

Putting Big Data to good use in compliance

Compliance Week Europe Conference

14 October 2014



Building a better
working world

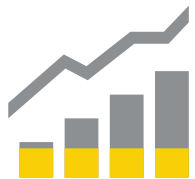
Global fraud survey



Key conclusion: compliance fatigue

Compliance efforts are running out of steam because:

- 1. Economic downturn** - a justification to lower/postpone investments in compliance programs and even allow unethical behaviour



17%

of CFOs could justify making changes to assumptions relating to valuations and reserves given financial pressure.



44%

of sales and marketing executives could justify introducing more flexible return policies to meet financial targets.

Key conclusion: compliance fatigue

Compliance efforts are running out of steam because:

2. Persistent minority of businesses – that are still not taking the basic steps to deliver effective programs



61% of C-suite executives have not attended ABAC training.



38% of businesses never conduct forensic or anti-corruption due diligence as part of their mergers and acquisitions processes.



45% of businesses do not have a whistleblower reporting hotline.

Key conclusion: compliance fatigue

Compliance efforts are running out of steam because:

3. Underestimation of new emerging threats



Less than
50% of those surveyed
see cybercrime
as a significant risk.



60% stated that cybercrime should
be discussed regularly by the
board of their organization.

Key conclusion: compliance fatigue

Compliance efforts are running out of steam because:

4. Underestimation of regulatory risks, especially in countries with a weak regulatory enforcement and low number of public disclosures



More than 1 in 10 executives surveyed reported their company as having experienced a significant fraud in the past two years.



74%

of respondents whose businesses had been breached stated that the breach had not been publicly disclosed.

Key conclusion: compliance fatigue

Compliance efforts are running out of steam because:

- 5. Underestimation of the expectations of the mature regulators**, especially regarding the use of the latest technologies

Key element of best practice: use of forensic data analytics tools



Board engagement

Boards need to appropriately challenge management regarding the quality and frequency of their risk assessments, particularly around new risks like cyberfraud/cybercrime. Board members can push the company to foster better collaboration between legal, compliance and internal audit, and they should request regular updates from management regarding fraud, bribery and corruption risk.



Big data

Mining big data using forensic data analytics tools can improve compliance and investigation outcomes and can help management provide useful summary information to the board.



Anti-corruption due diligence

Such specialized due diligence should be the norm, not the exception. If conducting such work pre-close is not possible, then doing robust post-close procedures is essential given that the company may own the liability for illegal acts if not identified and disclosed to regulators in a timely manner.



Escalation procedures

Companies should have clearly defined escalation procedures, whether to respond to a whistleblower or a cyber incident, to minimize the damage being done and to speed the process of board notification. And, when necessary, they should consult with outside legal counsel, forensic accounts and IT security professionals.



Training

Companies should have ABAC training programs tailored to general job functions and levels of seniority. The training should be offered in local language and should include a mix of classroom and other online/video components. Participant information should be tracked, and business unit leaders — including those in foreign locations — should be evaluated on participation levels. C-suite executives need to lead from the front on training and cannot be exempt from it. Board members too should be trained.



Budget support for internal audit and compliance functions

While the business needs to own the risk, internal audit and compliance play essential roles in both improving standards of business conduct and in keeping the company out of trouble.

Global forensic data analytics survey



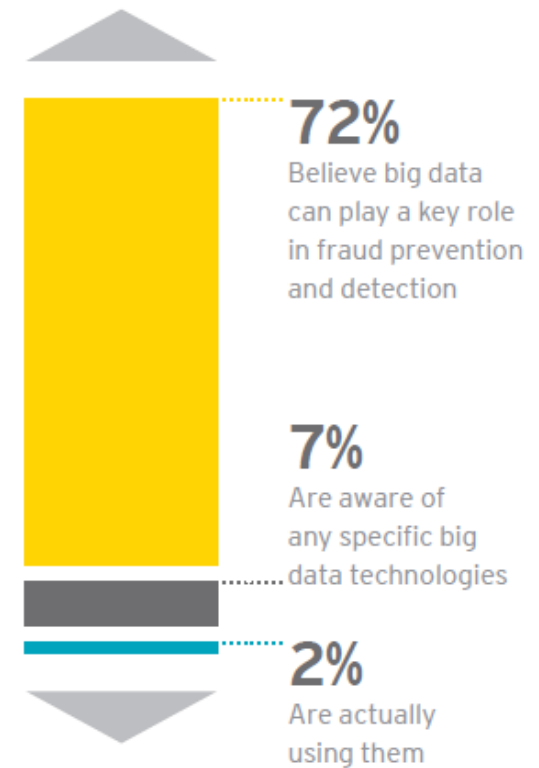
Key findings - benefits

Big risks require Big Data thinking

- ▶ 72% of respondents believe emerging big data technologies can play a key role in prevention and detection

