

## **Fraud offences and the pandemic**

Martin Gill

Perpetuity Research and Consultancy International

November 2020

### **The problem**

Fraud is the intentional deception to secure unfair or unlawful gain, or to deprive a victim of a legal right. It is already the UK's most common offence type (Home Office, 2019). It can be a civil or criminal offence and is increasingly being perpetrated online, where fraudsters are adept at exploiting opportunities. This briefing note is specifically about fraud where organisations rather than individuals are the victims.

### **What we know about fraud and fraudsters and how we know it**

We know that fraud, particularly online fraud, has risen massively over recent years and an effective response is complicated by a number of factors: for example, they are particularly difficult to detect; many offences are discovered long after that have been committed; and offenders often reside in other jurisdictions. Fraudsters seem to have reacted speedily to opportunities presented by the pandemic: the circumstances became ideal.

### **What we think might happen in the COVID-19 pandemic**

There are at least three primary ways in which fraud has been stimulated by the pandemic. First, the speed with which the Government provided new forms of financial support to people and organisations via mechanisms that had not been fully risk assessed (for financial crime) led to easy targets for offenders. Secondly, a key way in which organisations were able to continue during the pandemic – when there was restricted movement – was by encouraging or requiring staff to work from home. While many employers already operated flexible working policies this shift was marked. Many organisations were not geared up to protecting employees working remotely on this scale, either via physical or virtual security measures. In addition to fraudsters external to the organisation, the potential threat now comes from employees themselves and others with malicious intentions who are more easily able to exploit security loopholes facilitated by working outside a more secure office environment. Thirdly, organisations that had been common targets of fraud (such as retailing and healthcare) were distracted by the new operational needs created by the pandemic; hence fraud prevention and investigation received reduced attention. Furthermore, the increase in company insolvencies may have created additional opportunities for fraud.

The big issue is not only by how much fraud will increase, but also which types of fraud are at risk, and how long will it take for the realities to surface.\* It is unlikely that the full extent will be known for a while. The police were known, pre-COVID, to be challenged in attempts to tackle fraud (Skidmore et al, 2020). They, and presumably other fraud prevention agencies in public and private sectors - as well as those who are at risk of becoming victims, may now have reduced staff able to respond to or pre-empt emerging fraud issues due to staff sickness brought about by the pandemic. As well as increases in fraud we may discover weaknesses in auditors' reports and prior risk assessments. We may also come to realise the consequences of poor investment in fraud prevention including in staff. On the positive side there is some evidence that agencies are working together more effectively, for example through better sharing of intelligence.

\*see for examples: [www.ukfinance.org.uk/covid-19-press-releases/uk-finance-reveals-ten-covid-19-scams-the-public-should-be-on-high-alert-for](http://www.ukfinance.org.uk/covid-19-press-releases/uk-finance-reveals-ten-covid-19-scams-the-public-should-be-on-high-alert-for); <https://www.local.gov.uk/test-and-trace-scam-alert-issued-councils>

### Some ideas in response

- The public generally and employees specifically need to be :
  - Made aware of the fraud risks,
  - Provided with easy to follow advice, and
  - Be encouraged to report offences to enable construction of an accurate fraud profile
- Organisations need to:
  - Be encouraged to risk assess and then plug any gaps in fraud prevention
  - Ensure that they have an effective remote working policy enabling staff to be aware of the risks and have an easy-to-follow response (including the management of sensitive data)
  - Ensure they have appropriate measures in place to attend to cyber risks and record them, in order to provide oversight of the risks, both on site and for remote workers
- Inter and intra sector collaboration needs to be encouraged, good practices harnessed, and information/intelligence sharing prioritised
- There needs to be more and better training of investigators
- The mining of big data, with AI and machine learning, can generate more insights on frauds as they are occurring although negotiating legal obstacles and protecting privacy are important constraints
- Consideration needs to be given to overcoming the barriers to greater collaboration, due for example to: the number of software platforms and systems; the difficulty of extracting information from data; the need to juggle the use of different tools which are constantly changing; and as a consequence the need to continually re-educate users.

### Relevant resources

Home Office (2019) *Crime in England and Wales: year ending March 2019*. London, Home Office.

Naidoo, R. (2020) A Multi-Level Influence model of Covid-19 Themed Cyber Crime. *European Journal of Information Systems*. 29, 3, 306-321. <https://doi.org/10.1080/0960085X.2020.1771222>

National Audit Office (2020) [Investigation into the Bounce Back Loan Scheme](https://www.nao.org.uk/report/bounce-back-loan-scheme/). London: National Audit Office. 7<sup>th</sup> October. <https://www.nao.org.uk/report/bounce-back-loan-scheme/>

Skidmore, M., Goldstraw-White, J. Gill, M (2020) [Understanding the police response to fraud: the challenges in configuring a response to a low-priority crime on the rise](#). *Public Money and Management Special Issue*. Pages: 369-379 | DOI: 10.1080/09540962.2020.1714203

See also briefings offered on trends and types of frauds most in ascendency from organisations such as: Action Fraud ([www.actionfraud.police.uk](http://www.actionfraud.police.uk))

*This is one of a series of short, speculative papers developed by the UCL Jill Dando Institute during the current pandemic. It is edited by Nick Tilley and Gloria Laycock and published by University College London. The raison d'être of the series is fully described at: <https://www.ucl.ac.uk/jill-dando-institute/research/covid-19-special-papers>*