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Summary strategy for dealing with fraud, financial crime and financial abuse of the charity sector

This strategy document describes the Charity Commission's role and approach in dealing with fraud, financial crime and financial abuse issues connected with charities. It explains:

- how the commission deals with concerns of financial crime and financial mismanagement in charities
- when it might intervene, why and how
- how it works with the sector and other agencies aiming to prevent problems arising in the first place

The role of trustees

The public expects that money donated to charity is used properly and goes to the causes for which it is intended. It is the trustees of charities who are legally responsible for ensuring that the charity's funds are properly used. Trustees must do all they reasonably can to prevent charitable assets from being misused and abused for fraudulent or other criminal purposes. Strong financial controls, and good governance and management, are key to minimising any risks posed to charity assets. They are increasingly important factors in determining people's trust and confidence in charities.

The different types of financial abuse in charities

Financial abuse in charities ranges across a wide spectrum. Misuse of charity funds may occur because of a lack of oversight and control by trustees. More serious cases may involve the misuse and loss of funds resulting from mismanagement or negligent conduct. Some of the most serious cases, and ones that run the risk of significantly damaging the charity and its reputation, involve serious misconduct, misuse or deliberate abuse of funds for improper, criminal and fraudulent purposes. This may involve wilful negligence and recklessness, or serious and organised crime, such as money laundering or charities set up for an illegal or improper purpose including the use of abusive tax arrangements.

What is the commission's strategy for dealing with fraud and financial crime and abuse in charities?

The commission's strategic aim is to help charities to protect themselves better by alerting them to the risks of fraud, financial crime and financial abuse, and providing online guidance to assist them to manage these risks and prevent abuse. It prioritises the most serious cases of regulatory concern where the risk to the charity or to the sector is high, the abuse is deliberate and the trustees are unable or unwilling to put things right. It is for the police, not the commission, to investigate and prosecute fraud or other criminal matters arising in charities. However, it will notify the police of concerns and work with them where necessary. The commission's regulatory interest in such cases is in preventing, disrupting and investigating serious financial abuse which breaches charity law. Criminal investigations look back to the crime incident. Its role as regulator is also to look forward to ensure the charity is protected and placed on a secure footing for the future.

The commission's strategy has a four-strand approach which emphasises prevention. It clarifies when it will become involved and the purpose and scope of its engagement. The four strands of the commission's strategic approach are:

Awareness and prevention: to prevent problems arising in the first place, the commission provides online guidance for trustees to raise awareness of risks and vulnerabilities and practical advice on how to manage these risks. It provides alerts and warnings to the sector to raise awareness of specific risks, such as scams, as they come to its attention. The commission publishes the wider lessons from its investigatory work for the benefit of other charities, and signpost charities to other sources of specialist information.

Oversight and supervision: the commission monitors trustees' reports of serious incidents of fraud and significant financial loss within their charity, and referrals made by other agencies of serious financial crime and abuse in charities. The commission ensures compliance by charities with its regulatory advice and directions.

Co-operation: the commission continues to strengthen its liaison with law enforcement and other government agencies to detect, deter and disrupt financial crime and abuse in charities.

Intervention: the commission undertakes investigations in the most serious cases in order to protect the charity's funds and assets and ensure public trust and confidence in the charity and the sector generally, using its regulatory powers where necessary and proportionate to do so.

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Charity fraud: national counter fraud landscape – working together

