



# The Charity Commission 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

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## 1. Introduction

### The Charity Commission's role

The Charity Commission is the independent regulator and registrar for charities in England and Wales.

The commission's statutory objectives include, amongst other things, promoting compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities, and increasing public trust and confidence in charities. The commission has a specific statutory function to identify and investigate apparent misconduct or mismanagement in the administration of charities. It aims to assure the public that money intended for charitable purposes is used by charities in accordance with charity law.

Sound financial management is an increasingly important factor in determining people's trust and confidence in charities, as the results of the commission's last [Public trust and confidence survey](#) show. The public needs to be sure that money donated to charity is used properly and goes to the causes for which it is intended.

### The role of trustees

Trustees are custodians of their charities and so are legally responsible for ensuring that charitable funds are properly used. They are publically accountable and have legal duties and responsibilities under charity law to safeguard their charity, its funds and assets.

Strong internal and financial controls and robust financial management are essential to protect charities against fraud, financial crime and abuse. They should be a core part of a charity's culture, and practised to the same degree of excellence as the pursuit of a charity's activities.

### What the commission means by 'fraud' and 'theft'

Fraud is a form of dishonesty involving, amongst other things, false representation, failing to disclose information or abuse of position, which has been undertaken in order to make a gain or cause loss to another.

Theft is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.

The commission gives examples in this guidance of fraud and theft situations that may occur in a charity context.

### Financial crime and abuse in the charity sector

The commission continues to see, and has to act on, serious problems arising in charities in relation to poor financial management and inadequate financial controls, accounting and record keeping. In 2010-11, out of 1,912 completed compliance assessment cases, the proportion involving serious concerns about fraud, theft and other significant financial and fundraising issues increased from 16% the previous year to 26%<sup>1</sup>.

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1 Figures for subsequent years can be found in the commission's annual publication [Tackling abuse and mismanagement](#)

In relation to fraud, the National Fraud Authority (NFA) in its Annual Fraud Indicator Report 2012 estimated annual losses of £1.1 billion or 1.7% of annual charity income during 2010-11. The NFA's 2011 report estimated annual losses of around £1.3 billion or 2.4% of annual charity income. The NFA also concluded that there is a substantial under-reporting of fraud by the charity sector.<sup>2</sup>

The impact of fraud and financial crime on a charity, particularly on smaller charities, can be significant, going beyond financial loss and the impact on the financing of a charity's planned activities. These crimes cause distress to trustees, staff, volunteers and beneficiaries. They may bring adverse publicity to the charity, damage to its reputation and affect its future fundraising prospects. So it is important that trustees address incidents of fraud and financial crime responsibly and properly and follow the commission's guidance to assist in reducing the risk of such events happening in the first place.

## 2. The spectrum of fraud and financial abuse

Financial abuse in charities ranges across a wide spectrum from minor abuse and mistakes to very serious abuse and is not just confined to serious fraud and financial crime. The commission's regulatory focus has to be at the high end of the spectrum where there is a risk to the charity's survival, or where the risk of damage to the charity's or the sector's reputation is greatest. This means, in practice, the commission will tend to prioritise its engagement on those cases which involve serious misuse or deliberate abuse of funds for improper, criminal or fraudulent purposes. Although it may also need to engage, for example, where there is low level and repeated or frequent fraud that is damaging a charity. In all cases, the responsibility of dealing with fraud, whether large or small, rests primarily with the trustees.

Misuse and abuse of funds can happen in a number of ways all of which would give rise to regulatory concerns and/or potentially be criminal. It may occur as a result of a lack of oversight and control by trustees. For example, this might involve misuse of funds for other charitable purposes outside the charity's objects, or misuse of funds for non-charitable purposes.

More serious cases would involve the misuse of funds resulting from misconduct, mismanagement or negligence. Examples include: poor investment and other decisions by trustees leading to loss of charity funds; misuse of funds by individuals for private or otherwise improper advantage or benefit, such as where a trustee may be connected to a company providing services to a charity at a higher than reasonable cost, using a charity's name to inappropriately or fraudulently collect funds or trade off for private advantage, and profiting inappropriately from renting or selling property.

