The auditor’s role in combating money laundering

An attitude survey among Swedish auditors

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Thank you!

Adam Ringh       Sharare Sultani

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Abstract

Background: As a tactic of combating money laundering, auditors have been introduced as guardians and enforcers of the laws, due to their insight into company affairs. However, as shown by the Finance Police, it is rare that auditors report suspicions on money-laundering activities. That is, despite the obligations imposed on the profession, their share of total number or report files each year a very small fraction.

Aim: When investigating the infrequent reporting by auditors, it all boils down to a seeming expectation gap. As such, the aim of this study has been to test that hypothesis, by conducting an attitude survey among Swedish auditors, as we believe the attitude towards the obligations to have an impact on the tendency to report.

Method: The perception of auditors on their role in combating money laundering and the hypothesized expectation gap between the audit profession and the state in its legislative capacity was explore through the use of a questionnaire sent to 68 authorized or approved auditors within three different categories of firms; big-four firms, second tier firms and small local firms in Stockholm and Uppsala.

Conclusion: We cannot with certainty draw conclusion on whether the auditors’ perceive themselves as having an obvious preventive role in the fight money laundering due to ambiguous answers, but there seem to exist a somewhat opposed attitude toward the suggested duty to detect money laundering during audits. Nevertheless, traces of an expectation gap were found in this study. However, with a sample size of 20 respondents, we cannot make generalizations without careful consideration. As such, the findings of this study should be regarded as indicative rather than definitive.
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### Definition of terms

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<th>Swedish</th>
</tr>
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<tbody>
<tr>
<td>The Economic Crimes Bureau</td>
<td>Ekobrottsmyndigheten, EBM</td>
</tr>
<tr>
<td>The Crime Prevention Council</td>
<td>Brottsförebyggande rådet, BRÅ</td>
</tr>
<tr>
<td>The Financial Supervisory Authority</td>
<td>Finansinspektionen, FI</td>
</tr>
<tr>
<td>The Financial Police</td>
<td>Finanspolisen, FP</td>
</tr>
<tr>
<td>The Supervisory Board of Auditors</td>
<td>Revisorsnämnden, RN</td>
</tr>
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CHAPTER 1

“Where large sums of money are involved it is advisable to trust nobody”
Agatha Christie

Money, money, money

For a large number of serious crimes, at least the ones involving a certain level of contemplation, the motivation is most often the acquirement of and control over money (Rider, 1996; FATF, 2014). This is particularly the case when the organizations surrounding the criminal activities in many respects resemble business organizations, with the understandable need for money in order to maintain their operations (Rider, 1996). Consequently, money is not only the goal of criminal activities; it is also their livelihood (Ibid).

The significance of money in this double sense does, in turn, make money laundering a consequence of practically all profit-generating criminal activities, as money laundering facilitates the consumption of the profits without exposing the source of the money (FATF, 2014). Money laundering is conducted as a tactic to hide the fact that the money derives from criminal actions by entering the money into the financial system, through which the money becomes legitimate with no apparent connection to illegal actions (Reuter and Truman, 2004). The Financial Action Task Force (FATF), which is an inter-governmental standard-setting body in the fight against money laundering, argues that money laundering may cause large socioeconomic impacts, as “successful money laundering damages the integrity of the entire society and undermines democracy and the rule of the law” (FATF, 2014). Furthermore, and most profoundly, money laundering is intricately associated with the underlying criminal activity that caused it. Hence, money laundering is supporting the continuance of criminal activities (FATF, 2014; FI, 2013b).

In Sweden, as well as in most countries around the world, money laundering is believed to be extensive. It is however argued to be difficult, if not impossible, to with any accuracy determine the magnitude thereof (FATF, 2014). In 1998, the International Monetary Fund estimated that the cumulative size of money laundering internationally can be somewhere between two and five percent of the total gross domestic product of the world (FATF, 2014; FI, 2013c). Applying these
ratios from 1998 on the world’s total gross domestic product from 2012, it would translate into a range between USD 1.4 billion and USD 3.6 billion\(^1\), with the lower amount roughly equaling the value of the total production of an economy the size of Spain (FATF 2012).

Like most kinds of felonies, however, money laundering is not new to society (Rider, 1996); as stated by Madinger (2012), “the need to dispose of the wages of sin is ancient” (p. xviii). Nonetheless, contemporary money launderers are most probably rather more sophisticated in their concealments of criminal proceeds than, for instance, Al Capone and his accomplices in the 1920s\(^2\) (Rider, 1996; Madinger, 2012; IRS, 2014). Suffice it to say that the objectives and fundamental approaches are the same: to conceal the source and, thereby, the nature of the money through transactions, actual or fictional, “designed to confuse the onlooker and confound the inquirer” (Rider, 1996, p.234). As stated by Clarke (1990), the offense can therefore easily be sheltered by the functional normality of an organization and the legitimacy of the perpetrator, making it difficult to differentiate the fictional transactions from the actual ones. As such, very few crimes are discovered, as they often take place within environments to which the authorities rarely have access (BRÅ, 2004).

The natural question that arises is therefore: what can the legislature do in circumstances like this? As stated by the Crime Prevention Council, the situation appears without doubt desperate, particularly as it is problematic to intimidate offenders with threats of prosecution and severe punishment, as the detectability of the crimes is small. According to Korsell (2004), one solution is for the legislature to recruit a third party, who has the capacity and opportunity to detect and report crime – a party to whom access to accounts are granted, and who has the intention of illuminating irregularities within a company. Korsell (2004) argues that the legislator may find a preventive force in such a third party. The auditor of a company may be that third party (Ibid.).

\(^1\) Statistics for 2012 show the total gross domestic product of the world to total up to approximately USD 72.4 trillion.

\(^2\) The term "money laundering" does supposedly originate from the U.S. in the 1920’s when the Italian mafia and its front figures such as Al Capone evidently laundered criminal proceeds through ownership of Laundromats (IRS, 2014).
The Preventive Force

Auditing serves an essential purpose in verifying and giving credibility to the financial information provided by the management of a company (Audit Quality Forum, 2005). In addition to creation of credibility, the reduction of economic crime does also constitute a special purpose of auditing; given the special insight auditors have into a company's operations (Precht, 2008). According to Precht (2008), the Swedish act on auditing, in its current version, was introduced by the Swedish government in 1983 with the aim of reducing economic crime. It is also stated by the Economic Crime Bureau that auditors are of great importance for combating economic crime, both in terms of the prevention of economic crime and the notification thereof (EBM, 2004).

Alongside its supervisory function, auditors were in 1999 assigned an additional duty, which is to notify any suspected crimes for criminal prosecution (BRÅ, 2004; EBM, 2003). Furthermore, based on a EU Directive on money laundering from 2001 that expanded the circle of occupational categories with reporting obligations to also include auditors (2001/97/EC), the Swedish act on money laundering was amended to incorporate auditors as of 2005 (EBM, 2004). In a government bill issued prior to the amendment of the act, it was suggested that auditors should be able to find transactions that may be part of money laundering and consequently detect suspected money laundering during an audit, which motivated the amendment (Prop. 2003/04:156). As such, the auditing profession has been given a greater responsibility through this extension, as the authorities in many cases may be dependent on the auditors' assessment and reporting obligations (FI, 2013b).

However, while imposing such responsibilities, the laws and regulations do not require auditors to actively search for money-laundering activities, which may be somewhat contradictory. The requirements do rather entail a responsibility to follow up on suspicious transactions that are found within the scope of the audit (FAR, 2012). What further complicates these anti-money laundering responsibilities is the fact that in Sweden money laundering does not constitute an independent crime, which it does in many other countries (Finanspolisen, 2012). Under the current act, the *Act on Measures against Money Laundering and Terrorist Financing* (SFS 2009:62)

3 Additional amendments of the Swedish act on money laundering was implemented in 2009 based on the EU
derived from criminal activities (EBM, 2011). Nonetheless, regardless of the expression of the current act and the specification on the obligations of the audit profession, it can be argued that there are certain expectations on the profession regarding the fight on money laundering. That is, inter alia, due to the fact that the profession is included among the occupational categories with reporting obligations, which we argue to be logical given the profession’s great insight into internal conditions of companies.

Yet, despite this insight and the expectations imposed on the profession, it is reported to be rather rare that auditors report suspicions on money-laundering activities (FI, 2013a). In 2013 the parliamentary journal Riksdag & Departement published an article that treated the low reporting rate among, inter alia, auditors. It was stated that during the four years that had passed since the last amendment of the act in 2009, only a "handful" of reports had been filed by auditors, accountants and lawyers. The article refers to the Financial Supervisory Authority’s report from 2012, where it was stated to be difficult to see that the sectors that have a zero or very low reporting rate generally would have a satisfactory compliance with the money laundering regulations (Riksdag & Departement, 2013).

According to statistics compiled by the Financial Supervisory Authority, 11 594 reports concerning potential money-laundering activities was received by the authority during 2012, of which only 5 where from auditors. This in contrast to banking operations and monetary exchange companies who during the same year filed 7079 and 1 917 reports, respectively (FI, 2013c, p.5).

The table herein below shows the spread of the proportion of reports filed by auditors, banking operations and monetary exchange companies annually during 2009-2012⁴.

<table>
<thead>
<tr>
<th>Year</th>
<th>Auditing</th>
<th>Banking</th>
<th>Monetary exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>8/9137</td>
<td>3275/9137</td>
<td>1749/9137</td>
</tr>
<tr>
<td>2010</td>
<td>7/12218</td>
<td>4005/12218</td>
<td>3721/12218</td>
</tr>
<tr>
<td>2011</td>
<td>4/11461</td>
<td>6493/11461</td>
<td>1636/11461</td>
</tr>
<tr>
<td>2012</td>
<td>5/11594</td>
<td>7079/11594</td>
<td>1917/11594</td>
</tr>
</tbody>
</table>

Table 1. Proportion of reports filed 2009-2012.

directive 2005/60/EC, which in addition to measures against money laundering also includes measures against terrorist financing (Prop. 2008:09/70)

⁴ See appendix 6 for the full table.
Given the figures above, we argue that a certain level of caution seems to be prevailing among auditors when it comes to reporting suspicion of crime, despite the general perception of the audit profession as a crime preventing – or at least controlling – body. This discrepancy between expectancies and practice is believed to involve an expectation gap, which by Larsson (2005, p.55) is explained as a divergence between “what tasks the auditors can and should perform, and what tasks the general public, the state or other interested parties expect them to perform.” In this particular case, the hypothetical expectation gap would be between the audit profession and the state in its legislative capacity (i.e. legislators and regulators).

There are very few studies to be found on the subject of money laundering and the expected role of the auditor in the prevention thereof, especially in Swedish contexts. Besides, the studies that are available are rather old. The lack of contemporary relevant studies might perhaps be explained by the fact that the auditor's role in this context not always has been obvious, or that it is not distinguished in relation to other occupational groups with reporting obligations. However, for two aspiring auditors that we are, and given the above-mentioned vast implications of money laundering, we consider it to be interesting to learn more about the role of auditors in this context and to get a better understanding of underlying factors for the relatively low notification rate among the profession. By doing so, we aim to be able to contribute to the debate with an increased understanding of the auditor’s capacity and motivation to participate in the fight against money laundering.

As an approach of trying to understand these underlying factors, we believe it to be necessary to begin by investigating how performing auditors themselves perceive their role in combating money laundering. This thesis is thus something of an attitude survey with the aim of studying how member of the audit profession’s relates to the obligations imposed on them, as we believe the attitude towards the obligations to have an impact on the tendency to report. By investigating the attitude of auditors’ we believe to be able to recognize whether an expectation gap exists in this context, which in turn can lay the groundwork for further studies on the low notification rate among auditors. Hence, in order to bring clarity to this issue, the following questions are asked:

- How do auditors perceive their own role in combating money laundering?
- Is there an expectation gap between the audit profession and regulatory bodies?
Limitations

As mentioned above, the current Swedish act is called the Act on Measures against Money Laundering and Terrorist Financing (SFS 2009:62). It has the purpose of preventing financial corporations and other businesses to be used for money laundering or terrorist financing. The focus of this study is, however, solely on money laundering and consequently, terrorist financing is left outside of the scope of this study.

Furthermore, the act contains both administrative and criminal regulations. The administrative regulations are essentially preventive in nature, whilst the criminal regulations seeks to punish those who have carried out money laundering activities and to forfeit criminal exchanges (FI, 2013). As the aim of this study is to explore the auditors’ role in the fight against money laundering, the focus is on the administrative regulations of the act.
CHAPTER 2

"I can't believe what a bunch of nerds we are. We're looking up "money laundering" in a dictionary."
(Office Space, 1999)

Chapter Summary

In this chapter a presentation of the theoretical framework has been made. The presentation comprises a compilation of definitions of money laundering and conceptualizations of the role of the audit profession in that context. The definitions and conceptualizations, supplemented with notions from prior studies, have all served as a foundation for the development of our study, and have also constituted a support for interpretations of its results. As the compilation shows, when investigating the few notifications filed by auditors, it all boils down to a seeming expectation gap. By studying the attitude of auditors’ on their reporting obligations, we believe to be able to recognize whether an expectation really exists between the audit profession and the state in its legislative capacity.

