

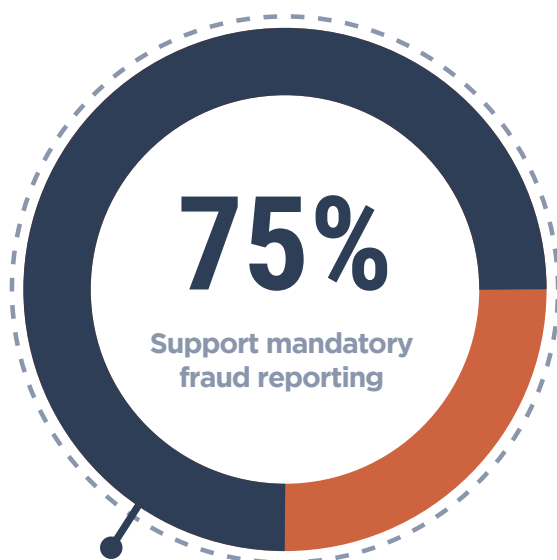
The mandatory reporting of fraud:

Is now the time to make fraud reporting in England and Wales compulsory?

The ACFE UK Chapter and Fraud Advisory Panel have sought the views of directors, managers and professionals active in tackling fraud. As part of a broad-based investigation in June 2021, Perpetuity Research conducted an online survey of opinions. A total of 209 responses were received.¹

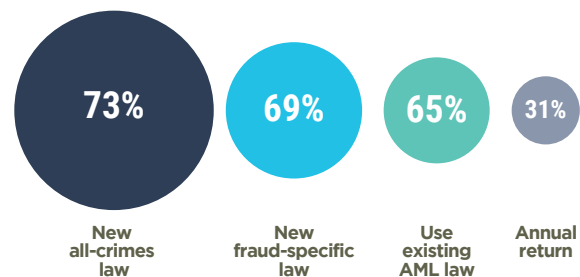
Mandatory reporting

Legislation is greatly preferred to a corporate governance approach.

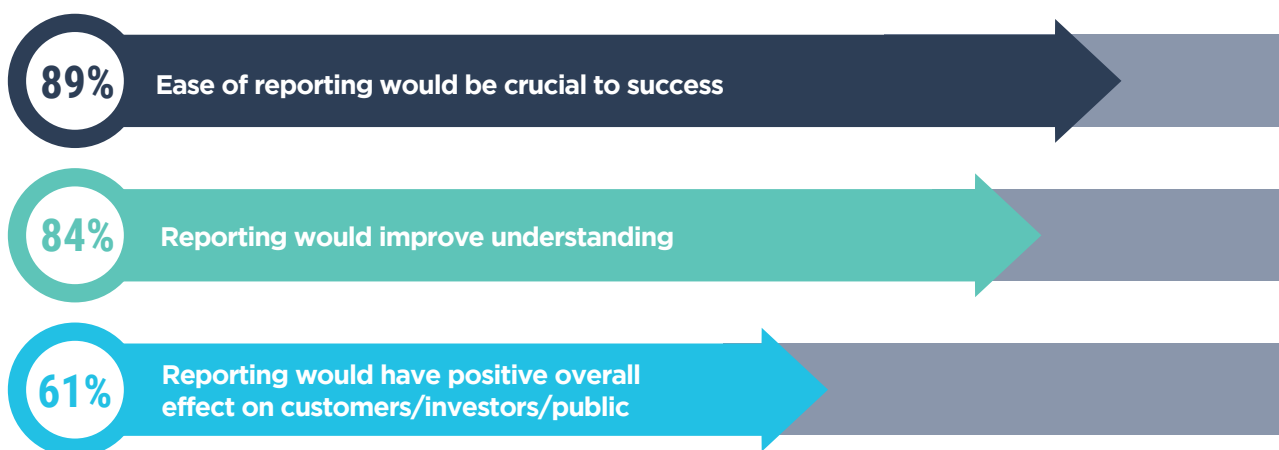
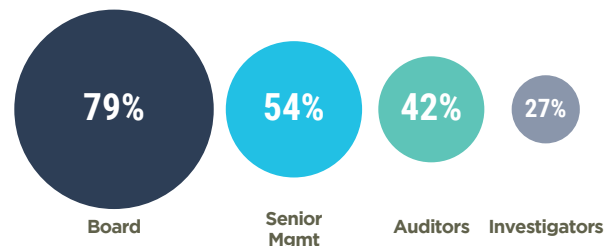


68% all frauds
32% materially-significant fraud only

How should reporting be achieved?



