



## Fraud and misconduct risks arising from COVID-19

14 July 2020



**MAKING AN  
IMPACT THAT  
MATTERS**  
*since 1845*

# Welcome

## Agenda for the session

Welcome and introduction



1

The risk environment



2

Mitigating the risks



3

Investigating remotely



4

Summary and close





5





# Fraud and misconduct risks arising from COVID-19


## Welcome and introduction


**Adam Smith** 





 Deloitte Forensic Partner


 +44 20 7007 9292


 [adsmith@deloitte.co.uk](mailto:adsmith@deloitte.co.uk)


**Manmeet Kalsi** 





 Deloitte Audit & Assurance Partner


 +44 1233 259 805


 [mkalsi@deloitte.co.uk](mailto:mkalsi@deloitte.co.uk)


**Stephen Campbell** 





 Deloitte Forensic Director


 +44 20 7007 5961


 [stepcampbell@deloitte.co.uk](mailto:stepcampbell@deloitte.co.uk)


**Armando Nardo** 





 Deloitte Forensic Director


 +44 20 7303 5791


 [anardo@deloitte.co.uk](mailto:anardo@deloitte.co.uk)


**Rosemary Ford** 





 Deloitte Forensic Assistant Director


 +44 131 535 7078


 [rjford@deloitte.co.uk](mailto:rjford@deloitte.co.uk)

**Isobel Henley** 



 Deloitte Forensic Manager

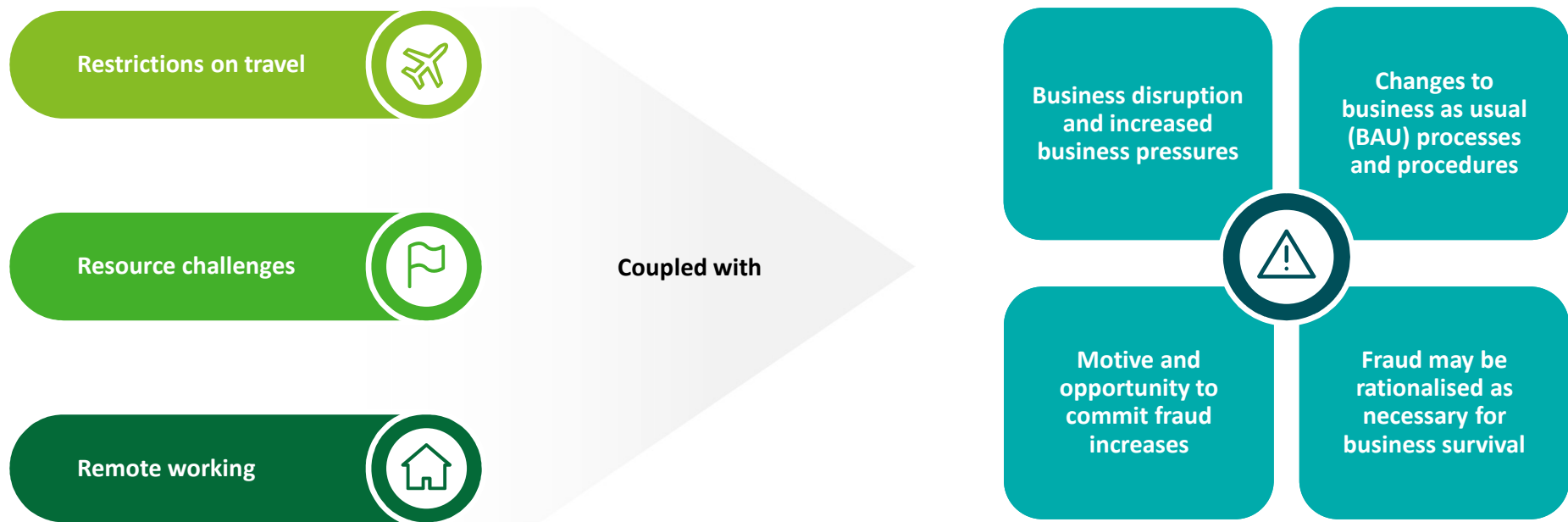
 +44 121 695 5353

 [ihenley@deloitte.co.uk](mailto:ihenley@deloitte.co.uk)