The most serious cases and the ones which run a high risk of damaging the charity and the reputation of the sector are likely to involve serious misconduct, misuse or deliberate abuse of funds for improper purposes or for criminal and fraudulent purposes. This may involve very serious financial crime such as money laundering and disposing of the proceeds of crime or charities set up for an illegal or improper purpose including the use of abusive tax arrangements. Cases may or may not involve wilful negligence and recklessness, but may be regarded as mismanagement and misconduct in the administration of a charity where trustees have failed to take reasonable and proper steps to protect the charity and have acted in breach of trust.

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2 The Annual Fraud Indicator 2013 ('AFI') report estimated the loss of charity income to fraud as £147.3 million. This figure is not directly comparable with those of previous years as different parameters were used. More information can be found in the [AFI report](#). The National Fraud Authority closed in March 2014: the majority of its former work has transferred to the [National Crime Agency](#).

The commission's experience also shows that criminal financial abuse can show itself in charities in a variety of ways. It does not necessarily involve large amounts of money and can range from low level fraud and theft to serious organised crime.

### 3. Why and how are charities vulnerable?

Charities are reliant on altruism, trust and honesty, and they enjoy high levels of public trust and confidence. Appearing to be associated with a charity can therefore give a criminal enterprise a veneer of respectability.

Many charities are small or medium sized organisations and so reliant on only a few professionals, or on volunteers, to supervise or manage their funds and assets. These arrangements may lack the scrutiny and division of duties possible in larger charities. Reliance on cash-based fund raising also makes the sector attractive to both opportunist and organised fraudsters. The ethos of charities, built on voluntary work and the pursuit of common and shared goals, may create a degree of trust amongst individuals and staff which allows those who seek to commit financial abuse to operate with less suspicion than might otherwise be the case.

Charities can be victims of crime in the same way as any other organisation and this risk can never be completely eliminated. Trustees should be especially alert to the risk that financial abuse may be carried out by someone connected to a charity, as well as a crime committed by entirely external individuals or entities.

The risk of financial crime exists at every stage of a charity's activity, from the point at which income is generated and received, through the internal management of those funds and the end use to which they are put. Some charities may face additional or particular risks because of the activities they undertake, and no charity can regard itself as being immune to the risk.

Charities working internationally may face an increased risk of financial abuse from fraud or theft because of the complexity of working overseas. In some parts of the world charities may face an increased risk of having to address corruption or bribery issues. Local conditions may make it hard to enforce controls. Trustees of these charities may need to address particular challenges; for example, relying on alternative methods for transmitting funds, or trying to establish clear audit trails when working with partner agencies overseas.

Technological advances may present new challenges. For example, the ease of mobile phone banking and text giving whilst helping charities generate funds mean that they need to put in place corresponding due diligence and monitoring procedures.

Charities can also be vulnerable to terrorist financing<sup>3</sup> risks and these may arise in various situations such as when funds are raised and donations received; where grant funding is disbursed; and in the provision of services and other charitable activity. Charities may also risk committing offences under terrorism legislation if their funds or other resources are used for activities that may, or appear to, support or condone terrorist activities.

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3 Terrorist financing broadly means the raising, moving, storing and using of financial resources for the purposes of terrorism.

Some examples of the types of fraud and financial crime to which charities may be susceptible include:

- misuse of the charity's bank account
- fraudulent credit or debit card transactions or charges
- stealing or 'skimming-off' money from cash collections
- theft from charity shops and from other trading activities
- fake fundraising events and requests for donations
- fake grant applications
- the creation of false invoices or purchase orders
- falsely claiming for the provision of services to beneficiaries who do not exist
- using the charity's databases or inventories for personal profit or unauthorised private commercial use
- other forms of identity fraud

#### 4. The commission's strategy – the four strand approach

The commission's aim is to help charities better protect themselves by alerting them to the risks of fraud, financial crime and financial abuse, as well as providing guidance to assist them in managing these risks better and in preventing abuse.

It may not be possible for charities to protect themselves completely from all risk of fraud and financial abuse, but trustees should aim to strengthen the safeguards in their charities to reduce vulnerability and lessen the likelihood of an occurrence. This will also help to maximise the chances of recovery if any such abuse does occur, and to minimise the opportunities for any recurrence.

The best way for charities to protect themselves is to ensure they have robust governance, strong financial controls and effective risk assessment and management policies and procedures in place.

