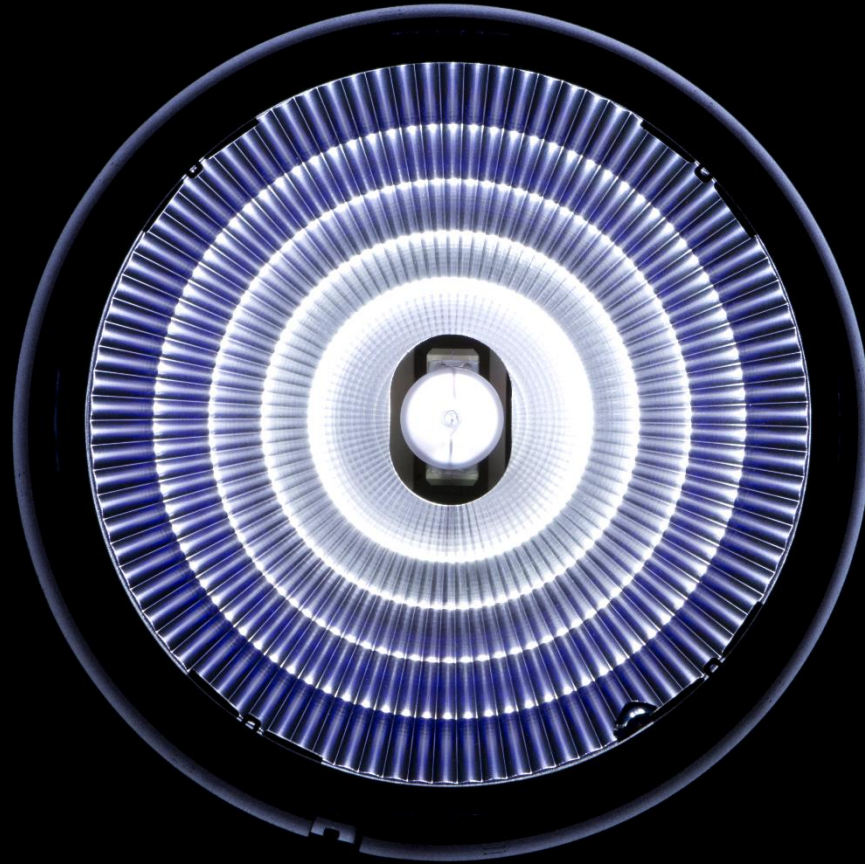


Deloitte.



Deloitte Forensic
Fraud Express Diagnostic

Optimism is a lack of information.

F.G. Ranevskaya

What do we offer?

Fraud Express Diagnostic

Introduction

We have developed a data mining tool which offers a fully automated 1C data analysis approach to identify suspicious transactions. This tool works with any 1C version regardless of data storage type (file or server database).

What we need

Our tool frees analysts of routine work, such as downloading data, developing test logic, and generating a report, and enables them to focus on analyzing identified risks and red flags in detail. If the 1C database covers several legal entities, we can conduct the analysis at the group or entity level.

