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High fraud and risk, High expectations

Helping the accountants deliver under pressure

# High Fraud

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## Fraud:

A continuing threat with climbing costs





## Some interesting 2020 stats

on Fraud across 5000 respondents over 99 territories (PWC)

6 is the average number of frauds reported per company

Only 56% conducted an investigation into their worst incident. And barely one-third reported it to the board.

US\$42bn is the total fraud losses reported by respondents

17% of respondents reported a fraud loss of more than US\$1m

# Understanding the triggers of Fraud

The Fraud Triangle

Opportunity



Rationalization

Pressure

# What is Risk?



# What is Risk Continued



# Global Fraud and Risk

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## Business Risk Mitigation - pre-digital, pre-global age

- Always relied on knowledge of markets and counterparties
- Fairly well-established pools of referrals and contacts.
- Gaining such knowledge was made easier by implicit boundaries that governed the way most organizations conducted business.



# Global Fraud and Risk

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## Business Risk Mitigation - in the digital and global age

- Information asymmetries have greatly lessened
- New business models are scrambling the traditional definitions of industries and sectors.



## WHICH INCIDENTS HAVE SIGNIFICANTLY AFFECTED ORGANIZATIONS IN THE LAST YEAR?

Leaks of internal information		0%
Data theft		0%
Reputational damage due to third-party relationships		0%
Fraud by external parties		0%
Fraud by internal parties		0%
Disruption due to sanctions, tariffs, etc.		0%
Adversarial social media activity		0%
IP theft		0%
Bribery and corruption		0%
Counterfeiting or gray market activity		0%
Money laundering		0%

Source: 2019 Forrester Consulting survey commissioned by Kroll of 588 global senior executives

## WHICH RISKS ARE PRIORITIES FOR RESPONDENTS?



# Types of Fraud

Misappropriation of  
Assets

Healthcare,  
insurance, and  
banking

Financial statement fraud


False Documentation

Consumer fraud

# High Expectations of the Accountants!

How often do you feel like this?





# How to respond..... Working Smart to Manage Fraud and Risk

Technology remains the game changer






# How others have responded

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**Current challenges deserve time appropriate responses. How some organizations have responded.**

## **Fraud detection - How machine learning systems help reveal scams**

**Highmark Inc.**  \$250 million savings in 2019 related to fraud, waste and abuse

**Microsoft**  is spending 33% of its annual revenue each year to protect cloud storage from any sort of fraud  as a result 45% profitability added annually

# How should we respond

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## Data Analytics to Manage Risk

The old was risk management

The new is a shift to a risk enabled performance management system



# How should we respond

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## How to use Data Analytics to Manage Risk

- Risk identification
- Risk assessment and prioritization
- Risk response and mitigation
- Risk monitoring
- Risk reporting

# How should we respond

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## Reduction of manual processes in tasks

### *How can RPA be used to fight fraud?*

- Presents and opportunity to reassess processes
- Lessening human interaction
- Searching for anomalies

# How should we respond

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## **Reduction of manual processes in tasks**

Electronic bank confirmations to manage your risk as an assurance provider or a party to the confirmation process.

# Fraud Risk



## PFG Best (USA)

USD 200 million cash misstatement Fraud discovered through use of Confirmation



## Wirecard (Germany)

USD 2.1 billion cash misstatement



## Parmalat

Europe's Largest Fraud of \$4.9 Billion



## Cadbury (Nigeria)

USD 34 million financial statement fraud



The liability associated with fraud includes:

- lawsuits
- loss of reputation
- financial exposure

# How should we respond!

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## Reduction of manual processes in tasks

### *Automated audit platforms*

- Audit Trail
- Effective Collaboration
- Audit Visualization
- Smarter Audit



# How should we respond!

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## Reduction of manual processes in tasks

### *Automated Financial Reporting*

- Highly Customisable
- Reporting Library
- Integrated Automation
- Flow through changes



## In conclusion

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**We are living in the 4<sup>th</sup> Industrial Revolution but are you?**





# Thank You

Do you have any questions  
for me?

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