

**Charity Fraud Report:**  
A five-year review (2021 to 2025)

**Together against  
charity fraud**

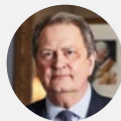


# Contents

<b>Foreword</b>	3
<b>Key findings</b>	4
<b>Who did we survey?</b>	6
<b>The results</b>	7
Reported fraud: What fraud have charities suffered?	7
Reported fraud: What was the impact on charities?	13
Reported fraud: What was the response of charities?	16
Fraud prevention: What are the barriers?	19
Fraud prevention: What financial investment are charities making?	20
Fraud prevention: What other measures do charities have in place?	21
Perception of Fraud Risk: What did charities tell us?	24
<b>Focus on:</b> The Economic Crime and Corporate Transparency Act	26
<b>Focus on:</b> High-profile cyber frauds in the last year	28
<b>Investigation insights</b>	30
<b>Fraud-related Resources:</b> Helpful links	32
About us	33



The fifth Charity Fraud Report demonstrates what can be achieved when sectors work together to raise awareness of the fraud threat. With the highest number of responses to the survey showing just how far the conversation has progressed, charities must ensure they maintain this momentum by working together to recognise and tackle fraud.



**Sir David Green CB KC**  
Chair, Fraud Advisory Panel

# Foreword

**2025 marks the fifth year that BDO and Fraud Advisory Panel have worked together in partnership to combat charity fraud, coinciding with the tenth anniversary of Charity Fraud Awareness Week. Together, we have worked diligently to raise the profile of fraud affecting charities, focusing on key trends and offering insights into how charities can better protect themselves.**

This year, we achieved the highest survey response rate in five years, with 164 participants - an increase of 18% from last year. This reflects a strong commitment from charities to share their experience of fraud, enabling us to compile a comprehensive annual review of the charity fraud landscape.

Building on last year's results, we've observed further growth and development among the charities we surveyed as they continue to address the evolving threat of fraud both internally and externally. We recognise that resources are limited and the fraud landscape changes daily, yet the results offer hope, showing a steady reduction in the amount of fraud reported by charities over the past five years.

Reflecting on the survey results over the last five years, we have seen some positive trends, including levels of reported fraud this year being the lowest in the last five years. This is significant because we know the level of disruption that a single incident of fraud can cause any organisation, and charities may feel the pressure more than other organisations, given their often-limited resources.

We have also seen a positive reaction to the Economic Crime and Corporate Transparency Act, which introduces the new failure to prevent fraud offence, with 79% of those caught by the legislation taking action prior to it coming into effect in September 2025.

We hope you find this report's insights and analysis valuable to your organisation, including our investigation top tips and our useful fraud-related links that you will find at the end of the report.



Marking the tenth anniversary of Charity Fraud Awareness Week and fifth year of the BDO Charity Fraud Survey with the highest number of respondents is a significant and incredibly positive milestone for the sector. Charities are becoming increasingly aware of the fraud threat and how to respond to it, with this campaign sitting as a driver behind this encouraging proactive stance. The commitment and dedication from BDO and colleagues from across the public and private sectors have made this progress possible and we thank all for their contributions and support.

**Matthew Field**  
Head of Fraud Advisory Panel



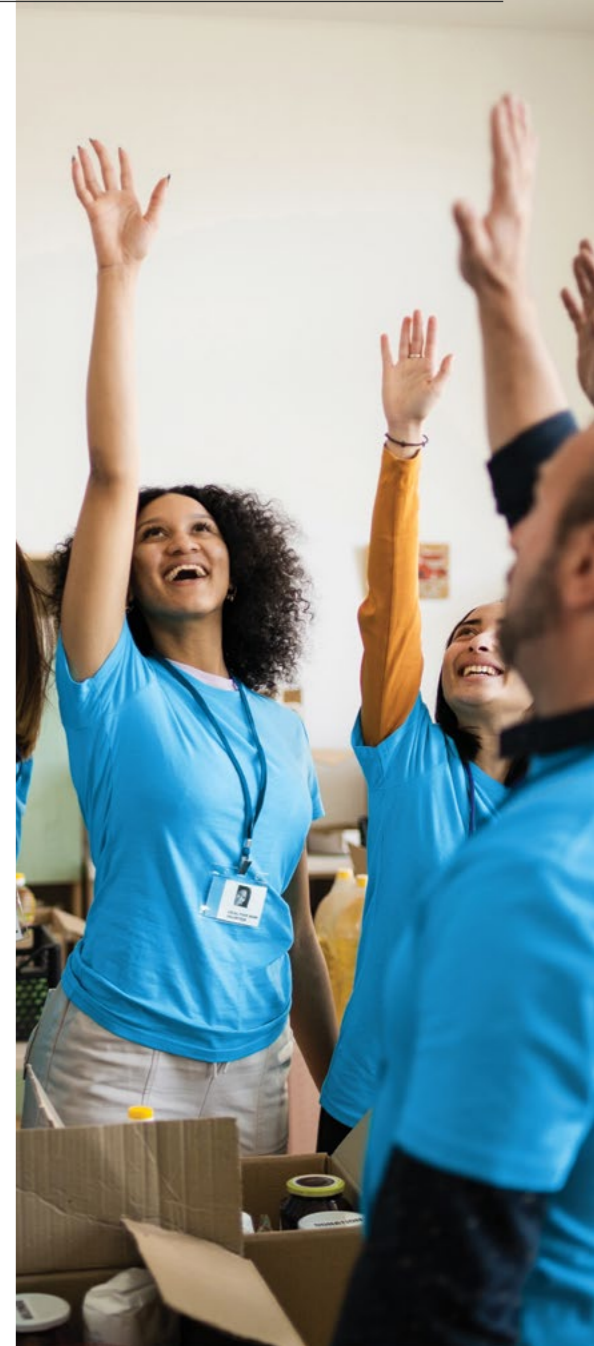
**Tracey Kenworthy**  
Counter Fraud Director, BDO

+44(0)79 7619 8653  
tracey.kenworthy@bdo.co.uk



**Matthew Field**  
Head of Fraud Advisory Panel

+44 (0)7827 890 759  
matthew.field@fraudadvisorypanel.org



# Key findings

## Who did we survey?\*

**67%** of respondents are charitable companies

**55%** of respondents have annual income > £10m

**15%** of respondents have annual income < £1m

**87%** of charities had 5+ trustees. 3 charities had below the required number of Trustees

**35%** of responses were completed by finance directors

**45%** of respondents are national charities

**19%** of respondents are international charities

## Looking back at the past year

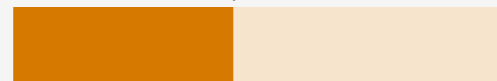
### Have charities suffered fraud?

**34%** of charities reported fraud or attempted fraud (lower than 42% in 2024 and 41% in 2021).

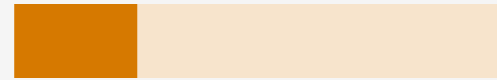
Average number of frauds experienced in the past year **decreased to 3-7 per respondent** (2024 average of 4-7, and 5-8 in 2023).

### Response

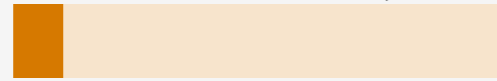
**45%** of fraud instances were reported to the police (down from 52% in 2024).



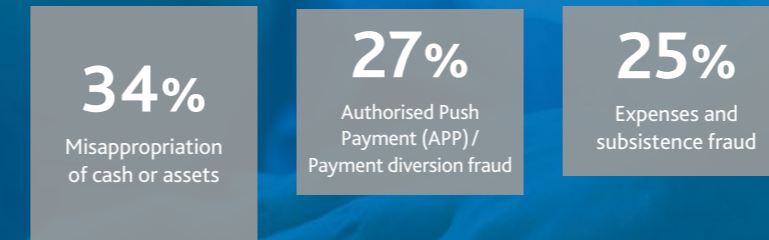
**29%** took internal disciplinary action (down from 45% in 2024).



**13%** took no action (same as 2024, down from 24% in 2021).



### Type of fraud



### Perpetrators

**38%** committed by individuals within the organisation. (2024: 50%)

**23%** committed by persons with no connection to the charity. (2024: 29%)



Looking at all responses, including fraud perpetrated by suppliers and beneficiaries it is broadly a 50/50 split between insiders and outsiders.

### Detection

**57%** Internal controls remain the most common means of detecting fraud. (2024: 62%)

**18%** of fraud was detected by either internal or external whistleblowers. (2024: 22%)



**73%** suffered financial loss (2024: 84% and 2023: 92%).

Total losses due to fraud between **£614k and £6.2m**

Average loss per fraud between **£11k and £110k**

**32%** recovered losses (2024: 40%).

### What other consequences did charities experience?

75% experienced other non-financial issues (down from 78% in 2024).

32% experienced a loss of staff, volunteers or trustees' morale (up from 21% in 2024).

25% experienced reputational damage (up from 12% in 2024).

20% had issues with suppliers/contractors (up from 14% in 2024).

16% lost staff, volunteers or trustees (down from 21% in 2024).

# Key findings

## Remedial measures

**57%** made control changes (compared to 61% in 2024).

**23%** made policy changes (compared to 33% in 2024).

**11%** upgraded IT systems (compared to 14% in 2023).

**32%** reviewed their fraud awareness training requirements and **32%** implemented an enhanced fraud awareness training program in the last year (compared to 32% and 19% respectively in 2024).

## Proactive measures

**43%** and **47%**, respectively, conducted a fraud risk assessment and fraud awareness training in the last year (compared to **36%** and **50%** in 2024).

## Looking forward to the future

### Barriers to fraud prevention

Over-reliance on trust was reported as an obstacle to fraud prevention by **45%** of charities (2024: 37%). **28%** reported a lack of fraud awareness (2024: 18%) and **24%** reported a lack of effective fraud awareness training. **48%** said that they lacked the internal resources necessary to effectively prevent fraud (2024: 45%).

### Investment

**77%** said their financial investment in fraud increased or stayed the same (compared to 80% in 2024), but **20%** said they do not financially invest in fraud prevention (compared to 18% in 2024).

**42%** of respondents think that their financial investment in fraud prevention is enough to address their fraud risks (compared to 53% in 2024).

**19%** disagreed and therefore do not consider that their financial investment is enough (compared to 15% in 2024).

### Prevention

Most charities reported having key policies such as:

- ▶ anti-fraud (75%)
- ▶ conflicts of interest (86%)
- ▶ whistleblowing (89%).

Additionally, **87%** said they had risk registers that included consideration of fraud risk.

Only **45%** had a fraud response plan (2024: 44%) and **49%** had a cyber response plan (2024: 53%).



## The Economic Crime and Corporate Transparency Act (ECCTA)

**63%** are aware of ECCTA (2024: 53%)

**48%** believe that ECCTA will apply to them (2024: 45%)

**79%** have taken action in preparation for ECCTA

**60%** feel prepared for ECCTA.

### Economic challenges

**62%**

of respondents agreed that economic challenges have increased the risk of fraud to their charity. Only 7% of respondents disagreed, while 31% were impartial.

### High profile cyber frauds

**42%**

said they had taken action in light of recent high profile cyber attacks, including 19% who said that they had implemented IT or cyber security updates. 40% said they had not taken any action.

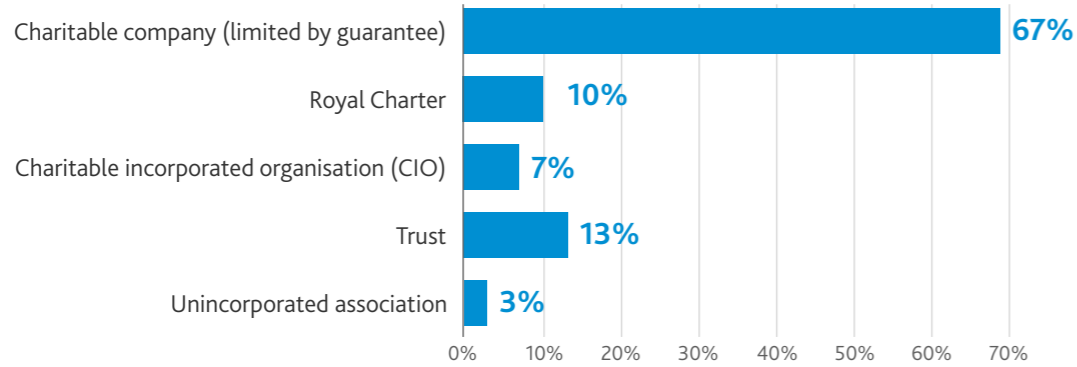
### Future risk

**52%**

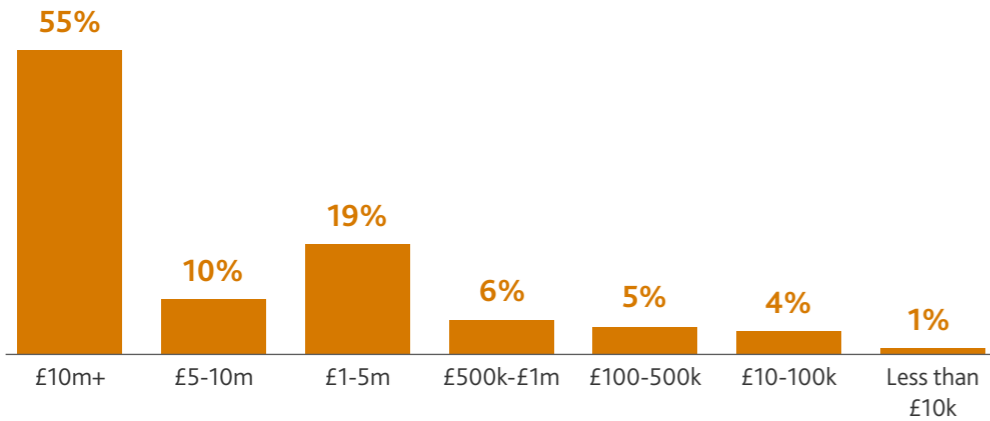
of respondents expect fraud risk to increase in the next 12 months (in line with 50% in 2024); the most frequently cited concern in the next 12 months was cyber-related fraud, including phishing, ransomware and issues caused by AI.

