

# Fraud and misconduct in a digital era

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ABOUT one third of fraud cases worldwide is exposed by whistleblowers and tipsters.

This is more than those done by auditors, security employees and police combined.

How important whistleblowers are or whether they are adequately protected, remains a debate globally.

Deloitte said the amount of money

laundered each year was estimated to range from 2% to 5% of global gross domestic product or equal to €1.87 trillion annually.

Funds flows are often complex and difficult to trace as fraudsters are steps ahead in creating new ways to commit fraud.

To be able to detect fraud, an organisation must first be able to see the risks involved.

The Covid-19 pandemic has seen many more people globally using

technology to conduct their businesses and there has been a rise in fraud too.

The Association of Certified Fraud Examiners expects cyber fraud, fraud by vendors or sellers, and payment fraud, to rise in the coming years.

In a recent survey via a webcast, Deloitte said over 50% of respondents agreed that the pandemic has accelerated its organisation's digitalisation progress, which was not seen

as a top priority previously.

Over one-third of responses indicated that their organisation had experienced an incident of fraud over the last 12 months, or expected more incidents of fraud in the upcoming months.

The disruption caused by the pandemic and restrictions on "normal" business procedures may result in previously undetected fraud coming to light.

There is also greater opportunity

for fraud as controls and monitoring processes may be adjusting to the "new normal," it said.

With fraud and misconduct on the rise, studies have shown that employee information is the most effective method of identifying such crime.

Data analytics can help offset the reduction in effectiveness of internal risk mitigation controls and functions such as internal audit, seen due to Covid-19, according to Deloitte.

## Covid-19: Existing and new frauds being uncovered



### Existing fraud surfacing due to disruptions caused

- > Limited cash flow
- > Market volatility
- > Staff reshuffle

### New vulnerabilities emerge from disruptions caused

- > People get desperate and go into "survival" mode
- > The 3 components of the fraud triangle are more prevalent
- > Businesses lose their focus

## Fraud Triangle: Explaining new vulnerabilities



### Pressure

- > To meet key financial target or to keep afloat
- > Financial distress due to potential job losses

### Opportunity

- > Reduction in employees leading to lack of segregation of duties and supervisory roles
- > Delayed audits

- > Difficulty to monitor controls and processes with remote working
- > Management distractions

### Rationalisation

- > "I need to keep my bonuses"
- > "My needs are greater than yours"
- > "I'm only borrowing the money"

## Predict and detect: Unlocking the power of data

### DATA ANALYTICS



### ABUNDANT NEW DATA

While COVID-19 forces us to use technology as a means to circumvent disruptive physical restrictions to the current way of working, a post COVID-19 environment will leave us with a permanently more technology driven way of working and consequently an abundance of new data and possibilities.

