

Business Essentials: Increased Business Fraud Risk

The combinations of the shift to remote working from home, shortage of workers and a constantly shifting economic landscape is increasing the prevalence and risk of occupational fraud for Australian businesses.

A recent study found that:

- 72 per cent of organisations reported an increased risk of fraud during the pandemic, with 85 per cent expecting this risk to continue;
- 65 per cent of organisations reported that remote work had increased their fraud risk;
- 62 per cent considered employees their biggest single source of risk; and
- 68 per cent of fraudsters were in financial stress or living beyond their means.

It can be difficult to identify when fraud is happening, especially when it is an employee who has worked with an organisation for many years. However, financial and personal challenges that people have faced since the pandemic have led some employees to act uncharacteristically when it comes to occupational fraud. Adding to the risks of fraud occurring more frequently, are the higher cost of living pressures and bigger mortgage and private loan repayments due to increasing interest rates. Financial hardship is now widespread.

Regardless of an employee's situation, fraud has severe business consequences including the financial cost, time, operational issues and reputational damage that can result.

Areas of Fraud Risk

There are five key areas where Australian businesses may be at risk of occupational fraud:

1. Fraudulent Expense Claims

This is where employees will submit a claim for business expenses they never actually incurred. For example, in one case a contracted employee used a credit card to book air travel, accommodation and car hire. However, the employee never intended to incur the expense, so made the bookings and then cancelled it, keeping the expense claimed. Using fake receipts is another way that employees can submit fraudulent expense claims.

2. Non-Compliant Expenses

Research has found that 22 per cent of expense claims don't comply with company expense policies, and 50 per cent of these relate to hotel bookings where business travellers book directly and circumvent corporate booking processes. Non-compliance can also occur with incorrect receipts, duplicate claims, or even the employer accidentally paying the employee twice for the same expense claim.

3. Invoices

Fake and duplicate invoices can cost organisations thousands of dollars. Organisations are susceptible to receiving a legitimate-looking invoice for an expense the company never actually incurred.

4. Business Email Compromise

Business email compromise is used by fraudsters to redirect legitimate fund transfers to alternate accounts. Legitimate emails and invoices are intercepted, and banking details are changed to include fraudulent payment information.

5. Double Processing

Many organisations can inadvertently pay the same invoice twice, particularly when using manual, paper-based processes. This is usually an error rather than fraud but can be costly. Fraudsters take advantage of these outdated processes by producing an invoice for services or goods, and then sending the same invoice to numerous companies. Whichever business pays becomes an ongoing target.

Fraud can be very difficult to quantify accurately. **The Australian Competition and Consumer Commission estimates only 13 per cent of fraud victims report the loss.** Many others either accept a small degree of fraud in their organisation, or are simply unaware that it has happened.

To access the publication, an *“An Employee Fraud Guide for Business,”* - please click on the link [HERE](#).

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