

Failure to Prevent Fraud -
Economic Crime and Corporate Transparency Act 2023

Demonstrating Reasonable Fraud Prevention Procedures

May 2025



INTRODUCTION

Background

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) introduces a new "failure to prevent fraud" offence. Under this law, organisations may be criminally liable if an employee, agent, subsidiary, or other "associated person" commits fraud intending to benefit the organisation, and the organisation lacks reasonable fraud prevention procedures.

On 6 November 2024, the Home Office published Guidance ("the guidance") to help organisations with this new offence. The guidance outlines key principles to help organisations in the design of their fraud prevention frameworks.

This new offence sits alongside existing law and is the UK's third failure to prevent offence. It builds on the failure to prevent bribery offence under the Bribery Act 2010 and the failure to prevent the facilitation of tax evasion under the Criminal Finances Act 2017. The new offence, like these previous laws, allows a defence based on reasonable procedures. The Home Office recognises overlaps between these offences and advises a proportionate, risk-based approach. Organisations do not need to duplicate efforts but must ensure compliance with specific fraud prevention requirements.

The offence takes full effect on 1 September 2025 and from that date, organisations will be expected to have reasonable fraud prevention procedures in place.

Fraud is an issue that all organisations face regardless of size, industry or location. UK companies face significant costs from being victims of fraud, both from internal and external sources, and this new focus on organisations benefiting from fraud is prompting companies to review and enhance their approach to fraud risk management in advance of the 1st September 2025 deadline.

Our Approach

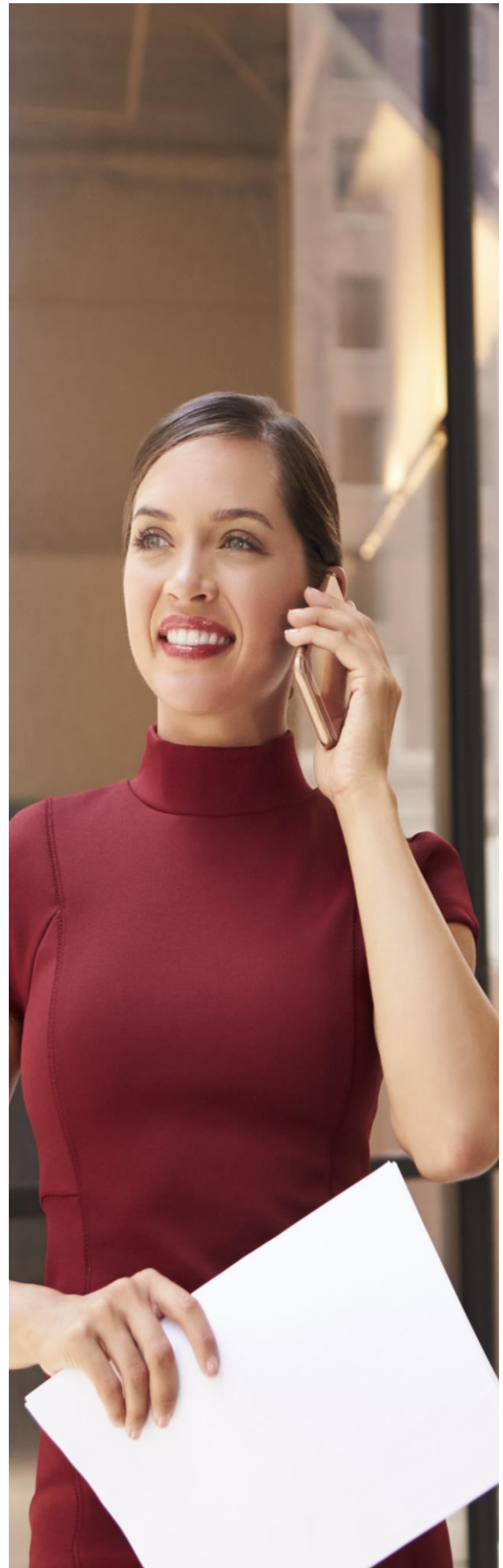
This document outlines how BDO is helping clients develop reasonable fraud prevention procedures to mitigate the risk of fraud and establish a defence under the new legislation.

With extensive experience supporting businesses in failure to prevent bribery and failure to prevent tax evasion compliance, we have developed a well-established approach. We are now applying this expertise to assist clients in meeting the requirements of the new legislation, providing assurance, practical steps, and clarity in relation to mitigating risk.

Our approach is:

- Risk-based and proportionate, considering all parts of the business.
- Aligned with the Home Office guidance, incorporating key principles and quick wins.
- Tailored for international operations, ensuring pragmatic and practical recommendations.

By following this structured approach, we help businesses to effectively navigate their compliance obligations while minimising risk.