The literature review in this chapter contributes to the identification of key concepts, based on which the survey has been built and which helps to – within the theoretical model that the literature review has culminated to – analyze the results of the survey. Amongst these key concepts are the auditors’ opinions as to what falls within the scope of the work tasks of the profession, the knowledge of not just their responsibilities but also rights in connection with their reporting obligations, the attitudes to become or be perceived as informers of the state, the dynamics between auditors and their clients, the notion of the so-called Suspicion steps, and particularly, their understanding of money laundering in specific. We have divided these findings/key concepts under their specific heading in the table below, for an easy overview.
Through our theoretical review we found some explanations to our hypothesized expectation gap between regulatory authorities and the audit profession. One explanation can be the difficulty of the task for auditors, as several authors’ points out how problematic it can be to trace money laundering activities, if these activities are well hidden or not having a direct influence on the audited financial statements (Clarke, 1990; Melnik 2003; BRÅ 2011). Another reason for the low notification rate is that auditors’ feel that they have to be truly certain about their suspicions of crime before they notify authorities (BRÅ, 2004). On the other hand, auditors’ are seen as one of those preventive forces that are most likely to encounter money laundering due to their insight of clients financial activities (He, 2010; Melnik, 2003). Auditors’ also have the risk of losing clients if they notify the police, which can have a negative effect on the willingness to notify. However, He (2010) argues that auditors’ would be more likely to report suspicions if the notifications were made to their self-regulatory bodies.

A relevant comparison regarding our research question about if an expectation gap exists can be made with Porter’s study (1993). Porter (1993) argue that the reasonableness gap exist due to deficient standards or because of auditors’ poor performances. The comparison in this case is the ambiguity in the money laundry regulation, which could be an explanation for the potential expectation gap from authorities to the profession. Whereas the audit profession is mentioned in
the law (SFS 2009:62) and the profession has been pinpointed in propositions as a preventive force (Prop. 2003/04:156), auditors’ do not need to actively search for money laundering when performing an audit (FAR 2012). Consequently, the regulations or its implementation could perhaps be a reason for the hypothesized expectation gap.

With all these previous discoveries at hand, we have a few explanations that might illuminate our hypnotized expectation gap. Conversely, some of these descriptions are rather old, and there is somewhat of an ambiguity in previous research. As such, the purpose of conducting this study is to either confirm or deny previous findings on the subject, but above all, to apply previous and newly gained insights on a Swedish context.

Our literature review helped us single-out a few themes to consider about when writing our questionnaire (for a full view of our questionnaire, see appendix 1). To exemplify this, we were inspired by He’s (2012) argument about auditors’ unwillingness to notify suspicions to the police. Thus, this lead us to ask about if auditors had any other preferences on how to report suspicions regarding money laundering. Another example is, BRÅ (2011) who showed that notifications about money laundering from the real estate industry increased after further education within the occupation, which led us to ask auditors’ about their level of further education on money laundering.

With our developed questionnaire, we wanted to investigate the current status of the matter, after the introduction of new laws and recommendations, but also how the situation looks like in Sweden. How this was done have been described in chapter 3 and 4.
Defining Money Laundering

This section describes money laundering, and the methods of money laundering that auditors are likely to find during their auditing role. To begin we want to answer the question why people launder money. Schneider (2004) argues that there are three primary aims of why money laundering is being done. First, illegal income is laundered to a less suspicious front. Second, the laundering produces an appropriate justification for the illegal money. Third, illegal income and its owners are hidden. These three aims can be summed up to wants of spending illegally acquired money in the regular, legitimate economy, and hiding all traces of illegal activities on the way.

The term money laundering has no specific defined explanation in academic literature, instead there are several different views and definitions (Reuter and Truman, 2004). In this paper we use the definition that money laundering is the process of making illegally acquired money appear legitimate. The process of money laundering is often differentiated into three steps (Reuter and Truman, 2004; Masciandro et al., 2007; Schneider, 2004). The first step in the money laundering process is known as “placement”, which basically means that illegally acquired money enters the financial system; i.e. the money is most often moved into bank accounts (Schneider, 2004). The first step is the most difficult one to achieve for criminals as it could lead to suspicion when conducting placements of larger amounts of money, and this is particularly true regarding cash as it is tough to hide and can give the wrong impression (from the criminals' point of view).

The second step in the process is “layering”, which is a means to try to erase the illegal origin of money that is being laundered. Layering is achieved through intricate transactions, most frequently by e-transactions, and commonly through different nations to make it problematic to see from where the money originated. Schneider (2004) claims that how "clean" (in other words – legitimate) the money will look depends on the complexity of layering. It could be problematic to follow these chains of transactions, and it is therefore a lower risk for the criminals than in the initial placement.

The last step in the process is “integration”, which means that the money will be integrated back into the legal financial system. When the money is integrated it can be seen as laundered and can
be used as capital to spend. This step is about making it appear as the laundered money has a natural explanation for being where it is. Reuter and Truman (2004) use a simple example of chips being bought at a casino, and when the chips are being redeemed a receipt will be given to make it look as if the laundered money came from a legal win at a casino. However, the integration is often more complex and achieved through the means of for example shell companies that appear to have a normal business operation when their turnover in fact could be solely from money laundering (Masciandro et al., 2007). A further explanation of such methods follows below.

Shell companies/Front companies

A way to launder money can be to create shell or front companies. Shell companies are created so these companies can receive money from illegal activities (Reuter and Truman, 2004; He, 2012). He (2012) exemplifies this with a corporation that fabricated its transactions, and the accountings of the firm were all false. Such a company is called a shell company. Thus, a company can launder money and then use salaries as a means of getting money to seem legitimate. Another similar way of laundering money is if you (or someone you are connected to) have an illegal side activity to your regular and legitimate corporation, which is called a front company. In this type of money laundering the launderer tries to blend the illegal money with regular income in the company (Reuter and Truman, 2004). The difference between shell companies and front companies is that shell companies do not have any other reason to exist than money laundering (He, 2012). The only larger cost with these types of money laundering is taxes, and of course there are taxes both for company income and also for payments to the bogus employees (Reuter and Truman, 2004; He, 2010).

False invoices

If a company is being used for money laundering purposes one method for the corporation to launder money is to falsify their invoices. Reuter and Truman (2004) use an example with a firm that sells a product or a service, but the firm also receives extra cash from illegal sources. That company then modifies their copy of their invoices, which makes it appear genuine for the company to have that extra amount of money in their accounts. Companies could also in another way just generate a totally false invoice and put it in their accounts.
Regulations Against Money Laundering

The regulatory system against money laundering tries to prevent companies and financial institutes from being used in money laundering schemes. The previously mentioned FATF is an inter-governmental standard-setting body that came into existence as collaboration by the G7 countries in 1989. The purpose of the organization was to fight economic crime, mainly money laundering and the financing of terrorism. FATF is an interest group that is being normative in these matters, and produces recommendations for policies and regulations regarding financial crime. FATF recommended for financial institutes, auditors etc. to have a more extensive customer due diligence for new clients. In practice this extensive customer due diligence process is conducted to ensure the identities of clients when starting a business relationship or customers when receiving an isolated larger transaction (FI, 2014). The relationship can be started by both parties, it is however the responsibility of auditors’ to control the identity of their clients.

The Swedish legislation on money laundering is based on EU legislation and the money laundering directives adopted within the EU. The aim of the directives on money laundering have been to present a framework by which the member states jointly can take action against money laundering, since money laundering is stated to often be carried out on an international level, meaning that the measures taken on a national level will have limited effects (EBM, 2004). Furthermore, it is stated that those who intend to engage in money laundering activities have turned to occupational groups and procedures that were not covered by the 1991 Directive (Ibid.) Consequently, the 2001 Directive, 2001/97/E, which laid the foundation for the 2005 amendment of the Swedish Money Laundering Act, expanded the circle of occupational categories with reporting obligations, with one of these categories involved being auditors (EBM, 2004; Prop. 2003/04:156). In the preliminary work to amendments to the Swedish acts on money laundering it is apparent that the government generally considers that “the particularly serious nature of money laundering” and the auditors' ability to detect crime in connection with an audit justifies the extension of an auditor's reporting obligations to include “criminal procedures of money laundering character” (Prop. 1998/99:19, p. 67; Prop. 2003/04:156). It was suggested that since the audit is conducted subsequent of the transactions of a company, it is then usually possible to assess whether the transaction constituted part of a criminal act (Prop. 2003/04:156).
However, despite the identified serious nature of money laundering, it does not constitute an independent crime in Sweden (Finanspolisen, 2012). Under the current act, one can only be punished under the provisions of helping others to launder money derived from criminal activities, such as by hiding away the capital or by increasing opportunities for others to preserve the capital or its value (EBM, 2011). Moreover, in order to prosecute someone for laundering criminal proceeds of others evidence of a predicate offense is required, which obviously impedes prosecutions (Finanspoisen, 2012). A person, legal or natural, can thus not be punished for “self-laundering”, which is laundering of his or her own criminal proceeds, as the law stands today, but they can be punished for laundering criminal proceeds of others (Ibid). However, the Swedish government has proposed a new act regarding money laundering, which will make it clearer that money laundering in fact is an independent crime, and will in particular imply that self-laundering will be criminalized (Justitiedeparementet, 2014). These alterations in the act will, if accepted by the parliament, come into force 1 July 2014 (Ibid.).

The main focus of the current act is the previously mentioned enforcement of strict client identity inspections. This means that for example banks are obliged to ask their customers to show identification. Banks and other institutions must be sure of who their customers/clients are and what kind of business they conduct. The Swedish act against money laundering also states that all professions that are included in the enforcement against money laundering are obliged to report their suspicions to the police if they still are uncertain after their own investigations (SFS 2009:62). The professions that are especially mentioned with this law enforcement are lawyers, auditors, accountants, brokers and everyone in bank and insurance sector, as well as all businesses that receives a transaction of over € 15 000 or several transactions that seems to be linked together (SFS 2009:62).

**Previous studies on money laundering**

Since the introduction of the notification requirement in 1999, many studies have been conducted on auditors’ attitude to and implementation of the requirements (BRÅ, 2004). Studies on auditors in connection with their obligations under anti-money laundering regulations are not as common however. Yet, we have found a few studies, extracts from which will be presented below.
Moreover, we believe the studies on the notification requirements to be applicable here as well, as auditors’ obligations to report on money laundering partially falls under the notification requirement.

The common denominator for the found studies is its focus on the expected role of the auditors and the auditors’ own perception on this role, which make the studies highly relevant. Melnik (2003), for instance, discusses the increasing importance of the audit profession in anti-money laundering activities due to recent company scandals, and argues that the responsibilities of the profession will continue to be extended. That is, as argued by the author, because the audit profession is considered most likely to be exposed to money laundering activities due to its professional function as examiners (Melnik, 2003). In the same spirit, Grumet (2006) discusses the features of the role of auditors, and suggests that great expectations are put on the profession by governments and legislatures, due to the mere definition of the audit function. He (2012) argues that audit firms should have clear regulations concerning money laundering because auditing is a profession who is likely to find suspicious transactions due to their insights in their clients firms. As discussed by Larsson (2005), auditors as a crime preventing function has been a persistent idea in Sweden for decades, and the introduction of the notification requirement was taking one step closer to that goal.

By placing auditors on top of the list of professionals most likely to gainfully find and report money-laundering activities (Melnik, 2003), the flipside of the coin is the fact that auditors naturally are questioned any time money laundering is revealed, as argued by Grumet (2006). As such, a number of studies have shown that the audit profession itself has not been particularly pleased with these modifications of their role. That is, modifications that intend to transform the role of the profession from providers of confirmation of “the validity of the accounts as presented by companies”, to one that is supposed to provide a “seal of approval for the transactions included in them” (Private Banker International, 1999).

