

Accountancy Sector Fraud Charter

Assessment of fraud threats in the accountancy sector

The accountant's role in relation to fraud

Fraud now represents over a third of all UK crime. Whilst the proportion of fraud that involves an accountant or the accountancy sector may be small, the role that an accountant plays can be important:

- Controlling an organisation's finances makes an accountant a potential target for fraudsters;
- As trusted advisors, accountants or accountancy firms can be the victim of impersonation fraud where a fraudster is looking to add legitimacy to a scheme;
- Unscrupulous accountants with access to client monies, bank account and/or financial records have an opportunity to commit fraud that others would not; and
- Accountants in practice are ideally placed to both identify fraud during the course of providing services, including book-keeping, accounts preparation, tax advice, assurance reviews, controls reviews and audit, and to educate their clients on fraud risks to look out for.

This charter sets out a set of actions that government and the accountancy sector can deliver in partnership to close the following vulnerabilities that fraudsters may exploit:

Fraud data for the accountancy sector: Unlike for *money laundering*, law enforcement does not conduct an annual *fraud* threat assessment for the accountancy sector which makes it difficult to quantify the current and emerging fraud typologies impacting the sector (addressed by action 1).

Disparities in fraud resources: The accountancy sector is hugely diverse, featuring qualified and unqualified accountants, 13 professional bodies (with non-members being required to register with HMRC for money laundering supervision), and firms ranging in size from major global firms to sole practitioners. As a result, the types of fraud each accountant will encounter will differ, as will the resources and training available to them to identify and prevent fraud. (2).

Misrepresenting the accountant: Due to their reputation for honesty and integrity, having an accountant's and/or firm's name associated with certain information or activity lends legitimacy to that information or activity. Fraudsters prey on this fact. The current statutory role of the Companies House registrar is limited in terms of checking or querying information on the register. This may allow financial statements to be filed fraudulently using the details of an accountant without their knowledge (3).

Changing customer behaviour: As trusted advisers to their clients on many issues, including fraud, together with their direct relationships with organisations' finance functions, accountants are ideally placed to educate their clients (4).

Actions to tackle fraud in the accountancy sector

Action (1) – Improved information regarding fraud		
Objective: To drive greater transparency of fraud threats across the accountancy sector	Action: The government will commission an accountancy sector fraud intelligence brief that identifies major fraud risks. The accountancy sector and law enforcement will work together to ensure that relevant threat information is shared between law enforcement and the sector on an ongoing basis. Government will consider whether further actions are required to address fraud risks in the sector based on the intelligence brief.	Outcome: The sector and law enforcement have an improved shared understanding of the threat and the sector has information that can help educate its practitioners.
Action (2) – The fraud awareness toolkit		
Objective: To provide a repository for information to help all accountants in combatting fraud.	Action: The professional accountancy bodies will create a toolkit which will be accessible to all accountants that might include: Fraud training, guidance to identify red flags in clients and engagements, signposting to useful sources of fraud information; a fraud flyer suitable for clients; and improved victim support.	Outcome: A toolkit is available to aid all practitioners in combatting fraud.
Action (3) – Enhancing Companies House data		
Objective: To reduce the level of fraudulent information hosted on Companies House.	Action: To complement the ongoing Companies House reforms, the Home Office will work with BEIS, Companies House, and the accountancy sector to ensure an open dialogue for the purposes of suggesting Companies House enhancements.	Outcome: Suggestions fed into reforms ultimately improve the reliability of Companies House data.
Action (4) – Increase fraud awareness and change customer behaviour		
Objective: Plan and execute education campaigns to raise consumer awareness and reduce vulnerability.	Action: The accountancy sector will work with law enforcement and the government in developing and delivering a cross sector education strategy, participating in a public and private sector strategic communication steering group and agreeing to utilise existing campaigns to provide a more consistent message to the public.	Outcome: Increased fraud awareness through cross sector education strategy, changing customer behaviour to reduce fraud.

Signatories

This voluntary charter is supported by the following Professional Bodies:

- BDO
- AAT
- ACCA
- AIA
- CIOT
- CIMA
- ICB
- ICAEW
- CAI
- ICAS
- IFA
- ATT
- IAB