Where fraud and financial crimes are committed against a charity the commission will respond appropriately and proportionately to protect the charity. It will also support the police in bringing prosecutions and bringing criminals to justice where this is relevant. It is the responsibility of the trustees to recover money the charity has lost where possible, including to consider taking legal action where this is appropriate. For the commission, the most serious cases of regulatory concern are those where the risk to the charity or sector is high, the abuse is deliberate and/or the trustees are unable or unwilling to put things right.

The commission publicly reports on its investigatory work dealing with fraud and financial crime and abuse. Its strategy has a four-strand approach with a clear emphasis on prevention.

##### **Awareness and prevention:**

The best approach is for trustees to prevent problems arising in the first place. To assist them with this the commission provides online guidance to raise awareness of the risks and vulnerabilities, alongside practical advice and tools to help develop controls and adopt procedures to manage the risks.

The commission's [Protecting charities from harm: compliance toolkit](#), produced in collaboration with the sector, explains to trustees how they can manage risks and protect their charity from harm and abuse, including financial abuse.

[Chapter 1: Charities and terrorism](#) provides information on the UK's terrorism legislation and how it is likely to affect charities and their work. It also explains in more detail some of the risks of terrorist financing.

[Chapter 2: Charities: due diligence checks and monitoring end use of funds](#) covers an important area of risk-based assurance. It is vital that trustees are aware of their legal duties and responsibilities for carrying out appropriate due diligence checks on those individuals and organisations that give money to, receive money from or work closely with their charity. Trustees need to identify and manage any associated risks. This chapter also gives trustees practical advice on carrying out proper monitoring and verification of the end use of funds where charities give money to partner organisations and to beneficiaries.

[Chapter 3: Charities: fraud and financial crime](#) highlights some of the types of fraud and financial crime to which charities are vulnerable and provides practical advice for trustees on how to tackle it. This guidance will help trustees to devise and implement measures to manage the risks. It also advises how to report fraud if it does occur.

[Chapter 4: Charities: holding, moving and receiving funds safely](#) recommend the use of formal banking systems when holding, moving and receiving funds in the UK and internationally. It also looks at the more risky methods of moving funds such as alternative financial systems, and has practical advice for trustees on risk management factors and the need for appropriate financial controls and audit trails.

The guidance signposts trustees to a wide range of other sources of specialist information provided by the sector and other parts of government.

#### [Chapter 5: Protecting charities from abuse for extremist purposes](#)

Many charities further their charitable aims by arranging meetings involving invited speakers and by distributing literature and other educational materials. Charities, by the nature of their work and the issues they deal with, will raise issues which some people find emotive or which may be controversial. In most cases, this causes no problems. However, terrorists and those who encourage terrorism have been known to use charities to make their views known. These are risks which charity trustees and managers need to be aware of and actively manage.

This guidance looks at issues that can arise when charities use speakers at events or when they promote literature. It sets out trustees' duties and responsibilities; some of the challenges charities may encounter; how to avoid problems in the first place; and what to do if there are concerns about a speaker, an event or literature.

Other commission guidance that trustees will find relevant includes:

- [Internal financial controls for charities \(CC8\)](#)
- [Charities and fundraising \(CC20\)](#)
- [Charities and risk management \(CC26\)](#)
- [How to report a serious incident in your charity](#)

The commission provides online alerts and warnings to the sector to raise awareness of specific risks, such as fraud and scams, as they come to its attention. In addition, the commission aims to raise the public's awareness of safer giving so that people can better recognise fraud and ensure their donations go to genuine charities.

The commission feeds back the wider lessons from its regulatory engagement and investigatory work through its annual report *Tackling abuse and mismanagement* - report of the commission's compliance case work. The commission uses case studies from its work to illustrate for trustees the common problems that can arise in charities and provide advice on how to avoid similar situations from happening in their charities.

At the end of a statutory inquiry into a charity the commission's policy is to publish a report on [GOV.UK](https://www.gov.uk). These reports set out publicly the sources of concern, the findings and conclusions from the investigation and any regulatory action that the commission has taken. It will ensure these reports continue to identify and highlight the relevant issues for the wider sector.

It will also publish a report of the collective outcomes from a programme of reviews of charities' financial controls and risk awareness. This will provide useful feedback to the commission regarding the risks to the sector and areas of good practice.

### **Oversight and supervision:**

Through the commission's serious incident reporting regime it will monitor incidents of fraud, theft and other significant financial loss along with reports and referrals from other agencies of serious financial crime and abuse in charities. Trustees are responsible for reporting serious incidents to the commission. This demonstrates to the commission that they have accurately identified the problem that has occurred and are taking appropriate action to deal with it. This is very important because safeguarding the assets of the charity is a key trustee responsibility.