# Who did we survey?

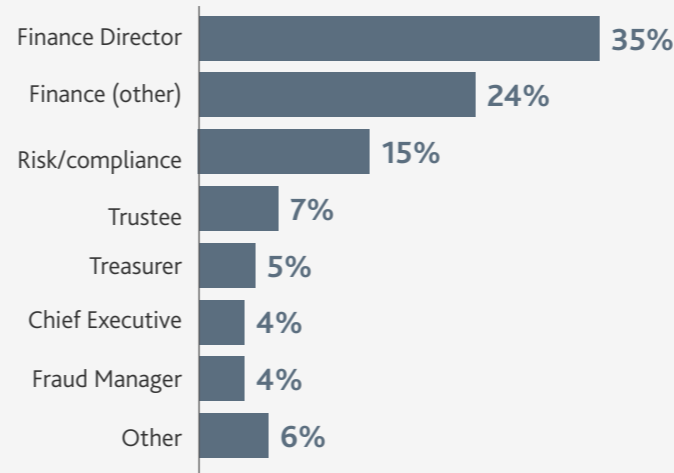
## What type of charity are you?



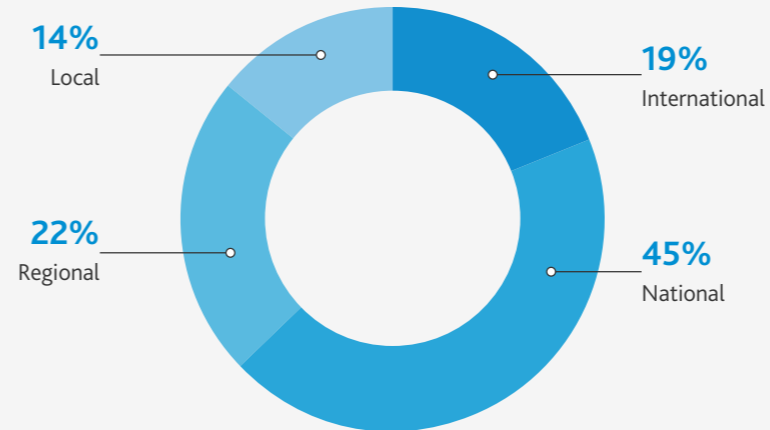
## What is your charity's total annual income?



## What role do you hold in your charity?



## In what area does your charity carry out its activities?



## How many trustees do you have?

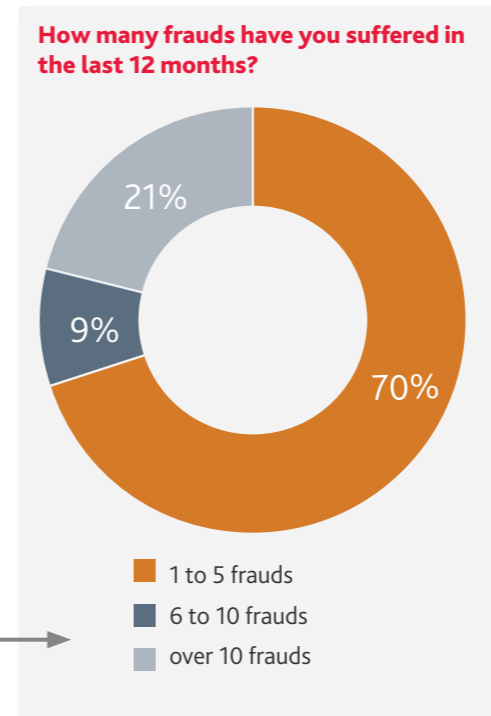
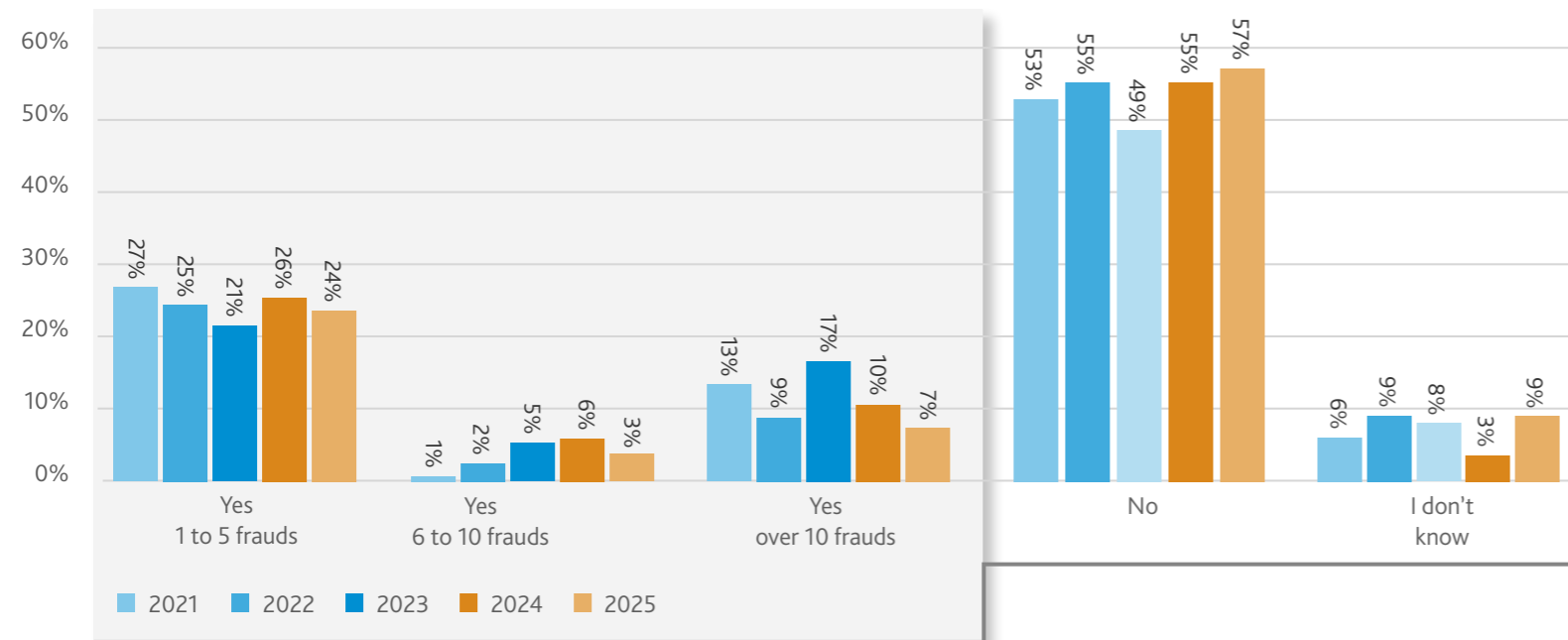
It is excellent that 87% of charities had more than five Trustees and only 2% had below the required number of Trustees (i.e., less than three).



# Reported fraud: What fraud have charities suffered?

## Reported fraud in the last 12 months

Has your charity suffered fraud in the last 12 months?



This year, 34% of charities reported fraud or attempted fraud, marking the lowest level in the five years of the survey. Over half of respondents (57%) reported no fraud or attempted fraud. This is a significant result for the sector.

This promising trend indicates growth amongst charities and a strong collective commitment to tackling fraud head on. Charities are raising the profile of fraud by actively participating in initiatives such as this survey and the wider activities across Charity Fraud Awareness Week, and this appears to be having an impact. By being open and honest and sharing their experiences, charities can offer valuable insights that will help others develop effective fraud prevention strategies.

# Reported fraud: What fraud have charities suffered?

## Reported fraud in the last 12 months

The new 'Failure to Prevent Fraud' offence, effective from 1 September 2025, was introduced in the Economic Crime and Corporate Transparency Act (2023), with Home Office guidance published in November 2024. This offence has raised awareness of fraud across all organisations, including those not directly affected. We hope that preventive measures, which could serve as a defence against this offence, are widely recognised as best practice in any organisation's fraud risk management strategy, whether they are caught by it or not.

Of those charities that experienced fraud, 70% reported between one and five incidents of fraud or attempted fraud, while only 21% of charities that experienced fraud had more than 10 incidents - the lowest in this range since the start of the survey and significantly lower than the peak of 38% in 2023.

Despite these encouraging shifts, we acknowledge that even a single instance of fraud can have a devastating impact on a charity, particularly in the context of ongoing challenges resulting from the cost-of-living crisis, wider economic pressures and increased competition for diminishing funds. Fraud will add an additional layer of stress on a charity and will affect finances, management

time, staff morale, services, and donor confidence. The impact of fraud is not always tied to monetary loss and even small-scale frauds can have significant repercussions.

While this year's results are positive and indicate that charities may be better able to protect themselves from fraud, charities must remain vigilant against the constant threat of fraud. High-profile cases show that frauds can go undetected for years, especially internal frauds, where a fraudster has the means and the opportunity to manipulate friends and colleagues to conceal their actions.

Interestingly, legacy frauds were only linked to charities that experienced over ten frauds, while cyber frauds were only associated with those that experienced one to five frauds. This suggests different types of fraud impact charities differently, highlighting the importance of understanding specific fraud risks to tailor prevention and response strategies effectively.



### What does this mean for the sector?

We applied these numbers to our respondents and the wider sector and arrived at the following findings:

- ▶ Our respondents: Suffered between 189 and 377 frauds (average between three and seven frauds)<sup>1</sup>
- ▶ The sector: Suffered between 9,000 and 18,000 frauds.<sup>2</sup>

1. We are only able to show a range because the average is based on the response options of 1-5, 6 to 10, and 10 plus frauds.
2. Average number of frauds to registered charities with same income profile as our respondents (i.e., over £1 million).

## 5 year round up

Only **34%** of charities reported fraud or attempted fraud, the **lowest level in five years** – peak of **43% in 2023**

Only **7%** of charities had more than ten frauds, the **lowest level in five years** – peak of **17%** in 2023

The average number of frauds experienced per respondent is between **three** and **seven**, **reducing** from between **five** and **eight** in 2023



# Reported fraud: What fraud have charities suffered?

## Types of reported fraud

We asked charities about the types of fraud they experienced in the last 12 months, as well as some specific questions about their most recent significant fraud.

Last year, the top three types of fraud over the year were a combination of internal (misappropriation of cash or assets and staff expenses fraud) and external (payment diversion fraud, also known as APP or Authorised Push Payment fraud). This year, the position remains the same.

When considering the most recent significant fraud, supplier procurement fraud takes third spot of most common fraud type experienced, which is also in line with the prior year.



### Misappropriation of cash or assets

Misappropriation of cash or assets accounted for 34% of all fraud experienced by charities (down from 40% last year) and 23% of the most recent significant fraud (down from 31% last year).



### Payment diversion fraud

Payment diversion fraud was faced by 27% of charities in the last 12 months (down from 33% last year) and 20% as their most recent significant fraud (down from 21% last year).



### Staff expenses fraud

25% of charities experienced staff expenses fraud over the last 12 months (down from 29% last year) and 13% as their most recent significant fraud (up from 7% last year).



### Supplier/procurement fraud

21% of charities experienced supplier procurement fraud over the last 12 months, the same as last year, and 20% as their most recent significant fraud (up from 9% last year).



### Financial misreporting

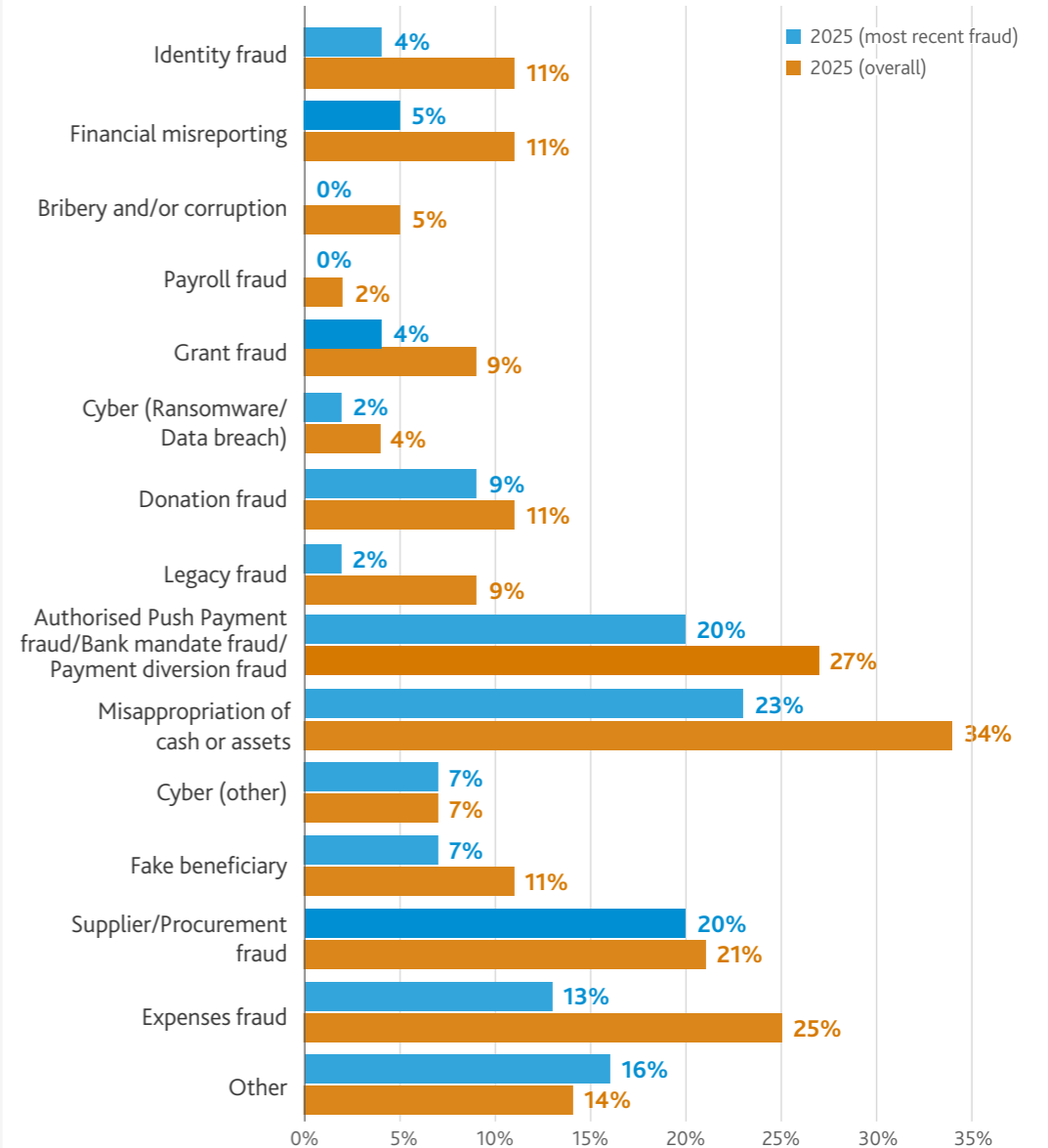
Financial misreporting is the only type of fraud to have increased since 2024, rising from 5% to 11% this year. This suggests growing issues in financial oversight and reporting systems, possibly due to pressures to meet targets or weak internal controls. Tackling this trend requires enhancing transparency, strengthening audits, and promoting ethical financial practices.