# The risk environment

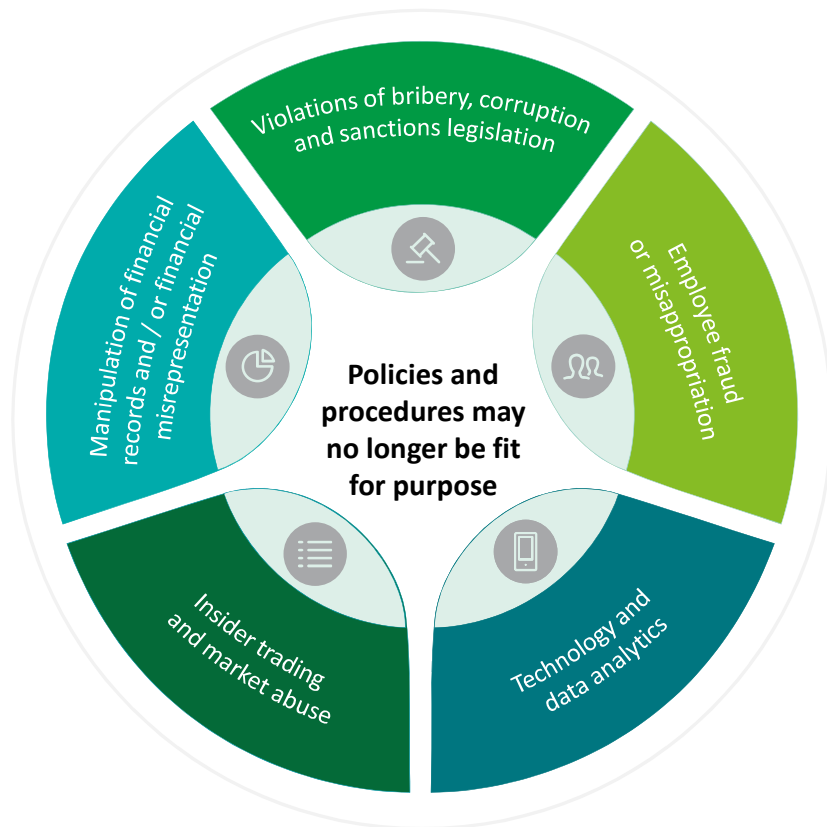
## Fraud and misconduct risks arising from COVID-19

The COVID-19 landscape brings with it a number of challenges which increase the likelihood of fraud and misconduct



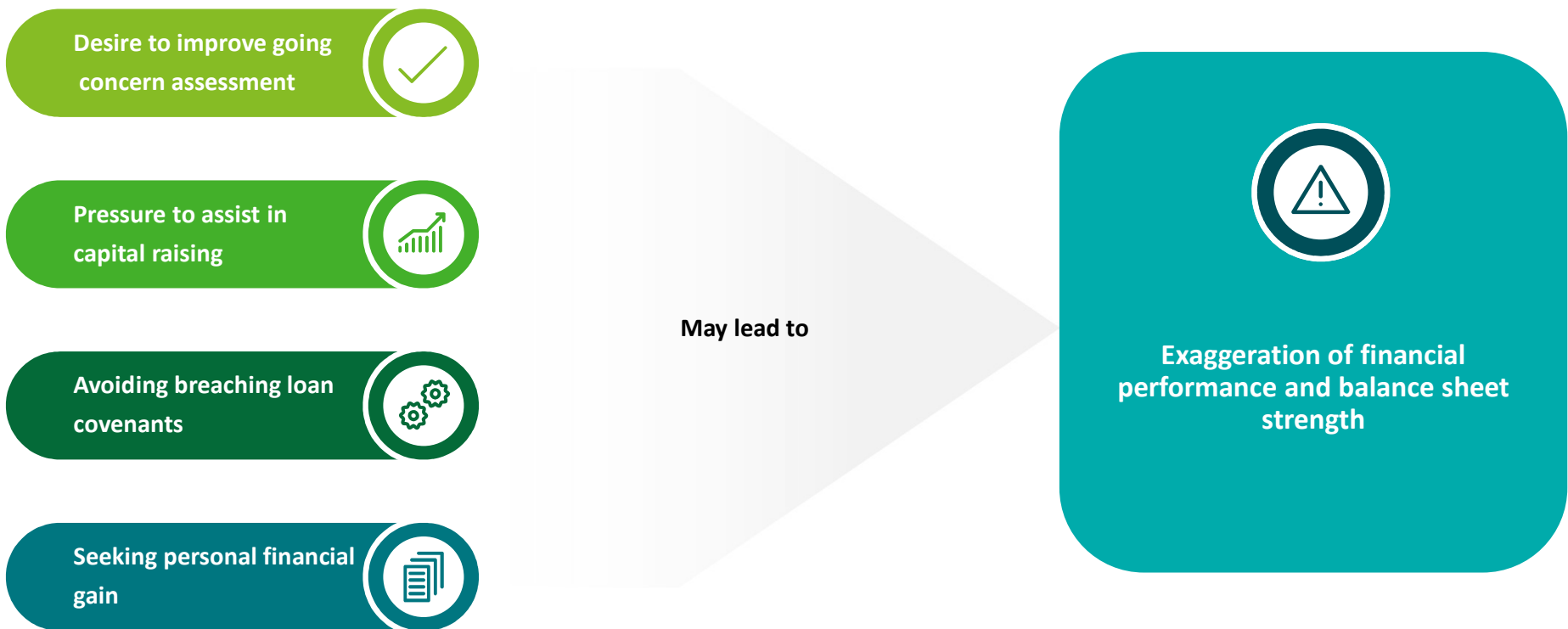
## Fraud and misconduct risks arising from COVID-19

