

# TT Talk - COVID-19: heightened risk of fraud

- Date: 07/04/2020

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Stakeholders in the international supply chain can find themselves unwittingly exposed to many types of fraud during the normal course of business. Connectedness provides fraudsters greater ease to transact and a lower risk of apprehension. The current pandemic-induced dislocation and additional logistics challenges simply increase the risks. Be alert!

Today's digital business environment provides smoke screens, affording fraudsters the opportunity to minimise their risk whilst being selective in their approach. Victims are typically tracked over a period of time with the fraudster striking when the victim is at their most vulnerable. However, these fraudsters are already exploiting the current COVID-19 situation and users are highly exposed. Stakeholders should not underestimate how lucrative an industry fraud is; using sophisticated, low-risk tactics, fraudsters can easily steal large amounts of money or cargo.

## **“fraudsters are already exploiting the current COVID-19 situation and users are highly exposed”**

These are shocking times. Operationally, stakeholders in the supply chain find themselves short on workforce through mandated isolation or illness, with some forced to rely on an increased number of temporary workers and some having to work remotely, but while handling unusual and unpredictable volumes. These are perfect circumstances for the fraudster, given that your ordinary business processes are disrupted and under strain. The exposures are arguably heightened further since the focus of the authorities naturally lies elsewhere – and reduced legitimate work may induce more to try their hand at fraudulent activity.

## Mandate fraud

Mandate fraud is a specific type of cyber-enabled fraud that targets businesses with the intention of diverting money to a bank account operated by the fraudster. Such payment fraud is becoming one of the most prolific frauds targeting business, usually targeting staff within accounts departments and employing spoofed sender email addresses. Whilst most businesses are aware of this type of fraud, where there are fewer members of staff in place, or remote working has been widely adopted, there are greater risks of established procedures not being followed.

## CEO fraud

CEO fraud involves an internal email that appears to be from a senior member of staff within a company, such as the CEO. The email will ask the recipient (typically in the accounts department) to make a payment or transfer funds for an ongoing or new business transaction. Often the payment request is marked urgent and pressure applied to the recipient to make the payment as soon as possible. The payment will, of course, be made to an account under the control of the fraudster. The transaction may take time to come to light and the funds will almost certainly have been transferred through a series of other bank accounts and lost forever.

### Round the corner theft

Here, fraudsters pose as the consignee. They meet a driver on the approach to the legitimate delivery address, diverting the cargo to another address, where it is unloaded and stolen. In the current situation, where non-essential goods may remain in storage and result in warehouses being at capacity, there may be genuine cases where cargo must be re-directed during the final mile delivery. Stakeholders need to be aware of this increased risk and educate drivers to be extra vigilant when faced with such cases. Requesting identification and maintaining secure communication channels to verify such instructions would be prudent steps to take. Communication with customers/consignees is particularly important during this period to understand their availability and hours of operation, which may have changed.

## Cargo theft

Blockages at ports are likely to cause bottlenecks in the coming weeks and months resulting in spikes in the volumes of cargo being delivered into the hinterland. This will place additional pressure on drivers who support regional ports, as well as the local infrastructure (such as secure truck stops).

Where countries remain in a lockdown situation, the truck stops themselves may not be open for business as usual, placing even greater emphasis on drivers carefully planning where they are going to park in advance. It also provides an additional feeding ground for fraudulent carriers to infiltrate the legitimate supply chain where volumes are at their peak and stakeholders seek alternative resource to satisfy demand. [Due diligence](#) principles should remain firmly in place during this period.

The commodities considered at high risk of theft have quickly shifted during this period. Whilst the traditional food, drink and electronics will remain attractive, otherwise innocuous commodities such as personal protective equipment and other short-term high demand, low supply products hold an increased value to the fraudster. Whilst there is expected to be a lull in cargo theft whilst quarantine restrictions remain in place, the resulting economic strain thereafter is likely to lead to an increase in theft activity.

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## Procurement fraud

The ability to detect a fictitious company and business transaction in a period of high demand and activity becomes more challenging, particularly where stakeholders operate with a skeleton or remote workforce. Those conducting this type of fraud will often target individuals they have been monitoring and place them under pressure to pay an invoice immediately, citing negative effects on credit ratings and threatening legal action in the event of non-payment.

Further COVID-19 crime information is available on TT Club's dedicated information [page](#).

In amongst all the strain of responding to the immediate crisis, TT Club urges Members to maintain as much normal rigour as possible in their internal systems and processes, safety practices and physical and cyber security. Such standard business 'hygiene' retains lasting significance, alongside the much-heightened health hygiene to which we are all responding.

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We hope that you have found the above interesting. If you would like further information, or have any comments, please email us, or take this opportunity to forward to any colleagues who you may feel would be interested.

We look forward to hearing from you.

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