

# 15 WAYS

## THE FINANCE DEPARTMENT CAN REDUCE FRAUD



# FRAUD IS HAPPENING RIGHT NOW IN YOUR ORGANISATION'S SPENDING

"A typical organisation loses **5%** of its revenues to fraud each year. Billing schemes pose one of the greatest risks and lack of internal controls was the most frequently-cited factor that contributed to fraud."  
ACFE Report to the Nations, 2018

**80%** OF ORGANISATIONS RELY ON EXTERNAL AUDITS OF THEIR FINANCIAL STATEMENTS



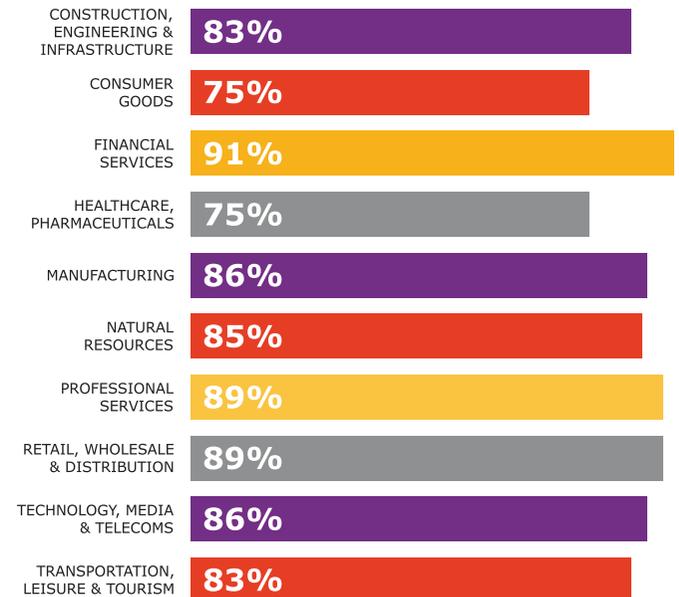
"The cost of global payment card fraud was **\$24.26b** (Up 6.4%) in 2018."  
The Nilson Report, Card Fraud Worldwide, November 2018

**YET ONLY 4%** OF FRAUD IS DETECTED BY EXTERNAL AUDIT

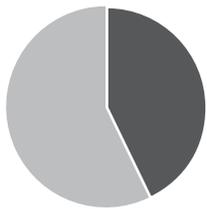
ACFE Report To The Nations 2018

## Industry Risk Map

Incidents of financial fraud reported in the last 12 months by sector

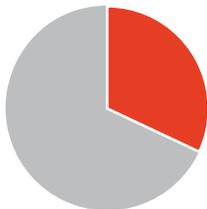


Global Fraud & Risk Report 2017/18, Kroll



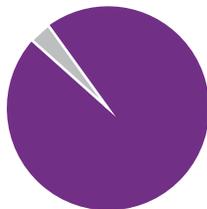
**42%**

of companies said they have increased funds to combat fraud and/or economic crime  
Global Economic Crime & Fraud Survey 2018, PWC



**30%**

of organisations hit by fraud report that credit/debit cards were targeted.  
2018 AFP Payments Fraud & Control Survey

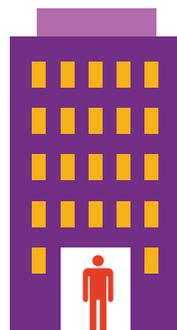


**97%**

of UK companies surveyed reported they were affected by fraud in the past 12 months.  
Global Fraud & Risk Report 2017/18, Kroll

**Public Sector fraud losses** estimated to be **£40.4 billion** | **Private Sector fraud losses** estimated to be **£140 billion**

UK 2017 Annual Fraud Indicator



Of those who said that their private-sector organisation had been a victim of fraud in the past year

**26%**

suffered from supplier or procurement fraud.

Global Fraud & Risk Report 2017/18, Kroll

# THE RED FLAGS OF FRAUD

## RED FLAGS SUPPLIER FRAUD

### Soft Indicators

- Working weekends and/or odd hours
- Reluctance to take holiday or absence days
- Expensive purchases, e.g. cars, holidays, jewellery, clothes
- Mood changes or motivation issues
- High staff turnover and staff morale issues

### Hard Indicators

- Unusually close relationship with suppliers
- Increase in new or unfamiliar suppliers
- Increase in credit notes
- High percentage of duplicate payments
- Increase in write-offs
- Reduced supplier reconciliation

## RED FLAGS BILLING SCHEMES

- Invoices have consecutive sequential numbers
- Supplier address matches employee address or bank
- Supplier directors match employee name
- Invoices missing key detail
- Supplier address does not match address on approved supplier list
- Unusual pricing arrangements
- Supplier's address is a P.O. box
- Invoice documentation appears unprofessionally prepared