REASONABLE FRAUD PREVENTION PROCEDURES

Background

The Home Office’s [guidance](#) on the failure to prevent fraud offence, published on 6 November 2024, outlines procedures that relevant bodies can implement to prevent employees, agents, subsidiaries, or other “associated persons” from committing fraud offences.

Chapter 3 of this guidance emphasises key considerations for developing effective fraud prevention procedures, structured around six guiding principles.

These principles align with those found in guidance for preventing bribery and the facilitation of tax evasion. However, while the foundational principles are consistent, the application of these principles should be tailored to address the unique aspects and specific risks associated with fraud. Organisations are encouraged to develop proportionate, but bespoke procedures that reflect their individual risk profiles and operational contexts.

<p>1</p> <p>Top level commitment</p> <ul style="list-style-type: none"> ▶ Communication and endorsement of the organisation’s stance on preventing fraud ▶ Clear governance of the fraud prevention framework ▶ Commitment to training and resource ▶ Leading by example and fostering an open culture. 	<p>2</p> <p>Risk assessment</p> <ul style="list-style-type: none"> ▶ Assess nature and extent of risk of employees and associated persons committing fraud ▶ Should be dynamic, documented and kept under regular review ▶ Consideration of opportunity, motive, rationalisation and emergency scenarios. 	<p>3</p> <p>Proportionate prevention procedures</p> <ul style="list-style-type: none"> ▶ Fraud prevention plan ▶ Reducing the opportunities for fraud ▶ Reducing the motive for fraud ▶ Putting in place consequences for committing fraud ▶ Reducing the rationalisation of fraudulent behaviour ▶ Testing the fraud prevention measures.
<p>4</p> <p>Due diligence</p> <ul style="list-style-type: none"> ▶ Due diligence on employees and associated persons ▶ Third-party risk management and screening tools ▶ Contractual obligations requiring compliance and ability to terminate ▶ Monitoring of staff and agents who may be more likely to commit fraud ▶ Due diligence in relation to mergers or acquisitions. 	<p>5</p> <p>Communication (including training)</p> <ul style="list-style-type: none"> ▶ Prevention policies and procedures are communicated, embedded and understood by employees and associated persons ▶ Should be from all levels within an organization ▶ Training should be proportionate to the risk faced ▶ Appropriate whistleblowing arrangements. 	<p>6</p> <p>Monitoring and review</p> <ul style="list-style-type: none"> ▶ Detection of attempted fraud ▶ Investigation of suspected fraud ▶ Monitoring of fraud prevention measures ▶ (Independent) review of fraud detection and prevention procedures ▶ Learning from investigations and whistleblowing incidents.

KEY CONSIDERATIONS OF THE FAILURE TO PREVENT FRAUD OFFENCE



The government has created a new failure to prevent fraud offence to **hold organisations to account** if they benefit from fraud committed by their employees and associated persons. This will improve **fraud prevention** and protect victims.

Associated persons

Includes employees, agents, subsidiary undertakings or persons otherwise performing services for or on behalf of the organisation.
NB- Services only, not goods.

Defence

“Such prevention procedures as it was reasonable in all the circumstances to expect the body to have”

Scope

Large incorporated bodies and partnerships, which meet two of the following:

- I. Turnover in excess of £36m
- II. Total assets - more than £18m
- III. Number of employees - more than 250

Subsidiaries also in scope, although only responsible for employees conduct and not associated persons.



Base fraud offences

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position
- Obtaining services dishonestly
- Participation in a fraudulent business
- False statements by company directors
- False accounting
- Fraudulent trading
- Cheating the public revenue

Victim vs Benefit

Under the offence, an organisation may be criminally liable where an employee, agent, subsidiary, or other ‘associated person’, commits a fraud intending to benefit the organisation

Strict liability

Conviction for underlying fraud not required.

Jurisdiction

Either under UK law, gain made in UK or UK victims targeted i.e. nexus to UK.



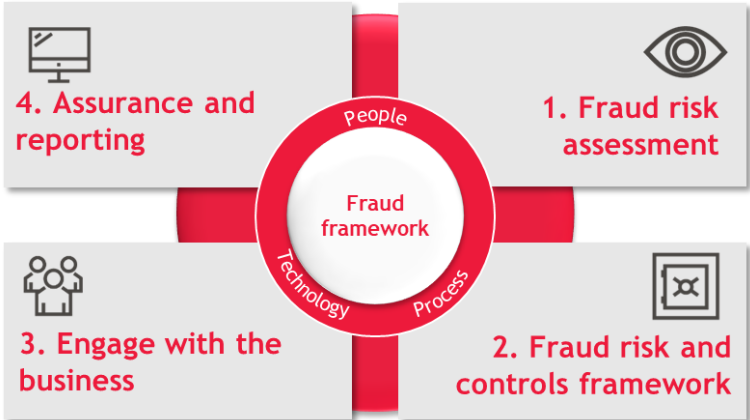
IMPLEMENTING FRAUD PREVENTION PROCEDURES - OUR FRAUD FRAMEWORK

To effectively manage fraud risks, an organisation needs to create a robust fraud framework across the business, have an appropriately resourced and skilled function with responsibility for fraud risk and a culture which promotes ethical decision making. To achieve this, organisations need to understand their fraud risks and exposures, a clear policy and control framework to mitigate the risks, effective engagement with the business to embed effective controls, and processes to detect and investigate high risk transactions and activities.