The commission's work also includes monitoring charities where it has concerns of serious non-compliance with legal duties or of significant risk. This is conducted in a proportionate and targeted way, including scrutinising accounts and ensuring trustees comply with the commission's regulatory advice and directions where action is needed.

The commission will undertake investigatory monitoring visits to certain charities to examine specific concerns which have come to its attention. This will enable the commission to provide regulatory supervision and guidance at an early stage.

It can also take enforcement action against trustees that fail to provide evidence of their charity's activity and existence by not submitting annual accounts, annual returns or updates.

Some people are disqualified by law from acting as trustees, including anyone falling within the provisions of sections 178 - 184 of the Charities Act 2011, for example, a person who has been convicted of an offence involving dishonesty or deception. As part of the commission's monitoring, intelligence and assessment work, it carries out certain checks on the eligibility of persons to act as trustees. The commission is able to run data checks against certain lists held by other agencies and regulators. The commission contacts individuals it identifies as disqualified to verify the information and, if they are still trustees, require them to resign or obtain a waiver from disqualification.

## Co-operation:

The commission will continue to strengthen its liaison and relationships with law enforcement and other government agencies to detect, deter and disrupt financial crime and abuse in charities and rectify problems when they arise. This ensures work is not duplicated and, where it does engage, means it will do so more effectively. The commission's co-operation with other regulators, law enforcement and other agencies, including through the exchange of information under sections 54-59 of the Charities Act 2011, increasingly results in effective enforcement action and positive case outcomes.

Where the commission has evidence or a serious suspicion that a financial crime has been or may be committed in a charity, it will refer this to the police and will continue to strengthen its operational arrangements for doing so. The commission will also consider information and intelligence that they receive and share with the commission about charities so that it can properly carry out its regulatory role. The commission will ensure that it has appropriate operational protocols and identified points of contact in place with the police and other agencies.

The commission will also cooperate with other government departments when there is a regulatory need to do so. For example, it co-operates with HM Revenue and Customs over any issues of Gift Aid fraud or tax evasion through charities, and with the Office of Fair Trading and Trading Standards concerning fraudulent street and clothing collections.

Sometimes the police or another agency may decide not to pursue a case. However, there still may be serious concerns about the charity, the conduct of its trustees or the financial controls and risk management procedures that the commission needs to examine further. The commission will engage, where necessary, to ensure that charities comply with their legal obligations while avoiding duplication with other agencies' actions and are mindful of keeping the administrative burden on charities to a minimum.

Where this will bring benefits, the commission will arrange reciprocal awareness-raising sessions to help other regulatory agencies better understand the sector, and its role within it, when it is investigating financial abuse connected with it.

The publication of this strategy will help ensure there is clarity for other regulators, agencies and government departments about the commission's regulatory role in relation to fraud, financial crime and financial abuse in charities.

[Fighting Fraud Together](#), the UK wide strategic plan for tackling fraud has three strategic objectives:

- **awareness** - increasing this across the private, public and voluntary sectors.
- **prevention** - stronger systems and controls in businesses and public and voluntary services.
- **enforcement** - tougher disruption and enforcement: the commission is one of 38 partner organisations working together to help deliver these objectives.

The commission works closely with the National Crime Agency ('NCA') and other partners to help reduce the harm to and the impact of fraud on the charitable sector. Reduction of loss attributable to fraud will help to bolster the reputation of the sector and maintain public trust and confidence. The commission's joint work aims to raise awareness of fraud in the sector and help charities become more robust at preventing and detecting fraud and to increase the reporting of fraud when it does occur.

As part of this work, the commission leads the Voluntary Sector Fraud group, chairing a steering group involving charity sector representatives, the police, the National Crime Agency, other UK charity regulators, HMRC and other government partners and professional bodies. The aim of this group is to reduce the risk of harm to and the impact of fraud on the charitable and voluntary sectors by:

- raising awareness of fraud affecting the sector
- encouraging the development of fraud prevention initiatives and improved systems of control in charities
- encouraging better sharing of fraud information within the sector and with other government departments, regulators and the police
- achieving better detection and prevention of charity fraud through closer liaison with law enforcement agencies

### **Intervention:**

The commission undertakes investigations in the most serious cases in order to protect a charity's funds and assets, using its regulatory powers where necessary and proportionate to do so.