As shown in the study of Larsson (2005), auditors do not want to become “informers or state representatives”, as that would undermine the trust in and independence of auditors. Furthermore, the study showed that reporting requirements were believed to be external to the natural
competence of auditors, as it compels them to make judgments on criminal law and is thus to impose too much responsibility on them (Larsson, 2005; BRÅ, 2011.). The same type of criticism has been directed at anti-money laundering obligations, which are argued to entail tasks foreign to the core obligations of auditors and are thus believed to be difficult to implement (Private Banker International, 1999). In a study conducted in Italy, it was held by auditors that the work of auditors involves taking samples of transaction, why anti-money laundering obligation were considered to be difficult to meet, as it requires more invasive controls of transactions (Ibid.). A reason for that is that money laundering is stated to not having a direct effect on financial statements (Melnik, 2003). Another explanation put forward is the shape in which transactions of money laundering presents itself; many undetected money laundering cases are argued to consist of transactions that do not stand out enough from the ordinary business flow. According to the Crime Prevention Council, the entities and actors obligated to report are often looking for irregular transactions, and it is therefore difficult, if not impossible, for them to identify transactions that do not deviate from the usual pattern (BRÅ, 2011). As mentioned above, the falsified transactions can simply be hidden among all other transactions through the legitimacy of the organization, making it difficult to discover them (Clarke, 1990).

Moreover, studies have shown that auditors’ knowledge of the statutory requirements for the profession regarding notification of economic crime in general, and money laundering in particular, is rather weak (Larsson, 2005; BRÅ, 2004; Melnik, 2003). This raises the question of the existence and scope of further education, which according to Larsson (2005) seems to be relatively low, but undeniably significant. A good example of the impact of education on the tendency to report is shown by the real estate industry, which increased its reporting after having arranged education programs on money laundering legislation (BRÅ, 2011). As for the audit profession, the study by Larsson (2005) showed differences in further education between firms of different sizes; it appears that auditors at Big-4 firms undergo further education to a greater extent than others (Larsson, 2005; BRÅ, 2004).

Some studies have shown that a degree of caution prevails among auditors when it comes to implementation of the regulations. As mentioned above, according to the law, a notification can and should be made even on a low level of suspicion of crime (EBM, 2013). However, studies
show that auditors do not notify until high or very high level of certainty. According to the report of the Crime Prevention Council (2004), four out of five auditors believe that at least 75 percent certainty is required before a suspicion of crime can be reported. As much as one-third of the respondents of that report stated that they require 95 percent certainty before reporting any suspicions (BRÅ, 2004), which may be one explanation for the low frequency of notification among auditors. He (2012) proposes a solution to the potential dilemma for auditors of losing their client relations when reporting suspicions of money laundering to the authorities. The author suggests that auditors should report to their self-regulatory bodies; “To solve this problem, it can be provided that professionals should report their suspicions of money laundering not to enforcement authorities but to their bar associations or other self-regulatory bodies.” (He, 2010 p.29)

Finally, Braithwaite (1997) discusses economic crime committed within a firm and argues that, although it only requires a few individuals to commit a crime within a company, there are many people and systems surrounding the perpetrators who are in a position to prevent it. According to Braithwaite (1997), the category of actors that should be identified and targeted are the “soft targets”, which is described as targets that can readily be deterred from crime and negligence “by shame, or by the simple disclosure of the fact that they have failed to meet some responsibility they bear, even if that is not a matter of criminal responsibility” (Braithwaite, 1997, p.327). A professional category that by governing bodies has been identified as a soft target is auditors, given their concern to stay on good terms with their principal in order to keep their assignments, but have hardly any incentive to participate in a criminal context (BRÅ, 2004). This implies that it, theoretically, should be simpler for the legislator to put pressure on the auditor to come forward (and report suspicions on crimes) than on the perpetrators to admit to have committed the crime (BRÅ, 2004; Braithwaite, 1997).

By imposing a reporting obligation on the auditing profession, the legislature has managed to establish an additional crime controlling function, over which they have great authority (BRÅ, 2004). As such, Larsson (2005, p.) argues that the Swedish legislation is contributing to turning the audit profession into soft targets through the founding of the legislation. By facilitating implementation of the requirements through, inter alia, the rather low level of suspicion at which
the notification requirement comes into force, together with the fact that the auditor cannot be held accountable for damages caused by misjudgments in criminal law provisions, reporting is promoted and the financial risk thereof is reduced (Ibid.). At the same time, however, the legislation constitutes an imminent threat of liability and disciplinary sanctions if suspicions are ignored and the notification requirement neglected, which causes a financial and professional risk (Larsson, 2005). In the eyes of the legislator, the auditor is thus an actor that can be easily compelled to meet the requirements, as that they have little to gain if the crime is successful, but they have very much to lose if they get caught with failing to notify on suspected criminal activities (BRÅ, 2004). The reputation of an auditor is essential in his or her carrier, which is why auditors must protect their “capital of trust” that may be lost in case of an investigation (Ibid.).

As discussed in the first chapter, the expectations and responsibilities imposed on the audit profession in fighting money laundering are not reflected in the reporting frequency of the profession (FI, 2013). What the statistics instead is reflecting is a rather distinctive expectations gap, which appears to be based in differing perceptions of the auditor's role in the context of anti-money laundering efforts.

**Expectations Gaps**

Abel and Gerson (2001) suggest that no other professional body has so much at stake in this combat as the auditing profession does. The reason for this is that money laundering, as mentioned, involves forged financial transactions, and that the fundamental mission of the audit profession is to certify assurance in the financial information of a company and so their commenced transactions (Abel and Gerson, 2001; Grumet, 2006; The Audit Quality Forum, 2005). It is therefore is to be expected that both the public and the state will question the auditors involved and their performances, any time money laundering is revealed (Abel and Gerson, 2001; Grumet, 2006). Criticism is, however, raised against auditors in case of all types of revealed irregularities, and not just in the matter of money laundering. According to Porter (1993, p.49) this, as she calls it, “widespread criticism” of auditors is implying a gap between the expectation that society has of auditors and the performance of the auditors, as perceived by society. That is, an audit expectation gap is occurring.
The expectation gap discussed by Porter (1993) and the other authors presented herein below do admittedly involve expectation gaps between the audit profession and the larger society. However, expectation gap as a phenomenon can, as mentioned above, also occur between other groups, such as the audit profession and regulatory authorities. Hence, we consider the studies presented here to be of relevance and applicable for the purpose of this study. So, we shall proceed.

The first one to apply the term ‘expectation gap’ to the auditing profession seems to have been Liggio, who in 1974 defined the term as the divergence between the levels of “expected performance as envisioned by the independent accountant and by the user of financial statements” (Porter, 1993; Koh and Woo, 1998; Hassink et al, 2009; Fadzly and Ahmad, 2004). Since then, the definition has gradually evolved into entailing the difference between what the public believes the obligations of auditors are and what auditors themselves believe it to be (Hassink et al, 2009; Koh and Woo, 1998). Numerous studies have since then been conducted on this subject, with one of the most elaborated empirical ones carried out by Porter in 1993, through which the author managed to break down the term ‘expectation gap’ into two major components:

1. The reasonableness gap – that is, the gap between what society expects auditors to achieve and what the auditors can reasonably be expected to accomplish.

2. The performance gap – that is, the gap between what society can reasonably expect auditors to accomplish and what they are perceived to accomplish.

Porter (1993) also makes a differentiation within the reasonableness gap. It can either be the standard which is deficient, which leads to a gap between laws and practices within the profession and reasonable expectations. Or it can be a gap due to a poor performance of auditors in the eye of the society, wherein expectations on the profession can be unreasonable high on the profession when compared to what auditors’ in fact can or are allowed to do (Porter, 1993). Moreover, Zikmund (2008) argues that the audit expectation gap is driven by two variables, which are the ability of auditors to detect fraud and the efforts they put in to do so. One explanation to this perceived poor performance of the audit profession in cases of fraud detection is believed to be the personal and often long-term relationships auditors have to their clients.
(Hassink et al, 2009; Zikmund, 2008). The dynamics between auditors and their clients may cause great stress on the independence of auditors, causing them to accomplish their duties at a lower level than can be expected, which in turn results in the emergence of a performance gap (Hassink et al, 2009). Zikmund (2008) argues that even if auditors use several means to try and detect illegal activities when performing an audit the profession might not have the right knowledge to find money laundry activities and its likes, and this lack of knowledge can also increase the expectation gap.

The role of the auditor in fraud cases can, however, also be related to a reasonableness gap, according to Hassink et al (2009). This is explained by stating that business failures associated with fraud seldom relate to systematic problems but rather to individual incidents. For this reason, auditors are not to be expected to detect fraud, as they cannot be expected to “systematically detect fraud based on standard auditing procedures since fraud often has a non-systematic nature” (Hassink et al, 2009, p.86). As such, the authors suggest, this indicates a probable existence of a reasonableness gap, which testifies to unreasonable expectations by the society (Ibid.). Expectations on the audit profession comes from several parties, and according to Zikmund (2008) authorities and clients are two groups that have expectations on the profession to take responsibility and work to find fraudulent activities when performing an audit. Although, Hassink et al (2009) argue that auditors often tries to downplay their own role and their possibilities to detect illegal activities. The profession does not want to take responsibility for such occurrences, and therefore auditors’ tries to push the responsibility matter (and expectations) unto the auditees’ managers or board of directors (Hassink et al., 2009).

The Role of the Auditor

By Swedish law, nearly 15 000 entities are obliged to report obligations provided by the Act on Measures against Money Laundering and Terrorist Financing (SFS 2009:62), which compels different professionals to implement actions against money laundering (FI, 2013; FAR, 2012; BRÅ, 2011). The act covers approved or chartered auditors, registered auditing firms (FAR, 2012), as well as other legal and natural persons engaged in “professional activities related to accounting- and auditing services” (Statskontoret, 2008, p.15; SFS 2009:62, 2 §).
An essential part of this obligation is to closely examine transactions suspected to constitute part of money laundering activities or terrorist financing (FAR, 2012; BRÅ, 2011). In the preparatory work of the act it is stated that this obligation for closer examination shall be assessed based on the business practices of the reporting entity (FAR, 2012). For the audit profession, this implies that the starting point for the examination and reporting obligation should be how an audit normally is performed, i.e. in accordance with good audit practice and professional codes of ethics (Ibid.). As such, an auditor is not required to actively search for misdeeds. It is rather so that if an auditor, within his or her mission, discovers circumstances that give rise to suspicions of money laundering activities, and the suspicion remains after a closer analysis, an auditor should report these suspicions to the police (FAR, 2012; BRÅ, 2011).

In close cooperation the Supervisory Board of Auditors and FAR, the trade association for Swedish accountants and auditors, have developed a declaration on the application of the Money Laundering Act for the audit profession (Revisorsnämnden, 2011; FAR, 2012). The declaration, called EtikU11, outlines the steps an auditor ought to take in order to fulfill his or her obligations under the Money Laundering Act (Revisorsnämnden, 2011; FAR, 2012). The steps outlined are, inter alia, the following:

- Verify the identity of the principal before a business relationship is initiated,
- Take appropriate actions in order to inspect the customer’s ownership and control structure,
- Preserve documents and data from the implementation of measures to achieve customer due diligence,
- Examine and report transactions that the auditor suspects or has reasonable grounds to suspect, to be part of money laundering activities or terrorist financing,
- Provide information to the Finance Police,
- Respect the announcement ban i.e. not to disclose to the customer or any third party that an investigation has been carried out or that information has been given to the Finance Police, and,
- Have internal procedures to ensure compliance with the Act (FAR, 2012).

Furthermore, the declaration asserts that audit firms should establish a comprehensive policy for the prevention of money laundering, and that every firm ought to implement educational
programs on issues relating to money laundering (FAR, 2012). It is stated in §5 of the regulations of the Supervisory Board of Auditors that an auditor must complete at least 120 hours of further education within a three-year period, with a minimum of 20 hours per year (FAR, 2012). These of hours of education shall thus contain education on money laundering and terrorism financing. It is also asserted that those who under the Money Laundering Act provide information to the Finance Police shall not be held liable for having breached their duty of professional secrecy. The informant can thus not be held accountable neither criminally, disciplinarily nor for legal damages, which is a fact that appears not yet to be fully recognized by the profession as auditors to a large extent seem hesitant about reporting (FAR, 2012; BRÅ, 2011).

The Course of Action
As previously mentioned, the intention of the notification requirement is not to force auditors to actively search for offenses, but rather to consider if circumstances observed during the audit process may cause suspicion of a crime (FAR, 2012; EBM, 2013). If so, the principal rule is that the auditor has the obligation to notify the Board of Directors of its discoveries without undue delay. On suspicion of money laundering, however, the auditor shall not, in contrast to other types of crime, inform the Board but instead report to the Finance police (EBM, 2013). Nonetheless, the level of suspicion may vary considerably, which might obstruct the notification process if the auditor finds it challenging to determine whether a report should be made or not (EBM, 2013). For that reason, the so-called Suspicion steps was developed, by means of which various levels of suspicion may be compared to each other in order to facilitate the process (Ibid.).