Our BDO fraud prevention framework aligns to the Home Office guidance and is underpinned by deep expertise in fraud risk management, forensic investigations and data analytics and technology; BDO fraud risk management accelerators; and insight into common fraud risks and expected controls.

- ▶ Fraud analytics and monitoring
- ▶ Fraud Investigations
- ▶ Governance and reporting
- ▶ Continual improvement / review.

- ▶ Assessment of fraud exposure
- ▶ Business activity driven fraud risk assessment.



- ▶ Training, communication and awareness
- ▶ Controls built into systems and processes
- ▶ Leadership, tone from above / top level commitment and culture
- ▶ Promotion of ethical decision making.

- ▶ Fraud policy and procedures (including third party risk)
- ▶ Controls identified for all key fraud risks including due diligence
- ▶ Identification of automated controls and use of technology.



OUR SERVICES

At BDO, we understand that every business is unique—whether in terms of its operations, complexity, governance, resources, or risk profile. To address this, we have developed a flexible suite of services that can be tailored to each client’s specific needs. Our approach ensures that fraud prevention measures are proportionate to the risks faced within the business and through its stakeholder relationships.

1

Readiness Assessment

Our readiness assessment evaluates your current fraud risk management approach through a document review and stakeholder discussions and benchmarking your framework against the Home Office guidance using our readiness methodology.

We provide practical recommendations and next steps, including quick wins to strengthen your fraud prevention framework and achieve compliance with the reasonable fraud prevention procedures requirement. Common next steps will include conducting a more robust fraud risk assessment or implementing other framework builds.

Our readiness assessment can be integrated with reviews of other “failure to prevent” offences (e.g. bribery, tax evasion) or a broader maturity assessment of an E&C programme.

2

Risk Assessment

A fraud risk assessment is a key principle in the Home Office guidance and often the first step in developing reasonable fraud prevention procedures.

We offer a tailored approach, that can support you with either:

- A detailed fraud risk assessment or
- Our fast-track approach to fraud risk assessment

The scope of our assessments can either be focused on the new offence (where organisations may benefit from fraud) or broader, covering all types of fraud, including cases where the organisation may be a victim and losing money to fraud.

(For more details, refer to the following slides)

3

Fraud Controls and Framework Implementation

Following a fraud risk assessment, we can help you to strengthen your fraud prevention framework by conducting a controls gap analysis. We will assess your current fraud controls against expected standards, identifying gaps, and providing targeted remediation steps to mitigate risk. From there, we will support you in implementing improvements and building a robust fraud prevention framework.

Alternatively, we can apply a fast-track framework approach. This usually follows a fast-track fraud risk assessment and alongside a high-level readiness assessment we can tailor our core framework templates and eLearning module for you.

Both approaches align with Home Office guidance, helping you meet the expectations of the reasonable procedures defence.

4

eLearning Module

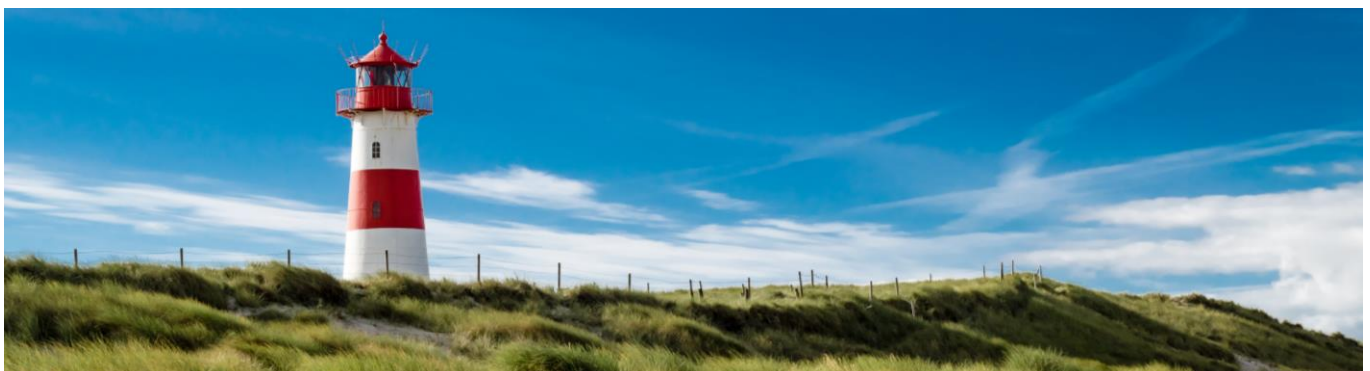
As part of our suite of online economic crime courses, we have developed the BDO Introduction to Fraud eLearning module – an introductory course on fraud designed for all employees, with a particular focus on the new failure to prevent fraud offence and the implementation of reasonable prevention procedures.