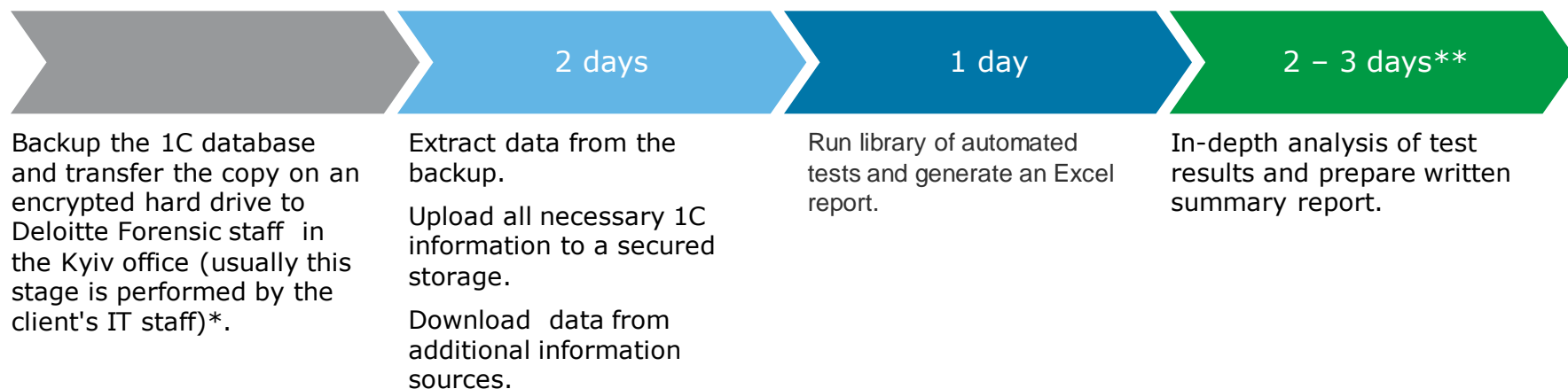
Why Deloitte

Our team comprises specialists with extensive skills and experience in various professional areas, including accountants, economists, auditors, specialists in statistics, programmers, engineers and many others. We leveraged the combined experience of these professionals to create a library of more than 30 tests. We can develop additional [bespoke tests to meet your specific needs](#).

External data sources

We enrich 1C system data with information from public domain information sources (such as SPARK, Unified State Register of Legal Entities and Individual Entrepreneurs, Central Bank of Russia, etc.), which enables us to identify certain specific risks that may exist in your business. The use of a large number of additional information resources simplifies the identification of bad faith and affiliated suppliers or counterparties with the highest level of risk, allowing you to make more sound business decisions.

Our diagnostic approach



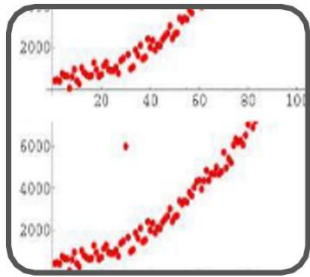
Total time needed from the day of receiving the 1C database copy to report generation is about **5 business days.**

*1C is a fully portable system, which enables easy extraction of the database as a single file.

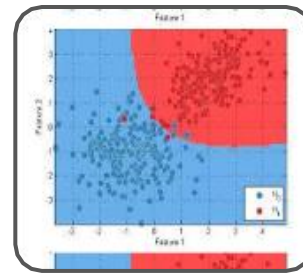
**From two to three business days are needed to prepare a written report per one database which contains data about one or two legal entities.

What do we look at and how?

