

## Guarding Against Fraud – Advice for Small Businesses

The food sector is an industry, like many others, where being a victim of fraud is a constant risk. There are many types of fraud, but the risk for small business of being sold fake or substandard goods has heightened during the supply disruption caused by Covid-19.

The most obvious risk is that your food ingredients are not what they are claimed to be. But the vulnerability to fraud can also apply to food packaging, to utensils, to aids such as cooking oils and – increasingly, during COVID-19 – to disinfectants and sanitisers.

COVID-19 continues to cause rapidly changing stresses on supply-and-demand. Some items can be in short supply, whilst others have unsold gluts. Coupled with this, many business owners and employees are now under extreme financial pressure. These are the exact conditions that criminologists predict may cause otherwise honest individuals to behave dishonestly. Once they take this first step, if the bad behaviour goes undetected then the change in their moral compass can become normalised, and their standard practice.

### Typical Fraud Risks

Product and ingredient fraud issues are not just about horsemeat in lasagne or falsely graded olive oil. It can be as simple as lying about the duration date on a sack of flour or the country of origin of meat. Document fraud e.g. the falsification of certificates of analysis or health certificates is also a concern. Fraud can be the false declaration of the level of active chemical in a disinfectant. This behaviour can arise from multi-national organised crime through to local businesses occasionally stretching their margins by behaving badly.

Types of fraud to be alert for, and some recent examples, are shown in Table 1 below.

<p><b>UP-LABELLING</b> One type of intentional mislabelling. Falsely claiming that a food has a particular provenance or has been produced using a particular production system. Such claims are often very difficult to verify.</p>  <p><b>Recent Examples</b> Imported beef sold as local farm-produced Conventional vegetables sold as organic Net-trawled tuna sold as line-caught Slovenian wine sold as Italian.</p>	<p><b>DIVERSION / EXTENSION</b> Another type of intentional mislabelling. Relabelling and sale of previously rejected or non-food-grade ingredients and foods. Falsification and extension of expiry dates.</p>  <p><b>Recent Examples</b> Prior years' stored rice sold as this years' harvest. Previously frozen fish treated with "freshening" chemicals and sold as fresh Pet food ingredients sold back into the food chain as fit for humans.</p>
<p><b>DILUTION / ADULTERATION</b> A particular risk with liquid disinfectants, and with foods that are liquids, ground or powdered. Adulterants can be added to restore diluted products to their original colour or flavour.</p>	<p><b>SUBSTITUTION</b> Substituting one species or variety of food with a cheaper one. The public reaction to the horsemeat scandal has made any report of substitution a high reputational risk.</p>



**Recent Examples**

Oregano diluted with ground maple leaves. Sugars and syrups added to “bulk-out” honey. Clothing dyes used to enhance the distinctive colour of palm oil or ground spices



**Recent Examples**

Regular examples of one premium variety of potatoes being substituted by a cheaper variety. Regular examples of premium salad oils and cooking oils being substituted by lower grade oils.

**COUNTERFEITING**

Fake brands. A particular risk if you buy alcoholic spirits through disreputable suppliers. Counterfeits are usually lower quality and can frequently be dangerous. Methanol poisoning is a particular risk with illicit alcohol.

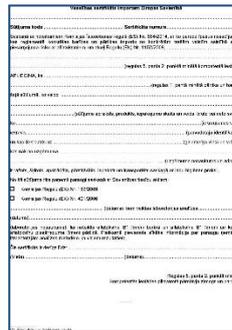


**Recent Examples**

Regular police seizures of fake vodka in the UK and Ireland. Counterfeit Bacoban® disinfectant is in widespread circulation worldwide.

**DOCUMENTATION FRAUD**

Fake Certificates of Analysis, Health Certificates, Import Certificates, Factory Certification or other documentation that comes with commodity-scale purchase of an ingredient.



**Recent Examples**

Fake health marks on meat; animals slaughtered at unlicensed premises. Forged Import Authorisation Certificates for peanuts. False certificates issued by laboratories.

**Why Small Businesses?**

Small businesses are at particular risk of fraud. Whilst larger businesses have audit teams, whistleblowing procedures, analytical testing programmes and industry information-sharing networks, small businesses tend to be reliant on certificates, claims on packaging, labels and trust. They also rely on the management controls their larger suppliers have in place. These controls may be weaker at the current time, when physical audit visits are suspended, and quality control staff are homeworking or furloughed.

Criminology theory also suggests that individuals who are tempted to commit fraud will choose opportunities where there is lower risk of detection. Otherwise usually honest people will tend to sell



to their existing networks and contacts. At a small business scale, these are the local suppliers of restaurants, takeaways, caterers and artisan producers.

### **The Cost of Fraud**

The most basic cost of fraud is economic. You are not getting what you paid for and if lower grade materials are substituted into the ingredients you buy this will affect the quality of the food on your menu risking consumer complaints and refunds.

There can also be substantial reputational damage. If it emerges that your product is not what it claims to be then this will undermine your customers' loyalty, particularly if your brand is based around the premium quality or provenance of your ingredients.

In the worst case, food fraud carries a significant health risk. The health risk from non-food-grade ingredients, packaging, or date-expired ingredients is obvious. But undeclared substitutes that are allergens can also pose a severe risk to allergic customers. And, in an extreme case, some food adulterants are harmful.

### **What Can You Do?**

- Be suspicious of unusually cheap ingredients, or easy offers of ingredients or cleaning materials that are supposedly in short supply. Too good to be true is probably too good to be true.
- Keep up to date with the typical prices your competitors are paying, both nationally and locally for their ingredients and materials, so that you can tell if your own price is unusual.
- Be alert for changes. For example, a disinfectant solution that is a paler pink than usual, or food ingredients that appear to have been repacked for no reason or additional stickers or handwritten information on the outer packaging.
- Don't automatically assume all certificates are genuine. Check them carefully for inconsistencies. Share information with your local business groups and use free resources such as the Food Authenticity Network (below) to raise and discuss any suspicions.
- Challenge your supplier, even if you have known them for years. Ask to see evidence of where they sourced their materials, and how they satisfied themselves that they were genuine.
- Consider paying for an independent whistle-blower hotline for your staff, or publicise the fact that they can use the NFCU or SFCIU hotlines (below)

### **More Information**

#### **The Food Authenticity Network (FAN)**

FAN membership is free and SME members are welcome to join. FAN offer a helpful website which includes a "Food Fraud Mitigation" page with several practical guides. There are also Discussion Groups, where you can discuss concerns with industry experts.

<http://www.foodauthenticity.uk>

#### **Analytical Testing**

If you are considering sending samples for analytical testing, or want more information on interpreting test certificates, then the IFST has published two information statements on the role of testing in defence against food fraud:

<https://www.ifst.org/resources/information-statements/food-authenticity-testing-part-1-role-analysis>

<https://www.ifst.org/resources/information-statements/food-authenticity-testing-part-2-analytical-techniques>



### **UK Background**

A recent UK Parliamentary Office of Science and Technology briefing note gives some background on the problem and scale of food fraud in the UK

<https://post.parliament.uk/research-briefings/post-pn-0624/>

### **If you have suspicions:**

Report anonymously to the National Food Crime Unit (England, Wales and Northern Ireland)

<https://www.food.gov.uk/safety-hygiene/food-crime>

or the Scottish Food Crime and Incidents Unit (Scotland)

<https://www.foodstandards.gov.scot/business-and-industry/scottish-food-crime-and-incidents-unit/food-crime-incidents>

