

Fraud "blindness" rampant in businesses and organisations

By **Ian Evans** - 12th December 2016



Veronica Morino

A collaboration between the University of Leicester and experienced fraud investigators has resulted in research which could provide a breakthrough. Fraud investigator and doctoral student Veronica Morino claims that many organisations and multi-national companies are mostly blind to fraud and that the emergence of an industry of "fraud specialists" is profiting from this fact.

In the wake of high-profile scandals in multi-nationals across the globe, her research highlights an increasing gap between the reality of fraud and how people and organisations are trying to counteract it. Morino has co-authored a book and published articles in a practitioner journal on fraud and corruption in organisations.

She said: "Organisations have always been affected by fraud and have, through the years, established a series of protective measures. However, the general consensus is that, in spite of the increased volume of governance, fraud is not decreasing nor have companies proved able to deal with it more effectively.

"I think that there is an important distinction to be made between protective measures as generally practiced today, and real resistance. This requires including an organisational and sociological dimension in a holistic response to fraud management.

"With my research I would like to offer this new perspective and help organisations understand where they stand today and how they can take their anti-fraud work to the next level".

Morino, who was born in Florence and studied in Rome, has spent the last 16 years detecting, investigating and preventing corporate fraud and corruption and previously believed that she was helping organisations to develop anti-fraud and corruption programmes which made a difference.

She said: "I arrived at the point where I realised that there was an increasing gap between the reality of fraud and how people and organisations were trying to counteract it. I started wondering whether it would be possible to effectively combine the work and studies I had done earlier on organisational culture with my experience as investigator and thus find some answers which could possibly contribute to a positive change of the status quo".

Morino said true resistance requires fraud and corruption to be recognised and regarded as both pervasive and occurring all the time – but also as deviant and undesirable behaviour.

She said: "Fraud touches deep cultural values and is at the same time both common but also not tolerated and morally reproached in every historical period, geographical region and cultural context. Nevertheless, people don't always seem able to identify it as happening to them or by them. This is a paradox which needs to be accepted in order to recognise fraud and corruption for what it really is".

The key is to understand what needs to be done in order to reach a consensus on what is fraudulent and what is not. It is only once this is in place, that people in the organisations will be capable of formulating their own response.

Morino added: "The more I explore things and the more it seems that all these overly complicated rules, procedures, policies, internal controls, risk assessments and monitoring activities are actually taking us in the opposite direction. Rather than preventing fraud this leads to even more new regulations, procedures, controls and so on. That makes me wonder because, as I wrote in one of my latest articles, the secondary beneficiaries of fraud and corruption (after the fraudsters of course) are the 'fraud specialists', who might reflect, *the more ill, the more we have to pay the bills?*"