### Cyber

Cyber-enabled fraud, including ransomware and data breaches, has been on the decline since we began collecting information in 2023. It dropped from 35% in 2023 to 22% in 2024, and now stands at 11% this year. This is surprising given the apparent concern about these types of frauds among our respondents. However, considering the devastating and highly disruptive impact that cyber-attacks have recently had on household names like M&S, Co-op, and Jaguar Land Rover, this is positive news for charities. We explore cyber-fraud in greater detail later in this report.

What types of fraud did your charity suffer in the last 12 months?



# Reported fraud: What fraud have charities suffered?



## Inter-relationship between fraud types

We examined how the different types of fraud were interrelated over the past year compared to the most recent significant fraud type. We found some notable differences:

- ▶ Misappropriation of cash and assets accounted for 34% overall, but only 23% in the most recent fraud category
- ▶ Staff expenses fraud accounted for 25% overall, yet only 13% in the most recent fraud category
- ▶ Identity fraud represented 11% overall, but just 4% in the most recent fraud category
- ▶ Fake beneficiary fraud comprised 11% overall, but only 7% in the most recent fraud category.

These figures highlight the shifting patterns in fraud types, indicating a change in focus or method among fraudsters over the year.

Fraudsters are always adapting, finding new ways to target charities. External factors, like changes in charity operations or new processes, can also influence fraud trends. This makes it essential for charities to remain alert and adjust to the evolving risk landscape.



## Multiple frauds

We asked charities to report all the different types of fraud they encountered, allowing them to report more than one type of fraud. On average, each charity faced at least two different types, which is consistent with last year's findings.

Some charities experienced up to five different types of fraud, posing a significant challenge for organisations, given the varied investigations that would be required for each different type of fraud.



## Internal vs. external

Our survey revealed that respondents continued to report a mix of both internal and external frauds this year. This indicates an ongoing threat from both insiders and outsiders.

As set out above, misappropriation of cash or assets was the most common fraud type:

- ▶ Of the charities that experienced this type of fraud, almost half (47%) also faced other external frauds, including authorised push payment fraud (also known as APP fraud or payment diversion fraud), supplier/procurement fraud, grant fraud and fake beneficiary fraud
- ▶ 16% also suffered from a legacy fraud where money or assets bequeathed to a charity do not reach their intended recipient. This can happen in various situations and could be influenced by internal or external factors, or a combination of the two
- ▶ A high proportion also experienced other internal frauds (i.e. staff expenses fraud). Internal fraudsters often start with one type of fraud before diversifying out to other types of fraud once they become more confident that they are not being detected.



## Other combinations include

- ▶ Of those charities affected by staff expenses fraud, 50% also faced an external fraud, with supplier/procurement fraud being the most common
- ▶ Of those charities affected by supplier/procurement fraud, 83% also experienced a different external fraud, and 50% faced an internal fraud
- ▶ Of those charities that experienced authorised push payment fraud, 60% also faced different types of external fraud, but only 27% experienced an internal fraud.

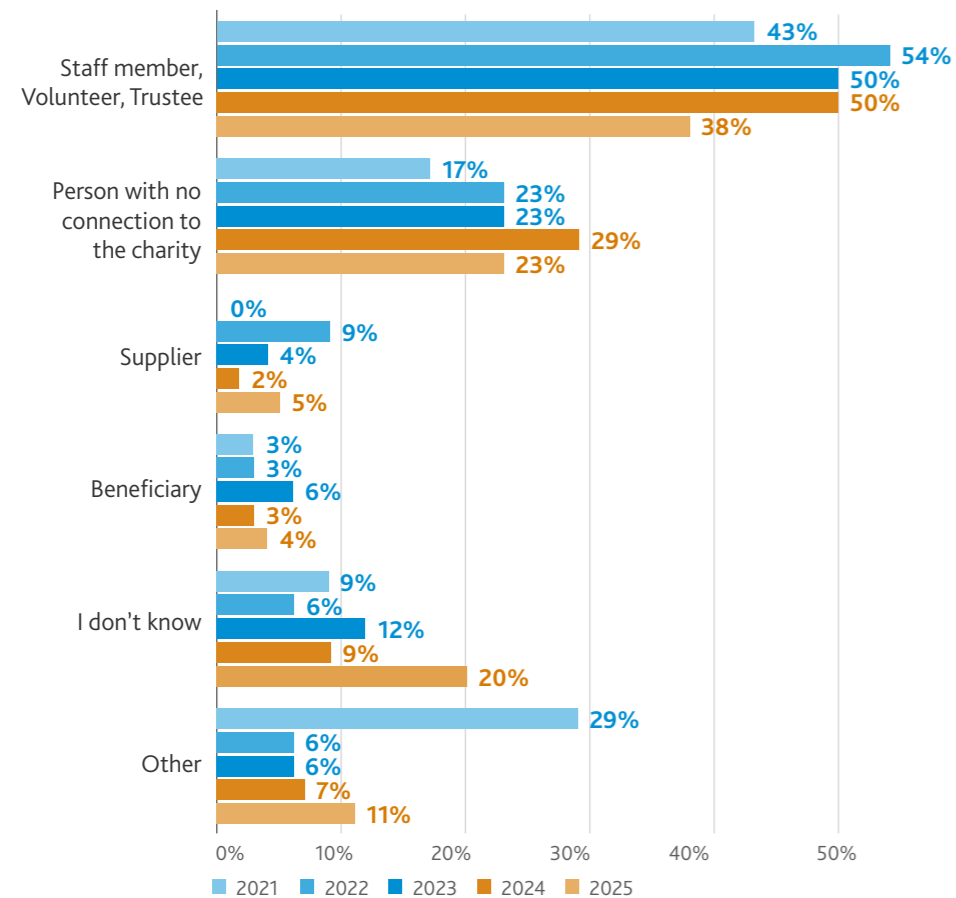
Charities should be aware of this dual threat when conducting risk assessments and allocating resources to combat fraud, ensuring comprehensive protection against all types.



# Reported fraud: What fraud have charities suffered?

## Perpetrators of reported fraud

What relationship did the alleged fraudster have to your charity?



This year, 38% of detected frauds in charities were perpetrated by charity insiders (staff members, volunteers, or trustees). This highlights that internal risk remains a significant concern. However, it's worth noting that while insiders make up the largest group of perpetrators, this is the lowest level of insider fraud recorded in the survey's five-year history.

Conversely, 23% of frauds were carried out by outsiders with no direct link to the charity, down from 29% last year. If we consider other outsiders who do have connections - such as beneficiaries, suppliers, and partners - the figure rises to 39%, closing the gap between internal and external threats.

The equal split between insider and outsider fraudsters mirrors the balance of internal and external fraud types discussed earlier. This underscores the need for a comprehensive approach to fraud risk management, ensuring all risks are thoroughly evaluated and addressed.

This year, a larger number of respondents - 20%, up from 9% - were unsure of the perpetrator's identity. This suggests that fraud tactics are becoming more sophisticated, with perpetrators increasingly adept at hiding their identities and methods. Advances in technology may also be playing a role, enabling fraudsters to operate anonymously or through intricate networks.

Another contributing factor might be the lack of effective investigative processes within organisations. If internal systems aren't equipped to trace and identify fraudsters, it can lead to uncertainty about who is responsible. This highlights the need for enhanced detection and investigation capabilities, including better staff training and investment in technology that can track and analyse fraudulent activities.

Moreover, the rise in unknown perpetrators could indicate a shift in focus or resources away from identifying individuals, possibly due to prioritising other aspects of fraud prevention. Understanding these trends is crucial for developing strategies that improve the ability to identify and tackle fraud effectively.

**38%**

of fraud was perpetrated by staff members, volunteers or trustees.

**23%**

of fraud was perpetrated by a person with no connection to the charity.

# Reported fraud: What fraud have charities suffered?

## How fraud was detected

Charities often face the challenge of integrating fraud detection tools into their fraud risk management strategies. This report highlights the various risks they encounter and recognises the tough decisions they must make with limited resources.



### Internal controls

Internal controls are the most prevalent method for detecting fraud, accounting for 57% of all fraud detected. This figure has slightly decreased from 62% last year, aligning more closely with the 2022 figure of 56%. It is essential for charities to regularly review, test and evaluate their internal controls to ensure they are effective and fit for purpose, as they serve as the first line of defence against fraud.



### Internal whistleblowers

Internal whistleblowers account for 9% of fraud detections, making them the joint second most common method, down from 12% last year. It is crucial that everyone involved in a charity — staff, volunteers, and trustees — knows how to report concerns and feels safe doing so. A strong culture, defined by shared values and beliefs, reinforced through clear communication and leadership, is essential. Establishing a robust anti-fraud culture and a clear zero-tolerance policy can shield against fraud and other risky behaviours.



### External whistleblowers

External whistleblowers also contribute 9% to fraud detection, matching internal whistleblowers, but down from 10% last year.



### Other methods of fraud detection include

- ▶ Other employee (9%)
- ▶ External parties such as banks (7%)
- ▶ Internal fraud teams (4%)
- ▶ Data matching or data analytics (4%) - digital tools and data analytics can be instrumental in identifying both cyber-related and other types of fraud, depending on their application.

As with any survey, the results only reflect the frauds that have been detected. By gaining a better understanding of their overall risk and putting effective prevention and detection measures in place, charities can improve the accuracy of their fraud reporting.

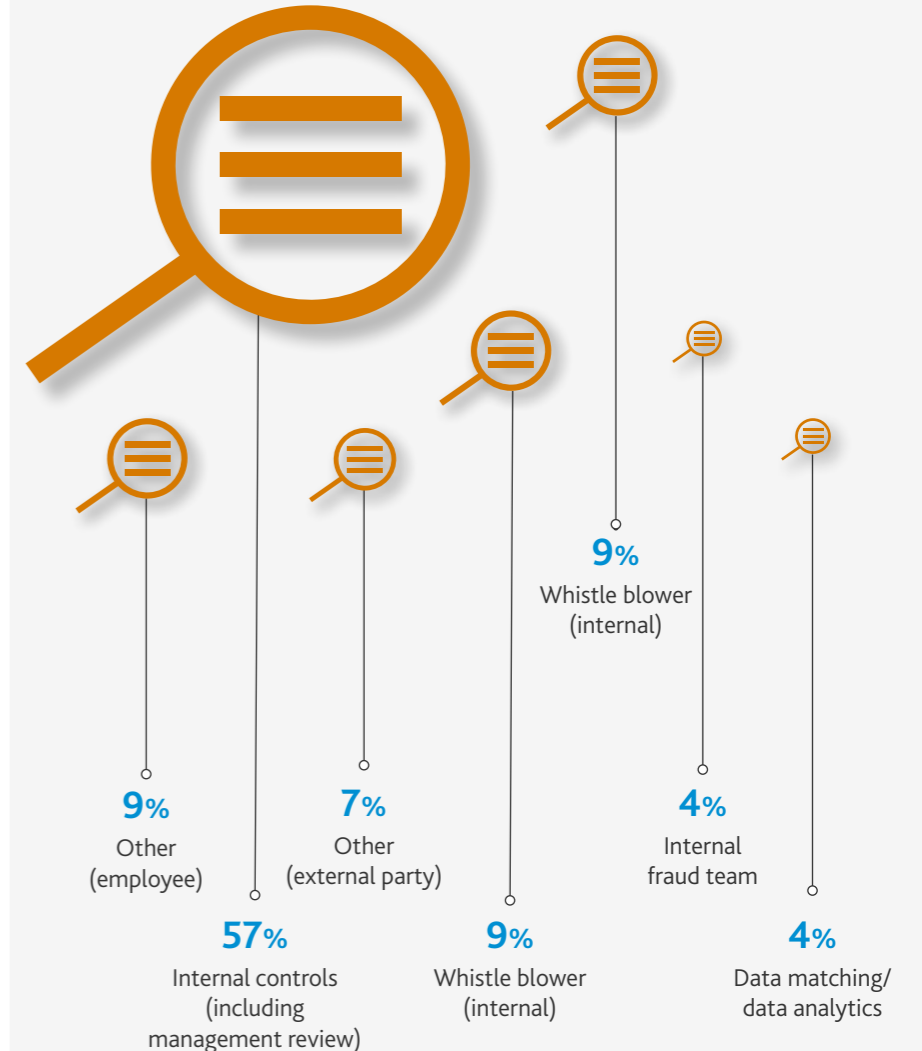
**57%**

Internal controls remain the most common means for detecting fraud.

**18%**

of fraud was detected by whistleblowers.

## How was the fraud detected?



# Reported fraud: What was the impact on charities?

## Financial impact

This year, charities have made significant strides in tackling fraud and reducing losses due to fraud. Only 73% of those affected by fraud experienced a financial loss, a marked improvement from 92% in 2023 and 84% last year. 23% reported no financial loss, up from 14% last year, with the remaining respondents unsure of the total loss value.

This positive trend suggests that fraud prevention measures are taking effect, with early detection playing a crucial role in minimising losses. It highlights the importance of robust internal controls and swift action when fraud is identified.

Fraud losses have been in steady decline since their peak in 2023.



### Total value of financial losses

Looking at the total value of financial losses, the picture is encouraging:

- ▶ Losses under £1,000 rose from 14% last year to 21% this year
- ▶ The highest proportion of charities (25%) faced losses between £1,000 and £10,000, up from 16% last year. Previously, the majority suffered losses in the £10,000 to £100,000 range
- ▶ Losses between £10,000 and £100,000 dropped by 55%, from 40% last year to 18% this year
- ▶ Losses over £100,000 fell from 15% last year to 9% this year
- ▶ No losses over £1 million were reported, compared to 5% last year.



