Charity Fraud & Cybercrime – Identifying risks, challenging perceptions

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Charity Commission for England & Wales

20th October 2020

Charity Fraud & Cybercrime - agenda

- *Preventing Charity Fraud* **– Headline findings (& a bit more)**

- **Covid 19 scams**

- *Preventing Charity Cybercrime* **– a few key messages**

- **Support & guidance**

- **Any questions?**

A little about me….

- Head of Development, Counter Fraud & Cybercrime, Charity Commission

- Former Head of Counter Fraud, Audit Commission

- MSc Counter Fraud & Counter Corruption

- Formerly CIPFA

- Police officer, Glasgow
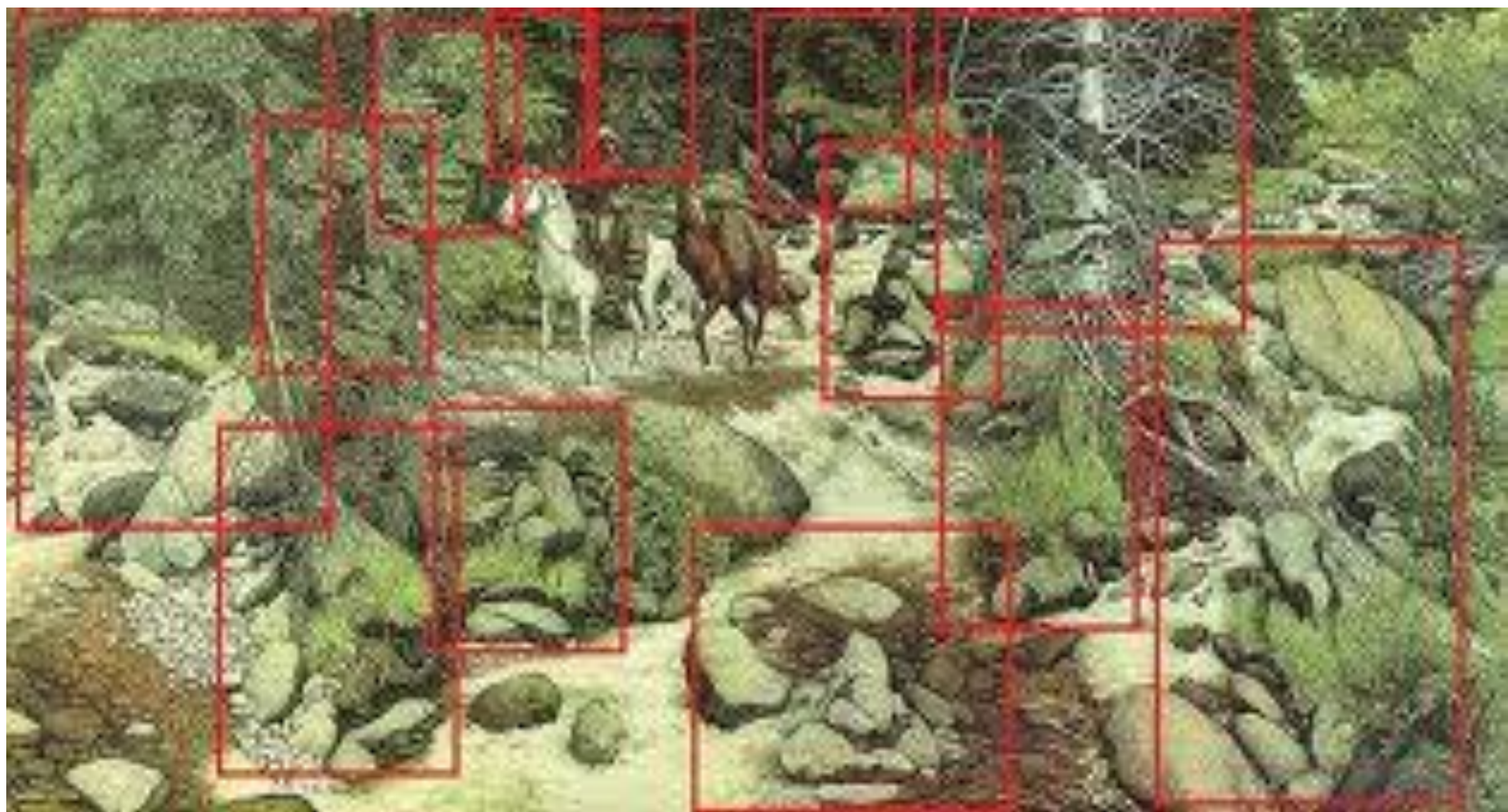
- **In partnership with Fraud Advisory Panel**

