

IS BREXIT AN ENABLER FOR FRAUD?

Insider threats: Brexit and rising fraud levels amongst employees

The results of our recent Brexit survey, **Brexit in the Boardroom - Autumn 2018 Update**, show that **80% of UK business leaders are fearful of job losses in their company as a result of Brexit. And two thirds (66%) said they were concerned about employees committing fraud due to the lack of job security that Brexit brings.**

These results do not come as surprise to me after 30 years of investigating fraud. Motive has always been something I have tried to understand when carrying out investigations together with opportunity and rationalisation – the three aspects of the so-called Fraud Triangle. One of the primary motives for committing fraud is need, both the need for money now and in the future. And fear of losing your job clearly exacerbates that need.



Data has shown that employees are more likely to be able to commit fraud against a company versus an outsider. The reason why? Employees will know what systems are in place and, more importantly, where the weak points are - particularly those who have been with their company for more than five years. They will also have built up trust, meaning they will have more authority. So, if the fraud does get spotted, they are less likely to be put under the spotlight as most of the focus will be on outsiders.





Our survey showed that 71% of UK business leaders said they were concerned that the disruptions caused by Brexit will enable external fraudsters to target them. This is interesting not least because companies tend to overlook the more likely threat of their employees committing fraud, and often do not pay enough to potential internal dangers. There is a clear need for businesses to up the ante in their efforts to protect themselves from fraud and be on their guard.

So what should business leaders do to counter the increased risk of fraud?

10 key steps for businesses to combat fraud

1. Undertake adequate recruitment screening, especially for senior employees and directors covering the last 20 years of their working life and refresh it on a regular basis
2. Ensure there is a confidential hotline where employees can report their concerns – in all my experience, someone somewhere knew about the fraud before it was discovered
3. Distribute a clear policy about what is acceptable and what is unacceptable behaviour
4. Ensure adequate segregation of duties - think about controls that deal with possible collusion amongst staff and third parties
5. Walk the floor (or visit premises a long distance from the head office); it is amazing what you can pick up by getting out and about – for example, you may see anomalies in stock volumes or missing assets
6. Rely on your sixth sense - if you think something isn't right, you are right – act on it
7. Look out for unusual or inconsistent behaviour
8. If anyone is living beyond their means, look closer. Fraudsters tend to spend their money on cars, luxury goods, or expensive holidays: they don't put it in the bank for a rainy day
9. When fraud does occur:
 - Don't discuss it with anyone as they may be involved
 - Don't mark any evidence
 - Do be aware that losses may still be occurring
10. Don't rest on your laurels - keep assessing where threats may occur

For more information please contact:

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

*Source: Brexit in the Boardroom – Autumn 2018 Update: 522 UK business leaders out of over 2000 in the UK, France, Germany and Spain.



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