Anti-bribery and corruption analytics

Integrating anti-fraud analytics into your anti-bribery and corruption compliance approach
Anti-bribery and corruption analytics
Integrating anti-fraud analytics into your anti-bribery and corruption compliance approach

Designed specifically to detect possible instances of bribery and corruption, ABC analytics are a flexible suite of tools, technologies and methodologies that couples financial accounting data with unstructured data, such as emails, to identify areas where potential, improper activity may exist within your organisation.

Challenges for global corporations

Companies are under increased pressure to improve their anti-bribery and corruption compliance programs, to prevent and detect potentially improper payments that put the company at risk. Anti-corruption compliance continues to be a top priority for board directors, audit committees and senior management at many multinational companies.

Ernst & Young’s 12th Global Fraud Survey found that bribery and corruption remains pervasive. On a global basis, 39% of respondents reported that bribery or corrupt practices occur frequently in their countries. The challenge is even greater in emerging markets, where a majority of respondents believe these practices are common.

Regulators have recognised this. In 2011, enforcement actions under the US Foreign Corrupt Practices Act (“FCPA”) continue to focus on conduct in emerging markets. Thirty-one of the thirty-six reported FCPA cases related to activities in Asia, Eastern Europe and Latin America.

Businesses inevitably have to confront this challenge. Organisations are facing increased pressure to integrate reasonable compliance programs and procedures to prevent and detect actions that may violate the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. It is expected that there will be increased enforcement under these and other acts.

Implementing a program that sufficiently addresses potential bribery, corruption risks and control deficiencies can be challenging. Potential challenges often include:

- Expectations of management
- Limited internal audit/compliance resources
- Global disparate accounting systems
- Language/cultural differences
- Collection and analysis of large data sets

Anti-bribery and corruption (ABC) analytics

According to the Association of Certified Fraud Examiners (ACFE), almost 50% of fraud and corruption is detected by tip offs or by accident. Only 14% is detected by internal audit. Why? Because most internal audit tests focus on the traditional ‘rules based queries and analytics’ that were designed for process and controls-related testing, such as SOX. These traditional tests are typically not as effective for identifying high-risk transactions that may indicate the presence of bribery and corruption, as these types of schemes often involve the circumventing of existing rules, or perhaps even going where rules do not exist. For bribery and corruption, new approaches to data analytics are needed that integrate statistical analysis, anomaly detection, data visualisation and text mining.
Ernst & Young’s ABC analytics

Designed specifically to detect bribery and corruption, ABC analytics are a flexible suite of tools, technologies and methodologies that use financial accounting data and unstructured data such as emails, to identify areas where potential improper activity may exist within your organisation. Our approach enhances both the risk assessment and monitoring processes, through the use of targeted data analytics.

We leverage text mining to identify potentially suspicious terms within transactions in the financial accounting data. We can also analyse emails to detect anomalous relationships within your global footprint. Most importantly, we tailor our overall approach specifically to your organisation and industry, with attention to any unique circumstances or analytics that need to be considered. We consult with you and develop an initial scope discussion and customised work plan.

Ernst & Young’s professionals have extensive experience with regulatory matters and investigations. Our experience in conducting large global bribery and corruption investigations is integrated into the design of our ABC analytics service, which can help you increase the overall efficiency and effectiveness of your anti-corruption program and compliance initiatives.

Figures 1, 2 and 3 illustrate how we use structured and unstructured data on expenses, invoices and purchase orders to highlight risky transactions and geographic hot spots.

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### Figure 1 – Travel and expense analysis

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**FCPA Summary Analysis | ABC Company Top Concept Analysis**

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**Employee Assigned to Business**

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40% of boards have recently asked CFOs for a review of their anti-fraud, anti-bribery and corruption internal controls.

Figure 2 – Text mining of the accounts payable linked to geography

Figure 3 – Text mining of the accounts payable ledger
Key advantages

Ernst & Young has collaborated with the Association of Certified Fraud Examiners (ACFE) and leading global organisations to develop an extensive library of innovative anti-fraud and corruption analytics. These solutions are customisable on a case-by-case, country-by-country basis.

