

Fraud Risk Management

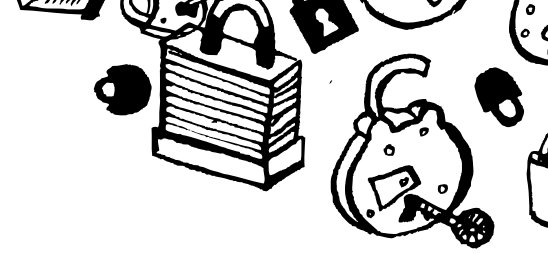
Are you doing enough?



EY

Building a better
working world

Fraud Risk Management



The current economic pressures have increased incentives to act unethically. There remains a real need for companies and those charged with their governance and oversight to revisit their focus on the risks of fraud.

Assessing, improving, and monitoring anti-fraud programmes are key elements of an effective internal control structure.

Many have a long way to go to address the challenges of fraud and corruption. Fraud remains a very real risk in the current environment, and companies are still failing to address this risk in a robust manner.

Internationally, regulatory requirements have also driven the demand for a robust anti-fraud programme. As a result of both increasing acts of fraud and the heightened regulatory environment, board members, independent auditors, and other stakeholders are asking executive management pointed questions about how the company is responding to these risks and regulations:

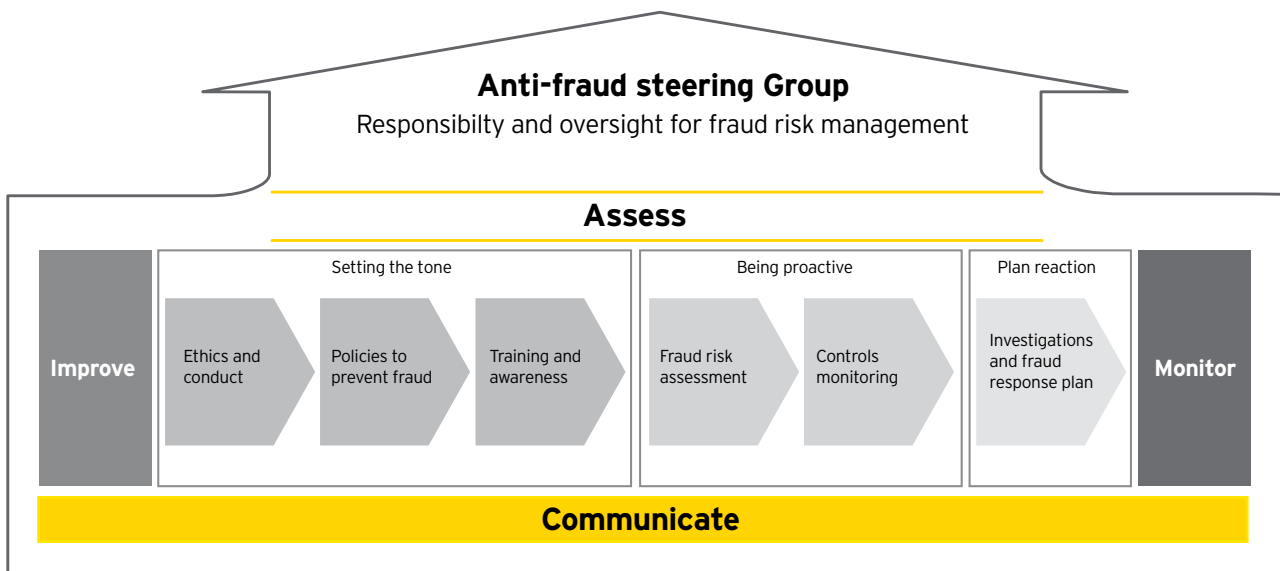
- ▶ Do you have appropriate fraud governance activities and fraud risk identification processes?
- ▶ Do you know the most common types of fraud in your industry? Do you know what kind of fraud you are susceptible to within specific business functions or locations?
- ▶ Do you have internal controls to mitigate your key fraud risks? Do you have automated controls that can detect fraud-related activity?

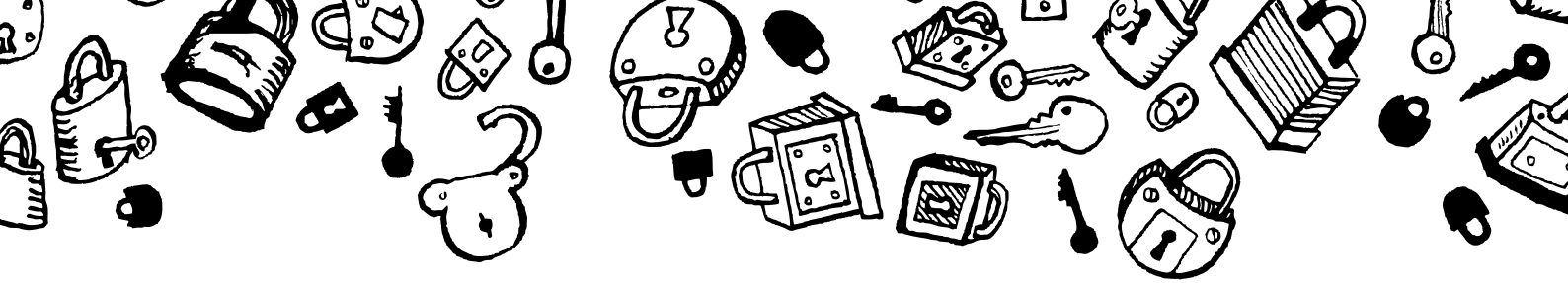
- ▶ Have you tested the effectiveness of your anti-fraud and detection controls?
- ▶ What fraud investigation protocols do you follow when a fraud is detected?

