

A Review of How COVID-19 Has Created an Insider Fraud Pandemic and How to Stop It

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Abstract : Insider fraud, including its various synonyms such as occupational, employee or internal fraud, is a major financial crime threat whereby an employee defrauds (or attempts to defraud) their current, prospective, or past employer. 'Employee' covers anyone employed by the company, including contractors, directors, and part time staff; they may be a solo bad actor or working in collusion with others, whether internal or external. Insider fraud is even more of a concern given the impacts of the Coronavirus pandemic, which has generated multiple opportunities to commit insider fraud. Insider fraud is something that is not necessarily thought of as a significant financial crime threat; the focus of most academics and practitioners has historically been on that of 'external fraud' against businesses or entities where an individual or group has no professional ties. Without the face-to-face, 'over the shoulder' capabilities of staff being able to keep an eye on their employees, there is a heightened reliance on trust and transparency. With this, naturally, comes an increased risk of insider fraud perpetration. The objective of the research is to better understand how companies are impacted by insider fraud, and therefore how to stop it. This research will make both an original contribution and stimulate debate within the financial crime field. The financial crime landscape is never static - criminals are always creating new ways to perpetrate financial crime, and new legislation and regulations are implemented as attempts to strengthen controls, in addition to businesses doing what they can internally to detect and prevent it. By focusing on insider fraud specifically, the research will be more specific and will be of greater use to those in the field. To achieve the aims of the research, semi-structured interviews were conducted with 22 individuals who either work in financial services and deal with insider fraud or work within insider fraud perpetration in a recruitment or advisory capacity. This was to enable the sourcing of information from a wide range of individuals in a setting where they were able to elaborate on their answers. The principal recruitment strategy was engaging with the researcher's network on LinkedIn. The interviews were then transcribed and analysed thematically. Main findings in the research suggest that insider fraud has been ignored owing to the denial of accepting the possibility that colleagues would defraud their employer. Whilst Coronavirus has led to a significant rise in insider fraud, this type of crime has been a major risk to businesses since their inception, however have never been given the financial or strategic backing required to be mitigated, until it's too late. Furthermore, Coronavirus should have led to companies tightening their access rights, controls and policies to mitigate the insider fraud risk. However, in most cases this has not happened. The research concludes that insider fraud needs to be given a platform upon which to be recognised as a threat to any company and given the same level of weighting and attention by Executive Committees and Boards as other types of economic crime.

Keywords : fraud, insider fraud, economic crime, coronavirus, Covid-19

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