

# **CORPORATE FRAUD - A BOOMING INDUSTRY!**

By Tony Davies

## *Peace of Mind Investigations*

As a Corporate Security Investigator and retired Police Officer, dealing on a day to day basis with corporate fraud - let me assure you first of all of two facts:-

1. It can happen to you, fraud is effecting the bottom line profits of over 66% of ALL UK companies NOW!
2. Not all Private Investigators are unqualified, sleazy characters driving fast cars and living a life of undercover glamour and corruption.

Just as the villain no longer appears in a striped jumper, mask and bag of swag, so too has the role of the private investigator developed into a respectable and necessary profession. We have moved with the times. No more the sleazy character with the grubby raincoat, hiding in bushes with his camera hoping to catch the unfaithful spouse. We have evolved into a dynamic and IT driven industry - so what has this got to do with me, I hear?

Take a moment to consider your hard earned turnover and mentally write a cheque for 6% of this total. Now, picture yourself handing over this cheque to a fraudster - it hurts doesn't it? But recent figures published by the Association of Certified Fraud Examiners state that this is how much the average UK company is handing over to fraud every year -think about that for a moment....

In the UK that amounts to £14,000,000 a day in fraud, a staggering £5.1 billion a year.

Moreover, a further survey into this area of concern by the leading accountants Ernst & Young highlighted further disturbing facts....

- 8/10 cases of fraud involved an employee
- 90% of these employees had been with the company for over a year
- 20% of detected fraudsters had been with the company over 10 years!

Frightening statistics I am sure you will agree? Before you convince yourself that fraud is not or could not happen to you, remember the fraudster does not play by the rules and has certain advantages over you and your systems. For example:-

- They have the initiative and are pro-active in their own interests, rather than just reactive.
- They have the time to plan their course of action and to choose when to strike, having sought out the weakest and/or the most profitable point in your organisation.
- They have the choice of the battleground. They can take the fight to you.
- They can choose the weapons and the fraud methods, and have the planning in place to cover their tracks.
- They will be aware of the risks involved, having studied your systems and the rewards available.

You may agree with all this but feel secure that other organisations are out there protecting your interests right? WRONG! ...

- The police detect fraud' Wrong. As not all crimes are frauds and not all frauds are crime i.e. There is no crime of theft of information in the U.K. (industrial espionage) and with their limited resources these days are you going to sit and wait for the long arm of the law to reach you? I think not.
- Auditors detect fraud' Wrong. Last year auditors detected only 19% of all detected frauds in this country. Whereas 20% came to light as a result of whistle blowing by staff or a disgruntled spouse/lover - you can read into that what you might. In defence of the

auditor they are in a 'no win' situation. They carry the burden of responsibility after the event, without the luxury of the authority to put things right before hand.

- 'Fraud is unpredictable' Wrong. Look at the risk to reward ratio within your organisation. Consider the fraudster's advantages over you as previously mentioned. Where are your internal controls weak and an easy target? Where are the most common frauds taking place within your sphere of industry, internationally, nationally and locally? Where are you losing your assets?
- 'Internal controls are negative'. Wrong. Internal controls are meant to be 'reasonable' for all concerned. They can be broadly defined as 'a process, effected by the organisation's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives with regard to efficiency, financial reporting, legal compliance and the safeguarding of the company's assets.

These 'drip feed' type frauds are enough to make a great deal of difference to the fraudster's life without any immediate impact on your company's operation.

Some Common Types of Fraud.

- Creating fictitious creditors
- 'Ghosts' on the payroll
- Falsifying cash sales
- Rolling over banking
- Undeclared stock
- Making unauthorised 'write-offs'
- Claiming excessive or never incurred expenses

You do not need me a simple PI to define the negative impact any one of these frauds could have on your business, but there are ALWAYS tell tale signs or as we call them RED FLAGS that we are trained to spot on your behalf. Here are a few to get your detective juices flowing...

DO YOU HAVE A FRAUDSTER IN YOUR MIDST?

- Reluctance of an employee to take holidays or who constantly works late.
- Employee living a lifestyle not commensurate with their salary. It may be he/she won the lottery or inherited a sum of money, or it may be yours.
- Indications that there are personal financial problems. Would you know if a member of your staff had such a problem?
- Employee who consistently bend or breaks the rules. A 'real go getter' or feathering his/her nest?
- Employees receiving inappropriate gifts and hospitality from suppliers and/or customers. Do you have a policy in this regard? What is 'appropriate'?
- Employees who are constantly the subject of complaints from supervisors or customers. Do you know your staff?
- Excessive wastage of re-sellable stock (especially drugs).

This is not a comprehensive list, it is simply used here to give you an idea of some of the red flags we use along with a wide range of other factors including human resource policies, controls, financial and operational management policies etc.

## ***SO YOU HAVE SUSPICIONS? - WHAT HAPPENS NEXT?***

Enter the Corporate Security Investigator. Not perhaps in a red Ferrari as Magnum would, but just as significant in the fight against the fraudster.

We can utilise modern day technology together with the time-honoured display of detective skills in our search for the fraudster. Your first choice will and should be to call the police, but without any firm evidence and with the already mentioned stretched resources they may not be able to be of immediate assistance. The chances are that they will not be able to donate

the necessary time and effort to the investigation at the very early stages. There may, of course, be other reasons why you may not wish to call the police in the first instance e.g. fear of any bad publicity, sensitivity of information and confidentiality.

Once you suspect a fraud is being perpetrated against your company it is time to call in an investigator. We can advise you on all aspects of an in depth investigation and give you options on the different methods available to you to detect the culprit(s).

We can also advise on the techniques you will need to adopt to ensure you safeguard any evidence that you find for subsequent use for dismissal, a tribunal or a court of law.

We will also take care to explain the law in relation to fraud as the matter is covered by a large number of statutes including Criminal Law Act 1977; Theft Act 1968/78; Criminal Damage Act 1971 and many more.

## ***SURVEILLANCE - IS IT A DIRTY WORD?***

A key weapon in our arsenal in the fight against the fraudster is surveillance, both physical and electronic. 'This is not the British way' I hear you cry. That is what the fraudster wants to hear. As much as I loathe the idea of the Orwellian 1984, with Big Brother watching you, I firmly believe that the surveillance camera strategically placed will detect the fraudster on what he/she believes is his /her home turf. Likewise the telephone call monitor is now so sophisticated it is now possible for you to hear a conversation happening in your office while you are on holiday in Australia. The realm of James Bond has come to the modern day society, so lets make it work for us to stop these thieves funding a nice lifestyle at your and honest fellow workers expense.

Other methods, far too numerous to reveal here, are also employed by today's investigator, and all possible avenues will be discussed with you, but nothing, including all the gadgetry in the world can replace the detective instincts displayed by the majority of today's professional corporate investigators. We are all round investigators, with knowledge of the law, evidence securement, interview skills and state of the art equipment that will assist in the fight against the fraudster in you organisation.

## **DON'T BE AFRAID...**

I hope I have given you some food for thought about your organisation, and dispelled any misconceptions you may have had about Private Investigators. If in doubt, give us a call and we will guarantee peace of mind for you regarding your organisation.

## **WE STAND BY OUR MISSION...**

***PROMISES GET CUSTOMERS, RESULTS KEEP THEM!***

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