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Identifying red flags
Make your data speak

Conduct a complete analysis of your business and financial data using Deloitte’s RedFlag audit analytics service. It consists of approximately 300 tests covering common business processes to identify irregularities, process failures and unknown risks.

Common red flags identified in procurement processes

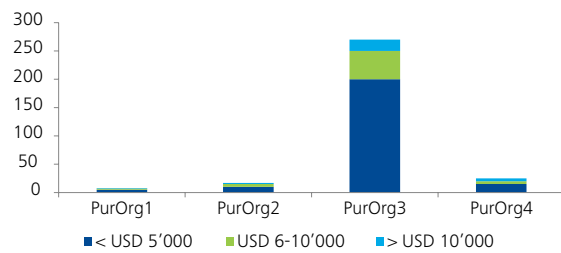
Duplicated payments

Human errors in processing the invoices and lack of attention in the payment approval process are the main causes.

Invoice Number	Vendor Name	Amount Paid	Processor
2010020	Vendor A	\$2,194.50	User 1
2010020	Vendor A	\$2,194.50	User 1
3313407	Vendor B	\$2,224.00	User 2
3313407	Vendor B	\$2,224.00	User 2
3314158	Vendor B	\$2,224.00	User 2
3314158	Vendor B	\$2,224.00	User 2
2528001	Vendor D	\$12,600.00	User 3
2528001	Vendor D	\$12,600.00	User 3

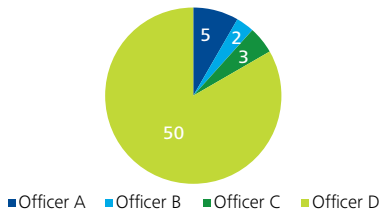
Split purchase orders

In this example, Purchase Organization 3 has 260 Purchase Orders (POs) split into smaller value POs to avoid additional approval checks. The company’s procurement controls are circumvented.



Inaccurate vendor master data

The organization should carry out vendor master file cleanup and staff training. Officer D has processed 50 incomplete or inaccurate sets of vendor data and may not be trained sufficiently.



Lack of Segregation of Duty (SoD)

The segregation of duties is a fundamental technique used to manage personnel risk. An organization should recognize SoD risk and enforce SoD controls across their IT systems.

Top 5 SoD risks in procurement processes	Risk Level
Process payment & maintain vendor master data	Critical
Manual check processing & bank reconciliation	Critical
Maintain purchase order & approve purchase order	Critical
Perform goods receipt & process vendor invoice	High
Inventory counts, clear difference & goods movements	High

Control breakdown Process failures
 Unknown risk Phantom employees
 Exceptions, breakdowns Fraud
 and discrepancies Unhealthy trends
 Irregularities Dishonest suppliers Missing inventory
 Split purchase orders Double payment

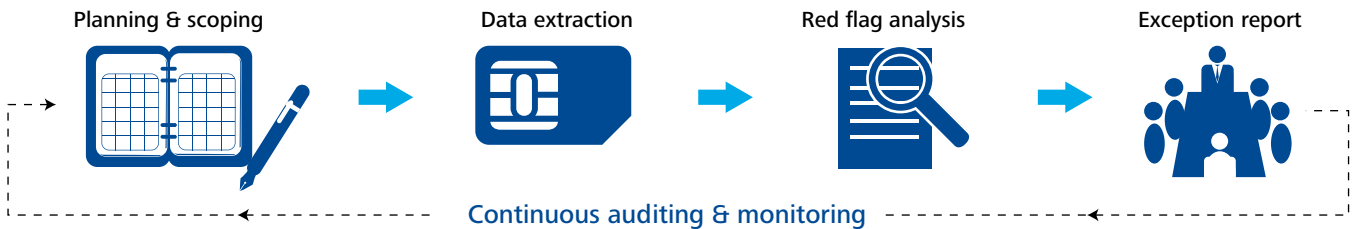
Sample list of tests from Deloitte's RedFlag solution



Segregation Of Duty violation and Sensitive Access exposure across business processes

<ul style="list-style-type: none"> • Incomplete or duplicated customer data • Unusual sales discount • Credit memo is issued without goods receipt/return • Goods Issue has been processed, but billing was cancelled • Sales order payment terms are different from customer master payment terms • Sales orders are booked and subsequently cancelled by the same sales person • Sales orders and customer credit are managed by the same person 	<ul style="list-style-type: none"> • Duplicated invoices, payments and POs • Invoices without a PO • Exceptions in 2-way and 3-way matching • Vendors with missing data • Split purchases • Unusual payment terms • Purchase orders created on/after the date invoice was received • Goods received after invoice date • Goods are scrapped from the inventory • Same person performing multiple tasks 	<ul style="list-style-type: none"> • General Ledger (GL) accounts are incomplete, duplicated or inaccurate • Vendors / customers are paid through cash journal • Bank reconciliation statements are not cleared • Asset master records have missing or incomplete information • Fixed asset depreciation is manually written-up • Maintenance of GL master and posting of transactions are performed by the same person
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How it works



RedFlag at a glance

The image shows three overlapping screenshots of the RedFlag SAP Continuous Auditing and Monitoring software interface:

- Control Framework:** A table listing various controls with columns for Scope, Business Process, Sub-Process, Control ID, Control Objective, Audit Objective, and Risk.
- Issue Detail:** A detailed view of a control (P2PAP02) showing its description, observations, and a list of potential double payments.
- Issue Identification:** A table showing a list of identified issues with columns for Issue ID, Issue Name, Issue Description, Issue Status, Issue Date, and Issue Owner.

Contacts

To find out more about how Deloitte's RedFlag Solution can help your business, contact one of our Deloitte specialists.

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