Potential areas in which a weakened control environment may be exploited



# Fraud and misconduct risks arising from COVID-19

## Manipulation of financial information



# Mitigating the risks



## Fraud and misconduct risks arising from COVID-19

Strong governance, compliance and control frameworks remain are key



How have corporates responded to the COVID-19 environment and adapted their control framework?

## Fraud and misconduct risks arising from COVID-19

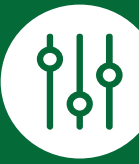
Strong governance, compliance and control frameworks remain are key

Primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management



The **Brydon Report** recently recommended that there be:

- 1) a **new reporting duty on directors** to set out the actions they have taken each year to prevent and detect material fraud
- 2) a corresponding **new duty on the auditor** to state in its report how it has assured the directors' statement on material fraud, and what additional steps it has taken to assess the effectiveness of the relevant controls and to detect any such fraud

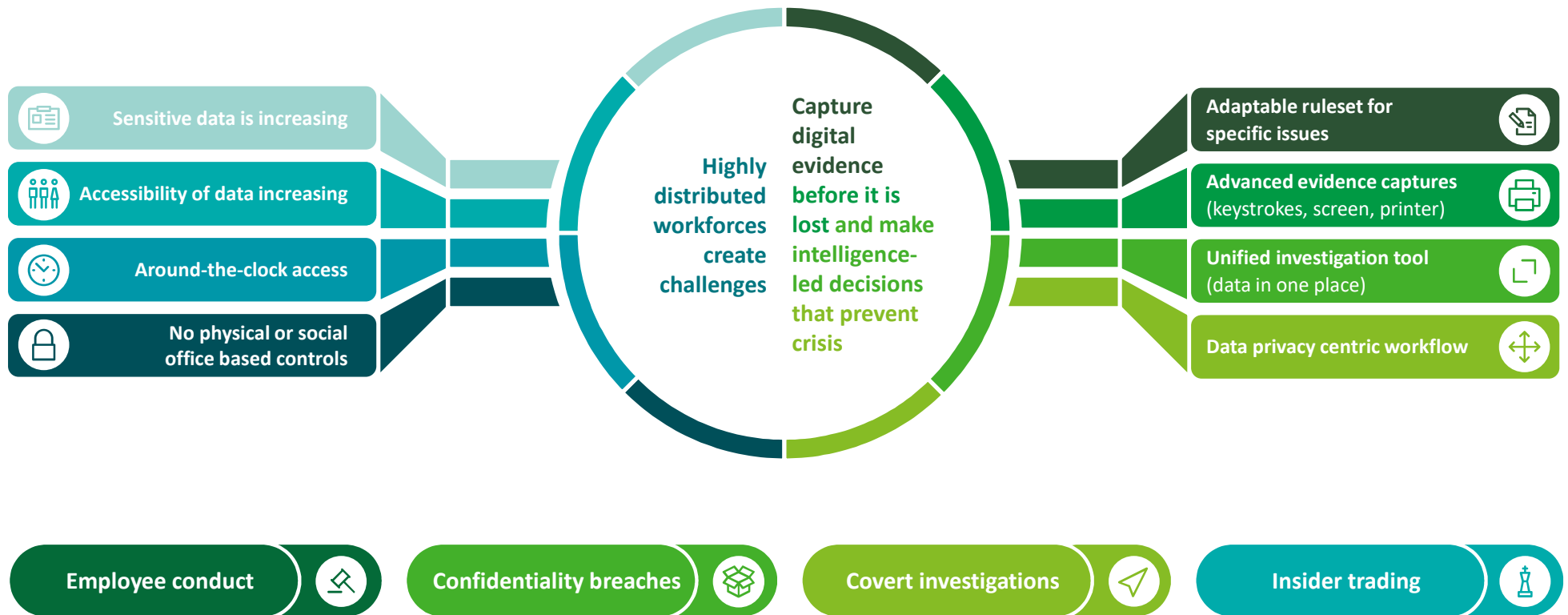


Boards need to ensure they are managing financial statement misstatement, fraud and misconduct risk with appropriate robustness



