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**How to deal with COVID-19
from a fraud risk perspective?**

— COVID-19 changes behavior

Impact on human behavior

In this time where the COVID-19 causes tension and uncertainty all over the world, our deviant behaviour is somehow justified. The virus brings out our survival instinct and makes us believe there is a need to hoard ('hamsteren'). Internal norms and controls have become blurry, creating space to push the envelope, or even worse, cross the lines. In hoarding-practice this means that it is 'just fine' to buy over 50 rolls of toilet paper.

However, deviant behaviour does not only occur in supermarkets. During a crisis like this one, there are always people who try to take advantage of the situation. Phishing emails are already in the air, since they are easily set up and appeared to be very effective in these busy and hectic circumstances. Moreover, there is a significant increase in fraud risks.

How does this crisis change ethic morality of the human being causing them to commit fraud?



— THE FRAUD TRIANGLE

...explains an individual's motivation to commit fraud.



_ FRAUD RISK FACTORS

_PRESSURE

COVID-19 causes an overall decrease in demand, leading to financial uncertainty for most businesses. The pressure of facing difficult financial times, can initiate manipulation of results.

- Pressure to flatter results in order to comply with bank covenants.
- Pressure to meet the criteria for governmental regulations such as emergency funds or postponement of tax payments.
- Pressure from stakeholders to achieve targets which were determined before the COVID-19 crisis.
- Pressure experienced by employees, because of their personal financial position and the anxiety to lose their jobs.

_OPPORTUNITY

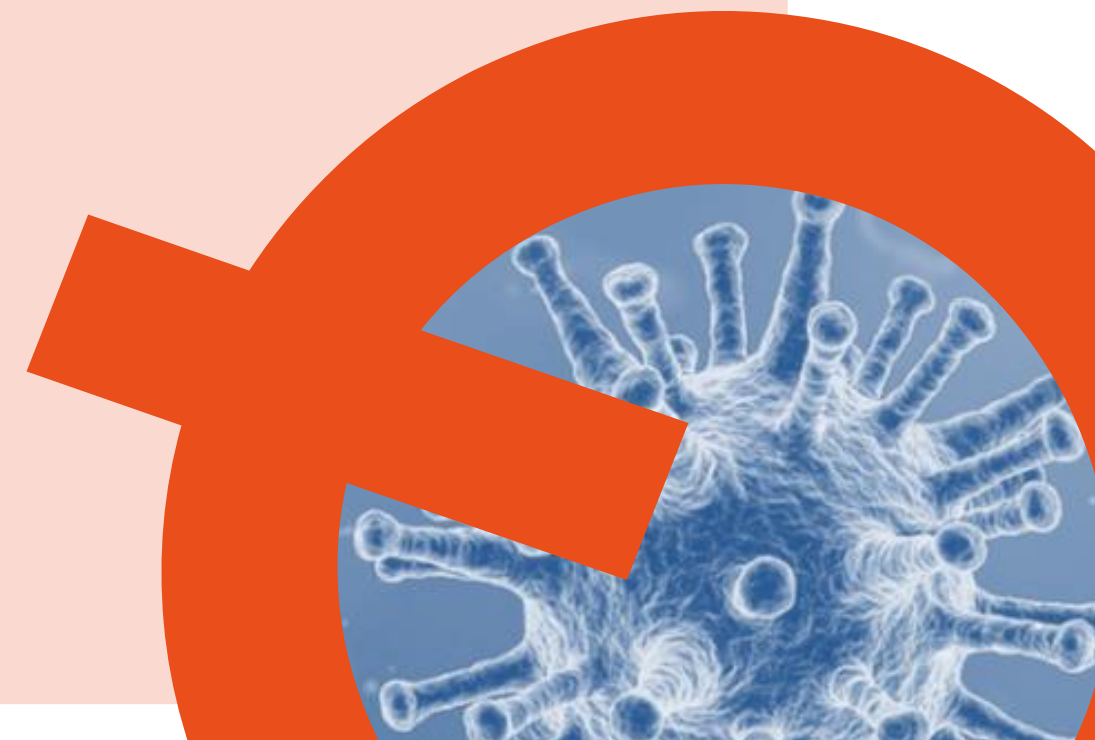
These days management teams are focused on trying to organize the daily business routines as smooth as possible. Therefore, weaknesses can be missed, creating opportunities for increased fraud risk.

- Interruptions in normal control frameworks are creating opportunities. For example, the impact of social control has decreased due to home working. Moreover, norms and controls have become blurry.
- Reduction in physical controls such as stock control creates opportunities.
- Homeworking leads to adjustments such as increases the amount of meetings and agreements through phone and e-mail which are easily manipulated or misinterpreted deliberately.
- Existence of COVID-19 scams such as phishing scams and fraudulent websites.

_RATIONALIZATION

The rationalization effect is not only applicable for our buying behavior regarding toilet paper, but also for management decisions.

- Unfavorable decisions are being made for which the crisis is being used as an excuse. Decisions such as measures which are being recorded as unforeseen necessity in order to 'save' the company.





— RECOMMENDED ACTIONS

IDENTIFY FRAUD RISK FACTORS

By using the fraud triangle as a starting point

EVALUATE FRAUD RISKS

Based on the probability, likelihood and potential financial impact

(DATA) ANALYSES

Perform specifically defined (data) analyses to identify unusual or unexpected patterns and deviations

AND....

Create an environment in which people are aware of the increased risk and accept feedback from each other

— VALUES

How we protect our ethical way of working in this rapidly changing and challenging environment

CHECKS AND BALANCES

We commit to perform our checks and balances despite physical restrictions, but with due observance of safety regulations.

OPEN AND HONEST

We commit to open and honest discussions on the effects of the Corona virus as well as any concerns that any individual might have in that respect.

VISUAL RESTRICTIONS

We continue our normal way of working at home without misusing the lack of social controls due to physical restrictions.

INSPIRE OTHERS

We stretch ourselves and inspire others to achieve the challenging goals and we avoid factors that could contribute to fraudulent behavior.

DO NOT PANIC 😊

From a business perspective, we will not be pressured by the current circumstances that may encourage us to make unfavorable considerations or decisions.

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Finance with a smile!

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