



**COUNTER FRAUD CENTRE**

Tauārai Hara Tāware

# Being prepared to prevent fraud in future crisis

Putting into practice what we learned from the COVID-19 pandemic to support preparedness for the next crisis



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# Understanding fraud in times of crisis



# Governments need to respond swiftly in times of crisis



Relief funding must be expedited to help those that need it



High trust models are required to mobilise relief effort



To go live sooner a higher fraud risk profile is generally accepted



There are trade-offs with the high trust model.  
There will be more fraud



Studies estimate losses to disaster fraud are estimated at 10%

## disaster

is a critical event much wider in scope. It causes serious disruption to the social routine  
e.g. earthquakes, tsunamis, virus and disease outbreaks

vs

## emergency

is an unforeseen incident that can be responded to using available resources  
e.g. neighbourhood fires and vehicular accidents

# We need to go in “eyes wide-open” that fraudsters can take advantage of a high trust model in times of crisis

## Locally

### Christchurch Earthquakes

#### Woman admits Red Cross earthquake grant fraud

Anne Clarkson and Georgina Stylianou - 07:01, Jan 19 2016



NEW ZEALAND

#### Former CERA employees facing fraud charges named

11:43 am on 11 September 2020



Arman Zaki  
@arman\_zaki | www.arkltd.co.nz

### Kaikoura Earthquakes

#### International gamers frustrated by police silence after alleged Kaikoura earthquake fraud

ELENA MCPHEE - 17:55, Apr 20 2017



### GFC

BUSINESS

#### Ex-Mutual Finance board member Paul Bublitz claims a 'high price' for GFC fraud after failed \$1.14m costs bid

26 Sep, 2020 03:15 PM

© A media by mead

### COVID

#### MSD investigating more than 300 businesses for wage subsidy breaches

Angus Hamilton - 14:13, Mar 07 2021



#### MSD told to crack down on unneeded wage subsidy recipients

11:43 am on 11 September 2020



## Internationally

### Australian Bushfires

NEWS

#### Fraudsters blamed for delays in getting donations to bushfire victims

#### Australian Bushfires Report

1 January - 15 April 2020

This report is an account of how Australian Red Cross responded to the Black Summer bushfires and how we are using the funds entrusted to us to help those affected.

### Grenfell Tower

#### Grenfell Tower fire: Man jailed for £88,000 fraud

Council finance manager who stole £62,000 meant for Grenfell fire survivors is jailed

### Hurricane Katrina

#### More Than 900 Defendants Charged with Disaster-Related Fraud by Hurricane Katrina Fraud Task Force During Three Years in Operation

Emergency Disaster Assistance Fraud Penalty Enhancements Act of 2007: Statute Being Used to Charge Defendants

10 years later, extent of Katrina fraud still unknown

By Sarah Williams, Investigative Reporter | August 28, 2010 10:00 AM



### COVID

NEWS

#### Germany: Health ministers to discuss COVID test center fraud scheme

UK COVID loan scheme could lose 26 billion pounds from fraud, defaults- watchdog

By Michael Wildgen

11:43 am on 11 September 2020



# We have seen it happen at the SFO



International experience is that fraud losses rise during disaster recovery with estimated losses being 10-15% of the disaster recovery funding.



Following the Canterbury earthquake, the SFO investigated eight cases additional to its normal caseload– the alleged fraud value was \$257M.



Following the Canterbury earthquake recovery, the SFO investigated and prosecuted two large scale Ponzi schemes, with the prosecuted fraud valued at \$31M.

# The impacts are beyond financial



Human



Government  
outcomes



Reputational



Industry



Security



Environmental



Government  
systems



Business

# Our operational experience shows you need to be proactive with fraud control in disaster management

- 1 Accept that there is an inherently high risk of fraud, and it is very likely to happen.
- 2 Integrate fraud control resources (personnel) into the policy and process design to build awareness of fraud risks.
- 3 The business and fraud control should work together to implement low friction counter-measures to prevent fraud risk where possible.
- 4 Carry out targeted post-event assurance to look for fraud, ensuring access to fraud investigation resource.
- 5 Be mindful of the shift from emergency payments into longer term services and revisit the control framework – especially where large sums are invested.



# Being prepared for the next crisis



# Readiness for the next crisis is one of the four areas of activity of emergency management



New Zealand's approach to emergency management can be described by the **four areas of activity** which are known as the 4 R's.

A focus on the 4R's can **improve your ability** to get through in an emergency.

# Why it is better to prepare for the next crises during BAU than in times of crises

During a crisis fraud can have significant impacts, such as:

- ▶ increasing the cost of emergency management
- ▶ reducing the resources available to manage the issue
- ▶ further suffering for disaster victims

## BAU

- ▶ Measured and logical planning
- ▶ More resources - more can be done at a lower cost
- ▶ Less time critical need for roll out of programmes and initiatives
- ▶ Quality assurance checks and pressure testing

VS

## During a disaster

- ▶ A need to get things done rapidly means less time for planning
- ▶ Fewer resources as they are funnelled into other activities
- ▶ There can be timing pressures and delays
- ▶ Trade offs on quality assurance checks - can result in compromises on quality

# The COVID-19 pandemic highlighted 5 critical lessons

These five lessons provide some good practice actions that we can put in place now, to minimise the effort and mitigate the impact at the time of the next disaster.

## **Fraud risk Assessments before funding is agreed**

Fraud risk assessment should be undertaken by skilled people before funding is agreed.

## **Where possible use established delivery processes**

A clear path to retrospectively check payments should be in place at the point the scheme starts to distribute spend.

## **Continuous assessment of risk**


You need to be able to make real-time continuous improvement to enhance your controls as vulnerabilities are exposed.

## **Post assurance activities**

A clear path to retrospectively check payments should be in place at the point the scheme starts to distribute spend.

## **Be prepared for the next disaster**

There is limited time to prepare in an emergency. You need to have your processes and controls in place before the next emergency.

A photograph of a city skyline featuring several skyscrapers, including a prominent white one with a blue glass facade. In the foreground, there is a waterfront pier with a glass-roofed structure. The image is partially obscured by a white diagonal shape on the left side.

The disaster management products can help you be prepared for the next disaster

# How to use the disaster management products

You can use these guides to help strength your organisations disaster response

International experience shows **that early and effective** incorporation of fraud prevention and detection measures as part of the recovery process are **critical to minimising losses** from financial crime.

We have two guides –

- Low-friction countermeasures containing **8 controls**
- Data countermeasures containing **7 controls**

<b>Why this is important in a crisis</b>	The <b>benefits</b> of each countermeasure so you can understand why and how it can help to minimise the risk of fraud in a disaster recovery situation.
<b>More about this countermeasure</b>	Summary of each of the countermeasures, so you can understand <b>what the implementation</b> of each one might involve for your organisation.
<b>Considerations for implementation</b>	The <b>limitations of this countermeasure</b> may be so that you can recognise and make informed decisions regarding your fraud risk threshold, or where you might need to ask for additional help, such as from your legal services team.

# Next steps in counter fraud preparedness

Preparedness for counter fraud should be done as part of an organisations integrated approach to crises management as well as BAU counter fraud efforts.



Check out the SFO Counter Fraud Centre portal for additional resources to help your organisation counter fraud



Carry out a fraud risk assessment to identify vulnerabilities and enable solutions for mitigation as required



Ensure that members of your internal fraud and risk teams are aware of your emergency management approach



Chat with other agencies to understand how they might have approached similar vulnerabilities and risks



Discuss your counter fraud approach with the emergency management officers in your organisation



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[sfo.org.nz](https://sfo.org.nz)