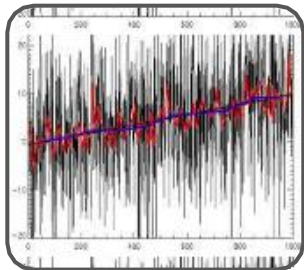
Data mining algorithms



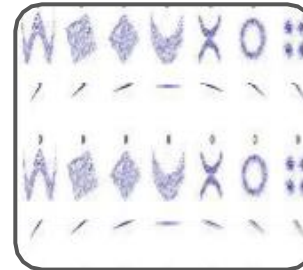
Anomalies and exceptions



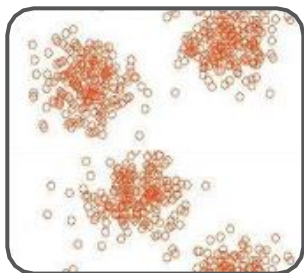
Boundary values



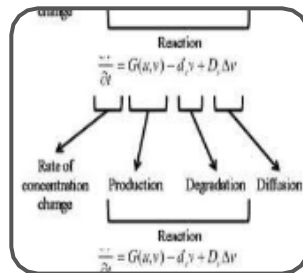
Changes in trends



Non-obvious correlations



Data clusterisation



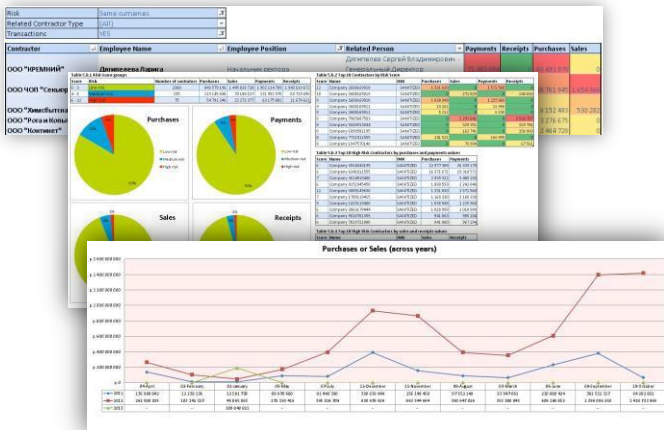
Scenario modelling

What do we look at and how?

Standard test library

1 Reconciliation: trial balance to GL transactions	19 Segregation of duties (purchases and payments)
2 General statistics	20 Payment orders grouped by bank
3 Trial balance classic view	21 Payments to non-residents
4 Trial balance phased by month	22 Cash GL transactions
5 Counterparty risk profile	23 Unusual cash transactions
6 Statistics on purchases and sale	24 Keyword search
7 Purchases and sales summary by counterparty	25 Rounded general ledger transactions
8 Cash flow	26 Rarely used account pairs
9 Analysis of accounts 44 and 79	27 Duplicated purchase invoices
10 Purchase and sales price variances	28 Analysis of negative entries
11 Price variations by counterparty	29 Phased statistics for negative transactions
12 Sales margin variations	30 Comparison of FX rates between 1C and the Central Bank of Russia
13 Unmatched prepayments	31 Benford analysis
14 Purchase invoice sequencing by supplier	32 GL transactions without descriptions
15 Split documents	33 Duplicated general ledger transactions
16 Relatively high valued documents	34 Unposted or deleted documents
17 Offsets and debt transfers	35 Contractors affiliated with employees
18 Counterparties who both buy and sell	

Diagnostic results



We provide an MS Excel report that detail the all test results in the form of dynamic tables and charts. The results allow you to obtain all the necessary information, understand the essence of the tests, and conduct an independent analysis of the results, taking into account the specific nature of the analyzed company, department or function.

The MS Excel report contains:

- Identified fraud risks and red flags;
- A description of all the tests applied;
- Analysis results for several years;
- All the available detailed data from the 1C database.



A summary report prepared by forensic specialists; this report includes the most illustrative examples which the express diagnostic identified.

The summary report contains:

- A written description of the fraud risks identified;
- Intuitive presentation of the Excel report capabilities.

Example deliverables

Selected experience



Supplier transactions

A large automobile retailer with a wide network of affiliated companies requested 1C Analytics. Each company used a separate 1C database. We were presented with seven databases containing data from 15 companies.

We reported separately for each entity. Our **reports** were used by the group's internal audit team. We also prepared a consolidated memorandum, in which we identified what we considered to be the most important findings. This was considered by our client's audit committee.

We identified several goods and service providers who potentially overpriced or did not perform work or provide goods. Some group companies made potentially unauthorised payments to the management of the other companies in the same group for questionable services.

Selected experience



Analysis of subsidiary's accounts

Our client engaged our 1C Analytics team to check a subsidiary company's books, with a particular focus on employee-related expenses. We extracted data from the 1C HR module and developed bespoke tests requested by the client.

We identified a high volume of unauthorised employee payments and breaches of group policies. We reconciled data from the HR module with the accounting module and identified a number of discrepancies.

Selected experience



Internal audit assistance

Our client's internal audit team was engaged to audit a subsidiary.

We provided a **report** and written memo with our key observations.

Our analysis simplified and expedited the internal audit team's work by providing full access to the 1C data in a more convenient format.

