



Columnist

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Risky Business: Rethinking Business and Potential Fraud Threat

A recent study undertaken by BDO UK (FraudTrack survey) found that 61% of businesses believed that resource constraints brought on by COVID-19 disruptions would limit their investment in fraud detection and prevention tools in 2021. This is good news for any potential fraudsters ready to prey on business.

Due to the pandemic and various reasons arising over the past 12 months, many businesses have been forced into drastic cost cutting measures in order to stay afloat. But cutting back on fraud detection and prevention measures is risky business given the potentially huge impact of fraud.

The potential scale of the problem is clear when you consider more than three quarters (76%) of the businesses surveyed admitted that they are more exposed to fraud since the onset of the COVID-19 pandemic but, somewhat alarmingly, fewer than half (46%) have undertaken fraud risk assessments since March 2020.

The real cost of fraud

By failing to invest in fraud prevention and detection, businesses risk losing much more should they be hit with a big fraud. Of the businesses that were surveyed that had experienced fraud, 27% lost more than £250,000 to fraud in the last year, with some losing significantly more.

Depending on the size of your business, this could mean the difference between survival and going under. For example, back in November of last year, two Northern Irish businesses fell victim to a scam in which £350,000 was transferred to bogus bank accounts after an email hack.

Harder to quantify but equally significant is the potential damage to the brand and reputation of a business from fraud, which can have a very costly and long-lasting impact.

What can businesses do to prevent fraud?

The FraudTrack survey also found that 67% of businesses believed that fraud risk had increased due to working from home. However, only 42% had taken specific steps to ensure their data is more secure.

At BDO, we always advise and encourage our clients to undertake regular fraud risk assessments. Scams can be so convincing, and it is easy to be duped, which is why this vital business practice is

perhaps more important than ever this year after the dramatic shift in business operations.

Undertaking regular fraud risk assessments can be an effective way of identifying and addressing potential fraud weak spots before it's too late. It can also help firms be proactive, protecting themselves against financial crime including 'CEO frauds' often involving synthetic identity fraud or 'deep fakes', supply chain frauds made possible by inadequate due diligence on new suppliers, and financial statement frauds where finance teams succumb to pressure to report positive results.

When your business is grappling with a range of tough decisions regarding cost controls and operational concerns, it can be tempting to reduce your investment in fraud prevention. However, to do so would be leaving your business vulnerable to the potentially catastrophic impact of fraud.

If you would like to talk through any element of fraud risk or if you have experienced fraud and need assistance, please get in touch on 02890439009.

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