

The three Pillars of Charity Verification

The pillars lie at the heart of CAF's Charity Verification processes and are the basis on which CAF undertakes its day to day donation and grant making.

The three Pillars are to:

- verify the charitable purpose of the donation or grant
- prevent money laundering and terrorist financing
- prevent fraud

CAF will only send donations or onward grants to bona fide recipients, who will use the funds charitably, safeguarding both CAF and our donors from fraud and other criminal activities. CAF's Charity Verification Policy and associated supporting processes are designed to ensure CAF is prevented from:

1. having its charitable funds used for criminal activities, such as money laundering
2. receiving fines for breaching UK law and regulations, for example by breaching donor benefit regulations
3. incurring reputational damage, for example by making a grant to an organisation that misuse charitable funds

We verify recipients of CAF's charitable funds in many ways and this handbook will explain the procedures we use but first it is important to understand the basic principles of the Charity Verification Framework, we call these the 3 Pillars of Charity Verification.

Charitable purpose

Anti Money Laundering and
Combating Terrorist Financing

Fraud prevention

The three Pillars of Charity Verification

The three Pillars are the principles that are embedded in all of the Charity Verification Procedures and are cornerstones for how CAF undertakes its legal and regulatory responsibilities when making donations and onward grants.

PILLAR 1 – CHARITABLE PURPOSE OF THE DONATION

Pillar 1 is all about verifying that the donation or onward grant has a charitable purpose, a public benefit and is also a freewill gift of money to charity, which means there is no compulsion about making the payment.

All donations that CAF makes must have a charitable purpose as shown in the UK Charities Act 2011:

1. The prevention or relief of poverty and the relief of those in need because of youth, age, ill-health, disability, financial hardship or other disadvantage.
2. The advancement of education, religion, health, saving lives and community development.
3. The advancement of the arts, heritage, culture, science, amateur sport, environmental protection or improvement and animal welfare.
4. The advancement of human rights, conflict resolution, or reconciliation or the promotion of religious or racial harmony or equality and diversity.
5. The advancement of the promotion of the efficiency of the armed forces of the Crown or of the efficiency of the police, fire and rescue service and ambulance services.

The donation or grant will not be charitable if the donor materially benefits from the donation to CAF. We should make sure that no material benefit is being given to the donor in respect of the donation we are making as CAF consider that a donation, whoever it comes from, is a donation to CAF, so CAF is responsible for making sure the donor does not benefit from a donation, grant or charitable payment.

Links to relevant resources:

- [GOV.UK: CHARITABLE PURPOSES](#)
- [GOV.UK: CHARITABLE PURPOSES AND PUBLIC BENEFIT](#)

PILLAR 2 – ANTI MONEY LAUNDERING AND COMBATING TERRORIST FINANCING

Funds held with CAF must be protected at all times, procedures are in place including CAF AML/CTF and Charity Verification Framework. CAF can receive fines and CAF's reputation could be adversely impacted and the frameworks in place are to mitigate the following risks:

- Failure to comply with legal and/or regulatory responsibilities in relation to AML and CTF
- Failure to deter and detect those who would seek to use CAF to facilitate the movement of criminal funds and funds designed to finance terrorism

Links to relevant resources:

- [GOV.UK: PROTECTING CHARITIES FROM ABUSE FOR EXTREMIST PURPOSES](#)
- [GOV.UK: CHARITIES: HOLDING, MOVING AND RECEIVING FUNDS SAFELY](#)

PILLAR 3 – PREVENTION OF FRAUD

Fraud can take place at all stages of donation and grant funding i.e., application stage, payment and within the post payment monitoring and evaluation. CAF has mitigating measures in place at each stage of the donation and grant making process using indicators and knowledge to highlight causes of potential concern.

CAF expects its employees to recognise indicators that could point to fraud, for example:

- Discrepancies between information provided on the Grant Application form and that in the audited accounts or on the charity regulator's website
- Discrepancies in communications i.e., from a different email address to the one we hold for the charity
- Discrepancies between the named organisation and the name as it appears in the constitution or bank account

We value the importance of experience and knowledge when carrying out verification processes prior to making donations and grants, so our Charity Verification procedures are open to exception or increased due diligence when required.

This can mean the Charity Verification team may ask additional questions or need to contact the recipient organisation whilst they undertake the verification, payment, or post payment processes.

Links to relevant resources:

- [GOV.UK: PROTECT YOUR CHARITY FROM FRAUD AND CYBER-CRIME](#)
- [GOV.UK: CASE STUDIES OF INSIDER FRAUD IN CHARITIES](#)
- [GOV.UK: CHARITIES: FRAUD AND FINANCIAL CRIME](#)
- [FRAUD ADVISORY PANEL WEBSITE](#)