The module is available in two options:

- Standard version - £3,850 + VAT
- Branded & customised version (tailored for specific teams) - £4,650 + VAT.

This module supports compliance with the training expectations outlined in the failure to prevent fraud guidance.

It is available on our BDO [website](#).



READINESS ASSESSMENT

Our readiness assessment is designed to help organisations benchmark their fraud prevention framework against the expectations of the six principles within the Home Office Guidance and to identify the roadmap and steps required to be implemented to ensure that a defence would be in place were a base fraud to take place within the organisation.

We use a three-stage process as set out below, using our readiness methodology to benchmark against each of the principles:

Phase 1 - Mobilisation and Document Review - During the mobilisation phase, we will establish ways of working and conduct a detailed review of all relevant documentation and processes.

Phase 2 - Stakeholder Conversations - We will conduct sessions with key process and procedure owners. As a minimum this would usually involve representatives from finance, risk, internal audit, legal and compliance and human resources/HR.

Phase 3 - Reporting and Roadmap - The report will incorporate an executive summary, detailed findings and recommendations whilst providing an overarching readiness assessment against the six principles.



Our readiness methodology provides detailed explanations for each stage of maturity benchmarked against each of the six principles. This allows clients to understand the status of their current approach to fraud risk management, where they would like to get to in the future, and what industry best practice looks like.

‘Defined’ is generally the minimum standard in order to make out the reasonable procedures’ defence, however, this does still carry risk. As a result, the organisation should aspire to an ‘advanced’ or ‘optimised’ state.

Maturity Rating	
Optimised	Processes and controls are fully integrated and refined. Proactive approach, suitably resourced and cutting-edge use of technology and data. Highly adaptable to change.
Advanced	Processes and controls are integrated and refined with regular monitoring and review. Focus is on continual improvement. Data driven with evidence of embedded metrics and advanced use of technology.
Defined	Standardised and formally defined and documented processes and controls. Good oversight, accountability and governance processes in place. Good use of technology and data. Performance metrics in place.
Basic	Basic processes and controls are in place, documented and repeatable. Elements of consistency, some metric capture and use of data, but primarily informal and reactive.
Limited	Lack of consistency, structure and documentation. Informal approach. Reactive and ad hoc when processes are in place. Limited or no controls.

FRAUD RISK ASSESSMENT - DETAILED APPROACH

Phase 1 - Mobilisation and Review

During the mobilisation phase, we will establish ways of working and define the approach for each project phase.

Key activities include:

- Understanding the organisation - Reviewing relevant documentation (e.g., reports, investigations, audits, policies, and procedures) to gain insights into business structure, activities, and fraud risk exposure.
- Assessing fraud risk management - Identifying high-risk business areas and evaluating the current fraud risk management approach.
- Reviewing supply chains and stakeholder relationships - Conducting a high-level assessment of associated persons to understand external and internal fraud risks.
- Planning Phase 2 - Defining the scope and number of workshops required.

The output of Phase 1 will be a project plan outlining next steps.

Phase 2 - Fraud Risk Assessment

As part of Phase 2, we will introduce a Fraud Risk Questionnaire, which will be sent to workshop attendees and key stakeholders prior to sessions. This tailored questionnaire builds on the Phase 1 document review and helps to further prioritise key fraud risks the business may face.

Using the outputs from Phase 1 and the questionnaire responses, we will collate fraud risks across the organisation and develop tailored pre-reads for the workshops.