Selected experience



Post-acquisition analysis

A large investment fund acquired a significant share in a production company. Their internal policies stipulated that the fund needed to audit the acquired company within a short period of time. Due to the size of the acquired company, the internal audit took longer than expected, which led to our team being engaged. We presented our findings to the client within one week.

One of the **main results** was our identification of a group of interrelated counterparties, which had connections to the company's management and participated in questionable financial transactions with the company.

Example 1

Counterparty distribution by risk level

Table 5.b.1 Risk Score groups

Score	Risk	Number of contractors	Purchases	Sales	Payments	Receipts
0 - 3	Low risk	2380	843 579 196	1 445 828 728	1 902 114 789	1 943 610 672
4 - 5	Medium risk	295	113 145 696	70 108 137	131 952 970	63 729 690
6 - 12	High risk	75	54 791 240	22 272 377	63 175 882	21 679 623

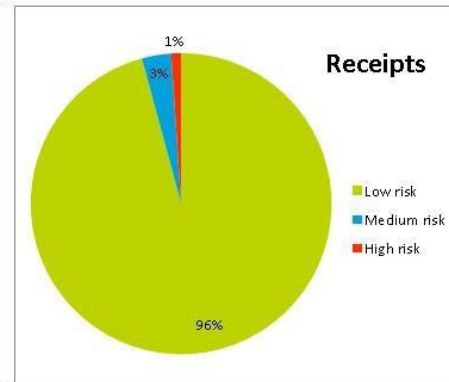
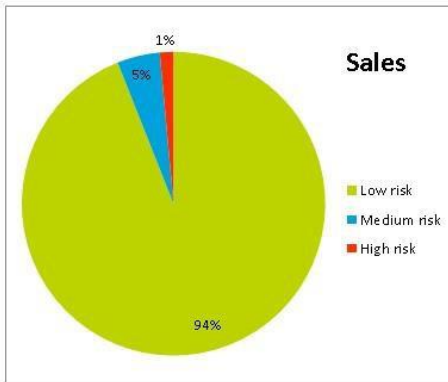
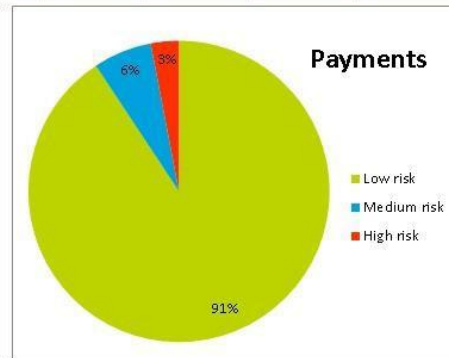
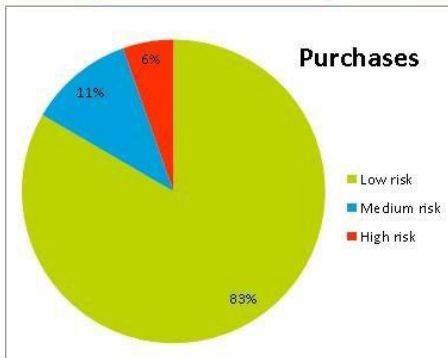


Table 5.b.2 Top 10 Contractors by Risk Score

Score	Name	INN	Purchases	Sales	Payments	Receipts
12	Company 2608169018	SANITIZED	1 331 830	0	1 571 560	0
10	Company 2608169019	SANITIZED	0	271 829	0	240 606
9	Company 2608169010	SANITIZED	1 038 949	0	1 225 960	0
9	Company 2608169011	SANITIZED	10 161	0	11 990	0
9	Company 2608169012	SANITIZED	5 212	0	6 150	0
8	Company 7965687503	SANITIZED	0	2 293 841	0	2 916 787
8	Company 5418913044	SANITIZED	0	329 351	0	319 756
8	Company 1890581195	SANITIZED	0	162 741	0	156 900
8	Company 7711511555	SANITIZED	141 521	0	166 995	0
8	Company 1947570140	SANITIZED	0	70 994	0	67 561

