

Managing fraud risks | Keep your eye on the ball

The COVID-19 pandemic has transformed the business landscape with an unwelcoming concomitant of a dark side, inherent in which are exacerbated vulnerabilities of organizations to fraud risks (*some of which are unprecedented*).

Evidently and inextricably, several businesses are currently grappling with operational pressures, threats of disruption in the near to medium term, challenges relating to working capital, securing their backend supply chain and strengthening their front-end customer orientation channels; while dealing with a myriad of workforce related issues. In the backdrop of the foregoing, fraudulent practices have been on the rise with as much as 7% of the top-line of organizations (*according to recent studies*) currently susceptible to losses due to fraud.

The pursuit of effective measures to combat fraud in the current and emerging scenario, have transformed the lens through which the traditional fraud triangle should be analysed and broken. In this context, the proactive development of an efficient defense mechanism with an effective strategy to mitigate fraud risks in your organization are imperatives.

Our Managing Partner (*Monish G Chatrath*), outlines elements that you can consider in your fraud risk mitigation strategy, covering the following:

- **Preventive measures** | Build a robust fraud risk management framework for defense, enhance awareness (*including through training*) of consequences of fraud and develop a safety net of policies and procedures (*with emphasis on preventive controls*).
- **Predictive measures** | Establish or reassess (*as the case may be*) and monitor departures from business targets and projections, align the internal audit charter to address fraud risks, undertake periodic assessments of the effectiveness of the operation of the fraud risk management framework, identify and mine relevant data to profile the lifecycle and modus operandi of fraudsters with potential fraud schemes and monitor changes in behavioural & transaction patterns (*using AI, ML and forensic tools, logistic regression and self-organizing maps for the more complex patterns*).
- **Detective measures** | Use your whistleblower framework effectively, act swiftly on tip-offs (*internal & external*) and initiate, complete and analyse internal audit, management assurance reviews/investigations, in a time bound manner.
- **Actionable measures** | Analyse the root causes of identified fraud; co-relate these to components of the system (*people, processes, policies, technology, infrastructure & data flows*) and reengineer the same to address specific vulnerabilities.



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About MGC Global

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