- **Representative voluntary survey of 15,000 English & Welsh charities**

- **"Outstanding" 22% response rate – representative, statistically significant findings**

- **Largest ever charity specific survey on fraud (and cybercrime)**

- **Survey of both charity's perceptions and most recent cases**

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Encouraging changes in the last ten years

- **69% of charities think fraud is major risk to the charity sector (51% in 2009)**

- **33% think fraud is greater risk to the charity sector than other sectors (25% in 2009)**
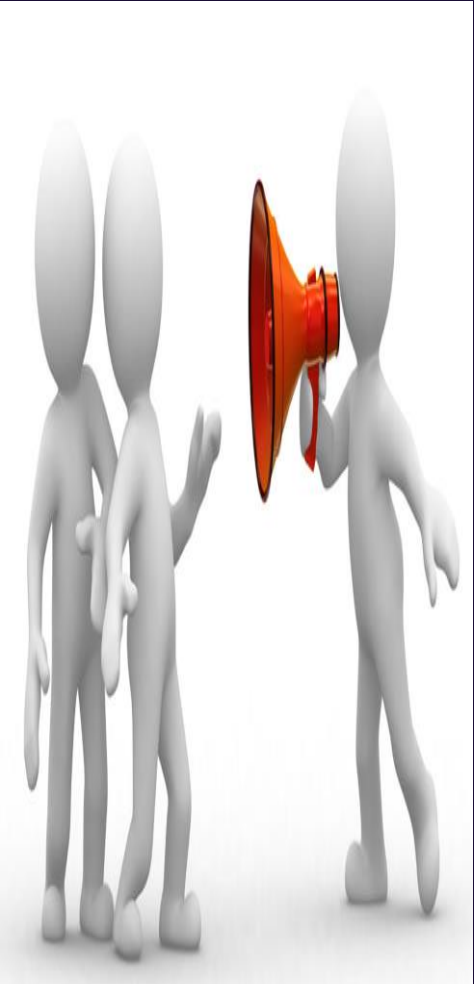
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85% think they do everything they can to prevent fraud, such as:
- **30% have a whistleblowing policy (18% in 2009)**

- **9% have a fraud awareness training programme (4% in 2009)**

*BUT 48% have none of the good practice policies and protections in place*

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REASONS charities potentially vulnerable to fraud (could choose more than 1 vulnerability):

- **28% lack of fraud awareness training**
- **26% over reliance on trust and goodwill**
- **22% excessive trust in one or more individual**
- **5% failure to apply internal controls**
- **5% absence of internal controls**

__BUT__ nearly half believe not vulnerable to any of most common fraud enablers

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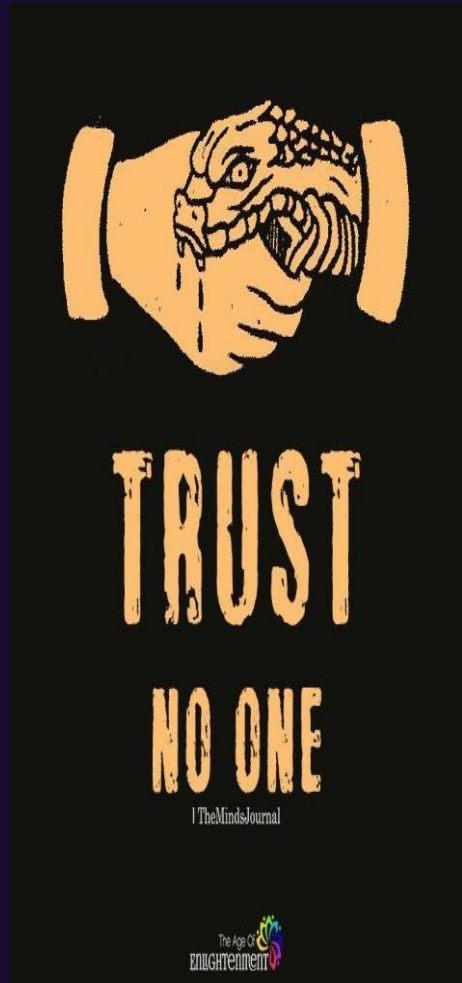
Vulnerability to common TYPES of charity fraud (could choose up to 3):