Table 5.b.3 Top 10 High Risk Contractors by purchases and payments values

Score	Name	INN	Purchases	Payments
6	Company 3934330195	SANITIZED	22 977 389	26 339 175
6	Company 6341011555	SANITIZED	16 371 671	19 318 572
7	Company 3614919400	SANITIZED	2 939 322	3 480 150
6	Company 0151945450	SANITIZED	1 890 593	2 242 840
12	Company 3005149630	SANITIZED	1 331 830	1 571 560
7	Company 1789119415	SANITIZED	1 160 330	1 160 330
9	Company 1419119400	SANITIZED	1 038 949	1 225 960
6	Company 3863179444	SANITIZED	1 018 999	1 018 999
6	Company 9018701355	SANITIZED	941 063	985 104
6	Company 7819721980	SANITIZED	941 000	967 294

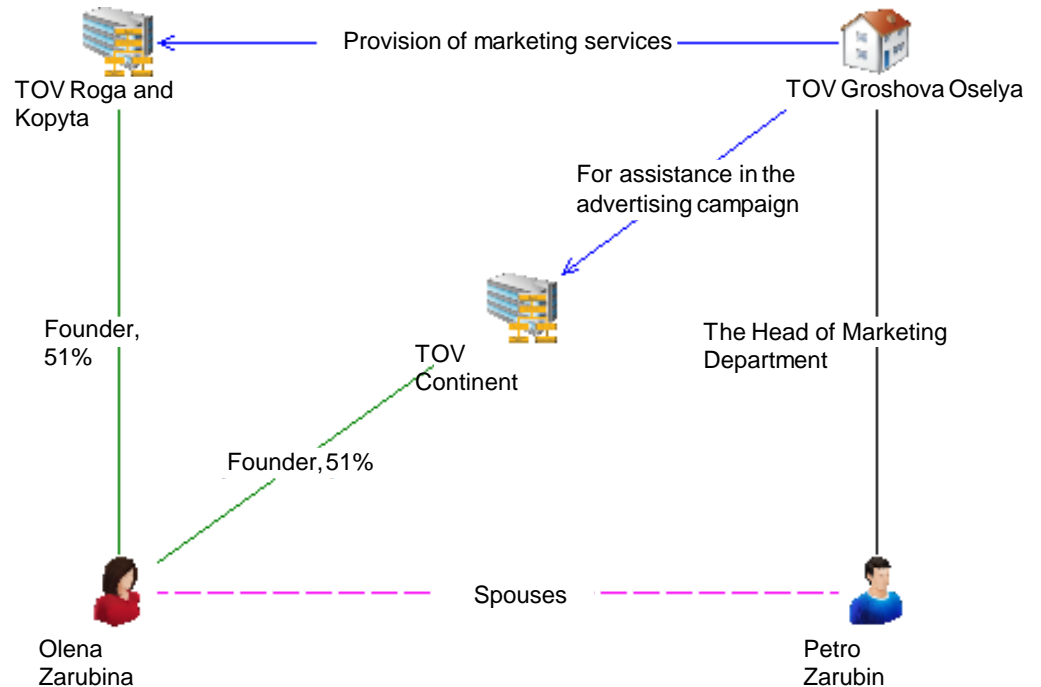
Table 5.b.4 Top 10 High Risk Contractors by sales and receipts values

Score	Name	INN	Sales	Receipts
6	Company 1193703530	SANITIZED	8 002 536	8 114 102
6	Company 4193418610	SANITIZED	3 495 455	3 436 750
8	Company 7965687503	SANITIZED	2 293 841	2 916 787
6	Company 1319611890	SANITIZED	2 119 252	568 118
6	Company 1891642960	SANITIZED	1 077 426	1 077 426
7	Company 7328318410	SANITIZED	982 621	982 621
7	Company 5456417696	SANITIZED	868 888	858 610
6	Company 9329536030	SANITIZED	433 646	433 646
6	Company 5701419030	SANITIZED	432 226	432 226
6	Company 4760433009	SANITIZED	323 474	414 869