### Total value of most recent incidents

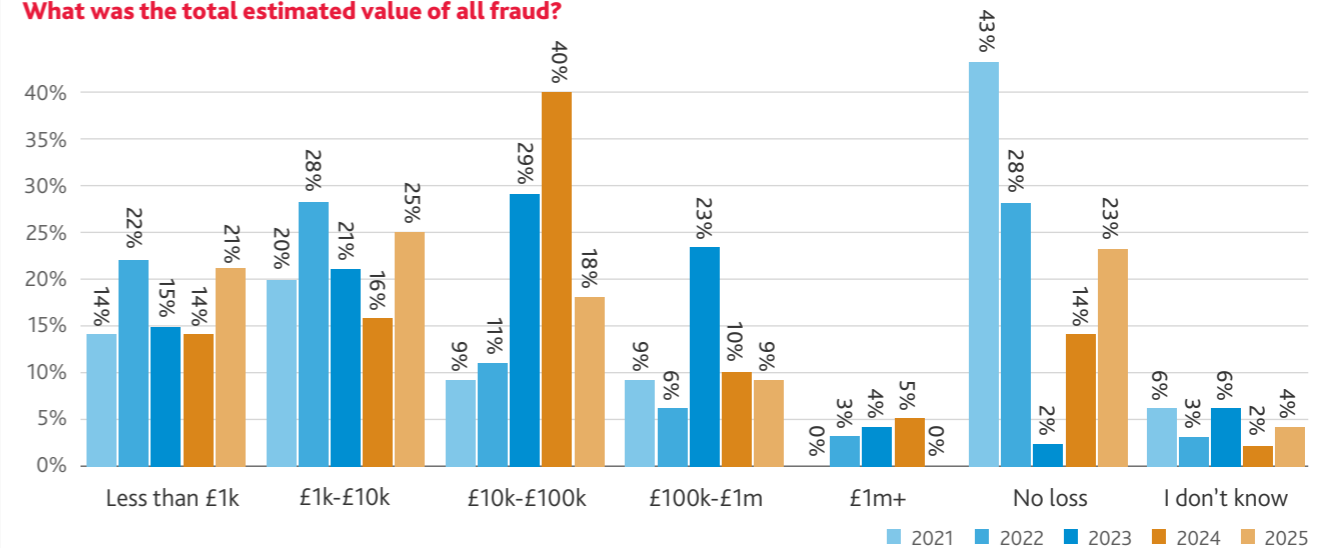
Regarding the most recent fraud incidents, the figures are reasonably stable:

- ▶ Over half (52%) experienced fraud below £10,000, slightly up from 48% last year
- ▶ Losses between £10,000 and £100,000 dropped by 71%, from 31% last year to 9% this year
- ▶ Only 9% faced losses over £100,000, down from 12% last year.

These results are promising. No cumulative losses reached the highest value category, the most common loss category is lower than last year, and losses in the lowest value category increased. In essence, the average loss has decreased across the board. Over the past five years, fraud losses have steadily declined since their peak in 2023.

Altogether, no matter how you examine the data, the average loss has significantly decreased.

### What was the total estimated value of all fraud?



### What does this mean for the sector?

We applied these numbers to our respondents and the wider sector and arrived at the following findings:

#### Our respondents:

- ▶ Average value per fraud between £11,000 and £110,000.
- ▶ Total value of fraud between £614,000 and £6.2 million.

#### The sector:

- ▶ Total value of fraud between £40 million and £398 million.<sup>3</sup>

<sup>3</sup> Average number of frauds to registered charities with same income profile as our respondents (i.e., over £1 million)

# Reported fraud: What was the impact on charities?

## Financial impact - recovery of losses

This year, 32% of charities reported successfully recovering at least some of their losses, a slight dip from 40% last year. However, this aligns with the earlier finding that fewer losses were incurred, meaning there was less to recover.

The proportion of respondents unable to recover any losses remains steady at 25%, compared to 24% last year. Those stating recoveries were 'not applicable' also stayed consistent at 23%, compared to 26% last year.

Interestingly, the number of charities that are uncertain about their recovery status has doubled, from 10% last year to 20% this year. This rise in uncertainty could suggest potential issues with tracking or communication within these organisations, but it could also mean that recovery action is ongoing and therefore the outcome is not known.

**Recoveries peaked at 44% in 2023 but decreased to 40% in 2024 and then 32% in 2025.**



### Recovery by number of frauds and fraud value

We considered the relationship between the number and value of frauds and recovery rates:

- ▶ Charities that experienced the fewest fraud incidents – between one and five – had losses in 74% of those cases and recovered those losses in only 41% of cases. On some occasions they recovered 100% of the fraud value
- ▶ Charities that experienced over 10 frauds experienced losses in less cases (67%) but were more likely to make recoveries (63%)
- ▶ Cases with fraud losses below £10,000 accounted for the majority of recoveries (61%)
- ▶ Only 6% of losses between £100,000 and £1 million had a recovery
- ▶ Last year, charities recovered losses for all frauds over £100,000, but this year only one out of five cases recovered such high-value losses.

The reason for this shift is unclear, but charities facing fewer fraud incidents and smaller losses appear to be more adept at recovering losses. It

could be because lower value frauds are more straightforward to trace and recover, compared to more complex cases.

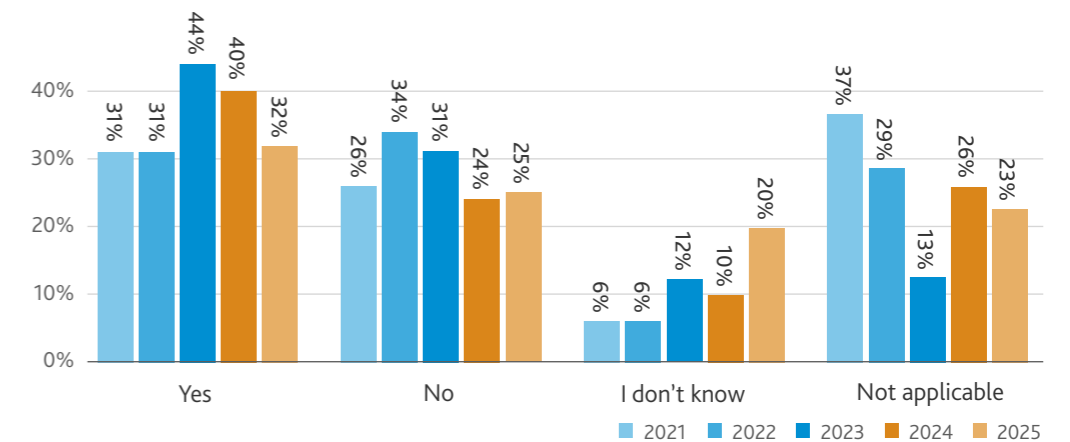


### Financial remediation

Recovering from fraud is a multifaceted challenge that goes beyond just financial remediation, although it is a vital part of the process. Charities should tap into expert advice to weigh up the benefits of taking action and determine the most effective strategies for fund recovery, often through a cost-benefit analysis. Compensation schemes are available, particularly for authorised push payment or payment diversion frauds.

It's crucial for charities to keep their core mission in focus, even when recovery action demands extra time and resources. Other remediation efforts can be equally impactful, such as safeguarding against future losses, enhancing systems and controls, or boosting staff morale and retention.

### Were any of the funds recovered?



### What does this mean for the sector?

We applied these numbers to our respondents and the wider sector and arrived at the following findings:

#### Respondents:

- ▶ Non-recovered loss: £365,000 to £3.7 million.
- ▶ Recovery: £249,000 to £2.5 million.

#### The sector:

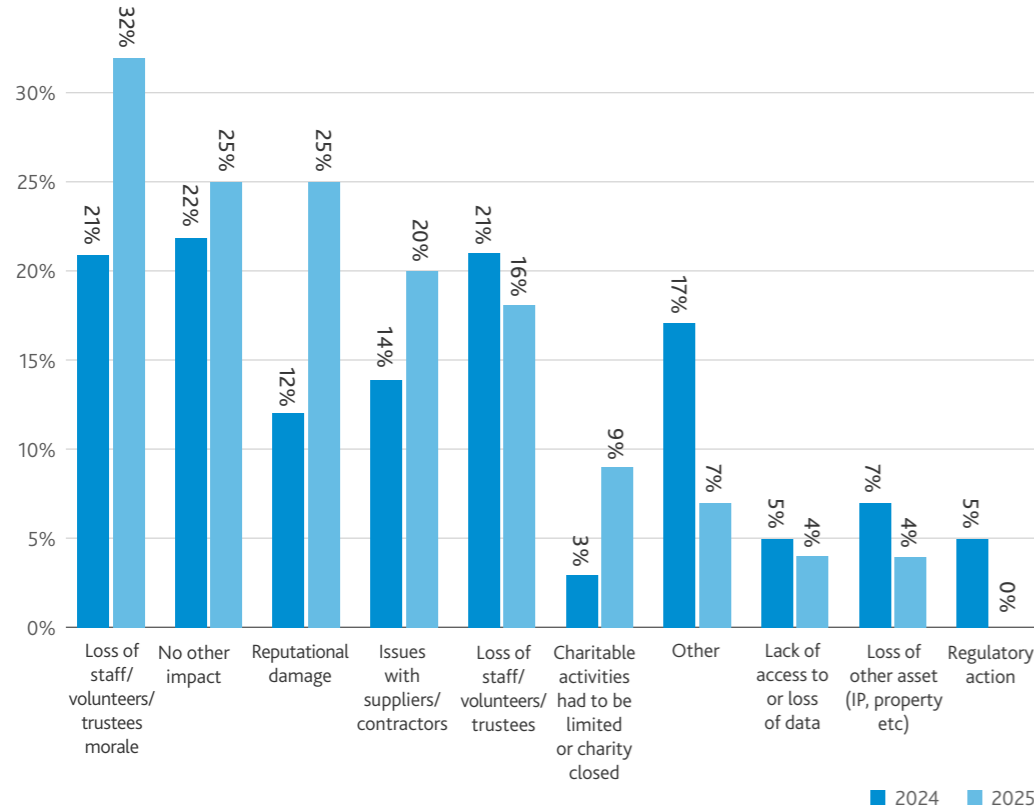
- ▶ Non-recovered loss: £24 million to £236 million.
- ▶ Recovery: £16 million to £161 million.<sup>4</sup>

<sup>4</sup>Average number of frauds to registered charities with same income profile as our respondents (i.e., over £1 million).

# Reported fraud: What was the impact on charities?

## Other non-financial impact

In addition to financial loss, was there any other impact on your charity?



While the financial impact of fraud on charities has eased over the last couple of years, this shift has been offset by a rise in significant non-financial impacts. Although the overall percentage of charities experiencing some form of non-financial repercussions post-fraud remains stable — 75% compared to 78% last year — certain key areas have seen notable increases.

For example:

- ▶ Reputational damage: 25% suffered reputational damage, up from 12% last year. This surge could reflect the erosion of public trust and confidence in the charity's ability to manage funds responsibly.
- ▶ Loss of morale: 32% reported a drop in morale among staff, volunteers and trustees, compared to 21% last year. In 16% of cases, charities lost personnel, possibly linked to the fraud itself or its aftermath. Fraud can create feelings of insecurity and mistrust within organisations.

- ▶ Supplier issues: 20% faced supplier issues, up from 14% last year. This might stem from doubts about the charity's financial stability and reliability in fulfilling contractual obligations, or the need to restructure supply chains if a key supplier was involved in the fraud.
- ▶ Limiting activities: 9% reported that charitable activities had to be limited or closed, compared to 3% last year. This is concerning, as such measures should only be a last resort in extreme circumstances. It could indicate that the charity was already facing financial difficulties, struggling with reduced resources, or encountering increased challenges securing funding from donors. This could be devastating for communities and individuals who rely on these services.
- ▶ Regulatory impact: No charities reported regulatory action being taken, compared to 5% last year. This could indicate a less pro-active approach to external referrals or reports being logged by charities. Charities should be mindful of the requirement to report serious incidents to the Charity Commission.

23% of charities reported having two or more additional consequences, and in some cases four or five. Even one additional consequence on top of the fraud and financial loss can be overwhelming. If not managed effectively, these issues can escalate, leading to longer-term challenges with even more damaging consequences. This highlights the critical need for proactive, robust management and strategic planning to mitigate the impact and safeguard the charity's future.

There was also a slight increase in charities who thought there was no other impact, up from 22% to 25% this year. Charities may be better at ringfencing the knock-on effects of fraud, but every instance of fraud needs to be proactively managed as knock-on effects are common, but they might not be as obvious as missing cash or assets.

**32%**  
Reported loss of morale as a non-financial impact of fraud, up from 21% last year.

**25%**  
Reported reputational damage, up from 12% last year.

# Reported fraud: What was the response of charities?

## Action against fraudsters

In the past year, 80% of charities took some form of action against fraudsters, demonstrating a proactive approach to tackling fraud. This is a positive sign that charities are committed to addressing fraudulent activity.

**Criminal sanctions:** 45% of charities reported the fraudster to the police, down from 52% last year. This decline in police reporting, and consequently less exposure to potential public media attention, makes the observed increase in reputational damage this year even more striking. This underscores the complex nature of reputational risks and the need for vigilant management to protect the charity's image.

**Internal disciplinary:** Internal disciplinary action saw a notable decrease, with only 29% of charities taking action compared to 45% last year. This shift may stem from increased uncertainty about the perpetrator, making enforcement more challenging. Such a decline highlights the complexities charities face in navigating internal accountability and underscores the importance of clear procedures and decisive action to maintain integrity and trust within the organisation.

**Private prosecutions:** Private prosecutions are still quite new for some charities, with only one charity reporting such action in 2024. This year there are no reported private prosecutions. Private prosecutions are currently in the spotlight due to a consultation aimed at reforming private prosecutions, including a mandatory code of practice. This aims to establish an inspection regime and the implementation of an accreditation system for private prosecutors. The consultation follows high-profile miscarriages of justice, notably around the Post Office scandal.

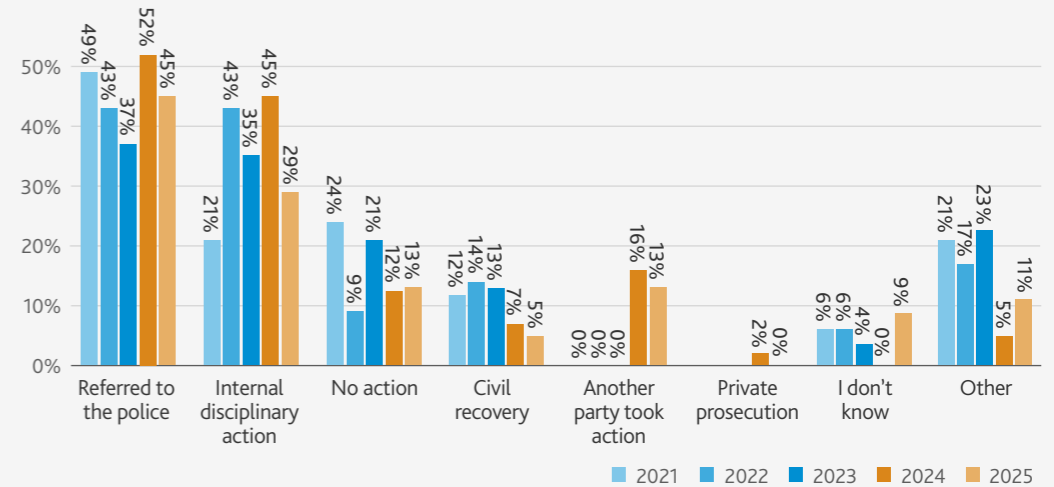
**No action:** 13% of charities took no action at all, compared to 12% in 2024. While this figure remains relatively low and consistent with last

year, it could suggest that some charities lack the means to take action, which could lead to further damaging consequences. Taking no action is the least favourable response, if it can be avoided. This underscores the critical importance of equipping charities with the necessary resources to prevent fraud to safeguard their operations and reputation.