Key benefits

- ▶ *Enhance risk assessment process (90%)*
- ▶ *Detect potential misconduct that could not be detected before (89%).*



Key findings – opportunities for improvement

Need to do more

- ▶ 63% of respondents agree that they need to do more to improve their anti-fraud/anti-bribery procedures, including the use of FDA

Biggest challenge

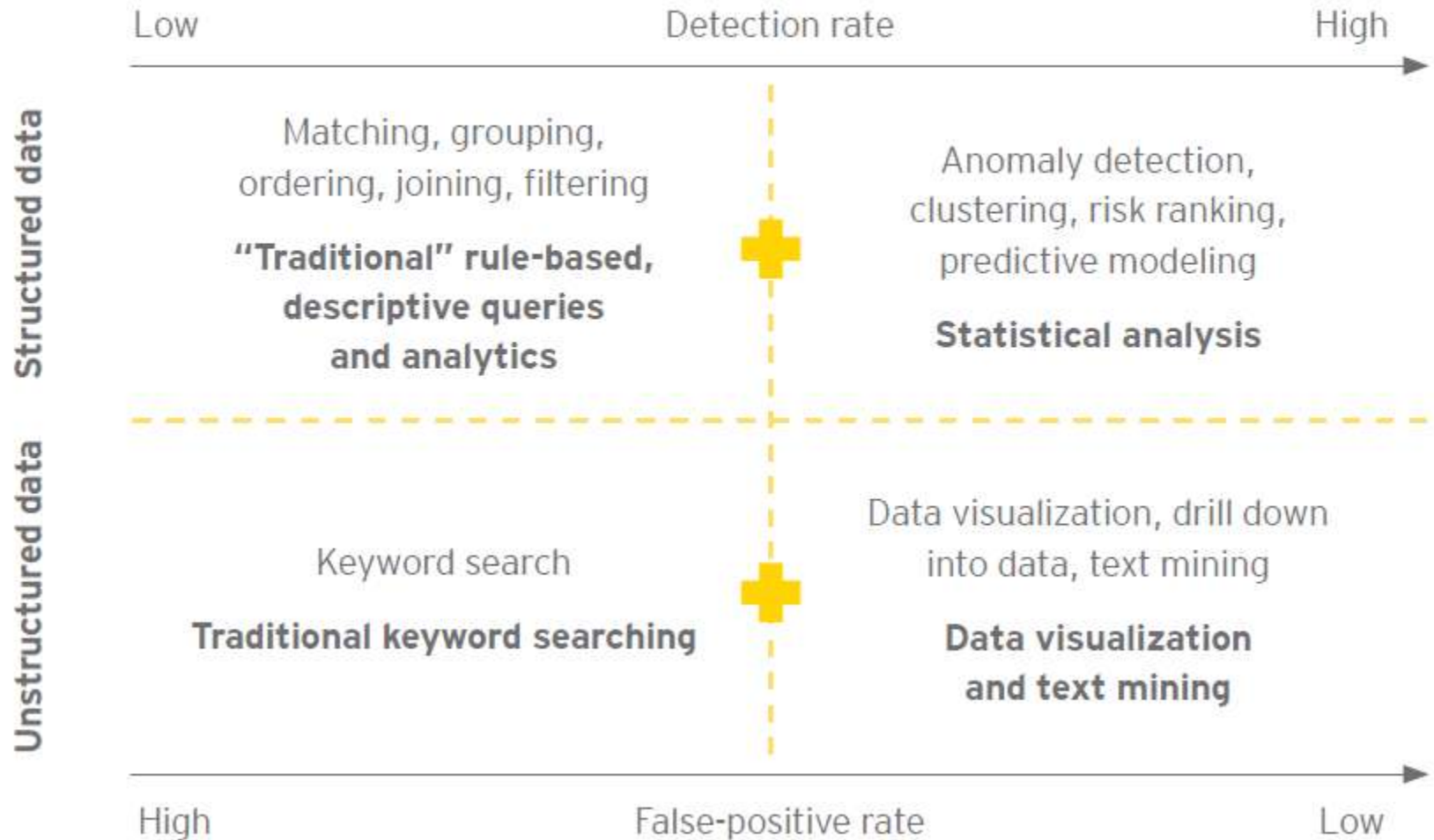
- ▶ *Getting the right tools or expertise for FDA (26%)*