- **21% internal fraud**
- **20% external fraud**
- **14% fundraising fraud**
- **8% beneficiaries fraud**

**BUT** 34% believe not vulnerable to any of most common charity fraud types

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How was the fraud discovered:
- 66% by internal controls or audit
- 17% by whistleblowing
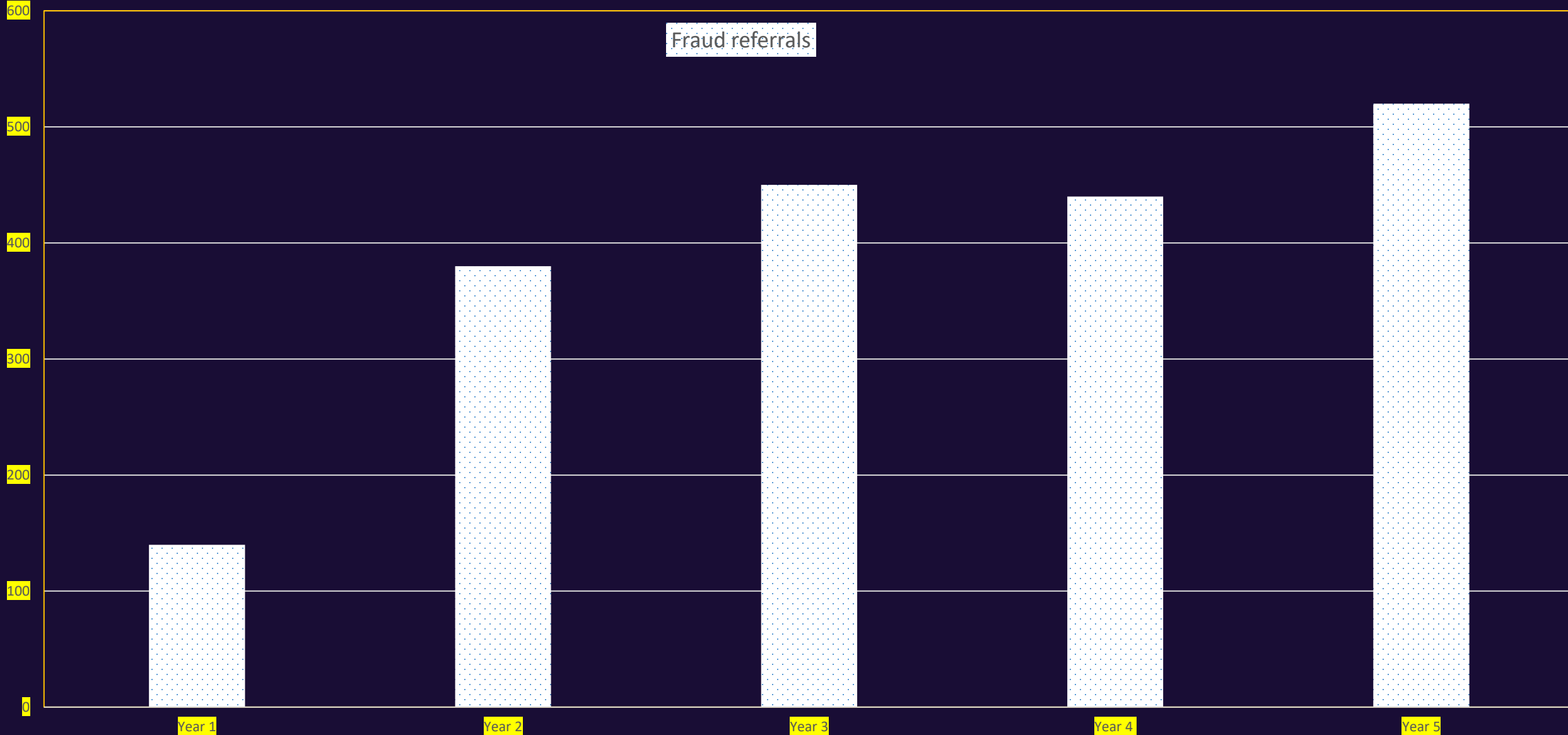- 9% by accident
- 6% by data matching