Who should be responsible for reporting?



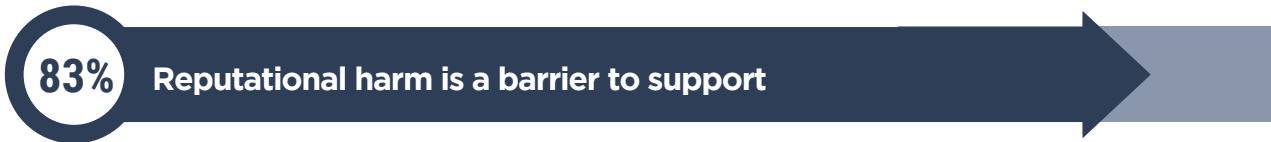
Pros:

- Better understanding of prevalence and nature of fraud
- Better overall impression of fraud
- Move fraud up the government's agenda
- Enable more and better intelligence for policing
- Encourage organisational responsibility

Cons:

- Greater administrative burden for organisations
- Police resources already overwhelmed
- Existing reporting requirements already high
- Current reports not used to optimal effect

Organisational culture and behaviour



Statement

Response

Agree Disagree Neither Not Sure

Mandatory reporting of fraud would be supported by honest organisations.



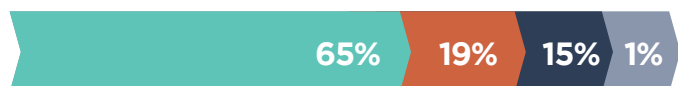
The mandatory reporting of fraud will encourage more organisations to proactively manage the risk of fraud.



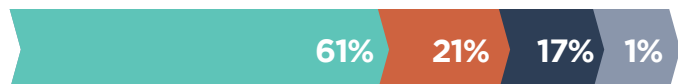
Organisations may not support mandatory reporting of fraud because they believe nothing will happen with the information reported.



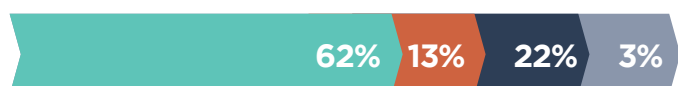
Organisations may not support mandatory reporting of fraud because they think it will reflect badly on their management team.



Organisations may be put off supporting the mandatory reporting of fraud because it would mean they would have to do something about it.



Making fraud reporting mandatory may result in organisations making returns which lack meaningful detail, just to avoid the risk of prosecution.



Even if you made the reporting of fraud compulsory, organisations would somehow avoid it.





- Yes, all organisations should be required to investigate all frauds.
- No, it should be left to the organisation to decide on the appropriate course of action.
- It would depend on the nature and size of the fraud, as well as the capacity of the organisation.
- Not sure

Failure to report fraud

Should failure to report fraud be made a criminal offence?



37% Yes 39% No

63% expect few prosecutions for failing to report, because ...

- Fraud prosecution rate already low
- Not a government priority
- Prosecutors focus on easy wins

Overcoming reporting barriers

What needs to be done before mandatory reporting is introduced?

- Promote benefits of reporting
- Adapt organisational cultures
- Consider administrative burden
- Address fears of reputational harm
- Address fears of reprisals or being seen as soft target
- Consider how to manage expectations after a report

The experiences of other jurisdictions show that a new legislative framework must also set out clearly:

- Overall aims and objectives
- What should be reported, when and by whom
- Defences and exemptions
- Sanctions for non-compliance
- Resourcing

Countries with legislation on mandatory reporting



Ireland



South Africa



Scotland

We call on government to:

1.

Make tackling fraud a national priority and provide the resources to do it properly.

2.

Champion the importance of managing fraud as part of good corporate citizenship.

3.

Streamline existing mechanisms to make reporting fraud easier.

“ Make reporting of fraud simple and quick, with clear [and] simple guidelines.

“ [We] need greater transparency to hold directors accountable for taking no action.

“ Fraud is on the increase and we need to start taking it seriously and tackling it effectively.

Profile of respondents

Role



- 47% Manager/ head of department
- 26% Director
- 8% CEO
- 19% Other

Sector



- 57% Private
- 22% Public
- 19% Third
- 2% Other

Staff Size



- 48% >500
- 25% 500 - 4,999
- 27% < 5,000

¹ N=209 responses were received to a survey of counter fraud professionals and others with an interest in fraud. A series of one-to-one interviews were also held with fraud experts in England and Wales and elsewhere, along with a thought-leadership webinar and online roundtable discussion.

