

Fraud and beyond

International Fraud Awareness Week 2017

India's business landscape remains buoyant, highlighted by improved ranking (100) in World Bank's recently released Ease of Doing Business Report 2018. The market has seen a gradual but significant transformation on multiple fronts including new domestic and global reforms, initiatives for smart cities, single window clearances for projects and the ongoing war against fraud, corruption, money laundering and other unethical practices. There is a concerted effort to enhance corporate governance and transparency, and the Government is continuing to empower enforcement agencies to come down heavily on corruption and non-compliance.

While fraud, bribery and corruption remain endemic in emerging markets including India, organizations have steadily realized that countering these risks is important to sustain successful businesses. With time, they are imbibing ethics into their DNA and taking active steps to augment anti-fraud measures. Governments are supporting the ecosystem in this quest by ramping up enforcement, increasing trans-national collaboration and heightening domestic and global investor confidence.

Global initiatives such as International Fraud Awareness Week by the Association of Certified Fraud Examiners (ACFE) provide a much-needed thrust to increase awareness on fraud risks and their repercussions. As EY continues to support International Fraud Awareness Week 2017, we are pleased to share this newsletter which encapsulates key news and trends around fraud and other emerging threats, and the ways to mitigate them.



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What is International Fraud Awareness Week?

ACFE, world's largest anti-fraud organization started International Fraud Awareness Week (or Fraud Week) to drive cognizance around fraud and minimize its effect on businesses. In 2017, this movement is from 12 to 18 November. We believe it is an apt time for anti-fraud, legal, risk and compliance professionals to lead and inspire peers, co-workers and all other stakeholders to walk the ethical path. During Fraud Week, anti-fraud professionals can raise awareness, engage individuals and conduct various activities within the organization around fraud detection and deterrence.



Fraud is an innocuous sounding word with ramifications capable of destroying organizations and reputations and landing perpetrators behind bars. Every company has a watershed moment when the vision for its future and its very existence gets defined and for most, including mine, was when we adopted a zero tolerance policy toward fraud and corruption, in fact to all unethical issues. Without behavioral and attitude changes of employees this does not mean anything. It requires constant monitoring, failing which the change is unsustainable. Top management has to start and reflect on its own behavior before demanding the same from others. It is not easy at first but definitely achievable.



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Trending topics in 2017

01 Chasing shell companies to diminish money laundering



Following demonetization to eradicate black money, counterfeit currency and terrorist financing, the Government has come down heavily on shell companies operating in India. The common modus operandi of such companies to engage in illicit activities is

becoming “fronts” for layering transactions during funds transfer or making foreign remittances of black money through fake trade transactions. Recent media reports have highlighted the de-registration of over 2 lakh shell companies and disqualifications of 3 lakh directors/promoters, with many being investigated under the Companies Act 2013.

Money laundering through shell companies has become a serious concern in emerging economies as these markets seek greater financial stability. Banks and financial institutions will need to ramp up their anti-money laundering frameworks including customer and vendor due diligence, risk profiling, KYC compliance and governance, and upgrade of transaction monitoring systems. The role of Robotics Process Automation will also be instrumental in KYC compliance and enhanced due diligence procedures.

02 Caught in the cyber crosshairs



Global organizations across countries including India have emerged as vulnerable targets for cybercriminals, with attacks such as WannaCry, spear phishing and advanced persistent threats coming to light. Ransomware has dominated headlines worldwide, locking

down hundreds of computer systems and hampering business continuity. The ransom demand is usually in Bitcoins, making it almost impossible to track the source. It is believed that an estimated 30% of ransomware victims pay hackers to regain their data so the financial repercussions are enormous. Not restricted to desktops, even handheld devices have been affected with cases of adware such as 'Judy'.

Emerging markets have seen a massive transformation in terms of digital adoption but cybersecurity frameworks are inadequate and incident response low. Corporate India needs to increase awareness, self-report cases and invest in building cyber capabilities to tide over the cyber wave.

03 Corporate governance issues taking center stage



The recommendations laid down in the report by the SEBI appointed Uday Kotak Committee on corporate governance are expected to boost transparency and ethics in listed organizations. The suggestions include the participation of independent directors in the

company's business operations, disclosure around related party transactions, augmenting guidance and efficacy of the board and safeguarding shareholder interests.

With rising unethical conduct, the role of boards and independent directors has become crucial. Resilient organizations will have to keep pace with the disruptive times, enhance anti-fraud and anti-corruption controls and motivate employees to “do the right thing”.

04 Preparing for GDPR compliance



The EU's upcoming General Data Protection Regulation (GDPR), effective from 25 May 2018 is expected to bring about several changes in how global businesses deal with the personal data of EU citizens by offering increased protection, and giving them the

right to manage and control their personal information. GDPR non-compliance or a data breach can call for severe warnings and penalties - e.g., written warning notices in cases of first and non-intentional non-compliance. For serious infringements, a maximum administrative fine of up to €20 million or 4% of annual worldwide turnover, whichever is higher, can be imposed.

The future of data protection and privacy can be strengthened through regulations such as GDPR and organizations' ability to achieve compliance with it. Information Governance Programs can be crucial to charting the compliance path by building an operational program to bring in efficacy and structure with GDPR.