Fraud - Are you doing enough?

Six key factors organisations should consider in relation to fraud risk management:

1. Trust alone is no longer enough - increasing use of third parties, outsourcing arrangements and rapid business change means that more people than ever before have access to information, systems and controls.
2. Training and awareness amongst staff at all levels is key - human nature cannot be changed, but human behaviour can.
3. A clearly communicated Code of Conduct helps to set clear standards against which behaviour can be measured - without this, employees are left to work it out for themselves.
4. Companies need to consider implementing formal protection for whistleblowers - fear of reprisal can prevent staff from reporting genuine concerns.
5. Companies need to be ready to respond to allegations of fraud through development of investigation protocols - a clear fraud response plan will increase the likelihood that investigations will be conducted both effectively and ethically, meeting expectations of employees, regulators and other stakeholders.
6. Fraud risk and incidence differs by global market - an anti-fraud programme may be considered fit for purpose in your local market, but wholly inadequate in say Russia where the incidence of fraud is much higher. Companies need to tailor their anti-fraud programme to adequately address the level of risk by country.





Benefits to your organisation

An anti-fraud programme should help executive management answer these questions 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 should:

- ▶ Provide tangible evidence of a culture of integrity
- ▶ Help prevent fraud and facilitate early detection
- ▶ Improve monitoring and training
- ▶ Limit unpleasant surprises that affect reputation, credibility, and share price
- ▶ Increase confidence of major stakeholders
- ▶ Reduce potential for class action lawsuits

The EY difference

Our anti-fraud programme encompasses the three key areas that define a robust fraud risk management programme: Setting the tone - code of ethics/conduct, anti-fraud policies and fraud awareness training; Being proactive - fraud risk assessment and controls monitoring; and planning the reaction - fraud response plan, including investigation, remediation and disciplinary activities. This model is a framework for gathering meaningful insights on the overall sophistication of a company's fraud risk management programme.

Our anti-fraud programme assessment methodology is designed to provide an independent and objective review of your current anti-fraud programme.

Using the experience of our anti fraud professionals we can help you manage the different types of fraud risk by using their relevant industry knowledge and experience together with our anti-fraud programme assessment methodology.

What you can expect from us:

- ▶ A consistent approach from the professionals in our network of member firms around the world
- ▶ An independent and objective assessment of your anti-fraud programme's strengths and weaknesses
- ▶ Recommendations on what could be done to help strengthen and improve your anti-fraud programme
- ▶ Experienced professionals who will work with you to help you improve your organisation's anti-fraud capabilities

Our experience

Setting the tone

Our client recognised a need to develop a robust fraud risk management programme.

We created a bespoke fraud risk management programme comprising risk assessments, control evaluation and training. Following meetings and workshops we were able to determine the company's fraud risk profile and identify gaps in the control environment. We developed anti-fraud policies to guide employees through the complex issues and developed a client branded training pack to be delivered across the business to help raise fraud awareness.

Being proactive

Our client sought help in performing fraud risk assessments and controls monitoring across its global business.

We performed fraud risk assessments globally, conducted interviews with key stakeholders and carried out compliance assessments across high risk areas of the business.

During the course of the multiple fraud risk assessments, we employed both forensic data analytics and fraud investigation techniques. We were able to efficiently identify millions of pounds in questionable expenditure. This included duplicate charges, expenses unsupported by proper documentation, violations of the code of conduct and approvals inconsistent with the company's policies.

Plan reaction

Our client required assistance to effectively structure its global internal investigation framework.

We assessed the company's fraud response plan, including investigation, remediation and disciplinary activities and developed a roadmap setting out how the company's governance around matters of integrity could be improved.

Our work provided the company with an effective global internal investigation framework which increased consistency of response to allegations and reports of impropriety.

Learn more

For further help and advice, please contact:



Julie Fenton
Partner

Tel: +353 1 221 2321

Email: julie.fenton@ie.ey.com



Eoin O'Reilly
Director

Tel: +353 1 221 2698

Email: eoin.oreilly@ie.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit ey.com.

© 2013 Ernst & Young. Published in Ireland. All Rights Reserved.

4063.indd 11/13. Artwork by the BSC (Ireland)

ED None

The Irish firm Ernst & Young is a member practice of Ernst & Young Global Limited. It is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in the Republic of Ireland.

Ernst & Young, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com

