

Fraudulent relief claims spread rapidly around the world during Covid-19

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Businesses and individuals around the world have been exposed to substantial legal and reputational risks by submitting overreaching or fraudulent claims to relief schemes, set up by governments to alleviate the impact of Covid-19. A spate of government investigations into Covid-19 relief applications in South Africa mirrors a similar trend in governments across the world, as they seek to mitigate increasing instances of relief scheme fraud. Relief scheme claimants should therefore guard against the risk of being on the receiving end of government investigations into the suspected fraudulent procurement of public funds by ensuring that they strictly follow the rules regarding their applications for Covid-19 support, and that they can prove that they have been severely impacted by the pandemic before they apply for relief.



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Covid relief fraud has spread around the world at the same rate as the pandemic, usually taking the form of application fraud (where the person or business applying for relief misrepresents their circumstances to qualify for relief), or impersonation fraud, where a business or person is impersonated by a fraudster who falsely claims the relief. As such, many governments have issued statements warning that they will audit relief claims and clamp down harshly on those found to have committed fraud.

Reputational risk

Fraudulent claims, whether inadvertent or deliberate, as well as overreaching in terms of relief benefit applications, have also resulted in severe reputational damage for businesses who did not comply strictly with application guidelines. Wary of this reputational risk, many companies are now refusing Covid-19 relief grants, keen to avoid an angry public outcry and corresponding brand damage, should it be assessed that they were not entitled to the relief to begin with, or that they are burdening the state in order to benefit shareholders' profits before people.

Recently, a number of well-known retailers and fashion brands in Europe found themselves on the wrong side of public opinion when they claimed Covid-19 rental relief intended for businesses who could not afford to pay their rent during the pandemic. After widespread condemnation and threats to boycott the companies, many withdraw their application for rental

relief and apologised, but not before suffering severe and lasting reputational damage.

In South Africa, reports of fraudulent Unemployment Insurance Fund (UIF) payments, paid out as part of the government's Temporary Employee Relief Scheme (TERS), have led the Labour Minister Thulas Nxesi to announce that auditors had been appointed to follow the money trail. So far, 75 fraudulent cases of UIF payments have been identified, with five arrested for UIF fraud worth R5.7 million. Some feel this is the tip of the iceberg, with numerous allegations of corruption and reports of funds being paid into the wrong bank accounts. South African President Cyril Ramaphosa reiterated Minister Nxesi's statements by saying that employers would find themselves in hot water for making incorrect UIF claims. As of mid-June, the UIF has provided R23-billion in Covid-19 relief to over 4.7 million workers affected by the pandemic, with the UIF system requiring an upgrade to deal with an increase in online applications and to protect against fraud.

Record-keeping

South African employers applying for relief must therefore ensure they correctly follow the guidelines when claiming via the TERS. This includes having to keep records of all TERS applications for their employees, as well as proof that such applications are legitimate and compliant with the guidelines. Employers must also keep easily recognisable and separate records of all TERS applications for a period of five years, ensuring they are retrieved and accessible. A clear record tracking the receipt and payment of all funds received should also be part of an employer's Covid-19 compliance programme.

This challenge is not unique to South Africa. For example, the United Kingdom recently announced it would be checking claims made through the jobs retention scheme and grants would be withheld or have to be repaid if they were based on dishonest or inaccurate information. In the United States, it is reported that the False Claims Act (FCA) will be used by the Department of Justice to bring more cases against those falsely claiming Covid-19 relief.

Checks and clauses

Measures that have been put in place by governments around the world to counter the effects of relief scheme fraud include electronic checks to identify and verify the information and bank accounts of individuals and business claiming relief, and fraud prevention clauses being included in application forms and during the application process to ensure applicants are aware of their legal obligations when receiving grant funding. Post-payment processes to check that the funding is being used for its intended purpose and claw back clauses if it is found that the funding was granted incorrectly, are becoming standard in global Covid-19 relief schemes application processes.

As governments shift their focus to combating coronavirus-related relief scheme offences, business striving to maintain business continuity and protect their workforces during the pandemic must ensure strict compliance standards that take into account a myriad of legal and regulatory issues in each country in which they do business, so that they don't inadvertently find themselves on the wrong side of the law when applying for relief.

The multitude of businesses, both large and small, that have continued to operate and generate a profit throughout the

pandemic, navigating their way around disrupted supply chains, decreasing demand, and a workforce in need of protection, should be recognised for their role in keeping the global economic engine running. Likewise, those businesses with operations have been more severely affected by the pandemic should be free to claim the relief available to them without the system being clogged and depleted by fraudulent and overreaching claims. Those businesses that claim unneeded relief will find that the challenge of surviving the pandemic will be met by the damage of a long-term reputational fall out, if they are found to have claimed public funds they didn't need in the middle of a global economic crisis.

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