Reporting fraud:
- 42% reported to the police (51% in 2009)
- 29% to the Charity Commission (10% in 2009)

*BUT* **33%** *did not report to any external organisation (24% in 2009)*

REPORT FRAUD NOW

Adopting good practice works - Fraud Referrals

Fraud referrals

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- **Any new scams?**

- **Instead Covid 19 is just the "hook" on which scammers rely/ linked to changing control environment**

- **Mandate /CEO fraud/ payment diversion frauds, procurement (PPE), phishing, grants, ransomware**

- **2021 – Insider fraud?**
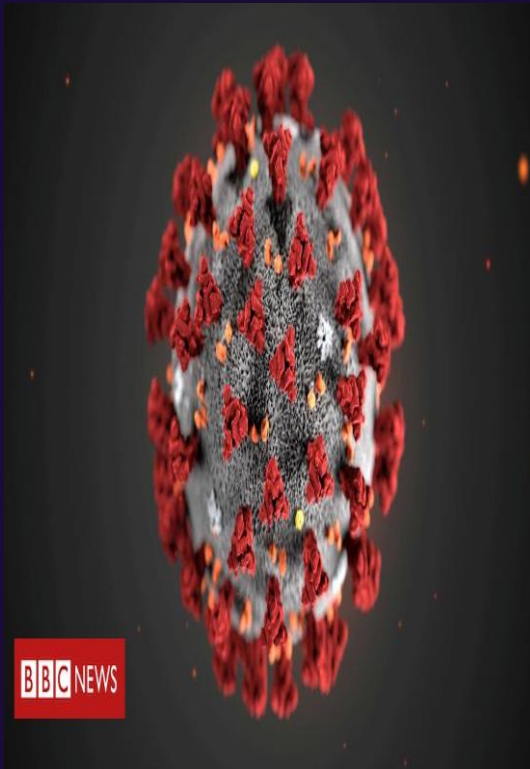
- **58% stated the cybercrime is a major risk to the charity sector**

- **22% believe it is a greater risk to charities than public or private sectors**

- **Large charities generally more likely to appreciate risk of cybercrime**

- **39% phishing/malicious emails greatest threat**
- **15% hacking/extortion**
- **2% Distributed Denial of Service attacks (DDoS)**

- **Over third of charities don't know which type of cyber-attacks they're most vulnerable to**

Identified by :
- **30% internal IT controls**
- **26% staff raising a concern**
- **23% by accident**
- **13% by a source external to the charity**

Reporting
- **84% to the charity Board**
- **29% reported to the police**
- **13% to the Charity Commission**

BUT 32% *did not report to any external organisation*

- **Charity Fraud Awareness Week hub**
- **Free helpsheets, webinars, case studies and live Q&As**
- ***Protect your charity from fraud and cybercrime* web page**
- **Use the checklists – *Preventing Charity Fraud* and *Preventing Charity Cybercrime* reports**
- **Adopt *Tackling Charity Fraud – Eight Guiding Principles***
- **NCSC web site – *Small Charity Guide* and *The Board Toolkit***

International Charity Fraud Awareness Week 2020

- **19th – 23rd October 2020**
- **Supporters information packs (September)**
- **Social media messaging**
- **Information hub – guidance , good practice**
- **E-learning toolkit**

Now more than ever…. Charity Fraud Out

- **To the Charity Commission (RSIs)**
- **To Action Fraud (0300 123 2040)**
- **ICO (where appropriate, within 72 hours)**
- **Bank, funding body (grants), other regulators**

New (covid 19 cyber attacks)
- *SERS –* Suspicious Email Reporting Service (SERS)
- *Cyber Aware* Cyber Aware hub site
- *Video conferencing* Video conferencing: new guidance for individuals and organisations (BLOG POST)
- *CC regulatory alert (April and May)*
- *Webinar on covid 19 scams (May)*