Example 2

Employee affiliations

- Payment for services with a higher risk category (advertising, marketing)
- Potential affiliation between an employee and the counterparty's founder

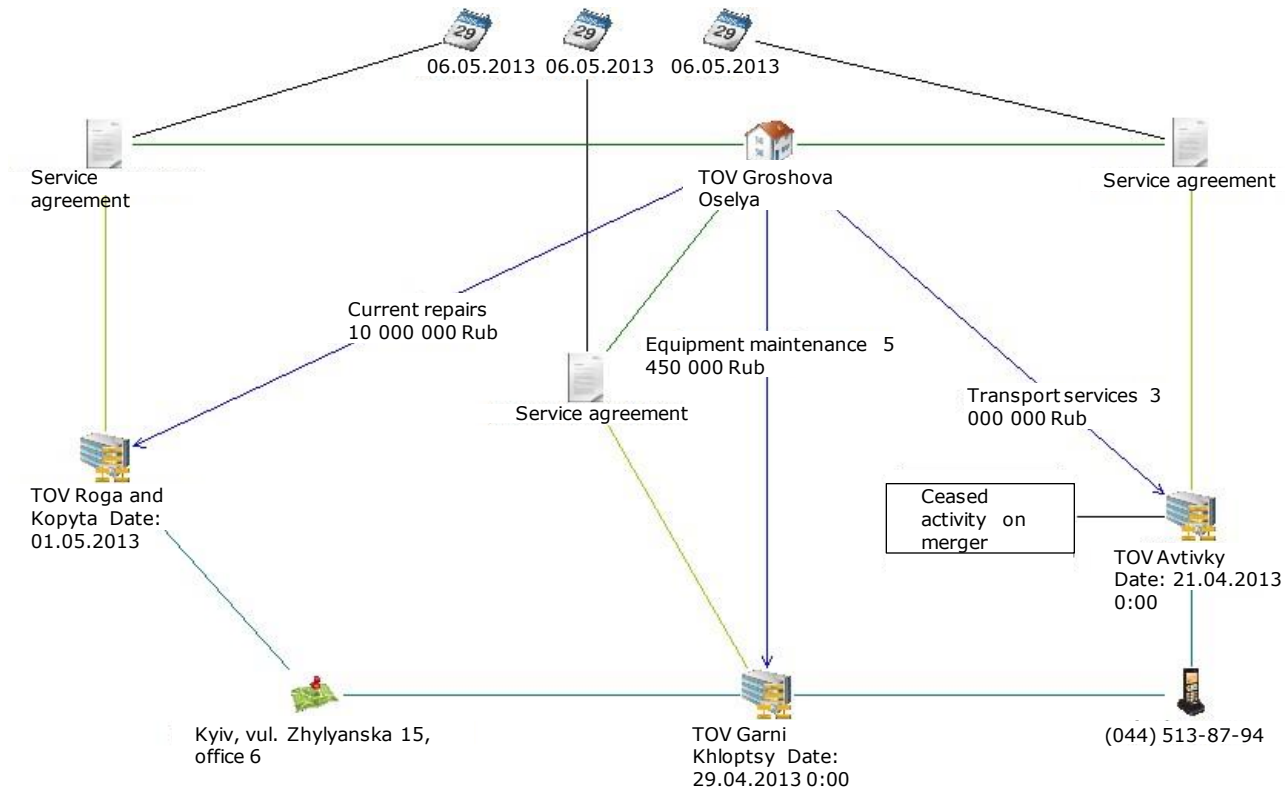


Risk	Same surnames
Related Contractor Type	(All)
Transactions	YES

Contractor	Employee Name	Employee Position	Related Person	Payments	Receipts	Purchases	Sales
TOV Kremnij	Larisa Dyagipeleva	Head of sector	Sergiy Dyagipelev - General director	71 382 894	0	60 493 978	0
TOV Security	Marina Kreshiponska	Head of service	Anatoliy Kreshiponskyi	40 548 252	2 439 344	38 761 945	1 654 966
TOV Khimsbytsnab	Olena Fomina	Head specialist in purchases	Volodymyr Fomin - General director	6 004 751	394 455	6 152 483	530 282
TOV Roga and Kopyta	Petro Zarubin	Head of marketing	Olena Zarubina - 51%	3 900 260	136 018	3 276 675	0
TOV Continent	Petro Zarubin	Head of marketing	Olena Zarubina - 51%	2 940 822	0	2 464 728	0