We will conduct a series of workshops with relevant functions to:

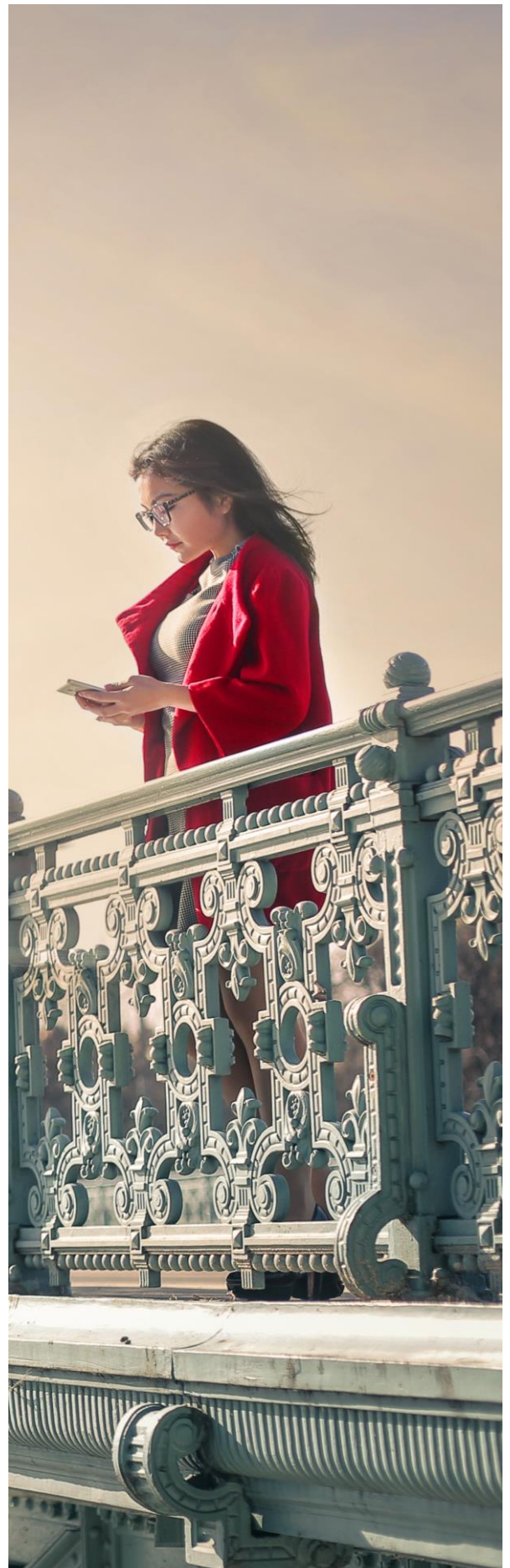
- Validate the fraud risks faced by the organisation focusing on those associated persons that have the opportunity, rationalisation and motivation to commit fraud.
- Provide education/training on the nature of fraud, the fraud triangle, and, where applicable, the failure to prevent fraud offence.
- Assess inherent risk scores for identified risks.

The fraud risk assessment can focus on the base offences where the organisation benefits from fraud and also where the organisation is a victim of fraud.

After the workshops, we will produce a Fraud Risk Register that captures identified fraud risks and inherent risk scores.

For organisations also refreshing their bribery risk assessment (under the Bribery Act), this can be combined with the fraud risk assessment as part of an overall review of adequate/reasonable prevention procedures.

The output of this phase will be a Fraud Risk Report, including the Fraud Risk Register.



FRAUD RISK ASSESSMENT - DETAILED APPROACH (2)



Development of the Fraud Risk Report

The report is centred around the Fraud Risk Register and will include an Executive Summary bringing out the key risks as well as clarity over next steps and recommendations.

The Fraud Risk Report will include:

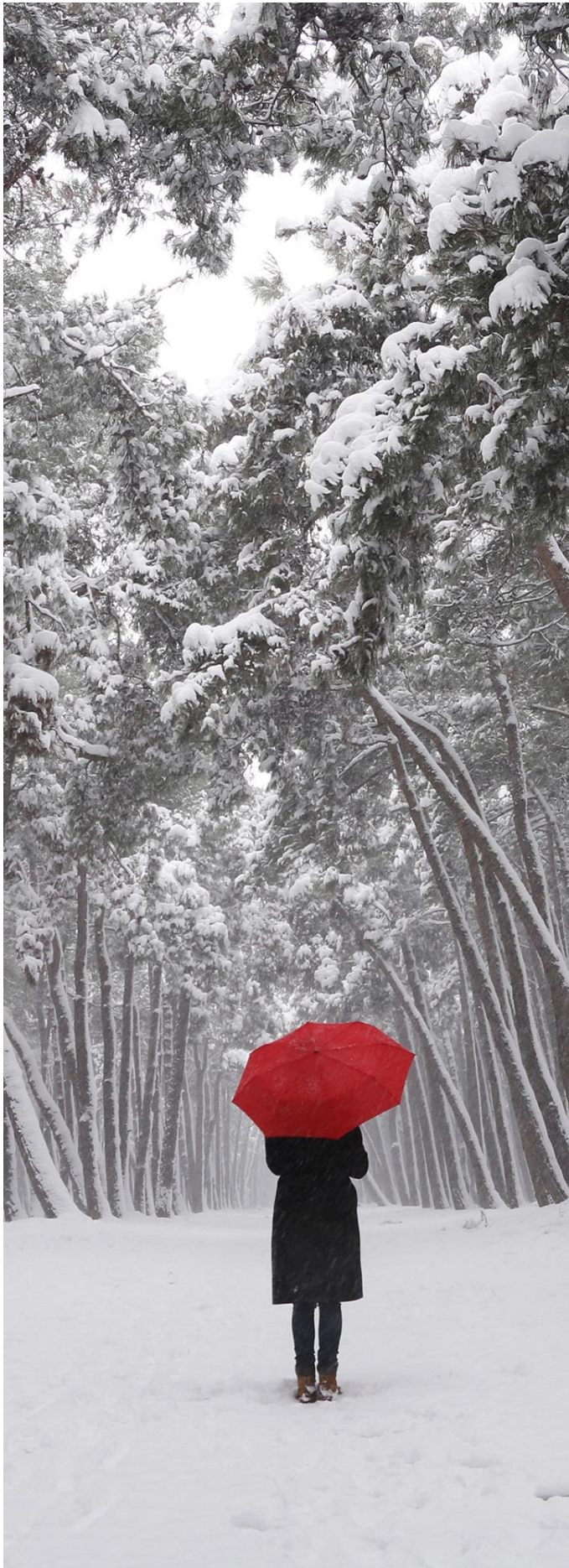
- Introduction and reminder of objectives and scope.
- Executive Summary including high level findings and observations, overview of the key risks and recommendations, and prioritised actions to take forward.
- Fraud Risk Register - listing identified fraud risks in recognised RaCM - risk and controls matrix format. This is intended to be a living document that is subject to periodic review and refreshed on a regular basis.
- Detailed overview of recommendations.
- Appendices including overview of legislation, risk assessment methodologies, definitions and organisational structures and key stakeholders.

Commercials

Our proposed fees for completing a detailed Fraud Risk Assessment will be based upon the relative size and complexity of the organisation and number of workshops required. For more information on this please get in touch through the contacts and details at the end of the brochure.

In addition, organisations may also choose to purchase our BDO Fraud eLearning module to roll out across the organisation. As per our BDO Store [website](#) we offer an off the shelf version for £3850 and branded and customised for £4650 (both exclusive of VAT).

FRAUD RISK ASSESSMENT - FAST-TRACK APPROACH



How our Fast-Track Approach Works

Our fast-track fraud risk assessment is a proportionate and cost-effective way to conduct an organisation wide fraud risk assessment. It is designed for clients to benefit from our subject matter expertise in getting started with an assessment of fraud risks in specific areas, benefiting from our insights and guidance, and thereafter enabling staff to be more involved in taking ownership and completing the fraud risk assessment and follow up actions.

Our fast-track approach focuses on one cross-functional workshop, following which we provide the tools and tips for the organisation to complete the assessment.

Phase 1 - Mobilisation and Review

During the mobilisation phase, we will establish ways of working. Key activities will include:

- Understanding the organisation - Reviewing relevant documentation (e.g., reports, investigations, audits, policies, and procedures) to gain insights into business structure, activities and fraud risk exposure.
- Assessing fraud risk management - Identifying high-risk business areas and evaluating the current fraud risk management approach.
- Reviewing supply chains and stakeholder relationships - Conducting a high-level assessment of associated persons to understand external fraud risks.

Phase 2 - Fraud Risk Assessment

We will use discussions from Phase 1 and the document review to focus on relevant fraud risks in the agreed areas and develop a tailored pre-read for the workshop.

Next, we will conduct a 2.5-hour fraud risk workshop. The scope will be agreed in Phase 1 and will focus on key risk areas for the business. Examples could be Finance, Procurement and HR. The workshop will cover:

- Introduction and overview of ECCTA and Associated Persons
- Breakout into tailored discussions by function to validate the list of fraud risks and scenarios and gather views on the level of exposure of the risks to the business.
- Reconvene as one group to wrap up and capture trends and themes across the discussions.

FRAUD RISK ASSESSMENT - FAST-TRACK APPROACH

Phase 2 - Fraud Risk Assessment (cont)

Following the workshop we will create a templated fraud risk register (in traditional RaCM format) that:

- Captures the key fraud risks identified.
- Categorises whether these are frauds where the organisation can be a victim or benefit from the fraud
- Identifies typical expected controls to mitigate the fraud risks.
- Includes columns for completion by the organisation: actual controls; risk rating, owners etc.