Figure 1. The suspicion steps (EBM, 2013).
In the Economic Crimes Bureau report from 2013, these different levels of suspicion have been illustrated by the following example:

“A preliminary investigation shall be initiated if there is reason to assume that an offense subject to public prosecution has been committed. As the investigation has reached a point where someone can be reasonably suspected, they ought to be informed about the suspicion when he or she is questioned. Anyone who is suspected of a crime on probable cause may, under certain additional conditions, be arrested and detained. In order for a prosecutor to initiate a legal prosecution that he or she must expect a conviction; the prosecutor must have sufficient grounds for prosecution. Finally, a court may announce a criminal conviction if it finds it to be established beyond reasonable doubt that the defendant has committed the accused act” (EBM, 2013, p.7).

As shown in figure 1, the level can be suspected implies an insignificantly higher level of suspicion than reason to assume, which is the lowest degree of suspicion. This means that the auditor's notification requirement kicks in at an early stage in the suspicion steps and that the auditor accordingly does not have to consider whether a criminal investigation will lead to a conviction or not. In other words EBM suggests notifications to be made more glibly.
CHAPTER 3

"Believe me, money laundering ain't what it used to be. God, do I miss the '80s."

(Breaking Bad, 2010)

The how and the why

In order to reach our goal to contribute with an increased understanding of the auditor’s tendency and motivation to participate in the fight against money laundering, the perception of auditors on this matter and a hypothesized expectation gap between the audit profession and the state in its legislative capacity was explored. This was done through the use of a questionnaire, which is considered suitable when the intention is to generalize on the basis of a limited response group, in order to generate a general picture (Eliasson, 2010; Kumar et al., 1999). That is, as we intended to, with a relatively limited sample of auditors, draw conclusions on the profession’s opinion of its role in the fight against money laundering, the use of a questionnaire was considered well suited. Other benefits of questionnaires are that they enable the gathering of a large volume of data, at a low cost, and that they facilitate comparisons due to its standardized form and structure (Ejlertsson, 1996; Kumar et al., 1999). All the respondents received identical questionnaires; meaning that averages and representative variables could easily be deduced and compared. Furthermore, the questionnaire was self-completed, which has the benefit of eliminating any interviewer effects and thus lowering the risk of contamination of the responses (Bryman and Bell, 2011; Saunders et al, 2009).

Among the disadvantages of questionnaires that can be mentioned is that the respondents are not identifiable and that it therefore is difficult to ensure that the right persons answer the questions (Ejlertsson, 1996; Saunders et al, 2009). However, our questionnaire was an Internet-mediated one, more particularly an e-mail survey, which has the benefit of ensuring high confidence that the intended person was the respondent (Saunders et al, 2009). In contrast to the fact that elimination of interviewer effects is a positive outcome of the absence of an interviewer, the inability to prompt or probe the interviewee is stated as a negative outcome (Bryman and Bell, 2011). As such, to ensure that questions asked were as clear and inclusive as possible, and thereby ensuring the validity of our research, we tested the quality of our questionnaire by conducting a pilot study, which will be described later in this chapter.
As we found it necessary to primarily investigate the auditors’ perception of their own role in combating money laundering, as a part of understanding their abilities and motivations to participate in the fight against money laundering, this study can best be described as a *descriptive study*, which aims at portraying an “accurate profile of persons, events or situation” (Saunders et al, 2009, p.140). Descriptive studies does, however, often constitute part of an *explanatory study*, which also applies here. That is, as we ultimately wish to recognize possible factors contributing to auditors’ lacking tendency to report on money laundering activities, the study can also be described as an explanatory one, with the purpose of studying situations or problems in order to illuminate “relationships between variables” (Saunders et al, 2009, p.591). Through the key concepts acquired from the theoretical framework of the previous chapter, individual factors assumed to contribute to the lack of reporting were developed. The factors are firm size, work experience and level of further education. It was by examining these factors through the use of our questionnaire that the general stance on reporting on money laundering activities was measured, making these factors the independent variables by which the dependent variable was tested. Accordingly, the dependent variable of this study is the auditors’ tendency to report.

**The questionnaire**

The questionnaire was designed in and distributed by Google Drive that has an Internet based platform for surveys. We inserted our questions into the template for the *Google form*, and emailed the link to the form along with accompanying cover letters to our study group.

The questionnaire consisted of 35 questions divided into four different sections. The first section contains background questions, such as age, gender, work experience and size of the firm. Such initial questions are generally an easy way to get the respondents started, as well as a means for us to categorize our respondents in our empirical analysis (Bryman and Bell, 2011). The first two questions, on age and gender, were asked in order to illustrate the demographic distribution among the respondents. The questions on firm size and work experience were asked for analyzing if such factors have any effect on the auditors’ willingness to report. The second section of the questionnaire addresses the occurrence and extent of continuing education; which has the purpose to illuminate whether the low notification rate depends on insufficient knowledge of laws and regulations. The third section covers statements on the responsibilities of an auditor, or more
specifically the section constitutes a list of suggested duties of auditors. By having the responding auditors specify whether they agree that each of the listed duties should be one of an auditor or not, we intended to assess the hypothesized expectation gap. These questions were drawn from Porter’s (1993) study, as we considered her questionnaire to contain several questions worth replicating. According to Ejlertsson (1996), the advantage of replicating studies and using questions previously used in similar surveys is that the questions can be seen as already subjected to quality control and that the results can be evaluated and compared with previous research. To the extent it is possible, we will therefore compare the results of the replicated questions with Porter’s study. As stated by Saunders et al (2009), such comparison can allow the assessment of reliability. Finally, the fourth section targets the auditors’ experiences and view on anti-money laundering responsibilities, and in particular how they perceive their role in the money laundering combat, which seeks to highlight the overall attitudes to their imposed obligations.

Most of the questions in the questionnaire were formulated as statements with structured response options in a four-point Likert scale, which is very suitable for questions measuring attitudes (Kumar et al, 1999; Saunders et al, 2009) as our questionnaire do. The response options are “Strongly disagree” as the first option and “Totally agree” as the fourth and last option. The ones in between are not explicit in the form but corresponds to “Disagree” and “Agree”. The reason for deciding on a four-point scale is that it is common that the respondents choose the neutral response option when an odd number of response options are used, which could make the collected data less beneficial for the purpose of the thesis (Kumar et al, 1999). The advantages of structured response options are, inter alia, that the questions easily can be answered and that it is relatively simple to compile the material. However, a disadvantage may be that the respondents will not find a response option that reflect his or her perception, which can lead to improper or absent responses (Kumar et al, 1999). For that reason the structured responses were complemented with a few open-ended questions. By using open ended-questions, the investigation approaches the depth of a qualitative study (Eliasson, 2010).
The sample selection

The chosen sampling technique for this study have been non-random sampling, which allows sampling based on our subjective judgments (Saunders et al, 2009; Bryman & Bell, 2011). The reason for this choice was that we were interested in looking at potential differences between audit firms of different sizes, in terms of work experience, clientele, the level of continuing education and the level of knowledge of the statutory requirements. The categories of firm we wanted to look into, and among which we expected to be able to discern clear differences, were Big-four firms, second tier\(^5\) international firms and small local firms. As such, random sampling was not considered as good an option for the purpose of our study.

In order to obtain the desired sample of auditors, we chose the method of convenience sampling, which involves the selection of cases that are easily accessible for the researcher (Saunders et al, 2009; Bryman and Bell, 2011). As we over the course of the project recognized the difficulty of reaching auditors willing and/or able to participating in a study, mainly because of the time constraints during the spring months, we chose to primarily contact firms in which we had contact persons in order to increase the chances of getting responses. However, as convenient convenience sampling might be, it is exposed to impact beyond one’s control as the selected cases might introduce bias to the sample, which in turn can result in somewhat weak generalizations, at best (Saunders et al, 2009). Rather, findings of a convenience sampling may primarily be generalized to populations with similar characteristics (Ejlertsson, 1996; Farzad, 2012) As such; the findings of the study should be regarded as indicative rather than definitive (Palmer, 2012). Nevertheless, as stated by Bryman and Bell (2011, p.190), the findings can if nothing else “provide a springboard for further research.”

Within the chosen firms, we only reached out to approved or authorized auditors, which we did because we wanted to assess auditors with several years within the profession and who thus possess considerable experience, as we assume there to be a greater chance that money laundering have been encountered the more one have worked within the field. Admittedly, it can be argued that it is mainly the younger audit associates that performs the groundwork in an audit and are thus more likely to encounter suspicious transactions. However, we decided on approved

\(^5\) In this study, second tier firms represents international audit firms other than the Big-four firms
or authorized auditors, as it is them who most often are appointed to be signing auditors, and thus most probably the ones who in the end decide on whether or not to report suspicions of crime. The respondents were all guaranteed anonymity, and so were the firms. The respondents did indeed have to specify the firm at which they are employed, as we wanted to be able to examine possible differences between the firms. However, the firms have not been specified in this report. Instead, we have encoded them and presented them in order of size as category A for the Big-four firms, B for the second tier firms and C for the small local firms.

**The response rate**

The above-mentioned methods resulted in a sample size of 68 approved or authorized auditors within seven different firms. These seven firms comprises one big-four firm (category A), two second tier international firms (category B), and four small local firms (category C) in Stockholm and Uppsala. This can be compared to the total population of approved and authorized Swedish auditors which is a total of 4 300 (Revisorsnämnden, 2014).

A number of measures were taken in order to reduce the extent of non-responses in our samples. Among other things, we chose to distribute the questionnaire in Swedish with the purpose to minimize the risk that the respondents would not answer all questions due to language barriers regarding professional terminology. Thereby we hopefully minimized the risk of what Ejlertsson (1996) calls internal non-response; that is, the risk that the respondent does not answer all questions. However, the foremost step to take in order to reduce the non-responses is stated to be to sending reminders, in addition to a well-designed questionnaire with an accompanying cover letter (Ejlertsson, 1996; Saunders et al, 2009), which we also did.

Our questionnaire and the accompanying cover letter was sent via email to all 68 auditors on April 8th 2014, and the cover letter stated that the answers are requested within two weeks of that mail was sent out. After passing that deadline, a reminder email was sent out to ask once them again to spare some time to answer the questions, and they were asked to do this within a week. A second and final reminder was then sent out, which also gave one week's notice. Then, about four weeks after the first round of mailings, the results were compiled based on the responses received up to then. A total of 20 auditors responded to our questionnaire, which gives us a response rate of 29,4 percent. This implies that the non-responses group of this study consists of
48 auditors who despite three rounds of mailings did not respond at all. Table 3 below illustrates the response distribution among the firm categories.

<table>
<thead>
<tr>
<th></th>
<th>Big-four</th>
<th>Second tier</th>
<th>Local</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample</td>
<td>11</td>
<td>35</td>
<td>22</td>
<td>68</td>
</tr>
<tr>
<td>Responses</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Non-responses</td>
<td>4</td>
<td>26</td>
<td>18</td>
<td>48</td>
</tr>
<tr>
<td>Response rate</td>
<td>63,6 %</td>
<td>25,7 %</td>
<td>18,2 %</td>
<td>29,4 %</td>
</tr>
</tbody>
</table>

Table 3. Response distribution

As seen in the table, the second tier firms and the local firms have relatively low response rates. However, given the varying sample sizes in the different firm categories, the distribution of the response rates might be rather misrepresentative. Nevertheless, the non-responses needs to be commented on since low response rates may have a great impact on the quality of the study (Japec et al., 1997). Furthermore, if the non-respondents differ from respondents, the results of the study can be rather distorted (Ibid.). The response rate of our study is not fully satisfactory, allowing individual observations and possible outliers to cause great impact on the outcome of the study. We can only speculate on the reasons for the low response rates, and how the outcome might have differed depending on the characteristic of the non-respondents. The only apparent characteristic feature, which is shown in table 3, is the firm category. Accordingly, we speculate that firm specific factors, such as corporate culture and possible policies, may be an explanatory factor for not responding to the questionnaire. Moreover, it can be envisioned that such firm specific factors also may have an impact on the outcome of the study.

The processing

The data collected have been processed in two ways. Mainly, we have deducted and compared averages of the responses, but we have also measured the correlation between our dependent and independent variables. The statistical processing was conducted in the statistics program SPSS.

Processing of the results of the questions drawn from Porter’s study that is, the questions by which we aimed to assess the hypothesized expectation gap, was carried out in two steps. Firstly, similar to Porter (1993), we coded the response options in a Likert scale as shown herein below, and then the means of the responses were compared in order to see how the suggested duties have
been values. That is, if the mean of the responses to a certain question is positive, it indicates that the respondents believe that the particular duty should be a duty of auditors. The opposite applies where the mean is negative. A drawback with means is that potential outliers can have a large impact on the mean (Körner & Wahlgren, 2009). As counteract against this we calculated and presented the means for each of the three firm categories, which we consider displays if there are outliers between the firm categories.