If it has any concerns that criminal offences may have been committed, the commission refers the matter to the police and any other relevant agencies. Where it detects or is made aware of a potential fraud it refers this to Action Fraud and the National Fraud Intelligence Bureau (NFIB). In all cases the commission's regulatory concern is to:

- protect the charity's funds and assets and ensure public trust and confidence in the charity
- ensure trustees comply with their legal duties and responsibilities in the management and administration of the charity

When serious concerns of fraud, financial crime or financial abuse in a charity come to the commission's attention, it assesses them against its [Risk framework](#) to decide on the most appropriate and proportionate response. This means it looks closely at the concern, its source, the risk to the charity, the strength of any evidence in relation to the concern, and the potential impact of the issues raised on the charity. It will also look at whether the trustees have acted responsibly and in the best interests of the charity, or whether there is evidence of mismanagement or misconduct on their part.

Where sufficiently serious allegations are made, or there is clear evidence that abuse has taken place in a charity (or involving people closely connected to it), the commission will consider doing one or more of the following:

- clarifying the extent to which the charity and its personnel are involved in, or responsible for, any alleged incident, and taking any consequential action as is necessary
- assessing whether there is an immediate need to exercise its powers to protect the charity's funds
- establishing whether the trustees have handled any allegations and concerns properly and responsibly, particularly where they involve a trustee or someone senior with financial responsibility within the charity, or whether they have mismanaged the affairs of the charity
- establishing whether the trustees are taking responsibility for ensuring they have proper financial controls in place and if not ensuring that these are strengthened as appropriate, after an incident; these controls include ensuring that proper checks are carried out on those staff or volunteers who have particular responsibility for the charity's money

Where there is enough evidence or serious suspicion of misconduct or mismanagement in the administration of a charity, or risk to its property, the commission will investigate further through a statutory inquiry conducted under section 46 of the Charities Act 2011.

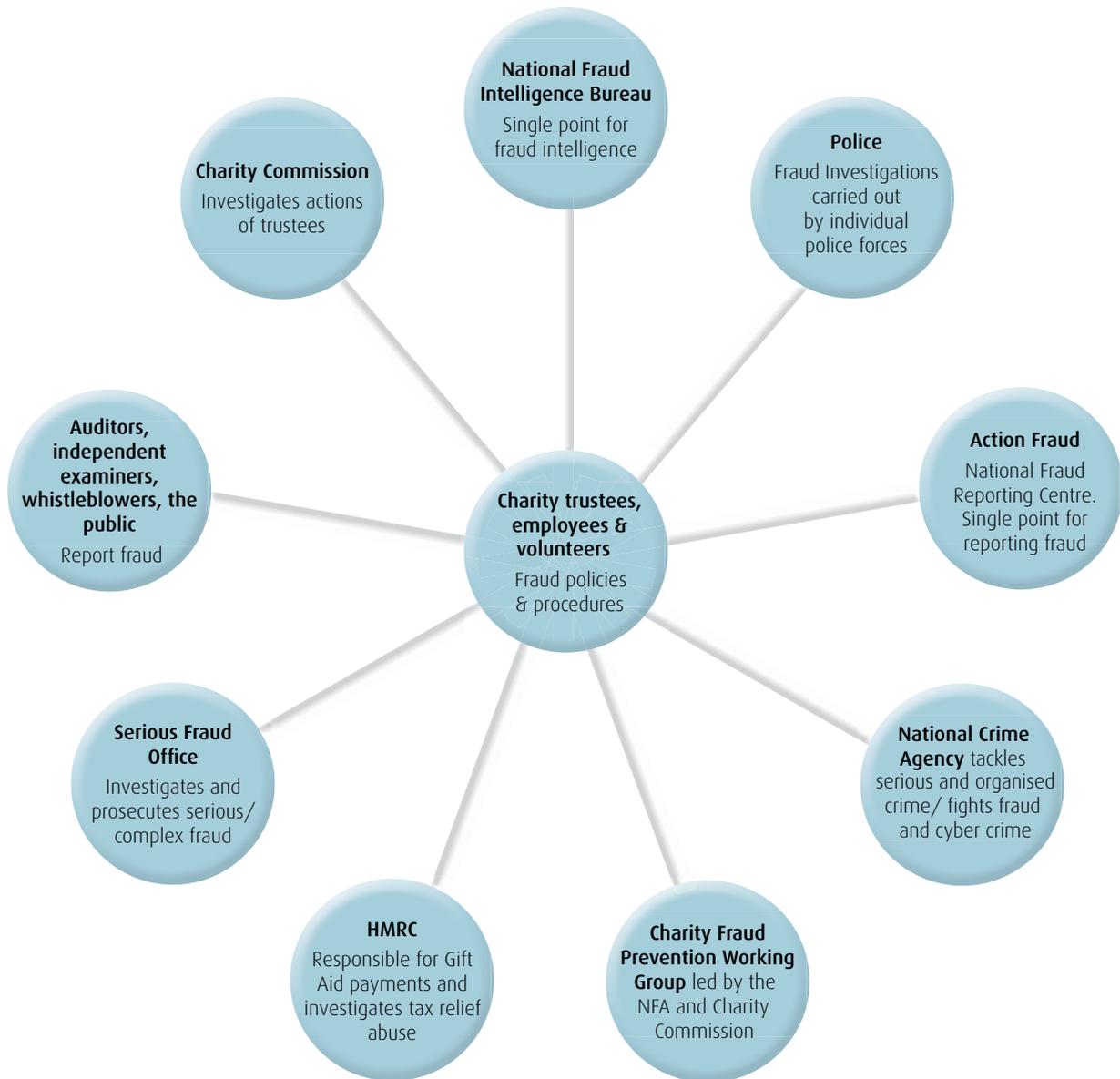
The purpose of an inquiry is to examine the issues in detail and investigate and establish the facts so that it can:

- ascertain the extent of any misconduct and mismanagement
- establish the extent of the risk to the charity's property, beneficiaries or work
- decide what action needs to be taken to resolve the serious concerns, if necessary using its legal powers to do so

The commission's ultimate aim is to stop abuse, ensure compliance and put a charity back on a secure footing.

Further information on investigations can be found in [Statutory inquiries into charities: guidance for charities \(CC46\)](#) and in the [Risk framework application document](#)

## Charity fraud: national counter fraud landscape – working together



## 5. What the commission expects of trustees

### General and financial duties

Trustees have a legal duty and responsibility under charity law to safeguard the charity’s money and assets and to act prudently. They must avoid undertaking activities that may place its funds, assets or reputation at undue risk.

Trustees must take all necessary steps to ensure there is no misuse of charity funds or assets. This is part of their general duty of care under charity law, and of their duty to comply with the law on fraud and financial crime.

These legal responsibilities mean that in practice there must be good internal governance, transparent accountability and strong financial management.

### **Essential requirements**

All charities must, as a minimum:

- have some form of appropriate internal financial controls in place to ensure that all the charity's funds are fully accounted for and are spent in a manner that is consistent with the purpose of the charity; what those controls and measures are and what is appropriate will depend on the risks apparent to a particular charity based on its type, size and activities
- keep proper and adequate financial records for both the receipt and use of all funds together with audit trails of decisions made and funds spent; records of both domestic and international transactions must be sufficiently detailed to verify that funds have been spent properly as intended and in a manner consistent with the purpose and objectives of the organisation
- give careful consideration to what other practical measures they may need to put in place to ensure they take reasonable steps to protect the charity's funds and so meet their legal duties
- give careful consideration to what due diligence, monitoring and verification of use of funds they need to carry out to meet their legal duties
- deal responsibly with incidents when they occur, including prompt reporting to the commission and any other relevant authorities, and ensuring the charity's funds are secure

Failure on the part of trustees to act in the manner outlined may be regarded as evidence of misconduct and/or mismanagement in the administration of the charity, which may result in regulatory intervention.

The starting point is the greater the risks, the more charity trustees need to do.

### **Trustees' responsibility to seek recovery of lost funds**

Trustees have a general duty to protect and recover property belonging to their charity. This may include bringing proceedings in respect of any liability of a co-trustee where their conduct or lack of action has resulted in a loss to the charity. Failure to do so may be used as evidence of misconduct in the management and administration of the charity. Although the commission has no statutory responsibility or duty to bring proceedings for the recovery of charitable property, it may consider using its powers under section 114 of the Charities Act 2011. Whether the commission exercises that power will depend on the circumstances of the loss, including the conduct of any accountable trustee. These powers are only exercisable with the consent of the Attorney General.