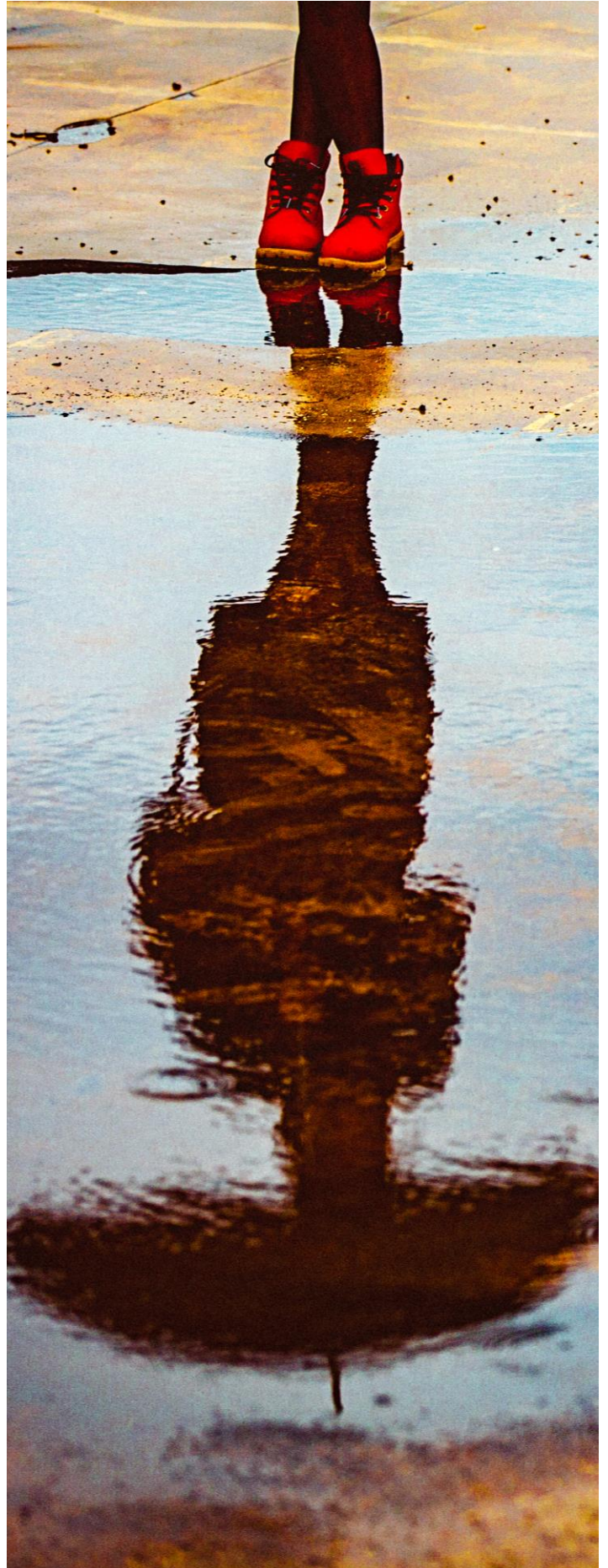
To assist the organisation to complete the templated risk register we will provide a short report with key themes and findings from the fraud discussions and workshop, relevant templates, workshop materials and access to our database of fraud risks and expected controls that the organisation can use to further discuss applicable fraud risks.

Once an organisation has completed the fraud risk assessment, we can provide further support in relation to a Controls Gap Analysis and Fraud Framework implementation.

Commercials

Pricing for our fast-track approach to fraud risk assessment is a cost-effective way to complete an organisation wide fraud risk assessment and recognises that the organisation has responsibility to complete elements of the assessment. Where additional support is required beyond the production of the short report and templated risk register this will be priced separately. For more information on this please get in touch through the contacts and details at the end of the brochure.

In addition, organisations may also choose to purchase our BDO Fraud eLearning module to roll out across teams. As per our BDO Store [website](#) we offer an off the shelf version for £3850 and branded and customised for £4650 (both exclusive of VAT).



FRAUD CONTROLS AND FRAMEWORK IMPLEMENTATION

Phase 3 - Fraud Risk Controls Gap Analysis and Remediation

Having conducted either a detailed or fast-track fraud risk assessment we can conduct a Controls Gap Analysis which involves:

- Identifying expected controls to mitigate the fraud risks previously identified.
- Conducting a gap analysis between the expected controls and the current controls in place, including an assessment of the design of current controls.
- Liaising with relevant functional staff to perform residual risk scoring which will be considered against the organisation's risk appetite to determine appropriate next steps and actions.

Following the gap analysis, we will:

- Propose remediation steps and recommendations to improve the existing controls.
- Review the gap analysis results in relation to management's assessment of the priority of identified risks.

