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## **THREE IN FOUR FRAUD PROFESSIONALS BACK MANDATORY FRAUD REPORTING, REPORT FINDS**

**Three in four fraud professionals believe that reporting frauds committed against organisations should be mandated in England and Wales in a bid to stamp out a crime which costs billions each year, a new report published today (WEDNESDAY 22 SEPTEMBER 2021) has found.**

Fraud is the UK's most common crime, but under current legislation there is no requirement in England and Wales for a company to report fraud to law enforcement and little incentive for them to do so unless a criminal prosecution is sought, the Fraud Advisory Panel and the UK Chapter of the Association of Certified Fraud Examiners, said.

A study of 200 fraud professionals, commissioned from Perpetuity Research by the two organisations, found that two-thirds of those backing mandatory fraud reporting believed it should be compulsory in all instances, irrespective of the financial impact. [1]

Some 37% thought that the failure to report fraud should be a criminal offence. [2]

Less than a third of respondents thought mandatory reporting was only suitable for frauds that were financially material to an organisation. [3]

Nearly three-quarters of respondents backed the introduction of new wide-ranging legislation as a way to facilitate mandatory fraud reporting. New fraud-specific legislation and expanding existing legislation were supported by 69% and 65% of respondents respectively. Just 31% of respondents favoured the introduction of mandatory reporting through corporate governance, such as an annual fraud return or similar. [4]

Company boards should have a duty to report fraud, closely followed by senior management and auditors, respondents said. [5]

However, those who took part in the survey were sceptical about the number of prosecutions that would be brought for failure to report fraud, pointing to the current low level of fraud prosecutions in the UK. [6]

**David Clarke, Chairman of the Fraud Advisory Panel, said:**

“Fraud is the UK's most common crime and costs our economy billions a year, but there is no legal requirement for businesses in England and Wales to report a fraud to law enforcement.

“We need to raise our collective game very substantially to meet the enormous challenge that fraud poses, and this will require key changes, including the possibility of mandatory fraud reporting.

“This report is an important first step in the debate about how mandatory reporting could work and we will continue to engage with those working in fraud protection to find effective ways to tackle this problem.”

### **Overcoming barriers to reporting fraud**

The administrative burden would need to be addressed before mandatory fraud reporting could be introduced, the study found, while reputational damage was also seen as a barrier for the majority of those surveyed. [7]

Some businesses feared being perceived as a ‘soft’ target and would be targeted further by fraudsters and other criminals if they reported they had been a victim of fraud. Others were concerned about reprisals by regulators and insurance companies.

Just under two-thirds also felt that having to deal with the consequences of fraud once it had been reported would stop some people from supporting mandatory reporting. [8]

### **Tim Harvey, of ACFE UK Chapter, said:**

“We are pleased to be able to fund this project. Taken in the round, these findings point again to the urgent need for a cohesive approach to tackling fraud based on sound strategy and sufficient resources. The survey finds strong support for the idea of a statutory approach to mandatory reporting but there’s also plenty of scepticism about its likely vigour and rigour, as well as a belief that complementary change is needed to help organisations manage their concerns about their reputation and resources.”

### **Professor Martin Gill, of Perpetuity Research, said:**

“We commend the Fraud Advisory Panel and the ACFE for tackling this controversial matter. The pros and cons of suspicious activity reporting (SAR) for anti-money laundering are well understood, but little is known about how, or if, something similar could work for fraud. What the people involved in tackling fraud actually think about mandatory fraud reporting should be central to that debate, but no-one had asked them, until now.”

**ENDS**

## Notes to editors

1. Of the 75% of respondents who said the reporting of fraud should be mandatory, 68% thought it should be for all frauds.
2. 39% disagreed that failure to report fraud should be a criminal offence.
3. 32% said mandatory fraud reporting should only be for frauds that are financially material to an organisation.
4. At 73%, introducing all-crime legislation was cited as the most popular mechanism for introducing mandatory fraud reporting.
5. 79% said company boards should have the responsibility to report fraud if mandated, while senior management (54%) and auditors (42%) were also mentioned.
6. 63% said the number of prosecutions brought for failure to report would be low, while 8% believed they would not be low.
7. 89% said the ease of reporting would be crucial to the success of mandatory reporting, while 83% said reputational harm and long-term damage it could do to their organisation and brand was a barrier to reporting fraud.
8. 61% felt that having to deal with fraud once reported would be an impediment to supporting mandatory reporting.
9. This small-scale research project had four parts:
  - a. a review of relevant documentation;
  - b. one-to-one interviews with fraud experts (including from countries where the requirement is already enshrined in law);
  - c. a survey of people active in different areas of tackling fraud or with an interest in fraud (the 209 responses included extensive feedback);
  - d. a thought leadership webinar followed by an online roundtable discussion with invited experts.
10. The full report is available [here](#).

## About Fraud Advisory Panel

Fraud Advisory Panel is the voice of the counter-fraud profession, committed to tackling fraud and financial crime. We aim to strengthen fraud resilience by championing best practice in fraud prevention, detection, reporting, investigation, and prosecution. We do this through education, advice and research.

Our members come from a wide range of professions and sectors but are united by their determination to counter fraud. This diversity gives us knowledge, experience and authority.

Founded in 1998 by ICAEW, the Fraud Advisory Panel is a charitable company limited by guarantee registered in England and Wales (charity number 1108863; company number 04327390).

[fraudadvisorypanel.org](http://fraudadvisorypanel.org)

## About the ACFE

The ACFE is the world's largest anti-fraud organisation and premier provider of anti-fraud training and education. With 85,000+ members, the ACFE is reducing business fraud world-wide and inspiring public confidence in the integrity and objectivity within the profession.

The UK chapter was formed in 1996 following the closure of what was originally the ACFE European Chapter. Since then, we have been growing in strength with more than 1,200 members and rising. [acfeuk.co.uk](http://acfeuk.co.uk)

### **About Perpetuity Research**

Perpetuity Research is a leading research company with wide expertise in both quantitative and qualitative approaches. We have extensively involved in evaluating 'what works' (and what does not). Our work has involved helping our clients to understand people's behaviours, perceptions and levels of awareness and in identifying important trends.

Our mission statement is 'committed to making a difference', and much of our work has a practical application in terms of informing decision-making and policy formulation. [perpetuityresearch.com](http://perpetuityresearch.com)