### **Procedures for dealing with financial abuse**

Trustees need to ensure that there are appropriate internal procedures in place in their charity to encourage staff and volunteers to report known or suspected financial crime or abuse, and so they can do this in confidence and in the knowledge that they will be taken seriously. Information on how to report concerns should be provided along with a clear explanation about how reports of concerns will be investigated.

Adequate training should be provided to staff and volunteers to ensure they are familiar with the charity's reporting procedures and financial controls and know what actions to take if they suspect criminal financial abuse.

## Reporting duties

The National Fraud Authority, police and other agencies involved with fraud have set up a national reporting centre - Action Fraud - specifically dealing with fraud and fraud related crime. Trustees should report any incidents of fraud that take place in their charity to [Action Fraud](#) and ensure they obtain a crime reference number. Action Fraud is the central point of contact for information about fraud and how to report it. It has an [online fraud reporting](#) service which is available 24 hours a day, and their website includes a comprehensive [A to Z of fraud types](#), providing information about how these frauds operate and how to report them.

Trustees should also make a report to the commission under the Serious incident reporting regime. It has published further guidance for trustees on [Reporting serious incidents](#).

Charity trustees, employees and volunteers are also under a specific positive legal duty to report their suspicions of terrorist financing offences to the police. If they do not, they may be at risk of committing a criminal offence.

## 6. The commission's approach to dealing with regulatory concerns

The commission prioritises the most serious cases of regulatory concern where the risk to the charity or sector is high, or the abuse is deliberate and/or the trustees are unable or unwilling to put things right. Where there are concerns about the abuse of charitable funds, including through fraud, theft or other financial crime, its role is to ensure that trustees are meeting their legal obligations and duties to protect charity funds and property, so that public trust and confidence in the charitable sector is protected.

The commission's Risk framework explains how it assesses risk and decides what to do on individual cases.

### **The commission's role where there is actual or suspected criminal activity**

The investigation of fraud and theft is, like other criminal activity, the responsibility of the police and law enforcement agencies who take the lead in cases where there are suspicions that offences may have been committed in charities. The commission liaises with the police and other agencies. It has a regulatory interest in establishing how the criminal matters arose and whether the trustees have responded appropriately and discharged their duties and responsibilities to manage the risks and protect their charity. It needs to consider whether the concerns may indicate misconduct or mismanagement in the administration of the charity and/or the suitability of the trustees. It will intervene, where necessary, to ensure the charity's funds are protected for the future, and the trustees are taking steps to recover lost funds where it is reasonable to expect them to.

Criminal investigations look back to the crime incident. The commission's role as regulator is to look forward to ensure the charity is protected and placed on a secure footing for the future. Where it considers using its powers to take regulatory action, under charity law the evidence threshold is usually civil which means the test is balance of probabilities.

The commission will report information to the police and law enforcement agencies through its statutory gateway where, during its engagement with a charity, it identifies information which may suggest a crime has taken place.

## Providing guidance

The commission is not prescriptive about the detailed range and type of financial controls that are appropriate for each charity; that is for the trustees to decide based on the guidance its gives in [Internal financial controls for charities \(CC8\)](#). However, it has a responsibility to promote public trust in charities. The commission's role is to provide guidance to trustees and set out the minimum legal requirements that trustees must follow in order to be able to demonstrate that they have fulfilled their legal duty to protect their charities and charitable assets. Through the commission's online guidance, it provides practical advice about how to approach managing the risk of fraud and financial crime, how to reduce its likelihood and what to do if it is found to have occurred.

## Trustees' handling of concerns

Where it is clear that trustees are handling serious concerns or incidents of financial crime and abuse appropriately and they are managing the risks, the commission is unlikely to need to take any action.

If it is not clear that the concern or incident and the risks arising from it are being dealt with and that the trustees are acting responsibly, the commission will need to engage further. It is more likely that it will need to scrutinise the trustees' conduct where it has concerns that trustees have not acted honestly or there are indications that they have been negligent or reckless.

In some cases the commission may consider using its legal powers to protect the charity by, for example, freezing the charity's bank account, restricting transactions or ordering specific directions. If necessary, it may consider suspending and removing a trustee or officer of the charity, or appointing an interim manager to administer the charity to the exclusion of the trustees.

The commission's concern is always to protect the charity and promote public confidence and trust in charities generally.