Data volumes analyzed are small relative to company size

- ▶ 71% of companies more than US\$1 billion in revenues report working with data sizes less than or equal to **1 million records**
- ▶ 42% of companies with revenues between US\$100 million and US\$1 billion report working with data sets **under 10,000 records**

Maturity model

Figure 4. FDA maturity model

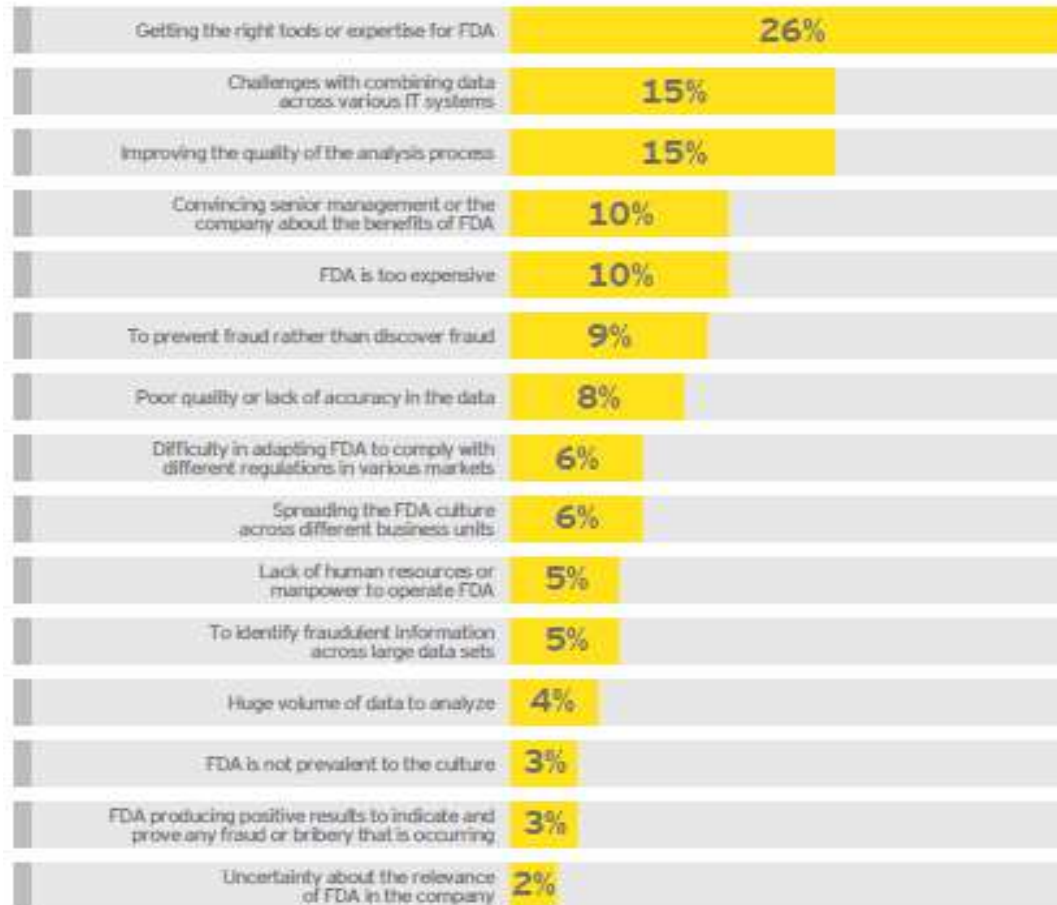


Low adoption of more sophisticated FDA tools

		Total
Base Level	Spreadsheet tools such as Microsoft Excel	65%
	Database tools such as Microsoft Access or Microsoft SQL Server	43%
More Sophisticated	Continuous monitoring tools, which may include governance risk and compliance (GRC) tools (SAP, SAI Global, Oracle)	29%
	Text analytics tools or keyword searching	26%
	Forensic analytics software (ACL, iDEA)	26%
	Social media/web monitoring tools	21%
	Visualization and reporting tools (SAP Lumira, Tableau, Spotfire, QlikView)	12%
	Statistical analysis and predictive analytics (SAP Infinite Insight, SPSS, SAS, R, Stata)	11%
	Big Data technologies (Hadoop, Map Reduce)	2%
	Voice searching and analysis (NEXIDIA, NICE)	2%

Q: From the tools mentioned, which, if any, are you currently using in your organization? Base (422)

FDA challenges



Q: With respect to forensic data analytics, what would you say is your single biggest challenge or requirement in your organization?

