



Parliamentary Briefing

Charities and Fraud

The National Fraud Authority has recently published a report assessing the level of fraud in various different sectors, including charities. As the independent regulator of charities in England and Wales, the Charity Commission has a key role to play in helping trustees to protect their charities from fraud.

How much fraud is there in charities?

Like any other sector, charities are not immune from criminal abuse. It does happen, but is not rife.

Last year, the total amount of fraud and theft reported to the Commission through serious incident reporting was £21m – relatively small scale compared with the size of the sector. However, we have repeatedly warned that there is significant under-reporting in this area.

The National Fraud Authority (NFA) report backs up this view, estimating that fraud against the charity sector costs £1.3 billion a year. The NFA asked charities about internal fraud (for example by employees and volunteers) and external fraud (for example some of the financial impact that fake or sham charities have on legitimate charities). The charities which responded interpreted the term ‘fraud’ in a wide range of ways.

What is the Charity Commission doing to combat fraud in charities?

Any concerns raised with us about fraud in charities are given immediate priority. When fraud occurs in charities, it is our role to see if there has been any mismanagement, to make sure trustees deal with any incidence of fraud properly and to ensure that charitable funds are protected going forward. We work with other authorities and agencies to deal with fraud in the charity sector.

Individuals with convictions for fraud or theft or any other offence involving dishonesty or deception cannot usually act as a charity trustee. Our work includes ensuring these people are not carrying out these roles in charities.

We cooperate and work with other agencies to deal with fraud in the charity sector and bring criminals to justice. Last year, as a result of our compliance work and our collaborative work with other agencies, we know of at least 25 successful convictions for fraud and theft involving individuals connected to charities.

We also work to make trustees more aware of their responsibilities and give advice on what they can do to protect their charities from fraud.

Isn't fraud a matter for the police rather than the Charity Commission?

Yes, fraud is a criminal offence and therefore a matter for the police to investigate and deal with. Trustees should report any fraud in their charity to the police immediately. However, the Charity Commission has an important role in considering whether the criminal activity indicates there has

been mismanagement in the charity and whether we need to act to protect charity property. The Commission's responsibility is also to make sure trustees are dealing with any incidence of fraud responsibly and are taking appropriate steps to ensure that the charity is better protected so that it does not happen again.

Therefore, as well as reporting an incident of fraud to the police, trustees should report it to the Charity Commission. It is simple and easy to do so. We have a dedicated email address for trustees (on our website www.charitycommission.gov.uk) which goes through to trained and expert officers.

How can trustees protect against fraud?

Fraud is a serious problem and we think that there is more that charities can and should do to be fraud-aware. It is vital that all money given to charities is applied for legitimate and lawful purposes.

The responsibility for protecting a charity from fraud and other abuse lies with its trustees. They must ensure they have put appropriate systems and procedures in place to ensure that their charity's funds can only be used for legitimate purposes.

Some of the mistakes that charities make are basic ones, as our recent report *Charities Back on Track* highlights. Trustees can ensure their charity is well protected by putting in place financial controls, ensuring strong financial management and good governance. We have a range of information and advice for trustees on financial controls and management on our website including our core guidance, *Internal Financial Controls for Charities* (CC8).

We also expect charities to report incidents to the Commission through our serious incident reporting system.

How can my constituents be sure the money they give is being properly used?

Your constituents should be reassured - fraud in charities accounts for only 3% of all the fraud identified by the NFA report. The overall level of fraud in the charity sector is low.

However there are steps everyone can take to make sure their money reaches a good cause:

- check you are giving to a genuine charity by looking for a registered charity number on any leaflets or collection tins
- you can also search the online register of charities at www.charitycommission.gov.uk
- if someone collecting funds, or a leaflet asking for donations, specifically claims that an organisation is a charity when it is not, then they are breaking the law and you should notify the police immediately
- if a fundraiser or their material does not specifically claim that the organisation is a charity, but still gives the impression that it is collecting for charity when it is not, you should report them to the Office of Fair Trading's Consumer Direct service: www.consumerdirect.gov.uk
- look out for our alerts which warn against possible scams and fraudulent practice

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