

Partnership fraud

Paperwork and independent advice saves partnerships from fraud

The problem: Partnership fraud

A partner in a Hunter Valley company knew something was not right. The business he had started with his business partner had double growth every year over three years and was very profitable. The numbers were not adding up. He trusted his partner with the financial management and administration of the business while he focussed on completing jobs and servicing clients.

The solution: Governance and independent advice

Pitcher Partners staff conducted a business health check (audit) which helped to uncover inappropriate payment of private expenses. Since then, an array of well hidden irregularities, including incorrect payment of taxes, loading of invoices, additional credit cards, incorrect timesheets, and closed access to some accounts, have been uncovered which the client estimates to have taken more than \$1 million out of the business.

The part-owner wanted the business to continue, particularly so his employees did not lose their jobs and clients did not suffer.

Pitcher Partners placed a staff member in the office and began to work around the clock with the owner to rebuild systems. Partner, Scott Edden and team continued a forensic review of accounts and work with the client's solicitors.

Lessons for your business

Fraud or inequitable sharing of returns in business partnerships is a major issue. Our client said he nearly lost his business because he was too hard working and too trusting.

1. Paperwork and governance. A proper shareholder agreement is like a business pre-nup. It can save you tens of thousands of dollars in legal fees down the track. Know the background of your business partner.
2. Be across all aspects of your business. Business partners need to meet regularly to discuss the work of each partner. Get expert, independent help. A Pitcher Partner's Business Health Check can assist.
3. If you suspect something is wrong, act quickly.