

Fraud and the Future of Controls

What should organisations be doing?

October 2023



Our speakers and agenda for today...

1. Introductions

Ololade Adesanya

2. Overview of Fraud & Trends

Andreas Kozis

3. Overview of UK Regulatory Changes

James Meadowcroft & Jules Colborne-Baber

4. The Fraud Risk Framework

James Meadowcroft

5. Q & A



James Meadowcroft



Jules Colborne-Baber



Andreas Kozis



Ololade Adesanya

Fraud Landscape

Overview & Trends



Home Affairs Committee launches inquiry into fraud

IT fraudster imprisoned for selling £1 million of software to attack personal bank accounts to fraudsters

Former Audi Chief to Plead Guilty in Emissions Scandal

Patisserie Valerie goes into administration after accounting fraud

Fraud 'epidemic' may be even worse than figures suggest, experts warn



Government watchdog sounds COVID-19 fraud risk alarm

Whistleblower programme uncovers fraud by companies that accelerate revenue recognition to meet earnings targets

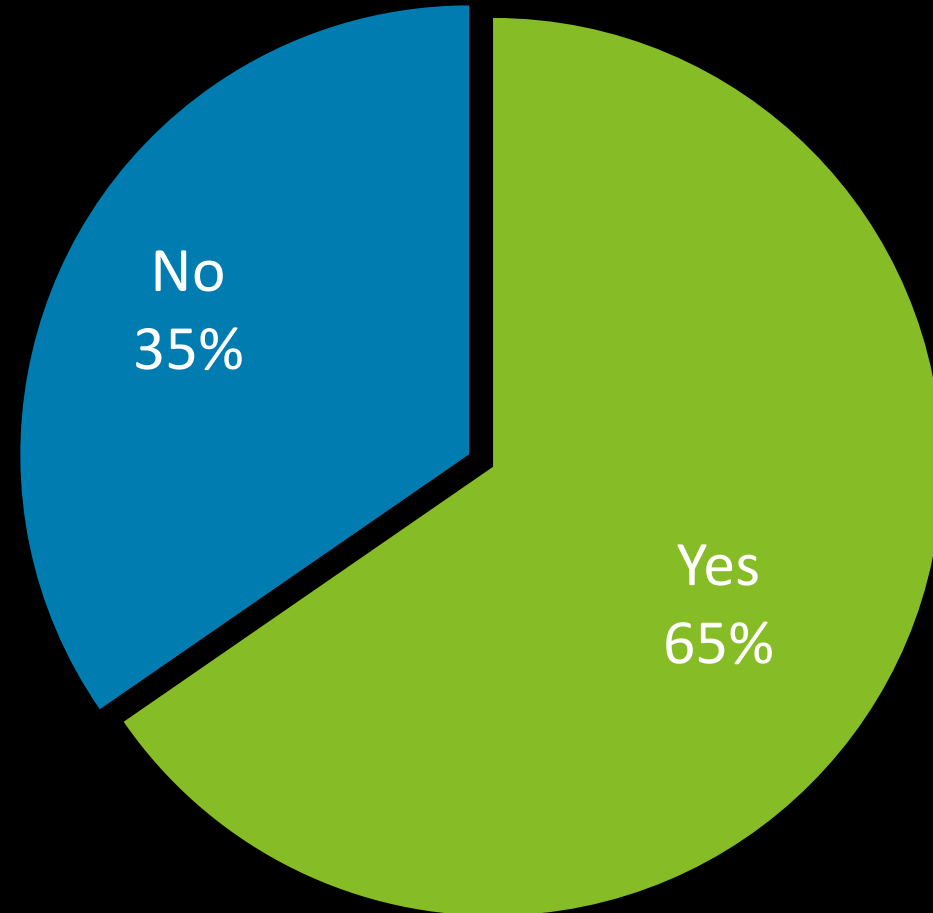
Fraudsters stole £1.2bn in 2022 as UK labelled 'fraud capital of the world'