**Unknown:** There has been an increase in charities uncertain about whether action was taken, rising from 0% last year to 9% this year. This could suggest potential issues with tracking or communication within these organisations. However, we also note that this year we had a greater response rate from finance and accounting teams which might mean that they are not apprised of on-going actions managed by the senior management team and board.

Respondents could choose multiple actions in the survey. On average, each respondent selected 1.5 actions in 2024, dropping to 1.3 in 2025. This suggests fewer actions were needed to handle fraudsters this year compared to last, which led to fewer responses in categories like police reporting and internal disciplinary action. This isn't necessarily a negative outcome.

What action did you take against the alleged fraudster?



**45%**

reported to the police, compared to 52% last year (police referral dropped from 49% to 37% between 2021 and 2023 before peaking at 52% in 2024).

**29%**

took internal disciplinary action, compared to 45% last year.

**'No action'**

dropped from 24% in 2021 to 13% in 2025.

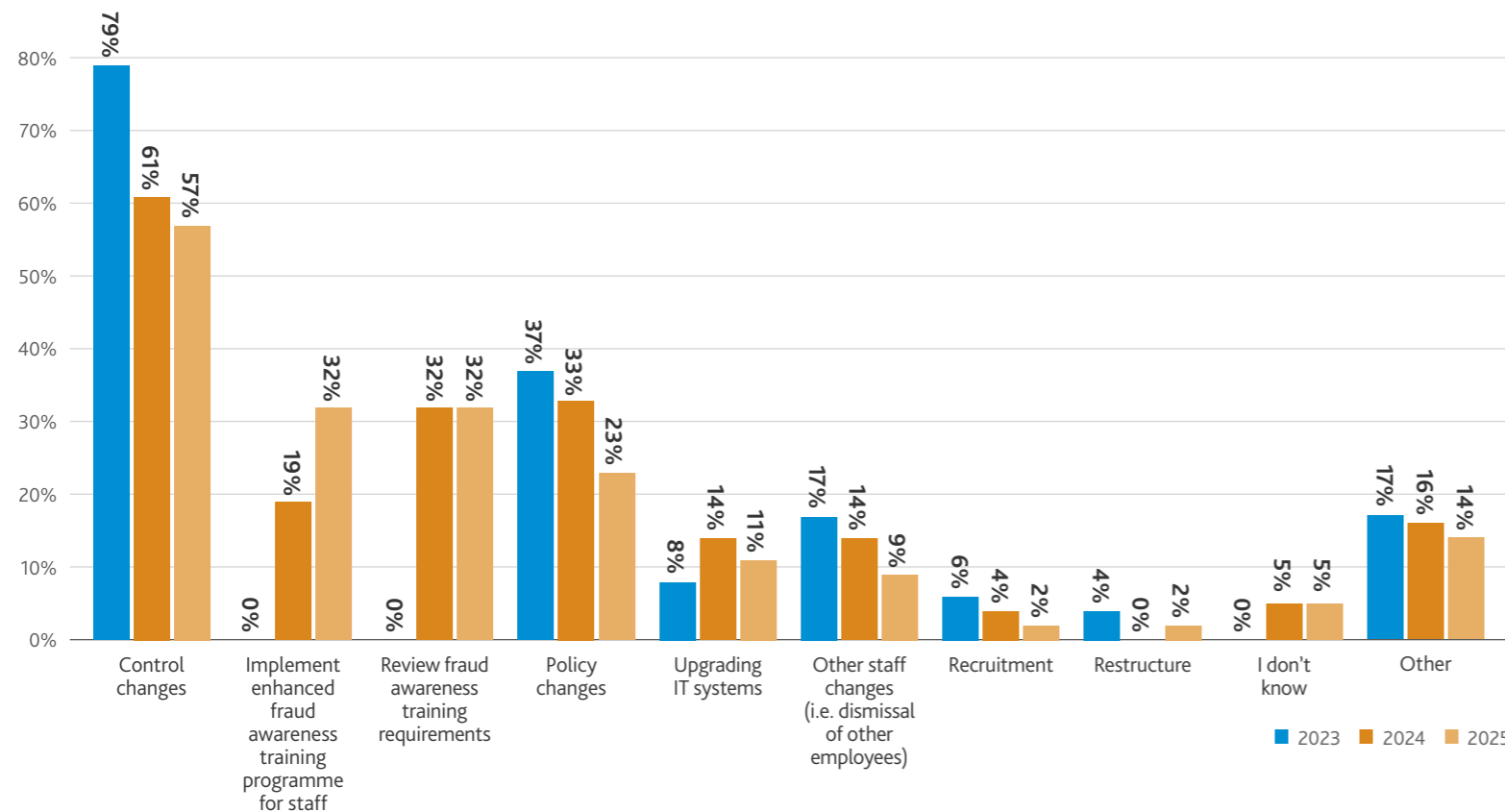
Civil recovery efforts show a decline from 12% in 2021 to 5% in 2025.



# Reported fraud: What was the response of charities?

## Remedial action

Was any remedial work undertaken as a direct result of the fraud?



This year, 91% of respondents that experienced a fraud reported making some remedial changes after the fraud. This is very positive and shows that charities recognise the importance of making changes to help protect the charity and its assets going forwards.

**91%**

took some remedial action following a fraud incident.

**32%**

reviewed fraud awareness training requirements and implemented enhanced fraud awareness training programmes for staff.

Most charities (36%) made one change, but 30% made two changes and a further 21% made three changes after a fraud incident.

Overall, 32% of charities reviewed fraud awareness training requirements, the same as last year. Additionally, 32% implemented enhanced fraud awareness training programmes for staff, marking a 68% increase from the previous year. Knowledge and awareness are powerful tools in preventing fraud. By equipping your team to understand fraud risks, spot warning signs, and know what steps to take if they suspect something, you're significantly boosting your fraud defences.

# Reported fraud: What was the response of charities?

## Remedial action

57% of respondents reported implementing control changes, which is slightly down but consistent with last year (61%). However, compared to peaks of 79% and 76% in 2023 and 2022, respectively, this still seems too low considering the critical role that well implemented and thoroughly tested internal controls play in fraud detection and prevention.

9% of respondents reported staff changes, including dismissals of employees or volunteers after fraud incidents. This is down from 14% last year and significantly lower than 30% in 2022. It is crucial that charities deal with any internal fraudsters in the appropriate way after an incident of fraud. However, it is also important to consider the dynamics across teams after a

fraud incident, particularly those with oversight in the area that the fraud occurred, including addressing any cultural issues that might have allowed the fraud to occur or delayed its detection. This might mean further dismissals are required or a wider team restructure – whilst other employees may not have been complicit, they may have turned a blind-eye and left a fraud unreported even if it was suspected.

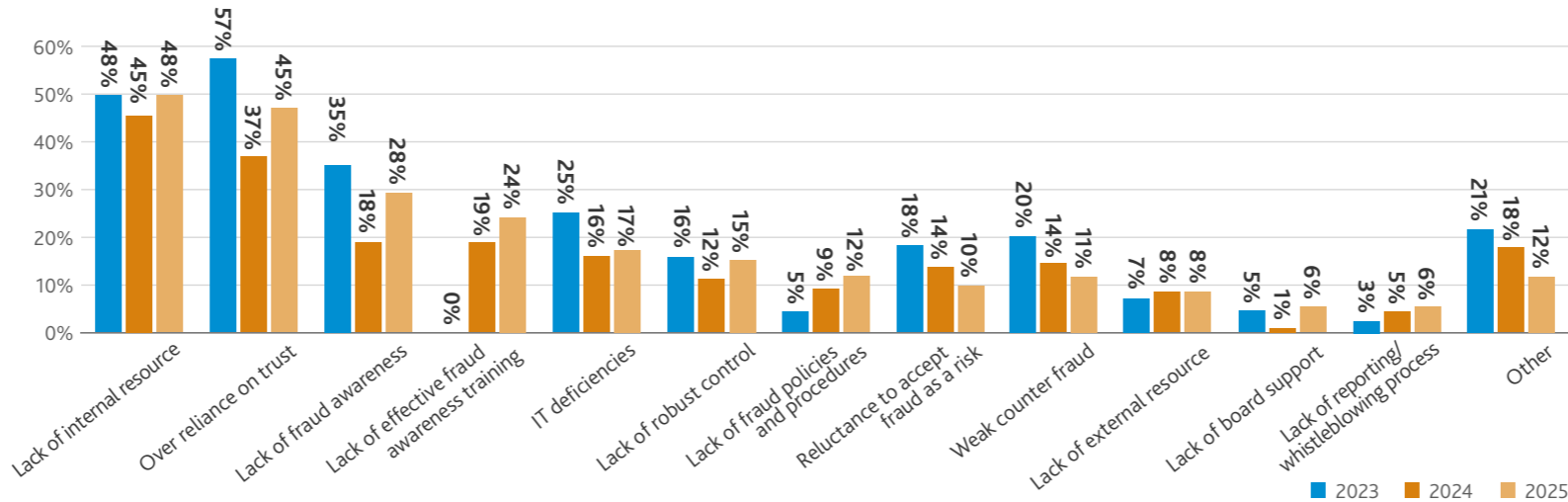
23% of respondents reported policy changes, down from 33% last year. A strong, cohesive anti-fraud policy is vital. It sets the tone for your stance against fraud and reinforces a zero-tolerance attitude, which is crucial in safeguarding your organisation and its assets.



# Fraud prevention: What are the barriers?



What are the barriers to fraud prevention?



**Understanding and addressing fraud risks is crucial for charities. We recognise that many charities are financially stretched, juggling limited funds and resources, with numerous projects and commitments that may seem more pressing than fraud prevention. However, it's vital to balance these pressures with a commitment to managing fraud risks, as neglecting this area could have devastating consequences. Fraudsters are constantly evolving their tactics, and charities must keep pace with emerging fraud trends to stay ahead of the increased threat to their assets and resources by effectively mitigating risks.**

This year, 93% of charities said that they encountered at least one barrier to effective fraud prevention in their organisation. While most face one or two obstacles (55%), 38% encounter three or more, with some experiencing as many as seven or eight different challenges (4%). This highlights the complex landscape that many charities are having to navigate in their fight against fraud.

Unfortunately, all but three categories of obstacles have seen an increase in the proportion of respondents reporting them compared to last year.

The main obstacles that charities are dealing with include:

- ▶ Lack of internal resource (48%), broadly the same as last year (45%)
- ▶ Over reliance on trust (45%), a 22% increase from 2024 and a move back towards the peak response of 57% in 2023
- ▶ Lack of fraud awareness (28%), a 56% increase from 2024, and moving closer to the peak for this category in 2021 (43%)
- ▶ Lack of effective fraud awareness training (24%), a 26% increase from last year.

It is fair to say that the first two obstacles are more challenging to overcome, as limited resources often lead to increased reliance on trust. Trust is a double-edged sword, which can be hard to win and easy to lose. It appears that

respondents may have fallen victim to this and must put in considerable efforts to rebuild this incredibly important commodity.

However, when it comes to fraud awareness, charities have access to a wealth of free materials that can enhance their employees' knowledge. Some of these resources are listed at the back of this report, providing valuable tools to bolster fraud prevention efforts.

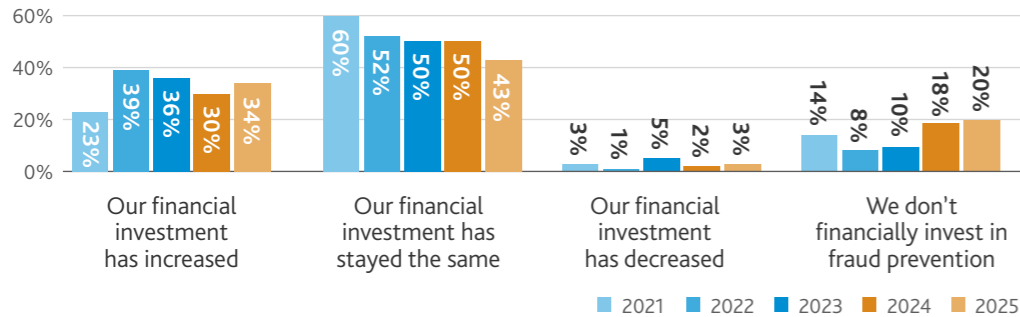
Two categories have seen a decrease in being perceived as barriers: a weak counter-fraud culture and reluctance to accept fraud as a risk. This is a positive shift, demonstrating that charities are resolute in their commitment to integrity. By recognising the importance of discussing fraud and acknowledging it as a threat, they are taking crucial steps towards embedding a robust counter-fraud culture.

Interestingly, similarly to last year, some respondents reported having no obstacles to fraud prevention. While this sounds positive, it may indicate a lack of awareness of potential barriers. Charities should ensure they do not overlook potential obstacles that may be in plain sight.

**93%** encountered at least one barrier, with **38%** facing three or more.

# Fraud prevention: What financial investment are charities making?

## What financial investment are charities making?



Just over a third of respondents (34%) reported an increase in their financial investment in fraud prevention, which is a positive trend and remains consistent with last year's figure of 30%. Meanwhile, 43% of respondents maintained their investment levels, similar to last year's 50%. Only a small fraction, 3%, indicated a decrease in investment.

However, it is concerning that 20% of charities do not invest financially in fraud prevention at all. This includes smaller charities with lower incomes, which might be expected. This is a 150% increase since levels in 2022. Alarmingly, 28% of these are charities with income over £10 million, rising to

53% for those with income over £5 million. Given that they are likely to hold substantial assets at any one time, one would expect some level of financial commitment to safeguarding them.

The level of financial commitment is particularly worrying as half of the respondents anticipate an increase in fraud over the next 12 months. There's a significant risk that fraud losses could exceed any reasonable budget allocated for prevention, highlighting the urgent need for increased investment in protective measures.

# 34%

A third of respondents said their financial investment in fraud prevention had increased.

