Fraud and corruption in the current crisis

One of many unfortunate effects of the current COVID-19 crisis is that it will lead to a global increase in fraud and corruption, both during and after the crisis. Economic downturns heighten the risks associated with the primary conditions – often referred to as the “Fraud Triangle” – generally necessary for employees to commit fraud, namely (i) financial pressure on employees, (ii) employee rationalisations for committing fraud, and (iii) opportunity.

Further, evidence from prior downturns, most notably the global financial crisis of 2008-2009, suggests that economic crises help expose fraud that occurred or was occurring prior to the crisis. To take a handful of examples, the 2008-2009 crisis helped expose widespread fraud in the mortgage industry, how Icelandic banks acquired assets 11 times the size of the country’s GDP, billions in fake loans issued by banks in the Middle East, and Bernie Madoff’s Ponzi scheme. In each of these instances, the tightening of credit made it impossible for fraudsters to maintain the fictions around which they constructed their fraud.

How Accuracy can help

Accuracy brings together professionals with a wealth of backgrounds and competencies, including compliance specialists, forensic accountants, finance professionals, and corporate investigators. Our cross-disciplinary teams can help clients assess and mitigate their fraud and corruption-related risks, both in the current environment and when the crisis ends. For instance, we recommend that companies consider:

- assessing how their compliance-related risks are being affected by the crisis and whether there are steps they can take now to mitigate those risks;
- approaching compliance-related cutbacks with caution to ensure that they are capable of quickly addressing a rise in demand for services;
- assessing how sales and costs may differ from prior patterns, as well as conducting risk assessments now to model where their greatest risks of fraud and corruption will be once the crisis subsides;
- ensuring that they are setting the right “tone from the top” as a means of both identifying fraud and preventing the factors that can lead to fraud in the first place.

About Accuracy

Accuracy is a wholly independent international consulting firm providing advice to company management and shareholders for their strategic or critical decisions, notably in transactions, disputes and crises.

Accuracy’s strength is to connect strategy, facts and figures. Accuracy’s teams are international and multicultural, combining various skills to provide bespoke services to our clients. We recruit consultants from the best.

Accuracy is present in 13 countries in Europe, North America, Asia, Middle East and Africa and leads engagements all over the world.

All Accuracy Partners are available to discuss your needs and design an appropriate solution with the relevant experts.