ONS Reports Huge Spike in Cybercrime and Fraud During COVID-19

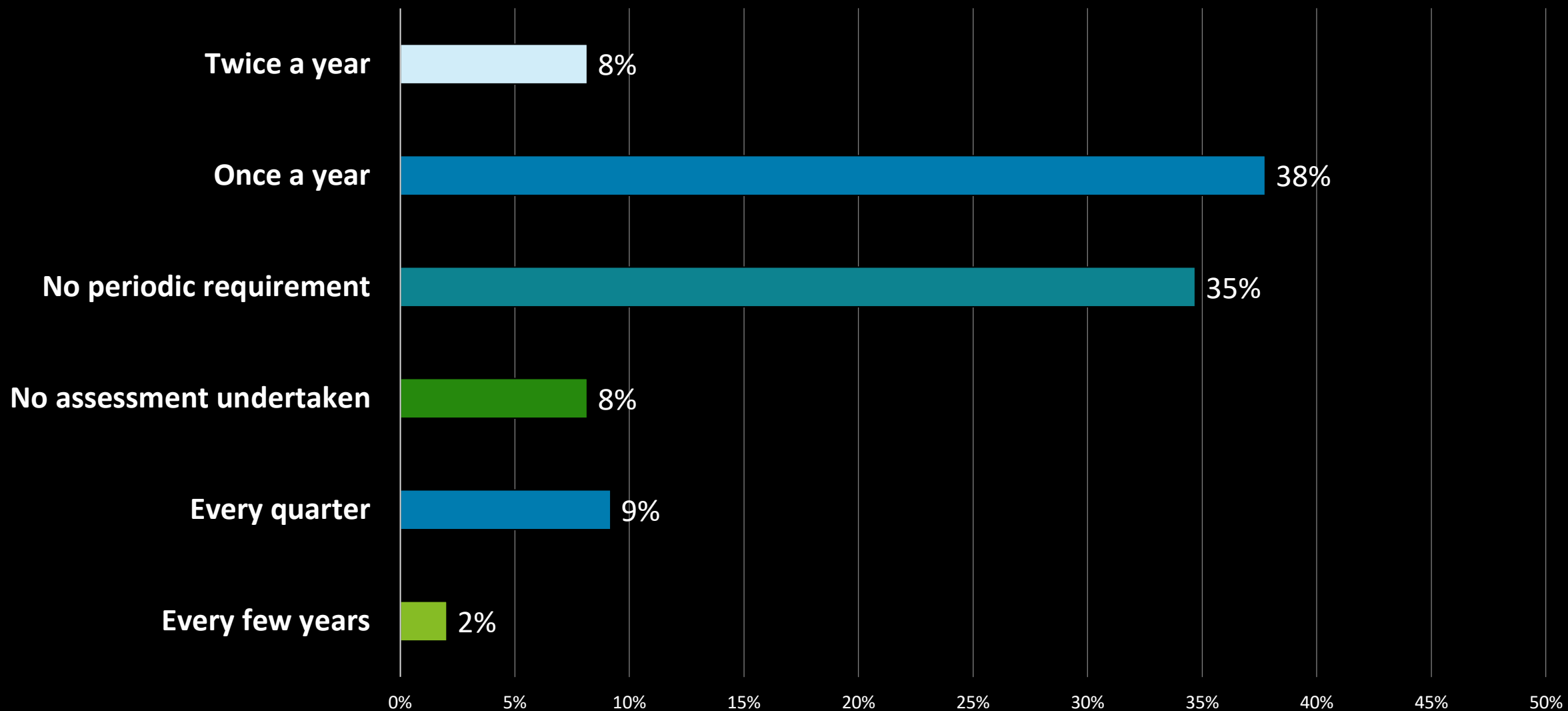
Patisserie Valerie: Four face fraud charges over collapse

Financial firms must boost protections against AI scams, UK regulator to warn

Polling Question 1 - Has your organisation performed a Fraud Risk Assessment in the past 12 months?



Polling Question 2 - How often within your organisation is it required to revisit or refresh the fraud risk register?