Phase 4 - Implementation of a Fraud Prevention Framework

Our approach to supporting the development of your fraud prevention framework can either follow our detailed or fast-track approach. Where the detailed approach is chosen this will likely incorporate a detailed fraud risk assessment and controls gap analysis followed by the implementation of remediation plans from Phase 3, focusing on building a robust fraud prevention framework.

Our fast-track option is a more cost-effective approach to build a fraud prevention framework for organisations who remain keen to meet the expectations of the legislation. This approach will likely follow a fast-track fraud risk assessment and will incorporate a high-level readiness assessment followed by provision of our core templates and eLearning module listed below. These can be tailored to your organisation as required:

- Fraud Policy
- Speak Up Policy
- Fraud Prevention Plan
- Fraud Response Plan
- Fraud Board reporting template
- Typical internal messaging/communication on Fraud Risk
- Fraud Supplier Due Diligence Checklist
- Standard Fraud contract clauses
- Contractor Fraud Declarations

This framework build can be integrated with other compliance risks or developed as part of an Ethics & Compliance maturity review.

The output from this phase is a tailored fraud prevention framework aligned to regulatory expectations and business needs.



ABOUT BDO

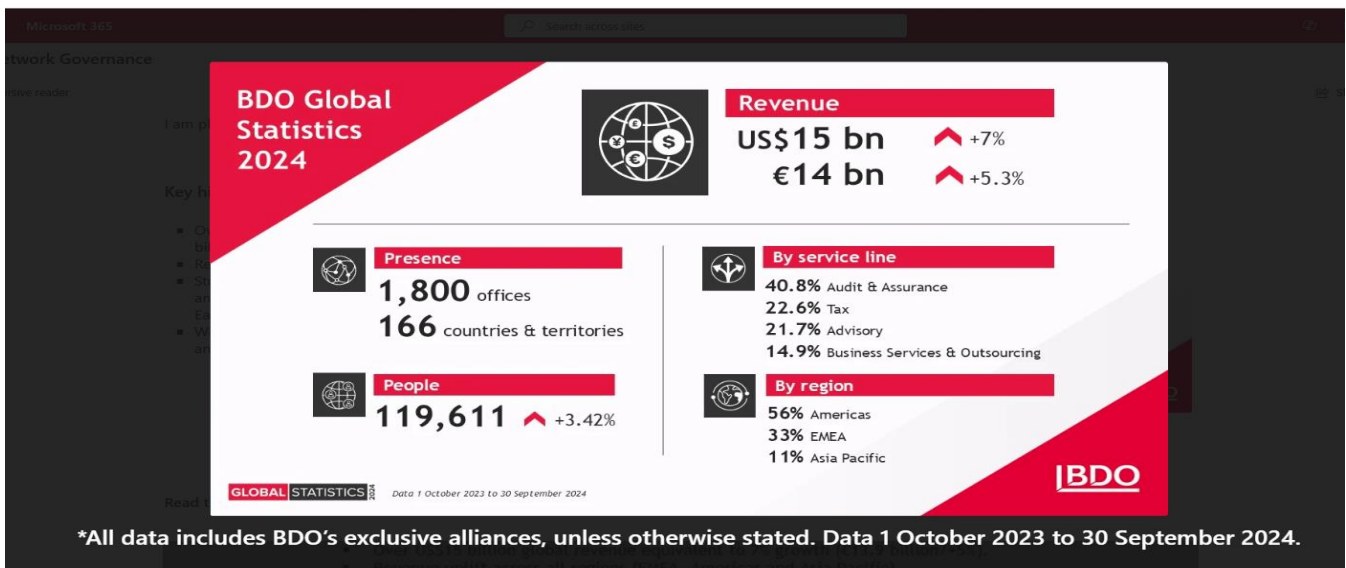
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In addition, BDO is a truly international firm, operating in **166 countries with a global turnover of US\$15bn**. We have an extensive global network. All firms in the network are required to meet a high-quality standard in terms of both the work they conduct and the client service experience. We offer the full range of services you would expect from a firm of our size. These service offerings, along with our approach, allow us to develop a deeper understanding of the environment in which our clients operate and give knowledgeable advice.

Our aspiration has never been to be the biggest; we want to be the first choice for our clients. The way we do business means that we place considerable emphasis on the type of people we employ and ensure that we support them fully so that they are best placed to deliver an excellent level of service for our clients. Our culture and characteristics are our core strengths, and we have developed a series of values at work to help preserve and build on these strengths.

They are being **BOLD, RESPONSIBLE, GENUINE AND COLLABORATIVE**. These values are fundamental to our approach and underpin how we work with each other and our clients. We are proud of our people and the way we work with our clients at all levels to deliver a truly bespoke and high-quality service.



FOR MORE INFORMATION:

Fiona Raistrick

fiona.j.raistrick@bdo.co.uk

Paul Hockley

paul.hockley@bdo.co.uk

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