## Fraud and misconduct risks arising from COVID-19

Utilising advanced digital technology enables companies to proactively detect and investigate potential issues before they escalate into crisis



# Fraud and misconduct risks arising from COVID-19

## Using advanced data analytics to detect bribery and corruption risks

Traditional rules-based red flag systems

**Rules-based – You know what you are looking for:**  
*"I know what thresholds and other controls my organisation deploys, so I'd like to design tests that explore manipulation there."*

vs.

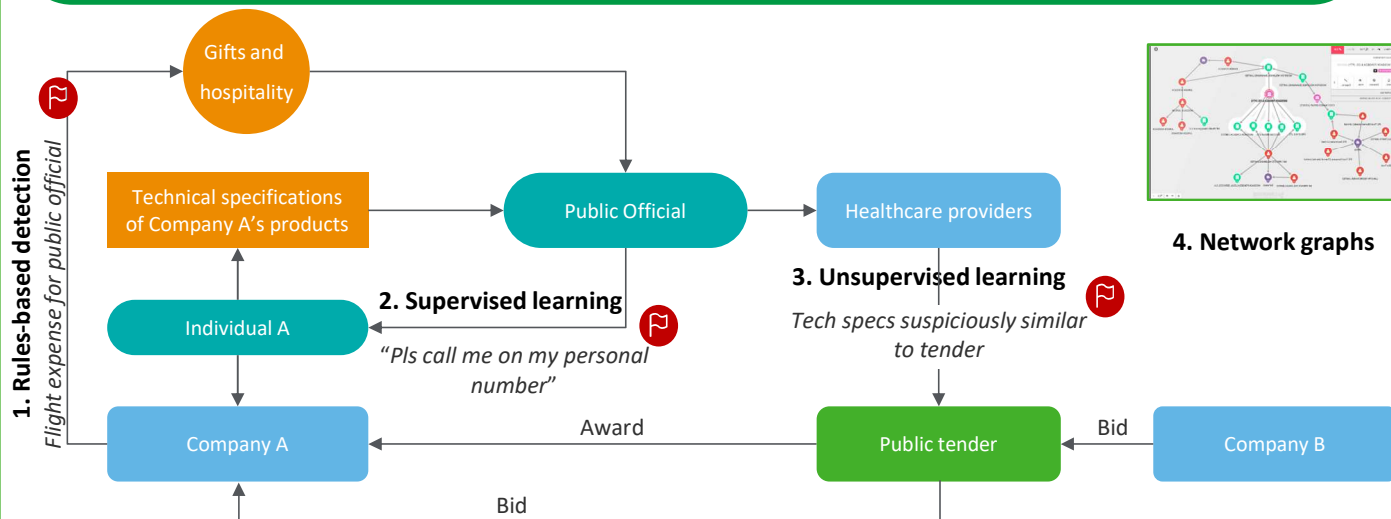
Machine learning

**Supervised learning – You don't know exactly what you are looking for:** *"I know that my organisation was defrauded, but I don't know if I found all similar instances."*  
**Unsupervised learning – You don't even know you need to look for it:** *"We have large amounts of data, but what might be happening in my blind spots?"*

Bribery & Corruption example:

**Scheme:** Individual A at Company A bribes a public official to include technical specifications of Company A's products in a public tender, by paying for a personal flight.

**Data:** Where can indicators be found?



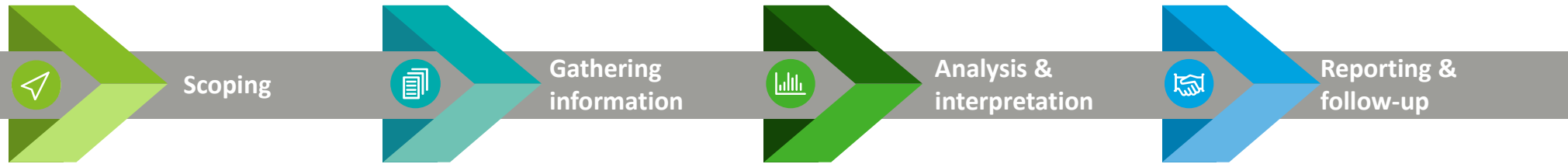
- 1. Gifts and entertainments **rules-based** data analysis could flag the gift.
- 2. Communications analysis using **supervised** learning could reveal suspicious conversation between Public Official and Individual A.
- 3. **Unsupervised** learning to cluster company A's technical product documentation and tender documentation could reveal suspicious similarities.
- 4. Joining the dots in a **network graph** could reveal the scheme.