Overview of UK Regulatory Changes

The impact of the UK Corporate Reform and the Failure to Prevent Fraud Offence

UK Corporate Reform Reporting Requirements

Directors will soon need to attest to a fraud statement describing:

1. Summarise the directors' **assessment** of the risk of material fraud; and
2. Describe the **measures** that the directors have taken to **prevent and detect** the occurrence of material fraud during the financial year.

Scope goes beyond just financial fraud risks (e.g. ESG Reporting, Procurement, Operational etc) and considers both fraud by and against the organisation.



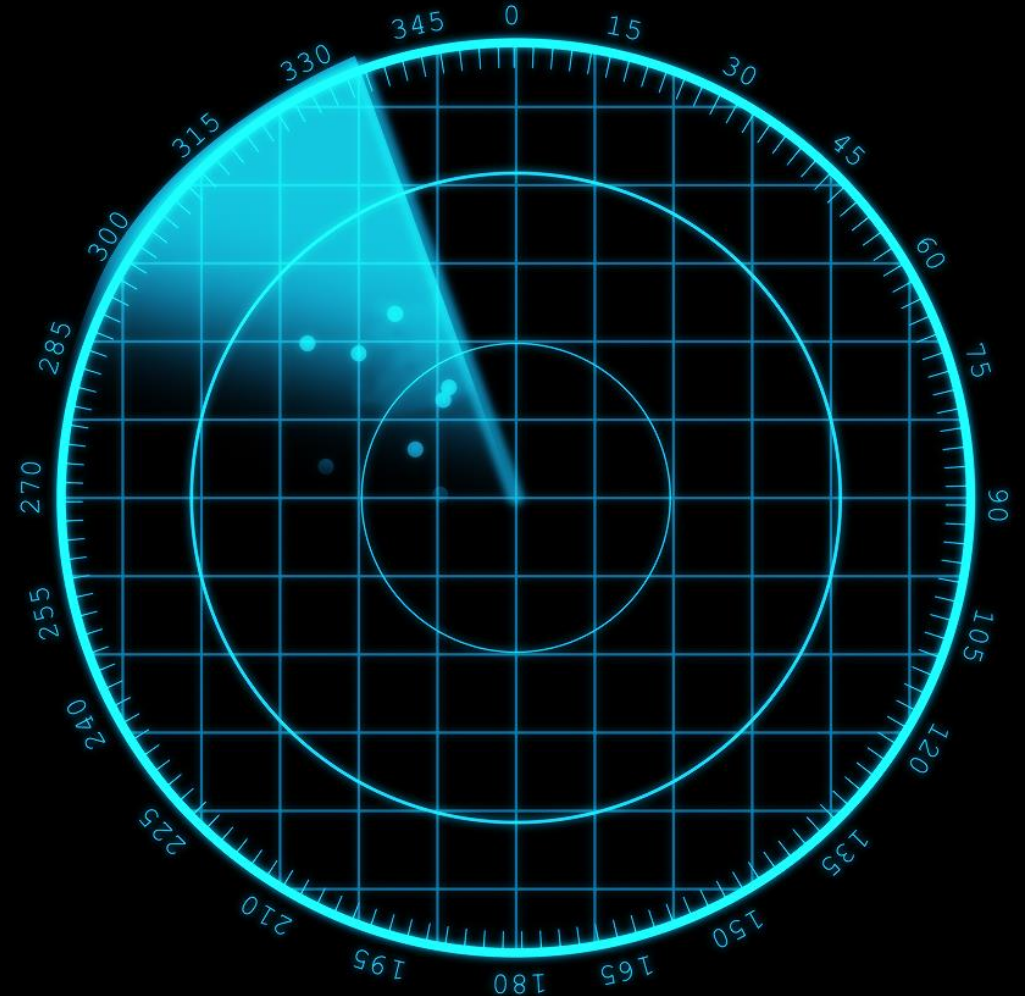
Overview of UK Regulatory Changes

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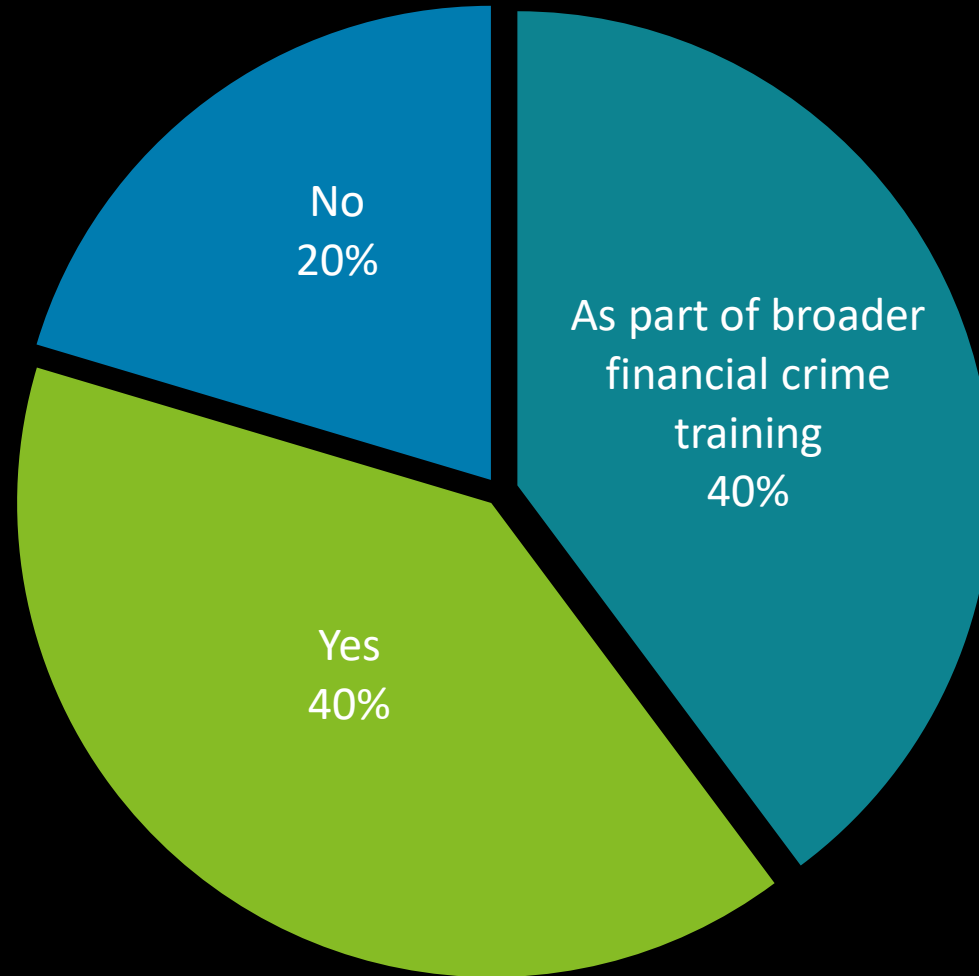


'Failure to prevent fraud' offence (FTPF)