05 ISO 37001: A game changer to curb fraud and bribery



ISO 37001, the first international standard on anti-bribery management systems, has become an attractive compliance tool seeing traction among the private and public sector alike. The rise in demand is mirrored by the fact that the Governments in many nations

including Peru and Singapore have already adopted it, setting an example for emerging markets to follow.

As fraud, bribery and corruption continue to be major compliance risks in emerging markets, ISO37001 can help entities evaluate and ramp up existing compliance frameworks. It captures elements of the world's existing anti-corruption standards, and adoption will have benefits beyond creating a competitive advantage, such as facilitation of international trade, improvement of brand image in the market and reassurance of consumers.

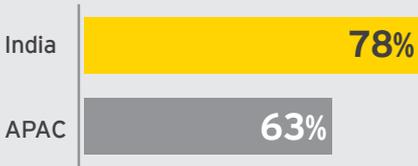
EY's APAC Fraud Survey 2017



The past year has been burgeoning with growth opportunities for most countries across the globe, especially in the Asia Pacific (APAC) region. But organizations are still grappling with issues related to fraud and misconduct. We have covered the key themes in our APAC Fraud Survey 2017, titled *Economic uncertainty or Unethical conduct: How should overburdened compliance functions respond?*

The report was recently launched at an exclusive session in Gurgaon on "Compliance in India Inc." in the presence of distinguished experts from the private and public sector.

Bribery and corruption are widespread



80% of Indian respondents believe it is important to understand

third-party owners, compliance culture and any news or litigation related to fraud or corruption



71% of Indian respondents expressed their unwillingness to use whistle-blowing hotlines



58% of Indian respondents are still willing to work for organizations

involved in major bribery or fraud cases

Fraudulent online transactions are a serious threat to any e-commerce ecosystem and we have implemented a number of initiatives within Snapdeal to identify and curb such transactions by conducting fraud risk assessment of our key processes and implemented robust controls to mitigate fraud risks. We are committed to staying one step ahead of the fraudsters and, building checks and balances across the ecosystem to deliver a secure and reliable experience to all our customers.

Anup Vikal
Group CFO & General Counsel, Snapdeal

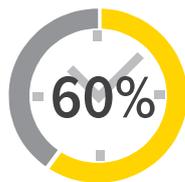
ACFE's Benchmarking Report 2017

Organizations across the globe have been benchmarking data to evaluate their performance, structure and operations as compared to their peers. To understand trends among internal fraud investigation professionals, ACFE recently conducted a survey titled, 'In-House Fraud Investigation Teams: 2017 Benchmarking Teams', which highlighted interesting insights for anti-fraud professionals in assessing their existing teams and planning for their future initiatives.



Organizations with **10,000** or more employees have an average of only

59 fraud investigators on staff



of fraud investigation teams close cases within **30 days** on average



More than half of the fraud investigators have an average caseload of

<5 cases at any given time



47% of fraud investigation teams use data analytics and

38% use case management software in investigations

The ethical barometer: are you playing by the rules?

Individual work ethics play a major role in mitigating fraud risks and fueling compliance. Do you know if you are making the right choice in business decisions? Answer this short questionnaire to see where you stand on the ethical barometer.

Sr.no	Questions	Yes	No
01.	Do you think that individuals in India will not be held liable under various foreign legislations for facilitation or improper payments?	<input type="checkbox"/>	<input type="checkbox"/>
02.	Would you be willing to "win at any cost" than lose business?	<input type="checkbox"/>	<input type="checkbox"/>
03.	Has loyalty toward your company or co-workers prevented you from reporting cases of misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
04.	Have you offered cash payments to meet business targets?	<input type="checkbox"/>	<input type="checkbox"/>
05.	Would you be unwilling to report your colleagues if they are related to third-party vendors?	<input type="checkbox"/>	<input type="checkbox"/>
06.	Have you ever provided false information to the management for career progression?	<input type="checkbox"/>	<input type="checkbox"/>
07.	Do you share confidential (company or client) information on social media platforms?	<input type="checkbox"/>	<input type="checkbox"/>
08.	Have you ever knowingly breached or disregarded your company's anti-fraud, ethics or anti-bribery policy?	<input type="checkbox"/>	<input type="checkbox"/>
09.	Do you believe that personal devices used for official purposes are not subject to a company's IT policies or guidelines?	<input type="checkbox"/>	<input type="checkbox"/>
10.	Are you unaware or unwilling to use whistle-blowing channels offered by your company to report concerns?	<input type="checkbox"/>	<input type="checkbox"/>

Calculate the number of times you answered "yes" -

- ▶ Above 6 - you are extremely vulnerable to unethical behavior
- ▶ Between 4 and 6 - you have taken satisfactory anti-fraud measures, but there is scope for improvement through trainings
- ▶ Between 1 and 4 - you rank high on the ethical barometer and are aware about the right thing to do to tackle fraud and misconduct

Disclaimer: The above assessment is only indicative and not a conclusive test. It is for general guidance only and not a definitive assessment.



The creation of fraud awareness is at the core of ICICI Bank's fraud risk management strategy. An aware customer and a knowledgeable employee are the first line of defense against the nefarious perpetrators of fraud. We have been investing our efforts to create awareness on bank fraud among customers, stakeholders and employees through various awareness initiatives and felicitation programs for employees who have shown vigilance in preventing fraud during the course of their duties. We believe that fraud in the digital world will be the next frontier to watch out for. Banks need to adopt a collaborative approach in their fight against fraud.

Drupad Shah

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