# Investigating remotely

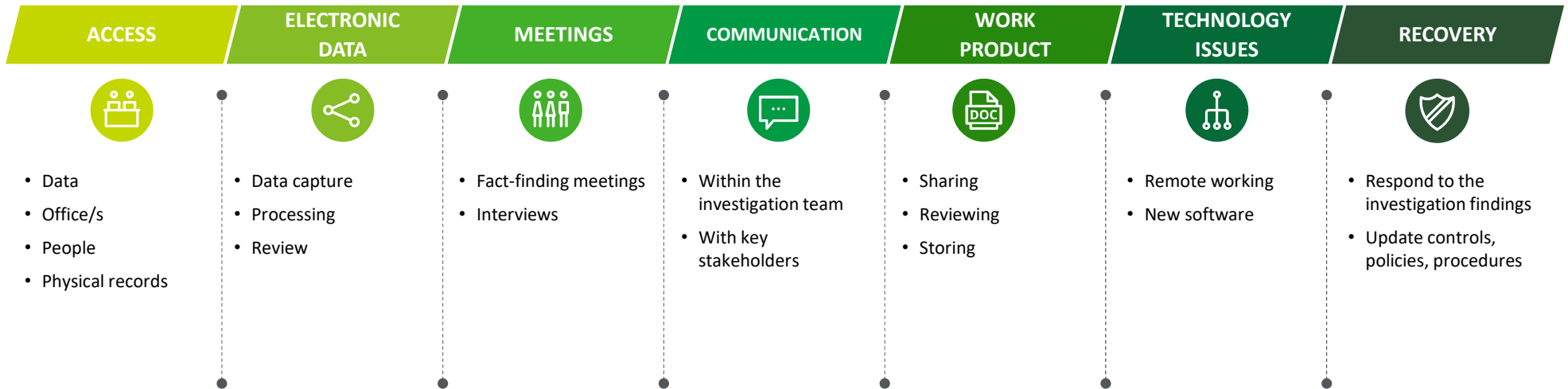
# Remote investigation challenges

How can you work out what's happened, when you are working remotely?

## Stages of investigation



## Investigation challenges



## Fraud and misconduct risks arising from COVID-19

Adapting your investigation approach to the current working environment is key







# Summary and close

# Fraud and misconduct risks arising from COVID-19

## Summary and close

1

### The risk environment

- COVID-19 created an increased risk environment for most businesses
- Risks are diverse and range from low value but higher volume activity, to specific instances of fraud, cyber incidents, bribery, corruption and misconduct



2

### Mitigating the risks

- Maintaining strong governance, compliance and control frameworks is key
- Tools can be utilised to scan for risks, and leverage capabilities of compliance and investigation teams



3


### Being prepared to act


- Investigating in the new working environment brings with it a new set of challenges
- Adapting the investigation approach to the current working environment and effectively utilising the raft of technological solutions which are available enables investigations teams to adapt





# Fraud and misconduct risks arising from COVID-19


## Questions


**Adam Smith** 





 Deloitte Forensic Partner


 +44 20 7007 9292


 [adsmith@deloitte.co.uk](mailto:adsmith@deloitte.co.uk)


**Manmeet Kalsi** 





 Deloitte Audit & Assurance Partner


 +44 1233 259 805


 [mkalsi@deloitte.co.uk](mailto:mkalsi@deloitte.co.uk)

**Stephen Campbell** 




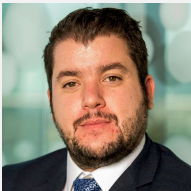
 Deloitte Forensic Director


 +44 20 7007 5961


 [stepcampbell@deloitte.co.uk](mailto:stepcampbell@deloitte.co.uk)


## Questions?

**Armando Nardo** 





 Deloitte Forensic Director


 +44 20 7303 5791

 [anardo@deloitte.co.uk](mailto:anardo@deloitte.co.uk)


**Rosemary Ford** 





 Deloitte Forensic Assistant Director


 +44 131 535 7078


 [rjford@deloitte.co.uk](mailto:rjford@deloitte.co.uk)

**Isobel Henley** 



 Deloitte Forensic Manager

 +44 121 695 5353

 [ihenley@deloitte.co.uk](mailto:ihenley@deloitte.co.uk)



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2020 Deloitte LLP. All rights reserved.

Designed by CoRe Creative Services. RITM0470357