Base: All respondents (466). The "Other," "Don't know," "None" and "Refused" percentages have been omitted to allow better comparison among the responses given. Multiple answers allowed, may exceed 100%.

FDA success factors

Embedding FDA in your organization

Embedding the use of FDA within the business can require significant investment of time and money. Our recent Global Forensic Data Analytics Survey, *Big risks require big data thinking*, identified the following five success factors:




Where is FDA deployed ?

Common testing areas of FDA in investigations and compliance monitoring include:

- ▶ Payment stream, accounts payable analysis
 - ▶ Altered invoices, duplicate or fake invoices, inflated prices, suspicious payment descriptions, requestor/approver conflicts
- ▶ Vendor master/employee master analysis and comparisons
 - ▶ Fictitious vendors, vendor risk ranking, background due diligence, conflicts of interest
- ▶ Employee expenses/travel and entertainment
 - ▶ Over limits, unusual or inappropriate expenses, miscellaneous/sundry expenses, split or duplicate expenses
- ▶ Payroll
 - ▶ Ghost employees, falsified wages, commission schemes
- ▶ Financial misstatement
 - ▶ Fictitious revenues, bill-and-hold schemes, concealed liabilities, improper disclosures, overstated assets
- ▶ Bribery and corruption
 - ▶ Bid rigging, conflicts of interest, contract compliance, kickbacks, illegal gratuities
- ▶ Capital projects
 - ▶ Contract noncompliance, project abuses and overcharges

Demo



EY Vendor Ranking Dashboard

Home | Reset All | Weights | Weights external data

Duplicates | Increase | Blocked/Deleted | Credit/Memrs | Quality | Country | VAT | Directors | Group Structure | Sanction List

Active Vendors with turnover
 Active Vendors without turnover
 Inactive Vendors

Vendors Metric Ranking

Vendor Risk Rank	Vendor Name	Vendor Number	Vendor Risk S...
1	vendor_8248	vendor_8366	32.48
2	vendor_3698	vendor_3698	31.48
3	vendor_3598	vendor_3630	31.04
4	vendor_25548	vendor_26011	30.45
5	vendor_21401	vendor_22257	30.18
6	vendor_33274	vendor_21087	30.07
7	vendor_329	vendor_336	29.72
8	vendor_21959	vendor_21901	29.71
9	vendor_16455	vendor_17115	29.66
10	vendor_5711	vendor_3776	29.59
11	vendor_1217	vendor_1233	29.67
12	vendor_1430	vendor_1489	29.54
13	vendor_15877	vendor_17718	29.31
14	vendor_2101	vendor_2127	29.19
15	vendor_3258	vendor_3294	29.09
16	vendor_1490	vendor_1509	27.54
17	vendor_24583	vendor_25573	27.46
18	vendor_5702	vendor_5767	27.42
19	vendor_3685	vendor_3931	27.28
20	vendor_436	vendor_445	27.18
21	vendor_22415	vendor_23318	27.01
22	vendor_4907	vendor_4052	27.00
23	vendor_2195	vendor_2191	26.99
24	vendor_19395	vendor_22565	26.85
25	vendor_1598	vendor_1615	26.84
26	vendor_24442	vendor_25423	26.83
27	vendor_3670	vendor_3716	26.67
28	vendor_1503	vendor_1523	26.33
29	vendor_18723	vendor_19468	25.85
30	vendor_8825	vendor_10427	25.72

Vendors Risk Ranking Details

Vendor Name: [dropdown]

Metrics:

- CM3: High percentage of CM (number)
- CM4: High percentage of CM (amount)
- CR1: Country AML risk
- CR2: Country corruption risk
- CR3: Country offshore risk
- VAT1: Invalid VAT number
- VAT2: Missing VAT number
- VAT3: Foreign vendor with invalid/missing VAT...
- DIR: Director with high number of mandates

41 columns [dropdown]

Vendor transactions over time

Date (Month) [dropdown]

Contact information

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