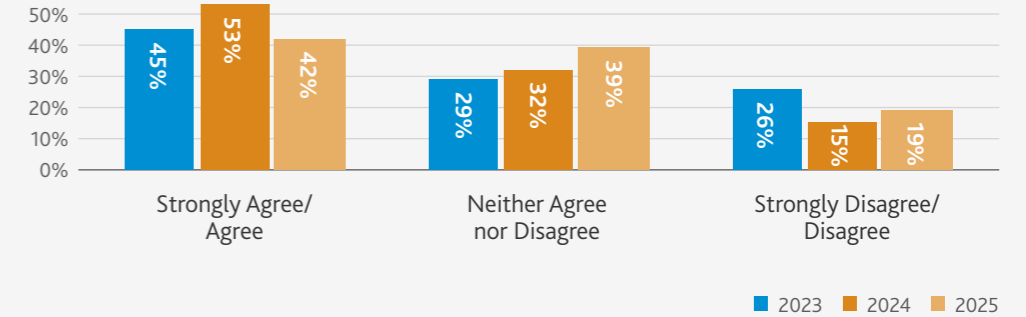
The number of charities that **do not invest financially in fraud prevention has steadily increased since 2022.**

# 19%

of charities do not think their financial investment in fraud prevention is enough.

There has been a significant **decrease since 2021 in the number of charities that think their financial investment is enough.**

## Is the financial investment enough?



Most charities (42%) agreed or strongly agreed that their financial investment in fraud prevention was sufficient to address their risks. Although this is the majority, it is down from 53% last year which suggests that there is some concern among the respondents. 39% neither agreed nor disagreed compared to 32% last year.

However, 19% of respondents thought their charity's current investment was insufficient compared to 15% last year. Again, it is the large charities with income over £10 million that are feeling vulnerable, with 68% concerned about their financial investment.

While it is understandable that charities aim to preserve resources for their causes, it's crucial to prioritise fraud risk to ensure it receives the necessary attention. Fraud risk demands active engagement and investment to safeguard charitable assets effectively.

# Fraud prevention: What other measures do charities have in place?



**Having robust policies and procedures to prevent, detect, and respond to fraud is crucial for any fraud risk management framework. These elements are vital as they establish how a charity identifies issues, outlines strategies to tackle them, and details actions to take in the event of attempted or actual fraud or cyber incidents.**

Charities, on average, had six policies out of nine available options, which is commendable. This year, the most common policies were:

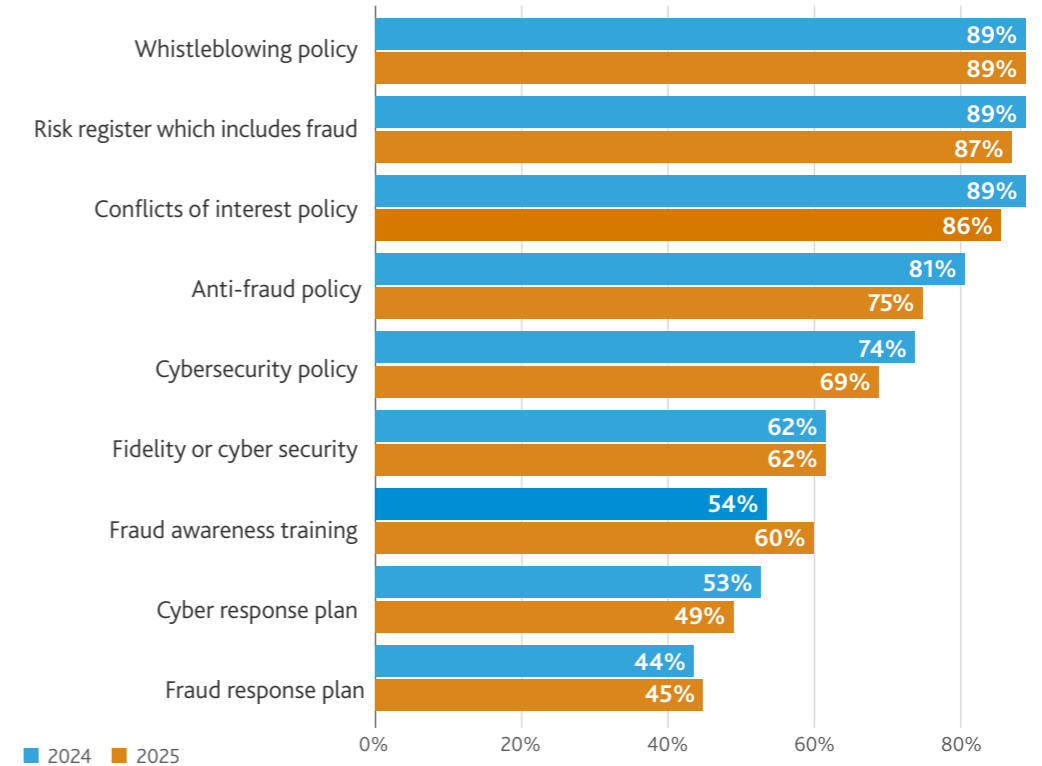
- ▶ Whistleblowing policy (89%)
- ▶ Risk register that includes fraud (87%)
- ▶ Conflicts of interest policy (86%).

However, key anti-fraud and cyber policies were less prevalent than the top three, at 75% and 69%, respectively, showing a slight decline from last year (81% and 74%, respectively). While anti-fraud policies have remained stable over the past five years, cyber

policies have fluctuated, decreasing since the survey began in 2021. This is surprising given the prominence of cyber-related fraud as a key risk identified by charities over the last year and predicted for the next.

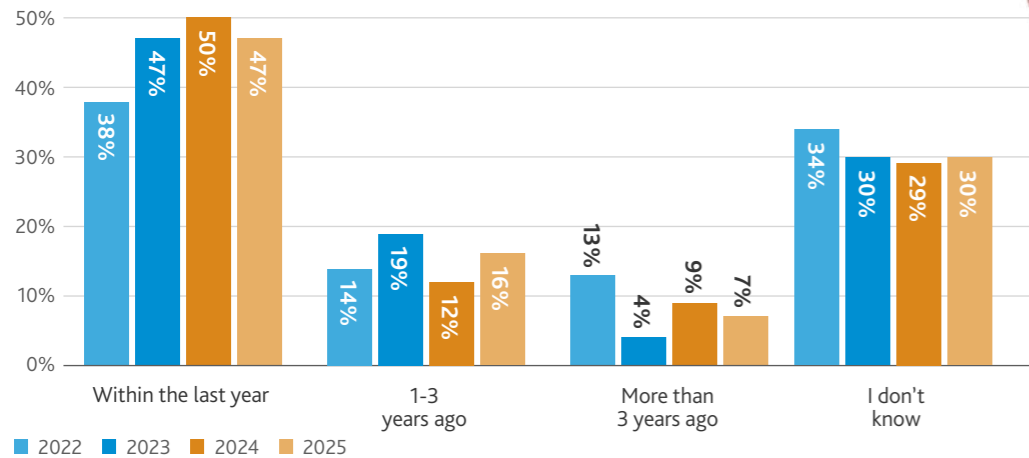
This year, less than half of respondents reported having a fraud or cyber response plan (45% had a fraud response plan, 49% had a cyber response plan). Response plans are crucial as they guide your charity's actions should the worst happen. The aftermath of an incident can be chaotic, and turbulent, demanding significant attention from senior management and the board, with the risk of high-pressure and emotional decision-making in circumstances where ongoing and future losses are a real threat. A fraud or cyber response plan provides clear, practical steps to follow, helping to prevent further losses of funds, assets, information, and data, and may also influence the success of future prosecutions or recovery actions. Given their importance, it's disappointing that more charities do not have these plans in place.

**What measures do charities have in place?**



# Fraud prevention: What other measures do charities have in place?

When was the last time you had fraud awareness training?



There was a slight decrease in those providing fraud awareness training in the last 12 months (47% compared to 50% last year). However, if we expand to the results over the last four years there was an overall increase from 38% in 2022, so the trend is going in the right direction. When it comes to fraud training within the last three years there has been an increase from 53% in 2022 to 63% in 2025.

When we asked charities about obstacles to fraud prevention, 24% identified a lack of effective fraud awareness training as a barrier, up from 19% last year. Given the importance of fraud awareness in fostering a strong anti-fraud culture, further improvement in this area would be beneficial.



Fraud training should be more than a box-ticking exercise. Off-the-shelf packages often overlook the unique operational circumstances of a charity or an employee's role. What truly helps people understand and identify risks are case studies and real-life examples—making fraud relatable to their everyday roles.

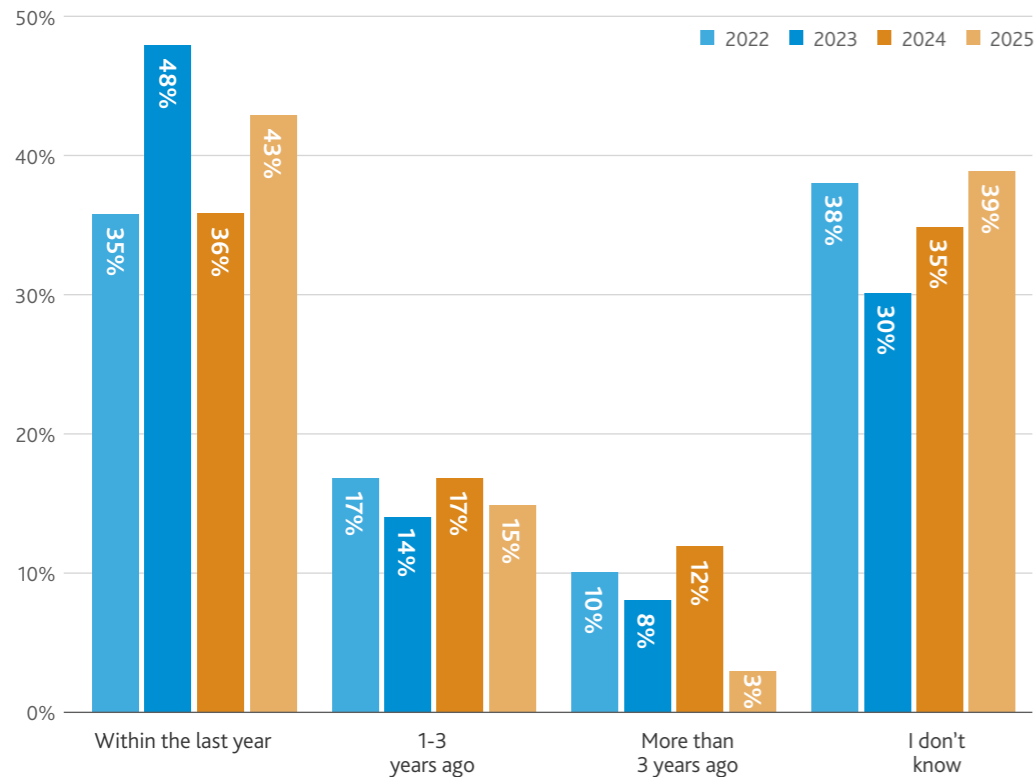
In respect of remedial actions taken in response to a fraud, we also captured the fact that:

- ▶ 32% of charities reviewed fraud awareness training requirements, consistent with last year.
- ▶ 32% implemented enhanced fraud awareness training programmes for staff, up from 19% last year.

Knowledge and awareness are powerful tools in fraud prevention. By equipping your team to understand fraud risks, spot red flags, and know what actions to take if they suspect fraud, you significantly bolster your fraud defences. Many corporate entities, including BDO, have mandatory training requirements, and failure to complete the training can result in no pay rise or promotion, which is a great incentive and ensures that fraud awareness and your staff's important role in detecting and preventing fraud is taken seriously.

# Fraud prevention: What other measures do charities have in place?

**When was the last time you carried out a Fraud Risk Assessment?**



This year, 43% of respondents conducted a fraud risk assessment in the last 12 months, up from 36% last year. Looking at those who have carried out a fraud risk assessment in the past three years, the numbers are still higher than last year, with 58% this year compared to 53%. This is a positive trend.

The increase may be linked to the Failure to Prevent Fraud offence, which became effective in September 2025, prompting many to refresh their risk assessments. Whether driven by this new offence or simply good practice, it's crucial for charities to conduct regular risk assessments. This helps them understand the risks, measure their exposure against anti-fraud controls, and strengthen areas where they are vulnerable.

When we examine the responses from charities that undertook fraud risk assessments or fraud awareness training in the past year, we found that fewer than 50% experienced fraud in the last 12 months. This is an improvement from last year when the figure was above 50%. This suggests that charities are becoming more proactive, engaging in these activities as a preventive measure rather than reacting to fraud incidents.



# Perception of Fraud Risk: What did charities tell us?



## Looking back

38% of respondents reported experiencing more instances of fraud than last year, marking the highest number in the survey's five-year history. This is interesting, as this year also saw the lowest response for reported fraud in the survey's history. Why do charities feel so vulnerable? It might be because any experience of fraud can significantly affect your perception of the risk you're exposed to. Additionally, the impact of fraud may have been more severe than in previous years, heightening awareness and concern than in previous years.

**38%**

of respondents agreed they had experienced more instances of fraud than last year.



## Looking forwards

The trend continues when looking forward, with a slightly elevated level of scepticism remaining this year as 52% think that fraud risk will increase over the next 12 months. However, this is not as high as 2023 (64%) and 2022 (58%) and therefore there is some progress in the right direction.

However, a level of scepticism is healthy, and whilst we would like to see this percentage decrease, an element of realism is safer and means that charities are not being recklessly optimistic or ignoring the real risks that persist in the sector. This balanced view helps charities stay vigilant and prepared for potential challenges.

**52%**

thought fraud would increase over the next 12 months, the same as last year.



## Economic challenges

Last year, 60% of respondents identified the cost-of-living crisis as a potential catalyst for increased fraud risk. This year, when asked more broadly about economic challenges, 62% agreed these challenges have heightened the risk of fraud to their charity. Only 7% disagreed, while 31% remained neutral.

These responses show that economic challenges are still perceived as a threat to charities, with a significant majority recognising this risk. Economic difficulties can make charities more vulnerable to both internal and external threats, whether internally from staff and volunteers looking for opportunities, or externally from funders and donors who are no longer able to support you. Staying vigilant against all possible threats is crucial in these circumstances.

## Perception of Fraud Risk: What did charities tell us?



### Biggest fraud risks in the next 12 months

We asked charities to pinpoint their most pressing fraud risk for the coming year. Once again, cyber-enabled fraud, including phishing and cybersecurity, topped the list – echoing the concerns of the past five years. This ongoing concern underscores the perceived threat of digital attacks, likely tied to charities' increasing use of online platforms and digital media, as well as recent high-profile cyber incidents involving well-known household brands. This concern is not misplaced, because phishing attacks are more sophisticated now than a simple email pretending to be the CEO (although those do still exist). There is a wave of deep fake technologies being deployed by fraudsters which can trick people into believing they are interacting with someone legitimate when they are not – your technological defences need to be more robust, and your staff need to be even more vigilant than before.