<table>
<thead>
<tr>
<th>Response option</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>-2</td>
</tr>
<tr>
<td>Disagree</td>
<td>-1</td>
</tr>
<tr>
<td>Agree</td>
<td>1</td>
</tr>
<tr>
<td>Totally agree</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4. Coded response options.

However, it needs to be stated that Porter (1993, p.51) used a different scale with the response answers “yes”, “no” and “not sure” (coded as +1, -1 and 0, respectively) as she asked “is the duty an existing duty of an auditor?” We chose instead to ask how well the auditors agrees that a certain listed duty should be one of theirs, and not to investigate whether or not they are aware of all their duties, which we did not believe to be ethically defensible.

As discussed above, we concluded that the dependent variable of this study is the auditors’ tendency to report, whereas the independent variables, by which the dependent variable was tested, consists of the factors assumed to contribute to the lack of reporting. As we did not have any information on if and to what extent each respondents have met the reporting obligations, the only way we were able to assess the tendency to report was by assuming the auditors’ attitudes towards their obligations. More specifically, the answers on question 22 in the questionnaire - i.e. whether they consider it to be within their professions line of duty to detect and report money-laundering activities - have been used as the dependent variable. Like with the other questions formulated as a statement, question 22 had four response options, designed in a four-point Likert scale. As mentioned previously, the factors work experience level of further education and firm size were used as the independent variables.
In order to see whether there was any correlation between factors included as independent variables and the dependent variable we conducted a correlation analysis using *Pearson’s Correlation Coefficient*, which gave us a “standardized measure of the linear relationship” between the variables (Newbold et al, 2007, p.65). The measurement, or the concept of correlation, refers to the degree and direction of which variables interact, as the measure provides both direction and strength of a relationship (Newbold et al, 2007; Körner and Wahlgren, 2009). The correlation coefficient, denoted \( r \), ranges from -1 to +1, where +1 indicates a positive linear relationship, -1 indicates a negative linear relationship and 0 indicates no linear relationship (Newbold et al, 2007). A value of \( r \) below 0.40 is considered to be a weak relationship, and needs to be above 0.60 to be considered strong (Ibid.).

<table>
<thead>
<tr>
<th>Value of ( r )</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00 – 0.19</td>
<td>Very weak</td>
</tr>
<tr>
<td>0.20 – 0.39</td>
<td>Weak</td>
</tr>
<tr>
<td>0.40 – 0.59</td>
<td>Moderate</td>
</tr>
<tr>
<td>0.60 – 0.79</td>
<td>Strong</td>
</tr>
<tr>
<td>0.80 – 1.0</td>
<td>Very strong</td>
</tr>
</tbody>
</table>

Table 5. The value of \( r \)

For us to enable the processing in SPSS, we had to encode the factor workplace numerically, from 1 to 4, with the higher the number the larger the firm. As the second tier firms differ considerably in size, we had them divided into the subcategories B\(_1\) and B\(_2\) in order to more clearly discern possible variations due to firm size.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Category</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big-four</td>
<td>A</td>
<td>4</td>
</tr>
<tr>
<td>Second tier 1</td>
<td>B(_1)</td>
<td>3</td>
</tr>
<tr>
<td>Second tier 2</td>
<td>B(_2)</td>
<td>2</td>
</tr>
<tr>
<td>Local</td>
<td>C</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 6. Encoded firms

We had to also encode the responses for question 22 according to the same system as above; the more positive the respondent is toward the suggested duty, the higher the number.

<table>
<thead>
<tr>
<th>Response option</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
</tr>
<tr>
<td>Totally agree</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 7. Encoded response
SPSS do also provide a \( p \)-value for each correlation coefficient, which indicates if it is statistically significant, as is the case if the significance level is less than 0.05 (\( p < 0.05 \)) (Newbold et al, 2007). However, since the sample was not randomly selected, the \( p \)-value is not as relevant here, but it will still be presented. To further illustrate a relationship between variables, will the variables that are most significant be presented in a scatterplot, which gives an indication of the strength of the relationship between them and whether the variables are positively or negatively correlated (Newbold et al, 2007; Körner and Wahlgren, 2009). In order to give a clearer explanation to what the *Pearson’s Correlation Coefficient* will show and why it is used in this study, let us assume a positive relationship between level of further education and the respondent’s attitude towards the suggested duty in question 22. That would indicate that, the more further education undergone by the auditor the more positive attitude towards anti-money laundering activities, which in turn indicates that education can be what need to be focused on in order to remedy the low reporting rates.

A *coefficient of determination*, \( r^2 \), will also be provided, which indicates the proportion of the variation in the dependent variable \((y)\) that can be explained by variations in the independent variable \((x)\), provided that the relationship between \(x\) and \(y\) is linear (Saunders et al., 2009). The coefficient of determination ranges from 0 to 1, where 1 indicates that all the variation in our dependent variable; the auditors’ tendency to report, can be explained by our independent variables. However, if the coefficient is less than 1, e.g. 0.7, it means that 30 percent of the variation is unexplained and cannot be explained by our model (Ibid.). The coefficient of determination is thus a measurement of how well our model fits the data collected for it, and it allows us to determine how confident we can be in making predictions and drawing conclusions from that model (Körner and Wahlgren, 2009).

Finally, as for the open-ended questions we made an assembly during the analysis, that is to say we divided our answers so that all similar ones were put together under each respective question. This was done because we saw that there was not that many answers that stood out in comparison with the others.
The pilot study

Our questionnaire was tested before we sent it to our actual respondents. This was done to lower the risk of misunderstandings or other complications with the survey. According to Kumar et al (1999), the respondents in the pilot study should be similar to respondents in the actual investigation, in terms of the respondents’ knowledge of the topic. Therefore our respondents in the pilot study were junior auditors at one of the firms that participated in the actual study. The survey was piloted by us out on the field by visiting one of the offices of our responding companies. Three junior auditors helped us by answering our survey. They were presented with the cover letter, where we introduced our study and the aim there, and then they answered the questionnaire without any help or other input from us. When they had finished answering the questionnaire, we asked some follow-up questions, which helped us improve the study by, clarify a couple of questions. The respondents in our pilot study overall thought that the questions should be easy to understand for people within our target population. This test of our survey helped us ensure the validity of our research; because we could make sure that our questions actually helped us answer our research questions. Through the pilot study we have safeguarded that our questions are understandable for the targeted population. The input we got in the pilot study were also helpful for us when we wrote our cover letter for the real survey because we got to know approximately how many minutes it took to answer the questionnaire and in what way our aim could be clarified.

The additional questionnaire – sent to authority representatives

Similar to Porter (1993), we constructed two versions of our questionnaire with one sent to auditors within different firms, and the other one sent to representatives of the authorities whose reports and inquiries form the basis of our study, and who thereby are well acquainted with the subject of money laundering. The idea was to compare the responses of the auditors to the responses of the authority employees, in order to establish if there is an expectation gap regarding the auditors’ crime preventing function. The purpose of that additional questionnaire was thus for it to constitute a complement to our secondary data - which consists of laws, government investigations and other reports - that we compared the results of the first survey with. However, the outcome of that questionnaire was not what we had hoped for, and we cannot use the results thereof in our analysis.
Like the first questionnaire, the one sent to the representatives of the authorities was also divided into different sections containing different types of questions. The first section contains background questions. The second and main section of the questionnaire corresponds to the third section of the other questionnaire; the list of suggested duties of auditors drawn from Porter’s study. As mentioned, by comparing the answers on these questions, we intended to assess the hypothesized expectation gap. The final section of this questionnaire contains open-ended questions with the purpose of highlighting the overall opinions on the role of auditors in the context of money laundering.

As for the sample selection for this second survey, the options were not as many as the number of authorities relevant to our study are limited. Therefore, we contacted all four authorities that we believed to be of relevance. That is, the Supervisory Board of Auditors, the Crime Prevention Council, The Finance Police, the Economic Crimes Bureau and The Financial Supervisory Authority. The public authority officials within these authorities that we contacted were those who were considered to possess sufficient knowledge on money laundering due to their respective position/title. This gave us a sample size of 16 public authority officials within three of the five identified authorities; the Finance Police referred us to the Financial Supervisory Authority and did thus not participate in the survey. Neither did the Supervisory Board of Auditors who declined to participate in the study.

The questionnaire was sent out to the public authority officials on April 20th 2014, along with a cover letter giving one week’s notice. In the same fashion as above, two reminder emails were sent out one week apart from each other. After three rounds of mailings we only received 2 responses, resulting in a response rate of 12,5 percent. However, 5 of the officials we contacted turned out to not be meeting our requirements as they lack sufficient knowledge on money laundering and were thus ineligible to answer (Saunders et al, 2009). Hence, our active response rate, i.e. the response rate minus the ineligible respondents (Ibid.), is 18,2 percent. Regardless of the relatively high response rate, however, we are aware of the fact that the outcome of our second questionnaire is not adequate and that we therefore are not able to with any reliability draw any conclusions about the population. The results of the answers we did get will thus be
presented in appendix 7, and not in connection with our other results as the result of our second questionnaire cannot be analyzed properly.

**Method critique**

Skeptics of statistical surveys often argue that the reality is not measurable and that it cannot be fitted into the limited response alternatives included in a survey (Ekström and Larsson, 2000). However, one can argue that surveys actually constitute a good match for the immeasurable reality – digits and ratios are necessary to explain what otherwise is non-graspable and non-transparent (Ibid). For the purpose of our study, which basically involves measurement of the human behavior in the context of auditing, surveys were chosen so as large volumes of data as possible could be gathered, in order to facilitate comparisons and, at best, generalizations. However, due to our limited response rate generalization ought to be made with utmost caution, and only to populations with the similar characteristics (Ejlertsson, 1996; Farzad, 2012). Therefore, as mentioned above, the outcome of this study should be regarded as indicative rather than definitive, and as foundation for further research. Conducted in a greater scale and with greater response rates, more definitive generalizations should be made. Furthermore, a random selection of the sample would also enable more apparent results from the statistical processing methods chosen. These methods were used for this study, despite the low response rate and the non-randomly selected sample, in order to illustrate the envisioned product.
Chapter 4
"There should not be any expectations on auditors' as a preventive force"
Auditor from small local firm (Category C)

What was found in this study
And now we have arrived at the findings of our conducted study. This chapter covers the data obtained through our questionnaire that will be analyzed in order to bring clarity to the stated issues of this study. As previously mentioned, when investigating the lack of reports filed by auditors, it all boiled down to a hypothesized expectation gap. As such, this study was carried out to test that hypothesis, by conducting an attitude survey among Swedish auditors, as we believe that the attitude towards the obligations might have an impact on the tendency to report. Hence, the questions we set out to investigate were:

- How do auditors perceive their own role in combating money laundering?
- Is there an expectation gap between the audit profession and regulatory bodies?

Before making the presentation of the results, we should once again point out that the number of observations gathered for this study is not fully satisfactory. Consequently, it is essential that the results be regarded as indications that are interesting and relevant to build upon, rather than something definite. Furthermore, given the approach for selection of the sample, one should bear in mind that the generalizations made primarily are applicable to populations with similar characteristics.

Demographic distribution
The initial questions of the questionnaire concerns gender and age and the firm at which the respondent works, in order to attain the demographic distribution among the respondents. The age of these 20 respondents varies from 26 years up to 59 years, with most respondents in the age range of 31-35 years as seen in figure 2.
As for gender of the respondents, it was evenly distributed with 50 percent male and 50 percent female. Given the fact that the audit profession still is fairly male-dominated, this distribution is believed to be satisfactory. However, considering the small number of respondent, this cannot be generalized to the entire population of Swedish auditors, but rather implies that we can disregard gender as a distorting factor when analyzing the outcome for our sample.

**Independent variables**

As discussed in chapter 3, in order to be able to study possible causes contributing to auditors’ tendency to report on money-laundering activities, individual factors assumed to contribute to the lack of reporting were derived from the theoretical framework. These factors are work experience, level of further education and firm size, and together they comprise the independent variables of this study by which the dependent variable – auditors’ tendency to report – was tested. That is, our hypothesis was that the independent variables, collectively or isolated from each other, contribute to auditors’ tendency to report on money-laundering activities.
In terms of work experience, a majority of the respondents (16/20) have worked within the audit profession for more than five years, which per definition have been the requirement as we primarily reached out to authorized auditor, and secondarily approved auditors. That is, as five years have been the minimum required work experience before authorization may be relevant.

As seen in figure 5 below where the firm distribution is displayed, the category with the most respondents is category B) Second tier firms, followed by category A) Big-four firm. Given the fact that firm constitutes one of the independent variables of this study, distribution is rather important for the outcome of the study. Of course, a possible correlation between firm and auditors’ tendency to report would be much clearer if the categories were the same size. Indications of the conditions could, however, be inferred from the results.

