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Failure to Prevent Fraud
Economic Crime and Corporate Transparency Act 2023

Demonstrating Reasonable Fraud Prevention Procedures

February 2026



BDO

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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 and management 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 at the same time must ensure compliance with specific fraud prevention requirements.

The offence came in full effect on 1 September 2025 and from that date, organisations are 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.

Our approach

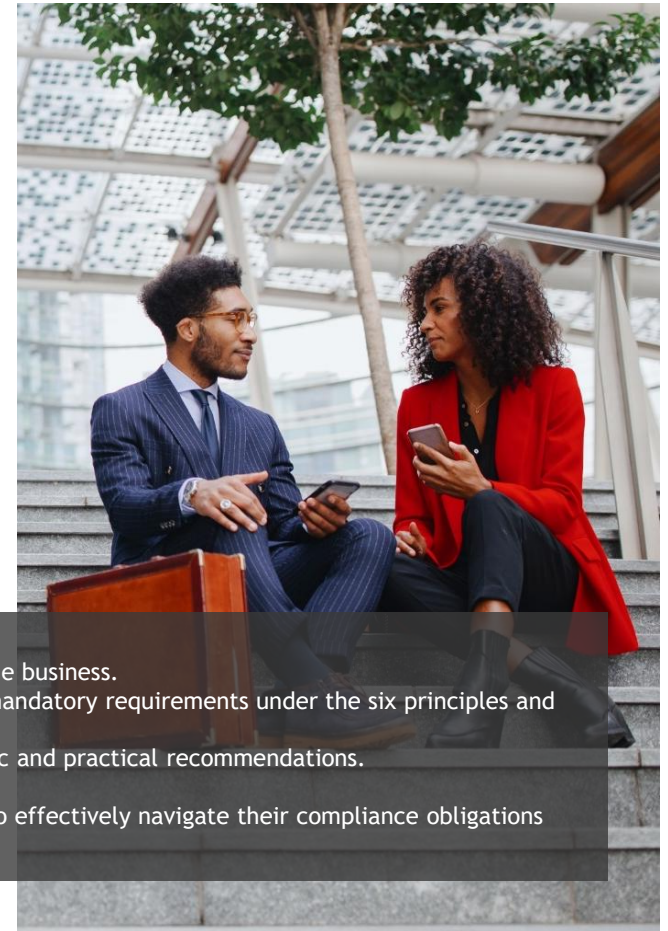
This document outlines how BDO is helping clients develop reasonable fraud prevention procedures to mitigate the risk of fraud and build a robust fraud risk management framework proportionate the risk they face.

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 mandatory requirements under the six 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 prevention of 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 risk profiles and operational contexts.



1. Top level commitment

- ▶ 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.

2. Risk assessment

- ▶ 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.

3. Proportionate prevention procedures

- ▶ 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.

4. Due diligence

- ▶ 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.

5. Communication (including training)

- ▶ 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.

6. Monitoring and review

- ▶ 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.

Scope

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

- ▶ Turnover in excess of £36m
- ▶ Total assets - more than £18m
- ▶ Number of employees - more than 250

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

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

Defence

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

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

Strict liability

Conviction for underlying fraud not required.



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.



BDO Fraud Prevention Framework aligned to the 6 ECCTA (FTPF) Principles

ECCTA (FTPF) 6 Principles

-  1. Top level commitment
-  2. Risk assessment
-  3. Proportionate risk-based prevention procedures
-  4. Due diligence
-  5. Communication (incl. training)
-  6. Monitoring and review

BDO Fraud Prevention Framework

- 1. Engage with the business**
 - ▶ Leadership, tone from above / top level commitment and culture
 - ▶ Promotion of ethical decision making
 - ▶ Training, communication and awareness
 - ▶ Controls built into systems and processes
- 2. Fraud risk assessment**
 - ▶ Assessment of fraud exposure
 - ▶ Business activity driven fraud risk assessment
 - ▶ Identification of high-risk areas for mitigation
- 3. Fraud risk and controls framework**
 - ▶ 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
- 4. Assurance and reporting**
 - ▶ Fraud analytics and monitoring
 - ▶ Fraud Investigations
 - ▶ Governance and reporting
 - ▶ Continual improvement / review

Our services - at a glance

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. FTFP gap assessment

Our 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 FTFP gap assessment 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 FTFP gap assessment can be integrated with reviews of other "failure to prevent" offences (e.g. bribery, tax evasion) or a broader assessment of an economic crime prevention 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 a detailed 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. We can also support you in undertaking a comprehensive risk assessment covering the three "Failure to Prevent" legislations namely:

- ▶ Failure to prevent bribery,
- ▶ Failure to prevent facilitation of tax evasion, and
- ▶ Failure to prevent fraud

Our Risk Assessment helps you demonstrate evidence of the six principles and highlights key risks for management to prioritise mitigating actions.

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. Additionally, we can help you build the foundation of your fraud risk management framework wherein we can tailor our core framework templates and eLearning module for you.

Our templates align with the 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.

The module is available in three options:

- ▶ Standard version - £3,850 + VAT
- ▶ Branded & customised version - £4,650 + VAT
- ▶ Branded combined eLearning module, covering tax evasion, bribery and FTFP - £7,500 + VAT

These modules support compliance with the training expectations outlined in the Home Office guidance.



[Click here to access the BDO fraud elearning module](#)

FTPF gap assessment

Our FTPF gap 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 offence to take place within the organisation.

We use a three-stage process as set out below, using our FTPF gap assessment methodology to benchmark against each of the six 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 FTPF gap assessment against the requirements of the six principles.

Our FTPF gap assessment 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

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 of the engagement

Phase 2 - fraud risk assessment

As part of Phase 2, using the outputs from Phase 1 and based on the understanding of your business, 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 / or motivation to commit fraud.
- ▶ Provide education/training on the nature of fraud, the fraud triangle, and, where applicable, the failure to prevent fraud offence.
- ▶ Facilitate assessment of inherent risk scores for identified risks.
- ▶ Document mitigating actions for the identified risks.
- ▶ Facilitate assessment of residual 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, mitigating actions and 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.

Phase 3 - development of the fraud risk report

The report is centred around the Fraud Risk Register and will include an Executive Summary highlighting key risks recommendations and clear next steps.

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.
- ▶ 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 key stakeholders as well as workshop attendees.



Fraud controls and framework implementation

Phase 3 - fraud risk controls gap analysis and remediation

Having conducted a 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 own 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 is agile, proportionate and aligned to the Home Office guidance. Leveraging our experience of working with you following FTFP gap assessment and Risk assessment, we can support you build the following policies, procedures and implementation framework tailored to your organisation as required:

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

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



BDO: big enough to make a difference, close enough to care

BDO is one of the UK's largest professional services firms, with **17 offices** across the UK and more than **460 partners** working with over **8,000 staff**. In addition, BDO is a truly international firm, operating in **166 countries** with a **global turnover of US\$16bn**.

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.



BDO UK

17 OFFICES **8,000 PEOPLE**

91% OF OUR CLIENTS
SAY IT'S EASY TO WORK WITH US ¹

2024/2025 RESULTS:
£1.01 billion ²

1. BDO Tax & Advisory Client Experience Survey - 2025
2. Gross Revenues for BDO LLP

BDO INTERNATIONAL

2024/2025 REVENUES **US\$11 billion** MEMBER FIRMS ONLY
INCLUDING ALLIANCE FIRMS: US\$16 billion

169 COUNTRIES & TERRITORIES **870 OFFICES**
94,900 STAFF

All numbers updated as of 10 December 2025

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