Interestingly, there is a disconnect between perceived and actual fraud experiences. Despite charities viewing cyber-enabled fraud as the biggest threat, it ranks only eighth in terms of actual occurrences. This pattern mirrors findings from our 2024 and 2023 surveys, suggesting that media coverage might amplify the perceived danger of cyber threats, overshadowing traditional frauds. While cyber threats are indeed significant, traditional human-centric frauds remain the most prevalent, according to our survey results. A balanced strategy addressing both current and emerging threats is crucial. Bridging the gap between perceived and actual risks will enable charities to refine their fraud prevention strategies more effectively.

Respondents highlighted several cyber-related concerns, including:

- ▶ 'Impersonation of fundraising staff'
- ▶ 'Misrepresentation via AI'
- ▶ 'Increase in AI reducing the clear tell-tale signs'
- ▶ 'Phishing, the number of emails have significantly increased'

Beyond cyber threats, other risks identified by respondents include:

- ▶ Payment diversion fraud
- ▶ Direct debit fraud
- ▶ Impersonation of fundraising staff
- ▶ Donation fraud (e.g., not receiving funds raised)
- ▶ Grant fraud.

These insights offer a thorough understanding of the fraud landscape, demonstrating that charities are well aware of the diverse risks they face.

# Focus on: The Economic Crime and Corporate Transparency Act

The Failure to Prevent Fraud offence, introduced by the Economic Crime and Corporate Transparency Act (ECCTA), came into force in September 2025. In the UK, there are now three 'failure to prevent' legislations: the Bribery Act 2010, the Criminal Finances Act 2017, and ECCTA.

These laws aim to hold organisations, including charities, accountable for unlawful activities by individuals associated with them. The Bribery Act focuses on preventing bribery, the Criminal Finances Act targets the facilitation of tax evasion, and ECCTA addresses fraud prevention.

The 'failure to prevent' concept emerged to ensure organisations take proactive steps to prevent illegal activities, marking a shift towards greater corporate responsibility and compliance. This approach encourages organisations to implement effective procedures and controls to mitigate risks and demonstrate their commitment to ethical practices, including fraud prevention.

### Awareness

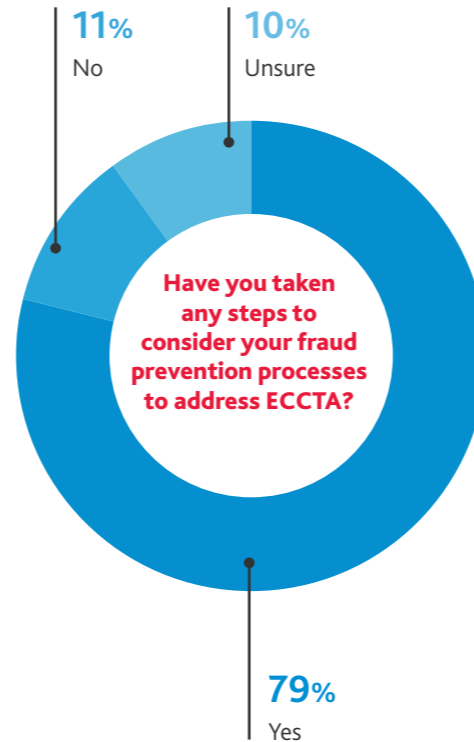
63% of charities were aware of ECCTA, including those to whom it does not apply. This is an increase from 53% in 2024.

### Application

48% of charities understood that their organisation was caught by ECCTA (compared to 45% last year), meaning they met two of the three criteria applicable to the failure to prevent fraud offence:

- ▶ More than 250 employees
- ▶ More than £36 million turnover
- ▶ More than £18 million in assets.

Only 3% of charities were unclear whether ECCTA applied to them.



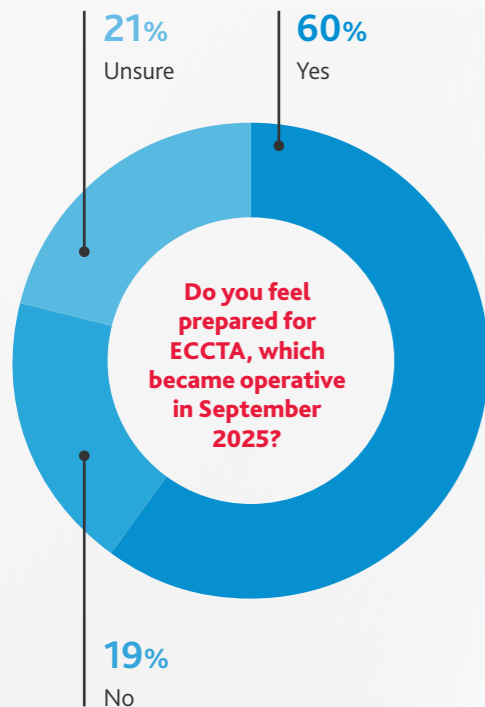
Only 11% of charities have not taken any steps in light of the new Failure to Prevent Fraud offence. This is a fantastic response as shows that the sector is keeping up to date with and being responsive to developments in legislation. Of the 79% that had taken steps:

- ▶ 55% carried out a fraud risk assessment
- ▶ 49% ran training sessions
- ▶ 45% introduced new policies
- ▶ 56% reported to the board/trustees.

In fact, 31% of respondents that had taken action in light of ECCTA had taken all four of the above steps, with 82% having taken two or more steps.









# Focus on: The Economic Crime and Corporate Transparency Act



We asked respondents whether they felt prepared for the Failure to Prevent Fraud offence coming into effect. It is encouraging that over half (60%) said they felt prepared. However, 19% did not feel ready, and 21% were unsure.

A sense of uncertainty is normal with new legislation. The Home Office guidance outlines some general expectations, but it's hard to predict how law enforcement and prosecuting authorities will apply this law. However, the SFO has indicated that it will actively seek opportunities to use its new powers under ECCTA.

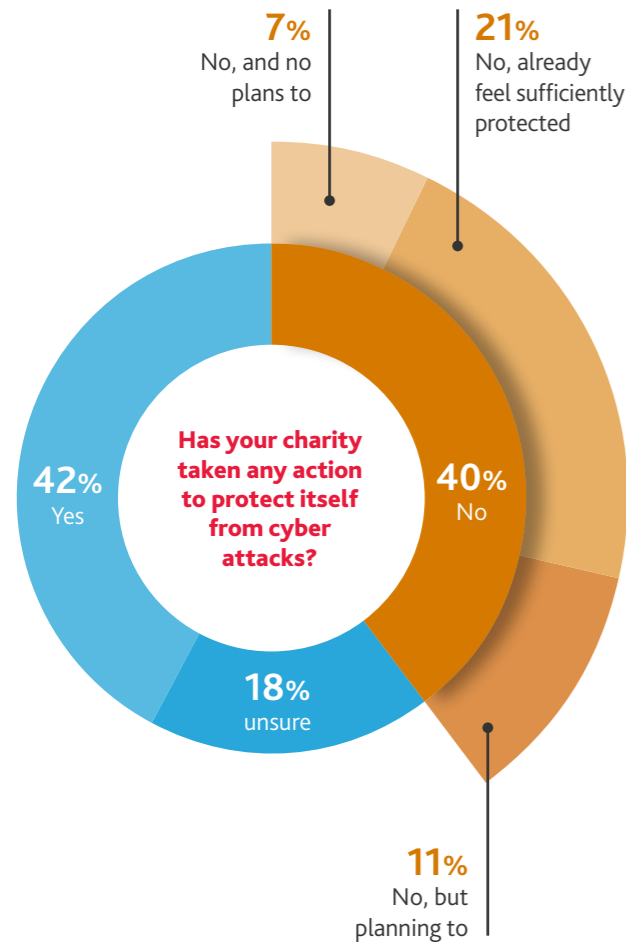
Given the positive response from charities on steps already taken, we hope they won't fall foul of the Act. Charities may have a defence if they can show reasonable procedures to prevent fraud, including:

-  **1** Top level commitment
-  **2** Risk assessment
-  **3** Proportionate risk-based prevention procedures
-  **4** Due diligence
-  **5** Communication (including training)
-  **6** Monitoring and review

However, it is not sufficient to tick a few boxes and move on. Continued monitoring of fraud risks is essential for a valid defence under the reasonable procedures and so charities need to stay on top of this requirement.



## Focus on: High-profile cyber frauds in the last year



**Cyber-enabled fraud leverages technology to access sensitive information or disrupt operations, often through hacking or phishing. A common tactic involves targeting data and demanding ransom to return it or unlock systems, leading to costly disruptions. This type of fraud can be perpetrated by insiders or external actors and includes methods such as spear phishing, vishing, smishing, clone phishing, and calendar phishing.**

As technology evolves and the landscape changes, charities need to remain alert and keep abreast of these changes to understand the 'art of the possible' when it comes to cyber-enabled fraud. Among the latest threats are deepfake clones used in bogus video calls, with technology and AI providing new opportunities for fraudsters.

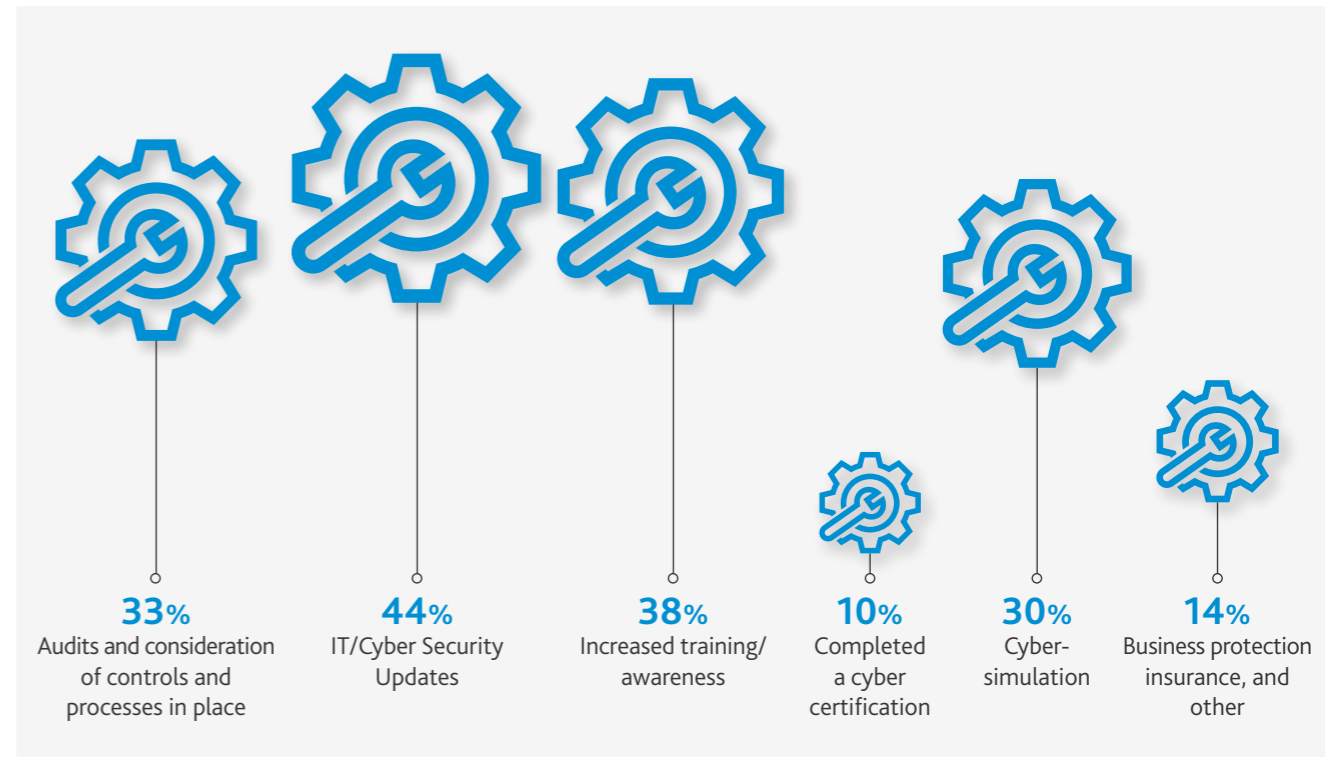
- ▶ Recently, major UK retailers like Jaguar Land Rover, M&S, Harrods, and the Co-op faced coordinated cyberattacks, resulting in significant operational disruptions and data security concerns
- ▶ Harrods experienced unauthorised access attempts, prompting its IT team to restrict internet access to contain the threat
- ▶ The Co-op's supply chain was severely disrupted by a ransomware attack, causing product shortages, particularly in rural areas and the Channel Islands, with deliveries dropping by about 20%

- ▶ M&S described the hack as "an extraordinary moment in time" and reported receiving £100 million in insurance money related to combating the cyber-attack.

Four individuals have been arrested in the UK as part of a National Crime Agency investigation into these attacks. The suspects, operating under the name "Scattered Spider" are

accused of offences under the Computer Misuse Act, blackmail, money laundering, and involvement in organised crime.

These examples underscore the large-scale and damaging nature of such attacks. Unfortunately, most charities may lack the resources available to an organisation like M&S in the face of an attack and its aftermath.



## Focus on: High-profile cyber frauds in the last year

Considering these recent cyber-attacks, we asked respondents whether they had taken any action to protect themselves from such attacks. The largest proportion (42%) reported taking some form of action. Actions taken included:

**19%** of all respondents implemented IT or cybersecurity updates (44% of all those that said yes, they had taken action).

**16%** of all respondents carried out training and awareness sessions (38% of all those that said yes, they had taken action).

**14%** of all respondents carried out an audit and considered the controls and processes they had in place (33% of all those that said yes, they had taken action).

**13%** of all respondents carried out cyber simulations, including penetration testing (30% of all those that said yes, they had taken action).

**40%** reported not taking any action in response to the publicly reported cyber-attacks. However:

- ▶ Half of those that said they had not taken action (53%) said that they already felt they had sufficient protection from cyber-related incidents; and
- ▶ 1/3 of those that said they had not taken action (28%) said that they hadn't taken action yet, but were planning to take action in the near future.

This year, only 11% of respondents reported experiencing cyber-enabled fraud, compared to 22% last year.

However, 17% of charities identified IT deficiencies as an obstacle to fraud prevention, indicating potential vulnerability, or at least a perception of vulnerability. This is concerning as the high-profile cases set out above show the severe impact a cyber-attack can have on large organisations who may have more means available to them to tackle the aftermath than charities who are unlikely to have access to the same resources. One respondent expressed feeling it was "impossible to keep up" with the rapid pace of AI and cyber developments, let alone implement measures to combat them.