In order to see if, and how much, the independent variables and dependents variable correlate, a correlation analysis was conducted in SPSS. Herein below, in table 8, the result of that analysis is presented.
## Correlations

<table>
<thead>
<tr>
<th></th>
<th>Tendency</th>
<th>Firm</th>
<th>Experience</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tendency Pearson Correlation</td>
<td>1</td>
<td>,565**</td>
<td>-,206</td>
<td>,378</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>,009</td>
<td></td>
<td>,384</td>
<td>,100</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Firm Pearson Correlation</td>
<td>,565**</td>
<td>1</td>
<td>,157</td>
<td>,446*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>,009</td>
<td></td>
<td>,510</td>
<td>,049</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Experience Pearson Correlation</td>
<td>-,206</td>
<td>,157</td>
<td>1</td>
<td>,126</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>,384</td>
<td>,510</td>
<td></td>
<td>,595</td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Education Pearson Correlation</td>
<td>,378</td>
<td>,446*</td>
<td>,126</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>,100</td>
<td>,049</td>
<td>,595</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

### Table 8. Pearson’s Correlation Coefficient

As the table shows, it is the variable ‘Firm’ that has the highest correlation coefficient with \( r = 0.565 \) and is thus the variable that relatively speaking has the most positive correlation with the dependents variable ‘Tendency’. That is, assuming that this sample would be representative of the whole population then, the larger the firm the greater the chance that the auditor welcomes the anti-money laundry obligations imposed on them. The correlation is however considered to be moderate, and not strong, as it is below 0.60. The table does also show that this correlation is statistically significant as the \( p\)-value is 0.009.

The variable ‘Education’ i.e. the level of further education, is also trending towards the dependent variable but this correlation is considered to be weak at a value of \( r = 0.378 \). The correlation is however not statistically significant as the \( p\)-value is 0.100. As for the variable ‘Experience’, the analysis shows a weak negative correlation with a value of \( r = -0.206 \). This implies that the more work experience the less is the chance that the auditor welcomes the anti-money laundry obligations imposed on them. The correlation is however not statistically significant as the \( p\)-value is 0.384.
However, there is a moderate positive correlation between the two factors ‘Firm’ and ‘Education’ ($r = 0.446$), with a significance level of $p = 0.049$ which is slightly below the limit of $p<0.05$. What this correlation implies is that level of education does also have an impact on the extent to which the anti-money laundry obligations are welcomed, but it is depending on the size of the firm; the level of education would not alone have a significant impact on the tendency to report.

This implies that the level of education does indeed have some impact on auditors’ attitude towards the anti-money laundry obligations imposed on them, but the extent of the impact is depending on the size of the firm. That is, the larger the firm, the higher level of education, which in turn leads to a more positive attitude towards the obligations. If eliminating the effect of the firm, the level of education would thus not be evident according to the correlation coefficient. This correlation can in turn be traced back to and confirm the statement of Larsson (2004) who declared that study his study had shown differences in further education between firms of different sizes.

In order to see whether the same is true inversely, that is if the impact of ‘Firm’ would remain without the impact of ‘Education’, we conducted another test where we statistically tested the relationship between ‘Tendency’ and ‘Firm’ but with control for ‘Education’.

<table>
<thead>
<tr>
<th>Control Variables</th>
<th>Attitude</th>
<th>Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Correlation</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Significance (2-tailed)</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>df</td>
<td>0</td>
</tr>
<tr>
<td>Firm</td>
<td>Correlation</td>
<td>0.478</td>
</tr>
<tr>
<td></td>
<td>Significance (2-tailed)</td>
<td>0.038</td>
</tr>
<tr>
<td></td>
<td>df</td>
<td>17</td>
</tr>
</tbody>
</table>

Table 9. Controlling variables

As table 9 shows, the correlation of ‘Firm’ and ‘Tendency’ is still positive ($r = 0.478$) and is statistically significant with a $p$-value of 0.038. By conducting this second test, we have developed a statistical model where we assume that all the respondents have the same level of education in order to see if the size of the firm still is positively correlated to the tendency to report – and it is. The correlation of ‘Tendency’ and ‘Education’ is secondary, and would thus not
be evident without the impact of ‘Firm’, but the impact of ‘Firm’ would be evident even without the impact of ‘Education’. That is, the larger the firm the more positive attitude towards the obligations, even if the effect of level of education was eliminated.

The correlation of the most significant variable, ‘firm’, and the dependent variable is also shown in the scatterplot below, with the dependent factor ‘tendency to report’ on the x-axis, and the independent variable ‘firm’ on the y-axis. As seen in the top right corner of the plot, the value of $r^2$, the coefficient of determination, is 0.319. This indicates that approximately 32 percent of the variation of the auditors’ tendency to report can be explained by the size of the firm. Accordingly, almost 70 percent of the variation remains unexplained and cannot be explained by our model. As discussed above, a low response rates can have a great impact on the outcome of a study, which it seemly has on our study. Nevertheless, these results may be an indication of the current state, and thus constitute a base for further research.

Figure 6. Scatterplot
Suggested duties of an auditor

Following below are two tables where we present our findings from the statements we presented to the auditors. In the first column of the tables the statement can be read, thereafter follows our calculated means for each of the firm categories as well as the general mean. As a reminder from the previous chapter: when the mean gets closer to 2 the stronger auditor agrees with the statement. Also, the closer the mean is to -2 the more auditors disagree with the statement.

<table>
<thead>
<tr>
<th>Statements (Duties of an auditor)</th>
<th>Total Mean</th>
<th>Mean A</th>
<th>Mean B</th>
<th>Mean C</th>
<th>Porter (1993)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring companies’ compliance with the legislation</td>
<td>1,0</td>
<td>1,4</td>
<td>0,9</td>
<td>0,3</td>
<td>20 %</td>
</tr>
<tr>
<td>Report tax offenses to Skatteverket (IRS)</td>
<td>1,0</td>
<td>1,1</td>
<td>1,3</td>
<td>1,0</td>
<td>-89 %</td>
</tr>
<tr>
<td>Discovering intentional misrepresentation of financial information</td>
<td>1,4</td>
<td>2,0</td>
<td>0,7</td>
<td>0,8</td>
<td>79 %</td>
</tr>
<tr>
<td>Reporting intentional misrepresentation of financial information to a supervisory authority</td>
<td>1,2</td>
<td>1,1</td>
<td>1,1</td>
<td>2,0</td>
<td>59 %</td>
</tr>
<tr>
<td>Discovering illegal activities that directly affects the company’s accounts</td>
<td>1,3</td>
<td>1,9</td>
<td>1,4</td>
<td>0,3</td>
<td>-22 %</td>
</tr>
<tr>
<td>Discovering illegal activities without a direct impact on the company’s accounts</td>
<td>0,3</td>
<td>0,4</td>
<td>-0,3</td>
<td>-1,3</td>
<td>-96 %</td>
</tr>
<tr>
<td>Report detection of illegal activities that directly affects the company’s accounts to a supervisory authority</td>
<td>1,4</td>
<td>1,43</td>
<td>1,4</td>
<td>1,3</td>
<td>-44 %</td>
</tr>
<tr>
<td>Report detection of illegal activities without a direct impact on the company’s accounts to a supervisory authority</td>
<td>0,1</td>
<td>0,1</td>
<td>0,2</td>
<td>-0,3</td>
<td>-97 %</td>
</tr>
<tr>
<td>Discovering money-laundering activities perpetrated within a company</td>
<td>0,3</td>
<td>1,0</td>
<td>0,8</td>
<td>-1,5</td>
<td>N/A</td>
</tr>
</tbody>
</table>
The last three statements in table 10 are more focused on money laundering. As seen in the table the statement regarding the duty to discover money laundering is in fact one of the very lowest agreement-rates in the questionnaire. This statement received a mean of 0,3, which is about the neutral area. The willingness to report suspicions or detection of money laundering was fairly high (the means were: 0,9 and 1,2). This is to some degree an indication that the auditors’ have an awareness of the current regulations on the matter, as auditors do not have to actively search for money laundering activities when performing an audit (FAR, 2012). Although, representatives of the state have been dissatisfied with the low rate of notifications from auditors (Riksdag & Departement, 2013). This implies that authorities expect the audit profession to “take responsibility” and search for such activities when performing an audit, as claimed by Zikmund (2008).

From these three statements we find that auditors are impartially aware of what they are required to do in the matter of reporting and searching for money laundering. However, a potential gap can exist where authority figures actually expects auditors to find and notify more detected cases of money laundering. If so, there can be an expectation gap that has developed due to the deficiency of the standard, which would be in line with Porter’s (1993) explanation of the reasonableness gap.

In addition to the calculated means, table 10 contains a comparison to Porter’s study from 1993 in the form of the percentage of agreements as answered to the statements by the respondents when originally asked by Porter (1993). Since we have not used the exact same scale as Porter we present Porter’s means as they were originally presented in her article, e.g. in absolute value of the mean, ranging from 0 to 100. The result from Porter should therefore be read as when the presented response is 100 % the mean of Porter’s auditor responses totally agrees that the stated
duty is part of the profession’s duties, and conversely -100 % means total disagreement. It should also be mentioned that some of the duty statements was not part of the audit profession’s duties when Porter performed her study in 1993. Porter (1993) used references to the law, declaratives from supervisory bodies and the like, in order to single out duties that in fact were part of auditors’ duties. We have highlighted, in color, the duties, which in 1993 were not part of the profession’s duties.

As seen in table 10, the differences in responses in our survey vary significantly from what auditors’ thought about their duties when Porter conducted her study some-20 years ago. There are however some similarities to be mentioned; the most negative responses to statements (the ones about detecting/reporting issues with no direct connection to the financial statements) from Porter’s questionnaire are also the ones with the lowest means in our questionnaire. Also, the statements that auditors’ agreed most with in Porter’s study also have fairly high means in our results. Those statements were: “Ensuring companies compliance with the legislation” and “Discovering intentional misinterpretation of financial statements”. In some of the other statements we cannot see anything that links our results with Porter’s at all, i.e. the statement about reporting to the tax agency (Skatteverket in Sweden).

The probable explanation for the big differences between our responses and Porter’s is due to passing time and changing regulations, as it has been over 20 years since Porter’s article was published. This could be an indication for the professions work of decreasing the expectation gap, and therefore receiving less criticism from society. Though, this study has only examined the auditors’ point of view, which makes it difficult to make further comparisons with Porter’s study.

**Specifically on money laundering**

As Porter’s study was dedicated to investigating audit expectation gaps in general, it did not contain questions specifically on money laundering. As such, in Porter’s column, those questions are noted as non-existing.
From our findings we can see that there is somewhat a gap between the actual work of auditors’ and what the law prescribes them to do. In one of our statements we asked if the customer due diligence criteria always is met, which is a legal requirement. However, the mean we got from our answers “only” responded to a “1”, and the mean from firm B was as low as 0,8. This indicates that auditors’ agree with the statement, but since this is one of few explicit requirements for the profession in the law (SFS 2009:62), we argue that this number should be higher if a gap did not exist. Also, a parallel can be made with what Porter (1993) explained to be poor performance of auditors as a reason for the expectation gap. If auditors’ does not fulfill these legal requirements an expectation gap from authorities could develop.

On the statement on whether it is possible for an auditor to detect money-laundering activities, a rather natural mean of 0,1 implies that the respondents nor disagrees or agrees on the statement, which indicates that the duty is not self-evident. Furthermore, this outcome is in line with the
previous studies of Private Banker International (1999) in which auditors’ claims that money laundering obligations required more invasive transaction controls, and Clarke (1999) who also argues that it is difficult to discover money laundering transactions. However, several authors (see: Melnik, 2003) have argued that the high level of insight auditors have into their clients’ financial doings is a reason to why the audit profession is seen as a preventive force. If we were to rely of these responses, and draw conclusions based on them, then the high level of insights auditors have to their clients financial activities does not matter that much in regards to finding money laundering as it is not perceived as a possibility. Moreover, the respondents do not fully agree that detecting money laundering to be an obligation that falls within their line of duty, which is shown with a total mean of -0.1. This stance is also shown in a couple of the open-ended question, where only four respondents explicitly stated that auditors were considered to be among the professions responsible in the combat against money laundering. Not surprisingly, almost all of the auditors thought that bank officials was an occupation with responsibility in this question. A couple of the answers named most of those who are specified in the law:

“Banks, accountants, sellers of products at greater value, brokers.”

Auditor from firm category B

Generally, the respondents downplayed their own responsibility, as seen in an answer from an auditor from firm category A:

“Tax Agency, Swedish Companies Registration Office, banks and partially auditors.”

We compare this with Hassink et al (2009) who states that auditors want do give a lower profile to their role in these queries. The responses from this study can be said to support Hassink et al’s (2009) findings, and therefore there could be a possibility that auditors’ try to lower the expectations on the profession by toning down their own importance.