The key advantage of ABC analytics is our risk-based approach, that quickly identifies target areas for internal audit and compliance testing. In essence, an unbiased filter is applied to volumes of data that would otherwise be subject to lengthy manual review and human interpretation. Notable characteristics of ABC analytics include:

- **Diagnostic nature:** The process uses a risk-based, anti-bribery and corruption monitoring tool that relies on accounting data input to identify data trends and potential anomalies.
- **Use of advanced technology:** We use text mining, leading visualisation tools, statistical techniques and leading anti-fraud research to identify key risk areas on which to focus.
- **An interactive and intuitive process:** Our analytics are simple to navigate, highly visual and require minimal client training.
- **More efficient audits:** Tests are designed to highlight suspicious or potentially improper activity before on-site visits, leading to time in the field being better spent on the risk areas identified.
- **Cost effectiveness:** Analytics are delivered within a two to four week time frame with minimal client investment relative to the value created and the time saved in the field.
- **Repeatable process:** The ABC analytics approach is a learning model for your organisation that incorporates observations from previous projects and continuously improves.

There is no ‘one-size-fits-all’ solution to solving fraud and corruption. We provide you the flexibility to change the reporting interface and analytics as your approach requires. Additional services, such as third-party background checks or targeted email analytics, can also be integrated on an as-needed basis.

Helping our clients

We have incorporated the various aspects of bribery and corruption into the design of our ABC analytics. From analysing risk areas around ‘corrupt intent’ through advanced text mining techniques, to running statistical analysis and anomaly detection to identify high risk ‘payments’, ‘recipients’ and ‘business purpose’ use. The methodology we have developed is designed to provide a defensible, reasonable framework to an anti-bribery and corruption program. Our suite of analytics also incorporates third-party background checks on a selected basis, to identify potential risks around ‘who’ the organisation is doing business with in remote, high-risk countries.

The following case studies demonstrate how ABC analytics can help your anti-bribery and corruption program become leading practice.
Case studies

**Case study 1**

**Situation**
A mining company engaged us to perform analytics on procure to pay and financial data relevant to its supply chain and contract management. This was a global engagement – the client was based in Australia and required an analysis of assets in Africa on data acquired from the off-shore data centre.

**Outcome**
Prior to commencing, we worked with the client to understand previous instances of allegations and internal investigations. This allowed us to develop customised ABC tests to help us identify possible incentives for facilitation payments, payments and/or services that were not in line with contracts. We were also able to identify instances where employees were operating as vendors without approval. We did testing on transactional and structured data and performed text mining on unstructured/free text data obtained from emails. We analysed e-mails for pre-defined terms and using the results, created an overall fraud score (or fraud index value). We combined the results from the structured tests and the fraud scores and were able to identify vendors and employees who appeared to be exceptions.

**Benefit**
This approach allowed us to provide targeted results on suspicious terms or transactions for further follow-up.

**Case study 2**

**Situation**
We assisted a major energy company with the design of an ABC analytics work plan that encompassed customised, country-by-country analytics in support of its FCPA/anti-bribery compliance program. The organisation had identified and budgeted for 15 countries for selected fieldwork during its fiscal year. Prior to fieldwork, we developed 10 to 15 ‘core’ ABC analytics that were run consistently across all countries and an additional 5 to 10 ‘customised’ ABC analytics that incorporated country, cultural and business-related risks into the pre-field work.

**Outcome**
By analysing vendor and procurement-related data, as well as employee/agent expense-related details, we identified multiple high-risk transactions and process inefficiencies that warranted further on-site inquiry. In one country, the text mining revealed unusual terms (or phrases) related to facilitation payments and payments to government officials from the accounts payable system. These findings were used in the design of the fieldwork planning to select specific transactions.

**Benefit**
Ultimately, the time savings and efficiencies achieved from running these pre-fieldwork ABC analytics tests prior to the site visit helped keep the internal audit department on budget while providing more meaningful results to management. In one country, for example, the estimated on-site fieldwork had a budget of five weeks, which we were able to reduce down to three weeks, given the pre-field work results generated from ABC analytics.
Contacts

Our Fraud Investigation & Dispute Services team consists of professionals with a variety of skills and experience, which enables us to provide you with a responsive solution throughout Australia and New Zealand.

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