



**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**

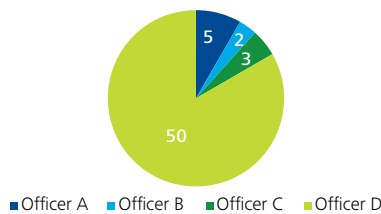
**Duplicated payments**

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

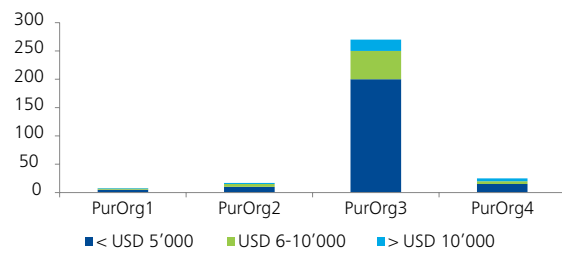
**Inaccurate vendor master data**

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.



**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.



**Goods received after invoice date**

In this case, 4000 goods receipts were posted after the date of invoices. Lack of resources in Warehouse 4 is the main cause of late inventory accounting updates.



Control breakdown  
**Unknown risk**  
 Irregularities  
**Exceptions, breakdowns and discrepancies**  
 Split purchase orders

Process failures  
**Unhealthy trends**  
 Phantom employees

Dishonest suppliers  
 Missing inventory  
**Fraud**  
 Double payment

Sample list of tests from Deloitte's RedFlag solution

Order to Cash

Procure to Pay

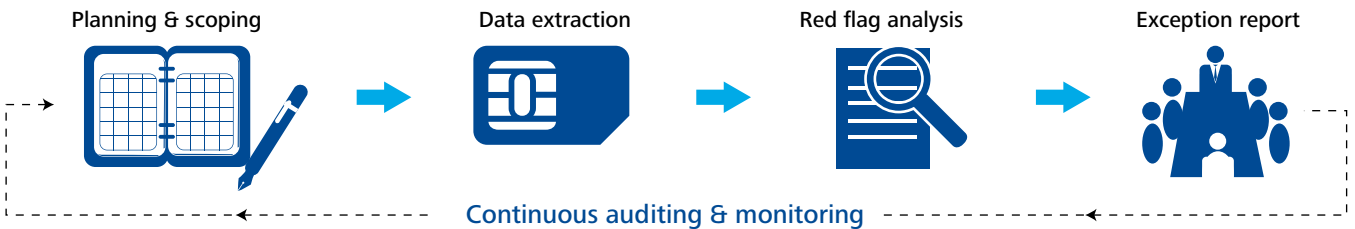
Finance and Controlling



Segregation Of Duty violation and Sensitive Access exposure across business processes

- Order to Cash:**
  - 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
- Procure to Pay:**
  - 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
- Finance and Controlling:**
  - 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

How it works



RedFlag at a glance

The screenshots show the RedFlag software interface with the following components:

- Control Framework:** A table listing various controls with columns for Scope, Business Process, Sub-Process, Control ID, Control Objective, Audit Objectives, and Risk.
- Issue Detail:** A view for a specific issue (Control: P3PAP02, Issue ID: P3PAP02E01) showing a description of the issue, its rating, observations, and a list of potential double payments.
- Issue List:** A table listing various issues with columns for Issue Name, Issue ID, Issue Description, Issue Rating, Issue Status, Issue Category, Issue Sub-Category, Issue Severity, Issue Priority, Issue Created Date, Issue Last Modified Date, Issue Assigned To, Issue Assigned By, Issue Assigned On, Issue Assigned By, Issue Assigned On, Issue Assigned By, Issue Assigned On.

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