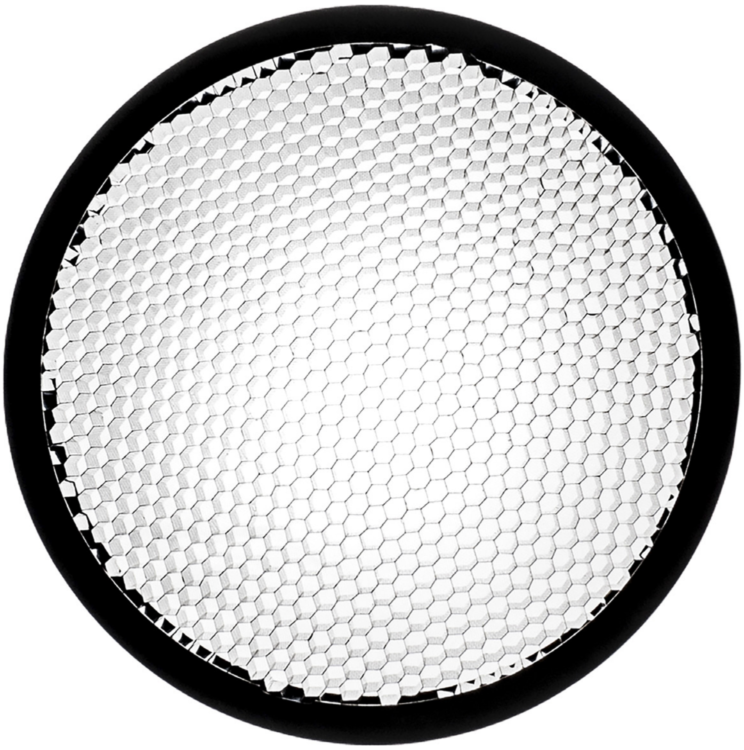


Deloitte Forensic
White Collar Crime Update February 2018

In November 2017, the Irish Government published a number of measures aimed at enhancing corporate governance, increasing transparency and strengthening Ireland's response to White Collar Crime. The measures are contained in the publication entitled "Measures to Enhance Ireland's Corporate, Economic And Regulatory Framework"[1] and include:

- Establishing the Office of the Director of Corporate Enforcement as an independent company law compliance and enforcement agency;
- Piloting a Joint Agency Task Force to tackle White Collar Crime which will address payment fraud (including invoice redirection fraud and credit card fraud);
- Enacting the Criminal Justice (Corruption Offences) Bill. This will repeal and replace the seven previous Prevention of Corruption Acts 1889 to 2010;
- Enacting the Criminal Procedure Bill, which will, among other things, streamline criminal procedures to enhance the efficiency of criminal trials;
- Implementing the Markets in Financial Instruments Directive II (MiFID II); and
- Evaluating the Protected Disclosures Act 2014 to identify how it might be improved if necessary.

What is White Collar Crime?

White Collar Crime has been the subject of a number of several well-known academic theories and studies since as far back as the 1930s and the early definitions are still widely used and are as relevant today. It is a well-known and widespread problem that impacts brand value and reputation, goodwill, and profitability of many organisations; any one or a combination of these outcomes ultimately impacts stakeholder value. Sutherland (1949) famously defined White Collar Crime as "a crime committed by a person of respectability and high social status in the course of their occupation"[2]. He categorised White Collar Crime as including:[3]

- misrepresentation in financial statements of corporations
- manipulation in the stock exchange
- commercial bribery

1 Ireland (2017). Measures To Enhance Ireland's Corporate, Economic And Regulatory Framework Retrieved from http://www.merrionstreet.ie/!J9GUAD
2 Sutherland, E. (1949). White Collar Crime. New York: Dryden.
3 Edwin H. Sutherland, a. (1940). White-Collar Criminality. American Sociological Review, (1), 1.

- bribery of public officials directly or indirectly in order to secure favourable contracts and legislation
- misrepresentation in advertising and salesmanship
- embezzlement and misapplication of funds
- short weights and measures and misgrading of commodities
- tax frauds; and
- mis-application of funds in receiverships and bankruptcies.

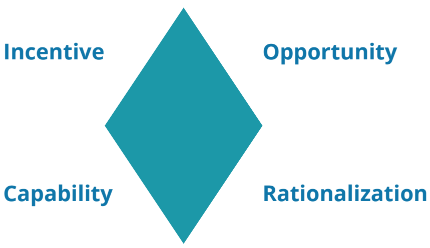
Coleman (1987) defined White Collar crimes as “violations of the law committed by a person or persons in the course of an otherwise respected and legitimate occupation or financial activity”[4].

In today’s digital age, White Collar Crime is occurring in many new forms, including online frauds such as payment and wire frauds. The methods of detection are becoming more sophisticated as a result, including the use of advanced data analytics and Technology Assisted Reviews (TAR).

Why does White Collar Crime occur?

Many of us are familiar with the three elements of Cressey’s Fraud Triangle (Pressure, Opportunity and Rationalisation)[5]. Fraud or White Collar Crime can occur when these three elements are present. However, more recently Wolf and Hermanson (2004)[6] added a fourth element, capability, and advanced the theory that fraud cannot be committed unless the perpetrator has the capability to do so. This has led to the **Fraud Diamond Theory**, which is a vital theory for organisations in understanding how White Collar Crime occurs and how to prevent, detect or investigate it.

The Fraud Diamond



Source: Wolfe and Hermanson (2004)

How can organisations safeguard against White Collar Crime?

At a time when White Collar Crime is at the forefront of public policy in Ireland, it is important for organisations to take steps to implement effective measures to minimise the risk of White Collar Crime. This can be achieved by focusing on the four elements of the Fraud Diamond. When White Collar Crime occurs, it is important that organisations take appropriate steps to investigate how it occurred and to take the necessary steps to ensure that it does not re-occur.

If you would like to know more about our service offering in the area of White Collar Crime please contact one of our Forensic team in Deloitte.

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4 Coleman, J. (1987). Toward an Integrated Theory of White-Collar Crime. American Journal of Sociology, 93(2), 406-439.
5 Cressey, D. R. (1953). Other people’s money: a study in the social psychology of embezzlement. Glencoe, IL: The Free Press.
6 Wolfe, D. T., & Hermanson, D. R. (2004). The Fraud Diamond: Considering the Four Elements of Fraud. CPA Journal, 74(12), 38-42.