If we look at each category, we see that the mean for category C (i.e. small local firms) are the lowest for the statements of detecting and reporting money laundering, indicating that they agree the least with the statements. This is confirmed by the correlation analysis that showed the larger the firm, the more positive will the auditor be towards the anti-money laundry obligations imposed on them.
However, money laundering is detected during the audit then auditors agree that it is their duty to notify these suspicions to a supervisory authority, as the mean was 1,2. An interesting comparison is that the mean of this statement was a little higher than the mean for reporting tax offences to the IRS (which was at 1,1). When switching the word “detected” to “suspicion” auditors, in all three firm types, lowered their agreement to the statement, giving a total mean of 0,9. From our theoretical review we found that auditors do not want to turn into “informers or state representatives” regarding notification of economic crime, and money laundering (Larsson, 2005). Although, in our responses auditors are apparently willing to notify authorities if they detect such activities.

A preventive role

When asked whether the respondents perceive themselves as having a preventive role against money laundering, we found the answers to have a duality were about half of them were leaning towards having a preventive role, and the other half did not think of themselves as a preventive force. However, a couple of these answers stood out a bit,

“No, but since we have deep insight into a company's financial statements, it is reasonable that we need to report what we find.”

– Auditor from firm category A

And:

"There should not be any expectations on auditors’ as a preventive force"

– Auditor from firm category C

Although, the other half of the respondents felt that they in some way had a preventive role in the combat against money laundering. Most of whom thought that auditors can be seen to have a general control function. One auditor suggests:

“Yes, because an auditor should be able to see traces of money laundering, and thus report suspicions to authorities”

– Auditor from firm category B
**Personal experience**

From our survey we found out that only one of the twenty respondents had any professional experiences in regards to money laundering. In that case the suspicions also did lead to a notification. The auditor was in this instance at the middle of the suspicion steps – “reasonable suspicion”. From the respondents answers we get to know of the context: “It concerned major payments into a Swedish subsidiary. The director seemed to be unaware and ignorant.”

A question in our survey was inspired by the previously mentioned suspicion steps, the spread of answers can be viewed in table 12. The question was asked to see how certain auditors want to be before notifying authorities about money laundering suspicions. As shown in the figure approximately half of the respondents answered that they wanted to have a “reasonable suspicion”, which is the middle ground alternative. The answers can be said to be a bit top heavy as one third of the respondents needed to be at the “reasonable cause”-step before making a notification.

<table>
<thead>
<tr>
<th>Response</th>
<th>Number of responses</th>
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<tr>
<td>Reason to assume</td>
<td>1</td>
<td>5 %</td>
</tr>
<tr>
<td>Can be suspected</td>
<td>1</td>
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</tr>
<tr>
<td>Reasonable suspicion</td>
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<td>32 %</td>
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<tr>
<td>Beyond reasonable doubt</td>
<td>4</td>
<td>18 %</td>
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</table>

Table 12. The Suspicion steps

As seen in the table, most of our participants want to be relatively sure of their doubts before making a notification. However, the legislation states that notification should be made at a low level of suspicion (EBM, 2013). Our question about the suspicion steps can be said to be in line of what was expected, as a report from BRÅ (2004) made clear that auditors want to be at a high certainty level before reporting any suspicions on crimes. Since our respondents want to be at such a high level of certainty we argue that auditors as a stated preventive or control function described by EBM (2007) could be exaggerative.

Most of the respondents (13/20) do not want to change the existing way of reporting money-laundering suspicions. A few (5) answered that they do not know if there could be a better way of dealing with such suspicions. Two of the participating auditors indicated that they would prefer to report suspicions about money laundering to the Supervisory Board of Auditors instead of the
Finance police. Two out of 20 is not astounding amounts, but we think that this shows that some auditors have thought in those terms. If reports were made in this way auditors could possibly find a (for them) not so conflicted balance between professional secrecy and the obligation to report. These answers act in accordance with He’s (2012) solution to increase notifications concerning money laundering, which does not involve losses of clients, would be if reports were made to professionals self-regulatory bodies.

**Awareness of statutory requirements**

The level of awareness of statutory requirements within the profession and the customer due diligence statement had both a mean of 1, which indicates that the profession feels somewhat of an awareness of what are required of them from a regulatory view. This can be compared to arguments of Larsson (2005) and Melnik (2003) both of which argues that a reason for the low level of notifications within the audit profession is that auditors’ do not have an awareness of their statutory requirements in these matters. However, in our survey, auditors themselves feel that they possess an awareness of these requirements.

Furthermore, from the first general questions in the survey we found that almost all participants had received special education in regards to money laundering and the money-laundering act, which is displayed in figure 7 below. Something worth mentioning from this question is that two out of four that said that they had not undergone any further education about money laundering were from Firm A. Two of those who were not certain answered from firms C.

![](figure7.png)

**Figure 7. Money laundering education**

The answers to the question concerning education on the topic of the notification act had similar responses, which we can see in the following figure. In this case most of the “no”-answers (4/6) came from auditors of group B. The two respondents who were not certain were from group C.
Since 65 percent (13/20) of the respondents have undergone further education on money laundering and the money-laundering act, and 60 percent (12/20) on the notification act, lacking education cannot be stated as a reason for not reporting, at least not for the sample group. Hence, we argue that the level of further education probably cannot be an isolated explanation for why auditors’ do not detect (and report) money-laundering activities. This was also confirmed by the correlation analysis, which only showed a secondary correlation between the level of education and tendency to report. Although, Zikmund (2008) argue that auditors’ might not have the right knowledge to detect illegal activities, which could then be a reason for an increasing expectation gap. From our findings we cannot draw any certain conclusion to if auditors have the right knowledge or not to detect money laundering. It is not certain that auditors have learned how to detect money laundry activities just because they have received education on the money-laundering act. If auditors’ in fact have weak knowledge on how money laundering is detected then this could be a reason for a potential expectation gap between regulatory bodies and auditors.
Chapter 5
Conclusion

Through our empirical research we have acquired somewhat ambiguous findings. On one hand, the auditors’ seem to believe it to be their duty to report detected money-laundering activities. On the other hand, our respondents’ answers points toward the difficulties of detecting money laundering. Approximately half of our respondents did think of themselves to, in some ways, have a preventive role in combating money laundering, whereas the other half did not seem to have the same belief. Therefore, we cannot conclude whether the auditors’ do perceive themselves as a direct preventive force in the fight against money laundering or not. The findings illustrates diverging views within our sample of auditors and carefully generalized, to a population of auditors with similar characteristics as our sample, one may argue that these findings testify to diverging views within the profession as well.

When the respondents indicate to be in favor of reporting money-laundering activities it means if – and only if – they have detected any actual money-laundering activities. Suspected money-laundering activities are, however, another story; most of the respondents imply that they want to be relatively sure of their suspicions before making a notification, despite the fact that the legislation requests notification to be made at first sign of suspicious activities. Furthermore, we have also found that the auditors deviate from the legislation on the matter of the strict customer due diligence regulation, to which the respondents admit to not completely meet on every occasion.

We argue that these findings indicate signs of an existing expectation gap, given the seeming discrepancy between expectancies and practice.

The discrepancies do, however, not seem to be based on a lacking knowledge of the statutory requirements, but on the fact that the respondents indicate that the duty to detect money laundering is not self-evident. If it is not obvious that detection of money laundering neither is feasible, nor ought to be within their line of duty – based on these findings – it can be argued that auditors’ high level of insights, on which some of the amendments partially were based on, do not matter as the opposed attitudes toward the suggested duty prevails.
Perhaps regulators should downplay their expectations on auditors as a preventive force, or they could put more pressure on the profession in order to make it a possible control function. Either way, we believe a change to be necessary, as there seem to be a lack of consensus between regulators and the profession on what auditor should achieve, resulting in both a reasonableness gap and a performance gap. The reason for this is the ambiguity of the legislation, which on one hand imposes expectations on the profession by including them among occupational groups with reporting obligation, and on the other hand do not require auditors to actively search for money laundering activities. This contradiction is what contributes to making auditors into soft targets that easily can be pressured and who thereby are subjected to professional risk, even though it seems like it is not always obvious to them what they are expected to achieve. Some would call that unjust. Consequently, from our survey we found that auditors’ do not clearly perceive that it is their obligation to find money-laundering activities.

However, the main consequence of this contradiction is the lack of reports; if auditors are not expected to actively search for money laundering they will file report if they ever stumble upon evidence of money laundering – the chance of which is limited as auditors as know only examines samples of transactions, which testifies to unreasonable expectations.

**Future research**

Due to circumstances beyond our control, we could not include our second survey in our analysis. Thus, we think it would be interesting to examine how supervisory authorities view auditors’ role in combating money laundering. Either through a similar questionnaire as the one we already conducted, or from interviews.

Only one of the responding auditors claimed to have any professional experience concerning money laundering. We could see a new study being made where we try to contact auditors and other professions as well, that has experiences where they have encountered money-laundering activities. This would be done to see if perceptions differ when you already have encountered the phenomena. We could also see potential interest in a research project where auditors would be compared to other occupations, to examine if opinions on the matter differ between various professions.
Finally, as our correlation analysis showed, the factor with the highest correlation coefficient and thus the most positive correlation with auditors’ attitude towards their obligations and thus their tendency to report on money laundering was the size of the firm. In fact, size of the firm was the only variable that even alone had a significant impact on the tendency to report. When eliminating level of education and other factors that could be affected by strength of resources that comes with larger firms, the firm-specific factor that remains is issues such as company culture and mix of clients. As such, a suggestion for further research is to conduct observational studies to examine the effects of culture and client mix.
References


Justitiedepartementet (2014) *Ny lag om penningtvätt*. Press release, 10 January


- *Office Space* (1999) [Film] Director: Mike Judge. USA: Twentieth Century Fox Film
- SFS 1993:768 Lagen om åtgärder mot penningtvätt
- SFS 2000:883 Revisorslagen
- SFS 2005:551 Aktiebolagslagen
Appendices

APPENDIX 1A — THE AUDITORS’ QUESTIONNAIRE (ENGLISH)

Basic information

1. Age
2. Gender
3. Audit firm
4. Job title
5. Number of years in the audit profession
6. Level of education

Education

7. How many hours of continuing education have you completed in the past year?
8. Have you undergone special education on the notification requirement that was introduced on 1 January 1999? If so, how many hours approximately?
9. Have you undergone special education on the money laundering? If so, how many hours approximately?

Supposed Duties of an Auditor (1.Strongly disagree – 4. Totally agree)

10. Ensure compliance with companies legislation
11. Report breaches of tax law to the Tax Agency
12. Detect deliberate distortion of financial information
13. Report to a regulatory authority deliberate distortion of financial information
14. Detect illegal acts by company officials which directly affect the company’s accounts
15. Detect illegal acts by company officials which do not directly affect the company’s accounts
16. Report to a regulatory authority detected illegal acts by company officials which directly affect the company’s accounts
17. Report to a regulatory authority detected illegal acts by company officials which do not directly affect the company’s accounts
18. Detect money laundering activities committed within a company
19. Report to a regulatory authority money laundering activities uncovered in the company
20. Report to a regulatory authority suspicions on money laundering
Statements on Money Laundering (1.Strongly disagree – 4. Totally agree)
21. It is possible to detect money laundering activities during an audit
22. It is within your profession’s line of duty to detect and report money laundering activities
23. You know how to act in case of detection of money laundering activities during an audit
24. You are well informed about the requirements of auditors under the Act
25. You comply with customer due diligence requirements in every case
26. The expectations on the audit profession in regards to detection of money laundering are reasonable
27. You are well informed about changes in laws and regulations

Open-ended questions
28. According to the law, an auditor must act at suspicion of crime (ABL 9:42). What level of proof do you consider that an auditor should have before reporting on suspicion of crime?
   ▪ Reason to assume
   ▪ Can be suspected
   ▪ Reasonable suspicion
   ▪ Probable cause
   ▪ Beyond reasonable doubt
29. Do you have any experiences of money laundering in your profession? If so, please describe your experiences?
   - How was the money laundering detected?
   - What amount of money did it involve?
   - Was this reported?
   - Where on the suspicion stairs were you when you decided to report you suspicion?
30. Would you prefer to report suspicions, regarding money laundering, in any other way? If so, how?
31. Do you consider yourself to have a preventive role in the fight against money laundering? If so, how?
32. Have there been instances where you have suspected crime, but have ceased to report, as the suspicion was too weak? What was done instead?
33. According to the Financial Supervisor’s statistics from 2012, just over 61 percent of the notifications of potential money laundering cases was by the banking sector, while only 0.04 per cent of all notifications were from the auditing profession. What do you think of this?
34. What do you believe these differences in reporting frequency depends on?
35. What professions do you believe have any kind of responsibility in the fight against money laundering?
APPENDIX 1B – THE AUDITORS’ QUESTIONNAIRE (SWEDISH)

Grundläggande information

1. Ålder
2. Kön
3. Revisionsfirma
4. Titel
5. Antal år inom revisionsbranschen
6. Utbildningsnivå

Vidareutbildning

7. Hur många timmar vidareutbildning har Du genomgått under det senaste året?
8. Har Du genomgått särskild utbildning om anmälningsplikten som infördes 1 januari 1999? Om så är fallet, hur många timmar ungefär?
9. Har Du genomgått särskild utbildning om penningtvätt? Om så är fallet, hur många timmar ungefär?

