

Embargoed until 00.01 hrs Friday 27th October 2006

Whitehall Attitudes ‘Crippling Fight Against Fraud’

The Government is failing in its duty to protect the citizen from fraud because it refuses to spend the relatively small sums required. Independent watchdog the Fraud Advisory Panel highlights what it calls “a failure of the state” in *Which Way Now? Evaluating the Government’s Fraud Review*, published today as the public consultation period closes. Financial crime is officially recognised as costing the country at least £16 billion a year, £655 for every household.*

Panel Chairman Rosalind Wright, a former Director of the Serious Fraud Office said “The Review recognises that the harm caused by fraud is second only to the trafficking of the most dangerous drugs. But Whitehall’s words, however bold, are no longer enough. The Home Office and the Treasury refuse to make fighting financial crime a priority despite its huge impact on ordinary people and business, particularly small firms. The Review’s proposals will prove pointless unless they are properly financed.”

The Review’s Interim Report (March 2006) contains findings of fact which amount to a crushing indictment of current policies.

- There is “a lack of willingness by police forces to accept reports of fraud outright” because of “a lack of capacity...even when reports are taken little is done with them”.
- “Whether a fraud gets investigated can depend on whether the victim can organise and finance the investigation...The chance of a low or medium value fraud against the private sector being investigated is very small”.
- There is “poor information about the scale, nature and extent of fraud and the harm it causes to the economy and society”.

- “There is no national policy for tackling fraud” and this results in uncoordinated activities that fail to make the best use of resources.

The Review’s final report adds that “many” uninvestigated serious frauds include “cases involving organised crime and possible terrorist connections”.

The Review produces a comprehensive package of recommendations for strengthening the police response to fraud (including the creation of a National Fraud Squad); tasking a national authority to co-ordinate public and private sector initiatives; establishing a centre to receive and analyse crime reports; and major improvements in the way courts handle fraud cases. The maximum bill for these measures runs to £27 million a year. Savings of public expenditure are estimated at between £23 and £37 million.

Ros Wright said that “Given the known facts about the financial cost and human damage caused by fraud it is frankly ludicrous to argue that such monies could not be found.”

The Review’s figures prompt a number of questions about current Whitehall priorities. Since, for instance, it would cost only £14.5 million a year to double the number of police officers in fraud squads why have quite so many cases gone uninvestigated? A National Fraud Squad would cost £2 million.

The Panel, which is supported by the Institute of Chartered Accountants, also draws attention to what Mrs Wright describes as “Whitehall’s obsession with getting the private sector to pick up the bill for fighting crime. Business already pays tax; co-operation is one thing but law enforcement is, and must remain a state function. Of course we recognise that public money is a precious

commodity but protecting the citizen is the basic purpose of government and cannot be transferred to other organisations”.

For Further Information

- Caroline Florence (ICAEW Press Office) on 020 7920 8564
- *Which Way Now?* can be downloaded from www.fraudadvisorypanel.org. Printed copies are available from Mia Campbell on 020 7920 8721; info@fraudadvisorypanel.org;

Note for Editors

* A report by NERA for the Home Office in 2000 estimated that fraud cost at least £13.8 billion a year. Updating for inflation means a current cost of £16 billion a year, or £655 for every household. This is almost certainly an underestimate. Figures are from The Fraud Review’s Interim Report.

1. The Fraud Advisory Panel is a registered charity which raises awareness of the immense social and economic damage caused by fraud and helps private and public sectors, as well as the public at large, to fight back. It was established in 1998 by the Institute of Chartered Accountants in England and Wales (ICAEW) which continues to provide valuable support. Since its foundation the Panel has:

- Raised the profile of fraud helping to push the issue up the policy making agenda
- Developed major proposals for the reform of policing, prosecution and the law; many of these have found their way into the Fraud Review
- Worked to improve business and professional education and training
- Commissioned important new research, for instance on the extent of fraud, cybercrime and the risk to SMEs
- Raised awareness through conferences, seminars and the media.

Members include representatives from the legal and accountancy professions, industry associations, financial institutions, government agencies, law enforcement, regulatory authorities and academia.

2. The Fraud Review’s brief was to “recommend ways of reducing fraud and the harm it does to the economy and society”. Published in July it proposes 62 measures for consideration by ministers. Public consultation closes on 27th October 2006.

The Fraud Review’s Final and Interim Reports are available from the Legal Secretariat to the Law Officers: http://www.lso.gov.uk/fraud_review.htm