

# DILIGENCE

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GLOBAL BUSINESS INTELLIGENCE

FOR IMMEDIATE RELEASE:

## **RECESSION, FINANCIAL MELTDOWN AND THE RISK OF FRAUD**

Societe Generale's problems could be the tip of the iceberg. In the experience of leading investigative firm Diligence, bear markets and looming recession are a catalyst for fraud. The company is currently advising its clients as to how to deal with fraud or the suspicion of fraud.

Nick Day, Diligence CEO said, "In the first instance it's very important that managers avoid the over whelming temptation to confront suspected perpetrators when there are rumors or allegations of fraud. Early confrontation undermines company morale, if in fact the allegations prove to be false or malicious. If the allegations are true then the suspects have been given the chance to deny the allegation, destroy evidence and hide stolen assets."

Diligence recommends that security managers organize a discreet investigation to verify or refute rumors and would typically utilize computer forensics, forensic accounting, discreet surveillance, document analysis skills, and discreet source development.

Having gathered the results of the discreet investigation Diligence advises that management should attempt to quantify the damage and loss and formulate a plan of action which at a minimum considers the following issues:

- notification of insurers
- to pursue a criminal or civil course
- to formally secure and preserve evidence
- to formally interview witnesses and suspects
- to identify, locate and secure assets that can offset the losses from fraud
- to notify shareholders and the management board

Having suffered a fraud most companies decide to improve or review their fraud prevention processes. Fraud is avoided when there is a culture that encourages the robust enforcement of oversight, audit (both financial and non-financial) and whistleblower policies.

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