Revisorns arbetsuppgifter (1. Instämmer helt – 4. Instämmer inte alls)

10. Säkerställa företagens efterlevnad av lagstiftningen
11. Rapportera skattebrott till Skatteverket
12. Upptäcka avsiktlig förvrängning av ekonomisk information
13. Rapport upptäckt av avsiktlig förvrängning av ekonomisk information till en tillsynsmyndighet
14. Upptäcka olaglig verksamhet som direkt påverkar företagets räkenskaper
15. Upptäcka olaglig verksamhet som inte direkt påverkar företagets räkenskaper
16. Rapport upptäckt av olaglig verksamhet som direkt påverkar företagets räkenskaper till en tillsynsmyndighet
17. Rapport upptäckt av olaglig verksamhet som inte direkt påverkar företagets räkenskaper till en tillsynsmyndighet
18. Upptäcka penningtvättsaktiviteter som begås/har begåtts inom ett företag
19. Rapportera upptäckt av penningtvättsaktiviteter till en tillsynsmyndighet
20. Rapportera misstankar om penningtvätt till en tillsynsmyndighet
Påståenden rörande penningtvätt (1. Instämmer helt – 4. Instämmer inte alls)

21. Det är möjligt för en revisor att upptäcka penningtvättsaktiviteter under en revision
22. Det fodras av Dina arbetsuppgifter att upptäcka och anmäla penningtvätt
23. Du vet hur du ska agera vid fall av upptäckt av penningtvättsaktiviteter under en revision
24. Du är medveten om de lagstadgade kraven på en revisor i kampen mot penningtvätt
25. Du uppfyller kraven på god kundkännedom i varje fall
26. Förväntningarna på revisorskåren avseende kampen mot penningtvätt är skäliga
27. Du är väl informerad om kommande förändringar i lagar och förordningar gällande penningtvätt

Öppna frågor

   - anledning anta
   - kan misstänkas
   - skälig misstanke
   - sannolika skäl
   - ställt utom all rimlig tvivel
29. Har Du någon erfarenhet av misstanke om penningtvätt inom ditt yrke? Om så är fallet, berätta om dina erfarenheter genom att besvara följande frågor:
   - Hur upptäcktes detta?
   - Hur stort belopp rörde det sig om?
   - Anmäldes detta?
   - Om ja, var på misstankestrappan befann Ni er innan en anmälan gjordes?
   - Om inte, varför inte?
30. Skulle Du föredra att anmäla misstankar om penningtvätt på något annat sätt än vad föreskrivs av lagen? Hur och till vem i sådant fall?
31. Anser du dig ha en förebyggande roll i kampen mot penningtvätt? I så fall på vilket sätt?
32. Har det funnits fall då du misstänkt, men inte anmält för att misstanken var för svag? Vad gjordes istället?
33. Enligt Finansinspektionens statistik kom drygt 61 procent av 2012 års anmälningar om potentiella fall av penningtvätt från banksektorn, medan enbart 0,04 procent av samtliga anmälningar kom från revisionsbranschen. Hur ser du på detta?
34. Vad tror du att skillnaderna i anmälningar beror på?
35. Vilka yrkesgrupper tycker du har någon form av ansvar i penningtvättsbekämpningen?
APPENDIX 2A – THE AUTHORITY OFFICIALS’ QUESTIONNAIRE (ENGLISH)

Basic information
1. Authority
2. Title

Supposed Duties of an Auditor (1.Strongly disagree – 4. Totally agree)
3. Ensure compliance with companies legislation
4. Report breaches of tax law to the Tax Agency
5. Detect deliberate distortion of financial information
6. Report to a regulatory authority deliberate distortion of financial information
7. Report to a regulatory authority detected illegal acts by company officials which directly affect the company’s accounts
8. Report to a regulatory authority detected illegal acts by company officials which do not directly affect the company’s accounts
9. Detect money laundering activities committed within a company
10. Report to a regulatory authority money laundering activities uncovered in the company
11. Report to a regulatory authority suspicions on money laundering

Statements on Money Laundering (1.Strongly disagree – 4. Totally agree)
12. It is possible to detect money laundering activities during an audit
13. It is within an auditor’s professions line of duty to detect money laundering activities
14. The expectations on the audit profession in regards to detection of money laundering are reasonable
15. According to the law, an auditor must acting at suspicion of crime (ABL 9:42). What level of proof do you consider that an auditor should have before reporting on suspicion of crime?
   ▪ Reason to assume
   ▪ Can be suspected
   ▪ Reasonable suspicion
   ▪ Probable cause
   ▪ Beyond reasonable doubt

Open-ended questions
16. Do you believe that auditors could report suspicions on money laundering in any other way? If so, how? And to whom?
17. According to the Financial Supervisor’s statistics from 2012, just over 61 percent of the notifications of potential money laundering cases was by the banking sector, while only 0.04 per cent of all notifications were from the auditing profession. What do you think of this?
18. What do you believe these differences in reporting frequency depends on?
19. What professions do you believe have any kind of responsibility in the fight against money laundering?
**APPENDIX 2B – THE AUTHORITY OFFICIALS’ QUESTIONNAIRE (SWEDISH)**

**Grundläggande information**
1. Myndighet
2. Titel

**Revisorarbsuppgifter** (1. Instämmer helt – 4. Instämmer inte alls)
3. Säkerställa företagens efterlevnad av lagstiftningen
4. Rapportera skattebrott till Skatteverket
5. Upptäcka avsiktlig förvrängning av ekonomisk information
6. Rapport upptäckt av avsiktlig förvrängning av ekonomisk information till en tillsynsmyndighet
7. Upptäcka olaglig verksamhet som direkt påverkar företagets räkenskaper
8. Upptäcka olaglig verksamhet som inte direkt påverkar företagets räkenskaper
9. Rapport upptäckt av olaglig verksamhet till en tillsynsmyndighet
10. Upptäcka penningtvättsaktiviteter som begås/har begåtts inom ett företag
11. Rapportera misstankar om penningtvätt till en tillsynsmyndighet

**Påståenden rörande penningtvätt** (1. Instämmer helt – 4. Instämmer inte alls)
12. Det är möjligt för en revisor att upptäcka penningtvättsaktiviteter under en revision
13. Det fodras av revisorernas arbetsuppgifter att upptäcka penningtvätt
14. Förväntningarna på revisorskåren avseende kampen mot penningtvätt är skäliga
15. Enligt ABL 9:42 bör en revisor göra en anmälan redan vid “misstanke” om brott. Vid vilken bevisnivå anser Du att en anmälan ska göras?
   - anledning anta
   - kan misstänkas
   - skälig misstanke
   - sannolika skäl
   - ställt utom all rimlig tvivel

**Öppna frågor**
16. Skulle misstankar om penningtvätt kunna anmälas på något annat sätt än vad föreskrivs av lagen? Hur och till vem i sådant fall?
17. Enligt Finansinspektionens statistik kom drygt 61 procent av 2012 års anmälningar om potentiella fall av penningtvätt från banksektorn, medan enbart 0,04 procent av samtliga anmälningar kom från revisionsbranschen. Hur ser du på detta?
18. Vad tror du att skillnaderna i anmälningar beror på?
19. Vilka yrkesgrupper tycker du har någon form av ansvar i penningtvättsbekämpningen?
APPENDIX 3 – THE COVER LETTER FOR THE AUDITORS

Till vederbörande.

Hej,

Denna enkätundersökning utgör del av en masteruppsats som syftar till att belysa ämnet penningtvått och bekämpningen därav, med fokus på revisorns roll i sammanhanget. Med Er hjälp som respondent hoppas vi på att kunna uppnå detta syfte!

Det var med anledning av Finansinspektionens indragande av tillståndet för två finansbolag på grund av misstankar om penningtvätt i januari i år, som vi började intressera oss för ämnet penningtvätt. Efter att ha studerat Penningtvättslagen (SFS 2009:62) samt rapporter från bl.a. Ekobrottssmyndigheten och Finansinspektionen har vi kunnat urskönja tydliga förväntningar och krav på revisorer i kampen mot penningtvätt, i och med revisorers stora inblick i företagens verksamhet och finansiella situation.

Finanspolisens statistik för 2012 visar dock att antalet anmälningar från revisionsbranschen enbart utgjorde 5 av totalt 11 594 anmälningar, det vill säga ungefär 0,004 %. Under perioden 2009-2012 har branschens andel av de totala anmälningarna konstant legat under 0,01 %. Dessa siffror har föranlett att arbetshypotesen för vår studie är att det föreligger ett gap mellan vad revisionsbranschen förväntas genomföra i detta sammanhang, och vad som faktiskt genomförs av branschen. Med hjälp av denna enkätundersökning ämnar vi därför att undersöka detta förväntningsgap, för att därigenom kunna klargöra de underliggande orsakerna till den låga anmälningsfrekvensen bland revisorer.

Enkäten består av 35 frågor och ska inte ta mer än 10 minuter att besvara. Frågorna har till syfte att bl.a. skildra respondentens inställning till förväntningarna på revisionsbranschen samt eventuella erfarenheter av upptäckt av penningtvätt i samband med revision. Svaren är anonyma och informationen som lämnas kommer endast att användas för vetenskapliga ändamål.

Er deltagande är självklart frivillig men då det har stor påverkan på utfallet av vår studie skulle vi vara ytterst tacksamma för Er medverkan!

Tack på förhand!

Mvh

Sharare Sultani & Adam Ringh
APPENDIX 4 – THE COVER LETTER FOR THE AUTHORITY OFFICIALS

Till vederbörande.

Hej,

Vi är två studenter vid Uppsala universitet som ska genomföra en enkätundersökning och hoppas på Er medverkan! Enkätundersökningen utgör del av en masteruppsats som syftar till att belysa ämnet penningtvätt och bekämpningen därav, med fokus på revisorns roll i sammanhanget.

Det var med anledning av Finansinspektionens indragande av tillståndet för två finansbolag på grund av misstankar om penningtvätt i januari i år, som vi började intressera oss för ämnet penningtvätt. Efter att ha studerat Penningtvättslagen (SFS 2009:62) samt rapporter från bl.a. Brå, Ekobrottsmyndigheten och Finansinspektionen har vi kunnat urskönja förväntningar och krav på revisorer i kampen mot penningtvätt, i och med revisorers stora inblick i företagens verksamhet och finansiella situation.

Finanspolisens statistik för 2012 visar dock att antalet anmälningar från revisionsbranschen endast utgjorde 5 av totalt 11 594 anmälningar, det vill säga ungefär 0,004 %. Under perioden 2009-2012 har branschens andel av de totala anmälningarna konstant legat under 0,01 %. Dessa siffror har föranlett att arbetshypotesen för vår studie är att det föreligger ett gap mellan vad revisionsbranschen förväntas genomföra i detta sammanhang, och vad som faktiskt genomförs av branschen.

Drygt 60 godkända och auktoriserade revisorer vid fem olika bolag av olika storlek har blivit tilldelade en enkät som syftar till att undersöka revisorernas inställning till förväntningarna på revisionsbranschen samt eventuella erfarenheter av upptäckt av penningtvätt i samband med revision, i syfte att kunna klarlägga de underliggande orsakerna till den låga anmälningsfrekvensen bland revisorer.

Vi vill jämföra revisorernas svar med Era, för att utreda förekomst och omfattning av det hypotiserade förväntningsgapet. Enkäten består av 20 frågor och ska inte ta mer än 10 minuter att besvara. Frågorna har till syfte att bl.a. skildra Era förväntningar på revisorer och dess roll i kampen mot penningtvätt. Svaren är anonyma och informationen som lämnas kommer endast att användas för vetenskapliga ändamål.

Er deltagande är självklart frivillig men då det har stor påverkan på utfallet av vår studie skulle vi vara ytterst tacksamma för Er medverkan!

Tack på förhand!

Mvh

Sharare Sultani & Adam Ringh
## Appendix 5 – Sample Allocation

### The Auditors

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### APPENDIX 6 – STATISTICS

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## Appendix 7 — Results from the Questionnaire Sent to Authority Officials

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Nu sker rapporteringen till Finanspolisen och en variant skulle kunna vara en underrättelstjänst gemensam mot ekonomisk brottslighet
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