Fintech services are rapidly changing the payments industry and more and more consumers are making the switch to Fintech versus traditional payment products/services. Fintech companies that provide these payment services are subject to heightened fraud risk as the emerging global environment reacts to COVID.

As the current global environment unfolds, and movement restrictions continue to be in force across many jurisdictions, people are staying home. This has pushed more commerce online; individuals and businesses are increasing their reliance on online methods to effect payments. The accelerated shift from in-store in-person physical payments methods such as cash and card presentation to online methods enhances the possibility of fraud.

In this dynamic and evolving environment, as employees responsible for risk management and performance of control activities work from home – competing sources of attention and continually changing external risk factors may present unanticipated challenges – performance of controls and compliance with risk mitigating measures may not be as effective. It is necessary therefore, for all lines of defense including Internal Audit (IA), to be actively engaged in the ongoing evaluation of risk including fraud risk and the assessment of appropriateness of controls in the current environment.

**Fintech payments companies are facing an increase of fraud risk in the current environment:**

- Increase in online payment processing / volume which may cause operational concerns in monitoring and detecting fraudulent transactions
- Remote working scenarios increase potential cyber security risks (e.g. issuing remote access to broader employee base such as contractors and/or vendors)
- Third-party reliance (e.g., outsourced service providers may require additional fraud monitoring and oversight)

**Internal Audit’s** risk lens is as important as ever. It plays a role in horizon scanning, supplementing the first and second line in identifying potential risk areas arising from the immediate business impact, including financial risks; different working behaviors; remote customer interactions; and a push towards an increased digital environment. IA can facilitate the process by *anticipating risk versus detecting risk:*

- **Be part of the discussion (preventative vs detective):**
  - Attending fraud monitoring and steering groups and providing an independent, objective voice to help challenge management’s thinking on risk
  - Critiquing the design of new and/or amended fraud monitoring controls that may have been implemented as a result of a changing work environment and challenge the robustness of current fraud models

- **Real time auditing** - Leveraging tools and technology to continuously monitor key fraud risk indicators and provide quality assurance support

- **Real time reporting** - Timely feedback

**How can we help?**

Deloitte’s Risk & Financial Advisory Payments group includes industry veterans and former regulators who bring first-hand knowledge and experience with regards to risk management, compliance and audit to Fintech payments companies. We bring real time expertise and resources to advise our clients and support the design, operationalization, and assurance related to their dynamic business needs.