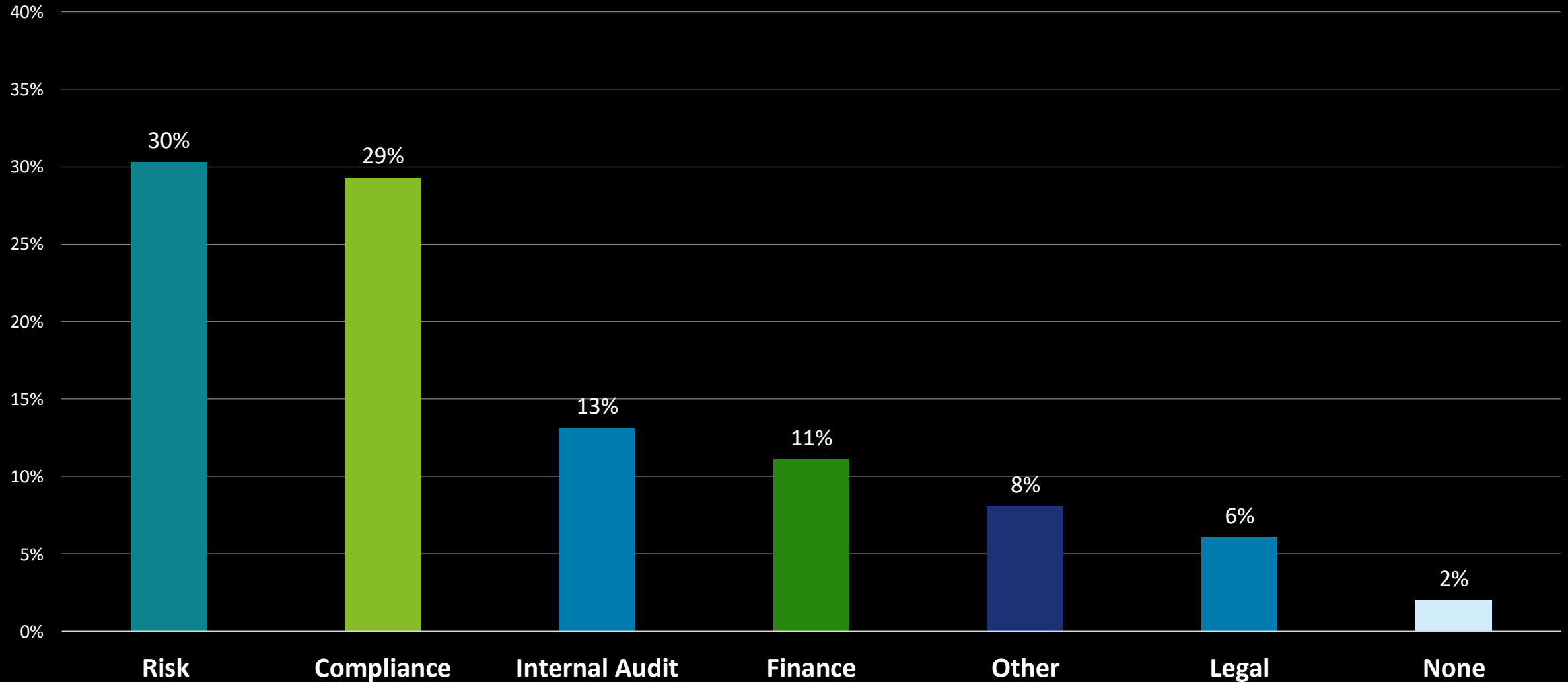
- The proposed new legislation is aimed at **making it more straightforward to prosecute organisations where a fraud is committed** by an employee or 'agent', for the organisation's benefit, and **where the organisation did not have "reasonable fraud prevention procedures"** in place.
- An organisation can receive an **unlimited fine**.
- It will require an organisation to think broadly about the fraud risks which it (or its Agents) may commit and ensure robust processes and controls to mitigate risks are designed and embedded.



Polling Question 4 - Does your organisation provide fraud-specific training to employees?



Polling Question 3 - Who in your organisation is responsible for coordinating fraud risk management activities?



What should organisations be doing to respond?

Fraud Risk Framework

Leadership & Tone

- Strong and consistent 'tone from the top'
- Clear ownership and responsibilities

Policies & Procedures

- Documented fraud risk methodology
- Detailed wider policies and procedures
- Clear roles and responsibilities

Training & Awareness

- Organisation-wide anti-fraud training
- Tailored training for high-risk groups
- Regular communications to increase awareness



Enterprise-wide Fraud Risk Assessment

- Undertake an assessment considering key fraud risks faced across the organisation
- Include internal and external fraud risks faced
- Process in place to refresh the assessment
- Assessment should be data-led, incorporate specialist expertise, and incl. engagement from key stakeholders

Controls Identification & Mapping

- For each material fraud risk, the corresponding counter fraud controls should be identified, documented and mapped

Monitoring & Assurance

- Testing design and operational effectiveness of key anti-fraud controls
- Provide assurance and allow remediation activities to be undertaken where gaps identified.
- Utilise data analysis to monitor, identify and follow up on red flags
- Periodic updates to Board/Audit Committee



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