



CORPORATE FRAUD

If the police are away, will fraudsters come out to play?

Many of you will have seen the recent report by the National Audit Office setting out that Central Government funding to police in England and Wales has fallen by 30% leading to reduced manpower and fewer crimes resulting in charges or summons. Could this be yet another blow to the fight against fraud?

The perception amongst both employees and employers that the police may divert any resources to “real crime”, that is, those against people and property rather than “victimless crimes” such as fraud, is certainly plausible.

Given uncertain times, employees are often driven to commit fraud against their employer. The “fraud triangle” theorem suggests that there is a higher chance that an employee will commit fraud if two or more of the following factors are in play:

- **Pressure:** Most individuals require some form of pressure to commit fraud (e.g. money problems, divorce, gambling debts or overwhelming medical bills). Greed may also play a part.
- **Opportunity:** An opportunity to commit the act must be present. In the case of fraud, usually a temporary situation arises where there is a chance to commit the act without a high chance of being caught.
- **Rationalisation:** The individual is able to justify the fraudulent act (e.g. they did not get a pay rise or a bonus but thought they deserved one).

So if there’s a reduction in police numbers and charges being brought, many could see this as an opportunity and believe there is a low chance of being caught.

To exacerbate matters, employers may determine that there is less or no benefit in reporting fraud to the police. My experience is that it is already difficult for companies to get the police to investigate corporate financial crime. Each force already has “de minimis limits” below which they will not investigate. If it is a complex corporate fraud, it is also unlikely that the police will have the manpower or budgets to fully investigate issues. Companies can and do assist by “packaging up” the case (i.e. doing a lot of the groundwork, preparing financial analyses etc.) so that the police workload is reduced and simplified. However, if the perception is that the police are less likely to bring charges, companies may simply let the individuals responsible

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resign and seek to recover any lost monies through the civil courts. This clearly does not send the right warning signs to employees.

What really makes employees stop and think is the thought of being arrested, charged and/or going to prison. The embarrassment of being arrested and charged is a big deterrent and has knock-on effects for families and future employability.

Fraud is not a "victimless crime". I have seen whole communities suffer as a result. A large fraud can lead to the closure of the business, loss of jobs, a knock on effect to the supply chain and a ripple effect to the local community. The acts of one person may affect thousands.

It was very welcome news in April this year that the SFO's core budget for the 2018-2019 fiscal was increased to £52.7m from £34.3m– I hope this was not a one-off and that its budget will be slashed next year.

The fight against fraud is certainly set to continue for a good while yet, and the impact of the Government's latest cuts to police funding will undoubtedly be seen as an opportunity for some fraudsters to play the field.

Andrew Durant
Senior Managing Director
+44 (0)20 3727 1144
andrew.durant@fticonsulting.com



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