



## Fraud risk assessment services

Taking anti-fraud compliance, monitoring, and risk management to new levels

### Decisive action in perilous times

Fraud losses total 5 percent of revenues annually in many businesses.<sup>1</sup> Applied to the 2016 Gross World Product of \$77.3 trillion,<sup>2</sup> this translates into \$3.8 trillion in potential projected global fraud losses. Clearly, fraud prevention is an imperative for virtually any public or private organization.

In addition to the quantifiable costs, fraud can destroy an organization's reputation, negatively impact employee morale, and lead to civil and criminal prosecution of directors and management. Taking a long and deep look at fraud risks is, at the very least, a prudent step that every organization should take. To this end, Principle 8 of the 2013 COSO Internal Control Integrated Framework (2013 COSO Framework) has recommended fraud risk assessments as a necessity to consider the risk of fraud in an

organization when assessing overall risk and considering an organization's objectives and ability to maximize value to stakeholders.

Why now? Business fraud can happen anywhere, anytime, and be committed by anyone. Interactions with third parties, growing cyber security risks, and the conduct of business in developing countries, among other external factors, create fraud risks far beyond traditional internal risk factors. The more people an organization employs or interacts with, the more opportunities for fraud exist.

Also, organizations increasingly have been in the headlines for financial crimes such as fraud and corruption. Both are major reputational risk factors and expose an organization to unnecessary media attention, potentially resulting in a loss of

market and customer confidence.

In the face of increased investor, media, and government scrutiny of fraud, management is expected to demonstrate "due care and diligence" and boards and management are expected to provide effective oversight of their organizations' antifraud programs and controls.

An effective and vigorous fraud risk assessment encourages an organization to take a proactive vs. traditional reactive approach to fraud prevention. It can help identify fraud risk factors, evaluate an organization's vulnerability to fraud, and can help identify potential fraud schemes.

Is your organization prepared—and equipped—to undertake such an assessment?

<sup>1</sup> "Report To The Nations On Occupational Fraud And Abuse –2016 Global Fraud Study," Association of Certified Fraud Examiners, <http://www.acfe.com/rtnn2016.aspx>

<sup>2</sup> Statista, The Statistics Portal, 2015, <http://www.statista.com/statistics/268750/global-gross-domestic-product-gdp/>, accessed 10-26-15.



## Deloitte's risk-based approach

Part of Deloitte's Regulatory, Forensics, and Compliance offerings, our Fraud Risk Assessment services can help publicly traded and privately held businesses, government agencies, not-for-profit organizations, and educational institutions in their efforts to detect and prevent fraud and corruption. We can help you design and implement a fraud risk assessment on an enterprise-wide scale, across a geographic region, at the business unit level, or at a specific location.

Ranked #1 in Global Forensics & Dispute Advisory Services by Kennedy<sup>3</sup>, Deloitte brings extensive anti-fraud consulting experience to our fraud risk assessment services, having served a wide range of clients across industries, government agencies, not-for-profits, and universities. With a global footprint, we can assemble a team of highly experience and skilled professionals for your fraud risk assessment, even if it spans multiple countries and regions. Our fraud risk assessment services include:

### Design and implementation

We can help you design a risk-based assessment that integrates with your organization's broader anti-fraud programs and controls. Leveraging guidelines provided in the 2013 COSO framework, the design process identifies business and financial processes to be included in the assessment scope. Being both scheme and scenario based, it takes into account the various ways fraud and misconduct can occur by and against your organization, and it considers vulnerability to management override of controls and potential schemes to circumvent existing internal controls.

Our step-by-step design process includes:

- Identifying fraud risk factors
- Identifying, assessing, and prioritizing fraud risks and schemes
- Identifying and mapping of mitigating controls
- Formulating and communicating a fraud risk remediation plan

## Data analytics

An increasingly important element of an efficient fraud risk assessment is the proactive use of data analytics. Fraud schemes—and the sophistication of those committing fraud—are constantly evolving. Analytics tools give us the ability to discern patterns across available data that might otherwise go unnoticed, whether within a business unit, across a region, or even enterprise-wide. A big data approach that leverages powerful analytics tools and techniques can identify anomalies, patterns, and trends in very large datasets. And, because the most effective fraud risk assessments are conducted on an ongoing basis, continuous monitoring enabled by today's analytics systems allows real-time data analysis that adapts to the ever-changing fraud risk environment.

### Access to and integration with the broader suite of Deloitte Anti-fraud Services

As part of our Fraud Risk Assessment services, you gain access to Deloitte's broad-based, award-winning Regulatory, Forensics, and Compliance capabilities, including anti-fraud program and controls assessment, design, and implementation; fraud control environment benchmarking; ethics and compliance program assessments; and third-party risk analysis and due diligence.

Among the many benefits our clients often experience from this broad-based approach are:

- Strengthening of internal controls over financial reporting processes
- Enhanced fraud monitoring through integration with the internal audit function
- Identification and mitigation of potential fraud risks
- Compliance and alignment with Principle 8 of the 2013 COSO Framework
- Added protection from exposure to reputation risk and financial loss
- Increased visibility of fraud risk across the enterprise

## Why Deloitte

Whether your organization is simply taking precautions in the face of increasing scrutiny, or it is currently under investigation or has faced allegations of fraud or corruption in the past, Deloitte has the approach, tools, and resources to help design and implement an effective fraud risk assessment. We offer:

- **Award-winning capabilities**—Deloitte is ranked #1 in Global Forensics & Dispute Advisory Services by Kennedy.
- **Extensive experience**—we provide anti-fraud consulting services to a wide of range clients across industries, government agencies, not-for-profits, and universities.
- **Technical sophistication**—we leverage a variety of technologies, including customized tools and resources such as advanced data analytics, in the design and implementation of fraud risk assessments.
- **Market savvy**—we have a deep understanding of marketplace dynamics and access to industry research published by reputable sources.
- **A global footprint**—our experienced and skilled professionals are available to assist across multiple countries and regions.
- **A highly structured, but flexible approach**—our fraud risk assessments demonstrate a thorough understanding of each organization's risk profile, risk factors, fraud schemes, and vulnerability to management override.

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