The decline in reported cyber-enabled fraud within charities, despite a rise in high-profile cyber incidents, may provide some reassurance to the sector. Several factors might explain this trend:

- ▶ Improved staff awareness through general or targeted training may have contributed to thwarting fraud attempts
- ▶ High-profile cases like the M&S incident might have spurred increased vigilance and investment in cyber defences, making it harder for fraudsters to succeed and/or reducing the overall impact of cyber-enabled fraud
- ▶ Fraudsters might be changing tactics, targeting less secure or less visible areas, which could account for fewer reported cases
- ▶ Reporting practices also play a role, as organisations might be cautious about disclosing cyber incidents due to fears of reputational damage or regulatory scrutiny.

Understanding these dynamics is crucial for developing strategies to further reduce cyber-enabled fraud and protect against emerging threats. It is encouraging that 69% of respondents had a cybersecurity policy in place, and 62% had fidelity or cyber insurance. However, only half of respondents (49%) had a cyber response plan. When a cyber-attack occurs, swift action is essential, and immediate responses can significantly influence the success or extent of damage caused by the attack.

The rapid development of AI technology remains a double-edged sword in the fraud arena, serving as both a powerful tool for detection and prevention while also being a potential enabler when fraudsters embrace the technology. The success of these competing forces in utilising AI technology for good or bad will significantly impact future survey findings.



# Investigation insights

## No.1: Purpose of an investigation

The purpose of an investigation is to establish the facts and obtain evidence to determine whether an individual has committed an offence, breached policy or other misconduct. They are an essential aspect of risk management. Charities need to consider their approach and skillsets needed based on the unique circumstances of an incident and whether it is required to meet legal, regulatory and employment obligations. Issues may vary between:

- ▶ Disagreements between colleagues vs. serious misconduct, including fraud
- ▶ Knowing vs. not knowing the identity of the perpetrator
- ▶ One person vs. multiple parties
- ▶ Single location vs. multiple teams, locations and jurisdictions
- ▶ Isolated incident vs. multiple allegations
- ▶ Recent incident vs. historic issues
- ▶ Voluminous documents and evidence sources vs. he said/she said.

The formality and nature of the investigation process will be a matter of judgement depending on the seriousness, sensitivity and/or complexity of the matter.

## No.2: Triage

All cases will need to be triaged appropriately to limit the impact on the charity. Initial steps should include acknowledging receipt, reviewing the details of the report, open-source research and interviewing the referrer and other key people. A key consideration is whether there is any ongoing risk to individuals or risk of losses (data, assets, funds, reputation etc). Legal and regulatory issues should also be considered early (i.e. do you need to report a serious incident).

The initial evaluation will determine if there is a case to answer for fraud or any other major incident. If there is, refer to the Fraud Response Group, if not fraud or any other major incident, triage the case appropriately to another team i.e. HR. If there is no case to answer, record the referral as such, along with the reasons why and update the referrer as appropriate.

### Key considerations

- ▶ Will the investigation be overt or covert?
- ▶ Should lawyers be involved?
- ▶ Should specialist third parties be involved?
- ▶ When is it appropriate to report to the Police?
- ▶ When is it appropriate to report to the Regulator?
- ▶ Should anyone be suspended during the investigation?

## No.3: Fraud Response plan

Once a fraud has been identified, activate the Fraud Response Plan. The Fraud Response Plan should consider the following:

- ▶ Identify a Fraud Response Group and a 'safe list' of others for consultation
- ▶ Brief individuals on confidentiality and expectations
- ▶ List external contacts (banks, insurers, auditors, media) for notification or engagement
- ▶ Address case management protocols after identifying key contacts
- ▶ Discuss key actions: stopping losses (funds, assets, documents) and preserving documents/information
- ▶ Assign roles and responsibilities for leading, supporting, and communicating
- ▶ Assemble a communication strategy
- ▶ Consider how to inform employees, press, and media in the communication strategy.

Although the Fraud Response Plan should provide guidance on how to proceed, each fraud will have a unique set of circumstances, and the Fraud Response Plan will need to adapt accordingly. For example, the type of fraud or the department involved might need a change to the response team or individual responsible for coordinating the investigation.

## No.4: Investigation planning

The Investigation Plan is a key document in outlining the scope, objectives and strategy for a formal enquiry. The Lead Investigations Officer should create a plan setting out all reasonable lines of enquiry to establish if there is evidence addressing the points to prove. The plan should outline:

- ▶ The team
- ▶ The action plan
- ▶ Document and information collection plan
- ▶ Persons to be interviewed.

Document and information preservation is critical in maintaining the integrity of evidence, ensuring its admissibility in court and complying with legal obligations. It protects evidence from alteration or destruction and establishes a clear chain of custody. Consideration should be given to restricting access to key systems/assets, for example:

- ▶ Laptops/desktops/emails/Teams channels
- ▶ Finance systems
- ▶ Credit or debit cards, cheque books and bank accounts
- ▶ Physical location access.

The investigation plan should be a live document and should be reassessed regularly as the course of the investigation will most likely change and evolve as the investigation progresses.

# Investigation insights

## No.5: Delivery (Part 1)

Case management is crucial for ensuring a robust and effective investigation. The management of the case should be held centrally and securely, ensuring only accessible by the immediate investigation team. All actions should be thoroughly documented, detailing both the steps taken and the reasons behind them, as well as the steps not taken and the rationale for those decisions. This step is important, particularly if there is going to be internal disciplinary action or civil or criminal procedures. Key stakeholders should also be kept informed of investigation progress.

All investigations should adhere to the cycle of investigation objectives. The following questions should be considered for each line of enquiry or documentation received:

**Direction:** What do we need to know? What are the points to prove?

**Collection:** What is the evidence and how can we secure it/obtain it/review it?

**Evaluation:** Is it of any use? How reliable is it?

**Analysis:** What is the info telling me? Evidence or intelligence?

**Dissemination:** Who needs to know?

## No.6: Delivery (Part 2)

### Interviews

- ▶ Prepare the interview in advance, ensuring you have a clear opening statement that includes the background, purpose, topics to be covered, and the interviewee's rights
- ▶ Reference supporting documents in your plan to keep the process organised
- ▶ During the interview, allow for regular breaks
- ▶ Use open questions to gather more information
- ▶ Make clear notes to capture the details accurately.
- ▶ When you conduct analysis, create a new version of the document, ensuring a clear audit trail of your work
- ▶ Be mindful of whether the information appears altered or edited.

### Review strategy

- ▶ Ensure your investigation approach is proportionate to the matter at hand
- ▶ Document reasons if you decide not to review all available data
- ▶ Evaluate, review, analyse, and verify gathered information
- ▶ Cross-reference information with details from interview
- ▶ Identify and agree on new lines of enquiry from evaluation and analysis
- ▶ Document any information gaps
- ▶ Identify other potential sources of information for a thorough investigation.

### Documentation collection

- ▶ Gather all relevant documents, erring on the side of collecting more than you might need
- ▶ Create a log detailing the information requested and received, including dates and the source
- ▶ Upon receipt, save the original email without editing or analysing the document

## No.7: Closure

If there is no evidence or insufficient evidence to substantiate the allegation, a recommendation to close the investigation with no further action should be made. This should include evidence.

If there is evidence to substantiate the allegation, there will need to be a recommendation for sanctions/redress, which may include legal action, disciplinary action, and recovery options. Legal advice and other specialist advice may be required.

Next steps after an investigation:

- ▶ Internal reporting of outcomes should be communicated to the board, trustees, other stakeholders, and employees or volunteers
- ▶ External reporting may involve regulators, partners, suppliers, donors and funders
- ▶ The Fraud Response Plan should be assessed to determine if it was fit for purpose and whether it needs updating

- ▶ Conduct a Root Causes Analysis to identify the potential root causes that enabled the offence to be committed and make recommendations to prevent recurrence

- ▶ Consider areas of improvement, i.e., areas that could have reduced the impact or likelihood of the issues arising. For example, updating policies and procedures, enhancing training and awareness, reviewing and implementing controls, improving monitoring and oversight, and fostering a positive culture.

# Fraud-related Resources:

## Helpful links

The following resources are available for reporting fraud, providing information about fraud including prevention and detection advice:

### Police – reporting and fraud prevention

Report Fraud (England, Wales and Northern Ireland): <https://www.reportfraud.police.uk/>

Police Scotland: <https://www.scotland.police.uk/>

Police Service of Northern Ireland: <https://www.psni.police.uk/>

Metropolitan Police (fraud and Cyber advice): <https://www.met.police.uk/advice/advice-and-information/fa/fraud/>

Metropolitan Police (Little Book of Big Scams): <https://www.met.police.uk/police-forces/metropolitan-police/areas/campaigns/2019/little-guide-preventing-fraud/>

### Regulator – reporting and fraud prevention

The Charity Commission for England and Wales: <https://www.gov.uk/government/organisations/charity-commission>

OSCR – Scotland: <https://www.oscr.org.uk/>

The Charity Commission for Northern Ireland: <https://www.charitycommissionni.org.uk/>

Charity Fraud advice (UK Government):

<https://www.gov.uk/guidance/protect-your-charity-from-cyber-crime/>

<https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/protect-your-charity-from-fraud/>

[https://assets.publishing.service.gov.uk/media/5bd706d9ed915d789dcd63ef/RSI\\_guidance\\_what\\_to\\_do\\_if\\_something\\_goes\\_wrong\\_Examples\\_table\\_deciding\\_what\\_to\\_report.pdf](https://assets.publishing.service.gov.uk/media/5bd706d9ed915d789dcd63ef/RSI_guidance_what_to_do_if_something_goes_wrong_Examples_table_deciding_what_to_report.pdf)

### Fraud and fraud prevention advice

Fraud Advisory Panel: <https://www.fraudadvisorypanel.org/>

Preventing Charity Fraud: <https://preventcharityfraud.org.uk/>

BDO LLP Fraud hub: <https://www.bdo.co.uk/en-gb/insights/advisory/forensic-services/fraud-hub/>

EMM Legal – Free fraud clinic delivered by Ashley Fairbrother, Partner: <https://www.emmlegal.com/prosecution-areas/charity-fraud/>

Charity Finance Group: <https://www.cfg.org.uk/>

Association of Chief Executives of Voluntary Organisations: <https://www.acevo.org.uk/>

National Trading Standards: <https://www.nationaltradingstandards.uk/>

Payment Systems regulator (APP fraud reimbursement): <https://www.psr.org.uk/information-for-consumers/our-new-app-fraud-reimbursement-protections/>

National fraud campaign led by UK Finance (Take Five – Stop Fraud): <https://www.takefive-stopfraud.org.uk/>

The National Cyber Security Centre (NCSC): <https://www.ncsc.gov.uk/>

Get Safe Online: <https://www.getsafeonline.org/>

Credit Industry Fraud Avoidance Service (CIFAS): <https://www.cifas.org.uk/>

Victim Support: <https://www.victimsupport.org.uk/>

Citizen's Advice: <https://www.citizensadvice.org.uk/>

The Financial Ombudsman Service: <https://www.financial-ombudsman.org.uk/>

Association of Certified Fraud Examiners (this is a paid for resource): <https://www.acfe.com/fraud-resources/fraud-risk-tools---coso/fraud-risk-management-guide>

NHS Counter Fraud Authority: <https://cfa.nhs.uk/about-nhsca>

NHS Scotland Counter Fraud Service: <https://www.nss.nhs.scot/departments/counter-fraud-services/>

NHS Counter Fraud Service Wales: <https://nwssp.nhs.wales/ourservices/counter-fraud-service/>

Counter Fraud and Probity Office (Northern Ireland): <https://cfps.hscni.net/>

### The Economic Crime and Corporate Transparency Act

The legislation: <https://www.legislation.gov.uk/ukpga/2023/56>

Home Office guidance: <https://www.gov.uk/government/publications/offence-of-failure-to-prevent-fraud-introduced-by-eccta/economic-crime-and-corporate-transparency-act-2023-guidance-to-organisations-on-the-offence-of-failure-to-prevent-fraud-accessible-version>

Preventing Charity Fraud ECCTA help sheet: <https://preventcharityfraud.org.uk/document/economic-crime-corporate-transparency-act/>

## About us



BDO is the fifth largest auditing and accounting firm in the UK and part of the global network, BDO International. We provide audit and assurance, tax, advisory and business outsourcing services to organisations across all sectors of the economy, including the charity sector.

As a firm, we are committed to the charity sector and recognise the importance of personal service delivered by charity specialists. As such, we have a dedicated team of charity sector experts across various service lines, including forensics and dispute advisory. Acting for a large number of charitable and not for profit organisations, our breadth and depth across the sector means we have a comprehensive understanding of the challenges and opportunities charities face.

In particular, our forensic and dispute advisory team has experience and expert knowledge of fraud risk management frameworks, fraud awareness training, fraud and bribery risk assessments, fraud, bribery and corruption investigations, commercial dispute resolution and expert witness services, corporate intelligence, forensic technology, and data analytics.

We combine this experience and expertise with research and data to provide valuable insights, such as this report, to help charities and the wider society succeed.

[bdo.co.uk/charity-fraud](https://bdo.co.uk/charity-fraud)



Fraud Advisory Panel is the voice of the counter-fraud profession, committed to tackling fraud and financial crime.

We aim to strengthen fraud resilience by championing best practice in fraud prevention, detection, and response. We do this through education, advice, and research.

Our members come from a wide range of professions and sectors and are united by their determination to counter-fraud.

We were founded in 1998 by ICAEW which continues to support our work.

[fraudadvisorypanel.org](https://fraudadvisorypanel.org) | [preventcharityfraud.org.uk](https://preventcharityfraud.org.uk)



FOR MORE INFORMATION:

**Jill Halford**

Head of Not for Profit

+44 (0)20 7893 2068

jill.halford@bdo.co.uk

**Fiona Condron**

National Head of Charities

+44 (0)1293 592 102

fiona.condron@bdo.co.uk

**Tracey Kenworthy**

Counter Fraud Director, BDO

+44 (0)79 7619 8653

tracey.kenworthy@bdo.co.uk

**Matthew Field**

Head of Fraud Advisory Panel

+44 (0)7827 890 759

matthew.field@fraudadvisorypanel.org

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP or Fraud Advisory Panel to discuss these matters in the context of your particular circumstances. BDO LLP, Fraud Advisory Panel, their partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP, Fraud Advisory Panel or any of their partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Fraud Advisory Panel is a Company Limited by Guarantee Registered in England and Wales No. 04327390. Registered Charity No. 1108863. Registered Office: Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA.

Copyright © January 2025 BDO LLP. All rights reserved. Published in the UK.

[www.bdo.co.uk](http://www.bdo.co.uk)

[www.fraudadvisorypanel.org](http://www.fraudadvisorypanel.org)