## RED FLAGS P-CARD FRAUD

### Soft Indicators

- Spend at weekend and after business hours
- Purchases from restaurants or petrol stations
- New or unfamiliar vendors
- Difficulties at work or within their team
- Employees about to leave the organisation
- Staff morale issues & high staff turnover
- Unusual generosity

### Hard Indicators

- Purchases just below threshold amounts
- Monthly reconciliations always late or not performed
- Several reconciliations presented at the same time
- Reconciliations rushed through against deadline
- Receipts submitted with a long list of purchase items
- Not taking the time to examine the monthly reconciliation

# 15 WAYS TO REDUCE FRAUD



Where there is the **risk of fraud**, chances are fraud will eventually occur—**Unless** the organisation has identified the risk **first** and put effective anti-fraud controls in place.

- 1 Know who you hire**  
Conduct background checks on new staff.
- 2 Identify risk areas**  
Investigate activities that are outsourced, cross-border transactions, temporary staffed, sub-contracted or partner-related.
- 3 Assess corporate culture**  
Identify the ethical tone of the organisation and pressure points that may motivate employees to cross the line.
- 4 Create an ownership environment**  
Employees who act and feel like owners of the company are generally less likely to steal.
- 5 Take away temptation**  
Establish clear separation of duties and review all high-risk roles.
- 6 Establish a code of conduct**  
Your written code of conduct and business ethics policy should be signed annually by all.
- 7 Educate and inform employees**  
Run internal workshops or webinars on new fraud policies and procedures.
- 8 Set up standard controls**  
Establish an anonymous reporting hotline, use 3-way matching and set up an internal advisory committee.
- 9 P2P self-auditing**  
Allocate a person within the team to become the internal P2P fraud auditor.
- 10 Make fraud controls visible**  
The visibility and awareness of fraud controls acts as one of the best deterrents to fraudulent behaviour.
- 11 Review your p-card transactions**  
Reconcile your supplier payments with your P-card transactions.
- 12 Regularly monitor your Master Supplier File**  
Review the MSF weekly and run a "changes report" daily.
- 13 Analyse supplier spend proactively**  
Check that your procurement thresholds are being followed and there isn't evidence of splitting orders to circumvent tender thresholds.
- 14 Implement a continuous auditing solution**  
Buy in specialist forensic software that links with your accounting system daily.
- 15 Take immediate action**  
If fraud is detected, implement a rapid-response plan with strategies for investigating, reporting and prosecuting misconduct, fraud or corruption.

# GET A HEAD START IN THE FIGHT AGAINST FINANCIAL FRAUD

## HOW?

Forensically analyse your organisational spend to generate actionable insights and to protect your organisation from financial loss with a **NO-COST, NO-OBLIGATION, NO-CATCH FORENSIC FINANCE RISK REVIEW**.

*"Paid for itself on day one and has covered its cost many times over in the last 3 years"*

**Mitchells & Butlers plc**

*"Paid for itself in 1.5hrs!"*

**Debenhams**

*"The best quick-win I've seen in my career"*

**London Borough of Bexley**

*"Delivered excellent ROI with clear savings within a very short timeframe"*

**King's College London**

## VALUE OF A FORENSIC FINANCE RISK REVIEW



A detailed independent forensic analysis of your organisational spend which includes:

-  Evidence of immediate tangible cost savings from overpayments
-  A report on your highest-risk payments and suppliers
-  Red flags for areas of vulnerability and non-compliance
-  A dashboard of KPIs and actionable insights
-  Notifications on incorrect master supplier data
-  Reveals priorities for process improvements

Our Forensic Finance Risk Review guarantees to highlight high-risk payments and suppliers that have bypassed your existing internal controls AND identify immediate tangible cost savings within your organisation.

*"Fraud losses lower by up to **52%** and detected up to **58%** more quickly with the presence of anti-fraud controls"*

**ACFE | Report to the Nations, 2018**

*"Companies today face a perfect storm of fraud risk – **internal, external, regulatory and reputational**"*

**Global Economic Crime & Fraud Survey 2018, PWC**

**To learn more about having a no-cost, no-obligation FORENSIC FINANCIAL RISK REVIEW visit [www.fiscaltec.com/ukreview](http://www.fiscaltec.com/ukreview)**

FISCAL Technologies global award-winning cloud based risk management platform enables a highly effective preventive strategy to combat finance fraud, overpayments, compliance issues and invoicing errors. It has helped transform operational finance by providing heightened visibility of supplier payments and P2P process performance for hundreds of public and private sector organisations around the world.



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