial crime in the sector. Originality - This paper shows how regulation of charities in general and risk based approach in particular can be improved in order to meet the expectations of the stakeholders, the public, the regulator and the regulated.

Keywords : risk, risk based approach, financial crime, fraud, self-regulation

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