Fraud Risk Management
Are you doing enough?
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Ask yourself the following questions...

- What are our specific fraud risks?
- Who really owns them?
- How are we effectively managing them?
- Can we actually demonstrate that?
Why should you be concerned about fraud risks?

Fraud is a persistent and significant problem faced by all companies and organisations.

Our recent Global Fraud survey of over 2700 executives across 59 countries has highlighted that more than one in ten of those surveyed reported having experienced a significant fraud in the past two years.

The level of fraud reported by respondents has remained largely unchanged over the past six years.

What our survey results also show, is that executives at senior levels are as likely to justify certain questionable or unethical acts as their more junior colleagues. This should be a significant concern given their ability to override internal controls.

Increasingly, regulators, board members, audit committee members, independent auditors, investors and other stakeholders are asking executive management more pointed questions about how they are responding to fraud risk.

Businesses lack a consistent, well thought-out and coordinated program that demonstrates an understanding of key fraud risks and their potential impact as well as an effective plan to mitigate and monitor the controls over these risks.

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Five key factors the business should consider to mitigate fraud risks

1. A clear ‘tone from the top’, supported by well documented and communicated policies and procedures underpins the effectiveness of any anti-fraud framework.

2. Specific fraud risks to which the business is exposed should be identified and assessed on the basis of their potential impact, both financial and reputational.

3. Fraud mitigation controls, including the proactive analysis of data, should be integrated into an ongoing compliance and monitoring programme.

4. Employees should know when and how to blow the whistle and not fear reprisal.

5. When the whistle gets blown, companies need to ensure that they have protocols in place to respond in an efficient and effective manner, managing the expectations of all potential internal and external stakeholders.
Benefits to your organisation

An anti-fraud programme will help executive management to address fraud risk by assessing each element of the company’s anti-fraud defences, identifying opportunities for improvement, providing a process for implementing the improvements, and helping management understand how to monitor the effectiveness of the programme going forward.

We believe that a robust anti-fraud programme will:

► Help prevent fraud and avoid the related costs
► Facilitate early detection of fraud events to help mitigate the effects
► Augment the business brand
► Limit unpleasant surprises that affect reputation, credibility, and share price
► Increase confidence of major stakeholders
► Reduce the risk of non-compliance with laws and regulations and protect the business from regulatory authorities

What can EY do to help?

Our approach

We have developed an approach to fraud risk management that can be tailored to suit particular client needs, be that a broad-based review or addressing particular concerns. This approach is summarised in the illustration below and addresses the three main objectives of robust fraud risk management: Prevent, Detect and Respond.

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<th>Responsibility and oversight for fraud risk</th>
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What you can expect from us

► An independent and objective assessment of your anti-fraud programme’s strengths and weaknesses
► Practical recommendations on what could be done to help strengthen and improve your anti-fraud programme
► Experienced professionals from forensic accounting, forensic IT (including data analytics) and compliance backgrounds, who will work with you to help you improve your organisation’s anti-fraud capabilities.

► A consistent approach from the professionals in our network of member firms around the world
► Sector specific insights to the fraud risks affecting your business

Why EY?

Anti-fraud programme development
A major energy provider identified the enhancement of its fraud risk management programme as a key priority. The business required an assessment of its existing anti-fraud framework including its culture, policies, procedures and controls in operation, including a comparison against its peer organisations and leading practice.

Our assessment identified a number of significant gaps in the existing framework including the lack of formal fraud risk assessment across the business and a fraud response plan.

We assisted the client in closing the gaps by conducting a fraud risk assessment across their operations, and updating and refining relevant policies and procedures as appropriate, including the drafting of a comprehensive fraud response plan.

In addition we provided training and communication support for the updated framework and programme.

The business was able to demonstrate to key stakeholders an increased focus on, and proactive approach to, fraud risk management and assisted the Board in their ‘tone from the top’ message.

Anti-fraud current state assessment
We were asked to perform an independent assessment of the anti-fraud processes and controls in operation across a global travel group to determine their adequacy and address any gaps that existed.

Through a series of structured interviews with senior management from across the group, we examined the current state of each of the elements of the anti-fraud environment.

We provided practical recommendations to the company to assist not only in the strengthening of its policies and procedures related to anti-fraud, but also improving its promotion of honest and ethical behaviour through activities such as recruitment, induction, training and internal communications.

Fraud risk assessment
We carried out an independent assessment of fraud and bribery risks for a large utilities client.

We conducted risk workshops with a selection of management and staff across their various departments in order to raise awareness and identify fraud risks in the company’s day to day operations.

The client benefited from our identification of ‘quick win’ areas which were small changes to processes and procedures that would help quickly mitigate observed fraud risks.

In addition we provided input into the Internal Audit programme to ensure that fraud risks were also considered, tested and reported on as part of their ongoing audit programme.

Our onsite work increased the profile and status of anti-fraud throughout the organisation, which helped ensure support and input from senior management.

Fraud risk assessment and compliance review
A global pharmaceutical business engaged us to complete a detailed procurement fraud risk assessment, followed by a compliance review of the business, covering its anti-fraud, anti-trust and anti-corruption processes and controls.

As a result of our findings from the fraud risk assessment, we provided our client with a ‘toolbox’ solution comprising a range of anti-fraud controls. This included introducing a new approach to monitoring the purchasing process using sophisticated data analytic techniques.

The compliance review, covering three compliance areas, helped our client to identify key risks, whilst reducing disruption to the business and remaining cost effective. Our collaborative approach, working with the client team, allowed the sharing of skills throughout the business and helped to promote awareness of compliance risks across the organisation.
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Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from efforts to succeed. Better management of fraud risk and compliance exposure is a critical business priority — no matter the industry sector. With our more than 2,600 fraud investigation and dispute professionals around the world, we assemble the right multidisciplinary and culturally aligned team to work with you and your legal advisors. And we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide.

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