Example 3

Related counterparties

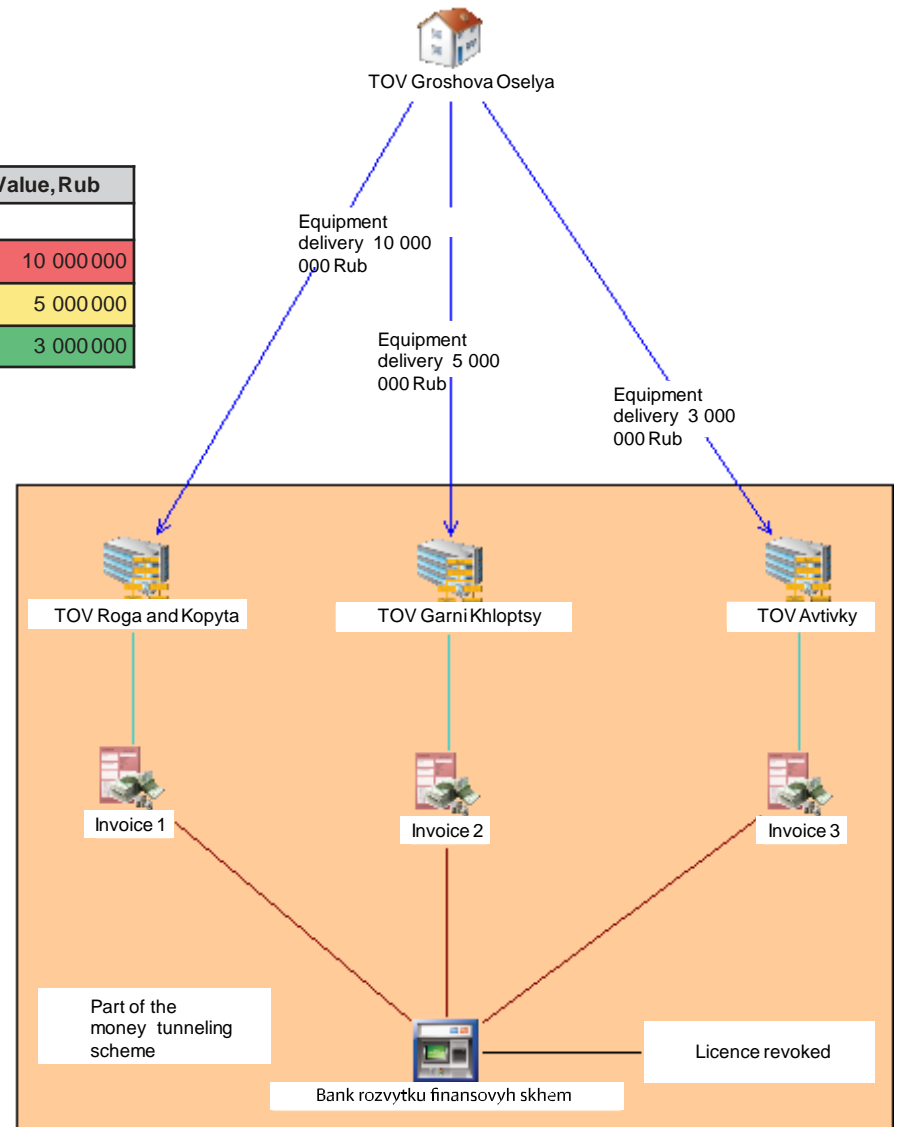


- The substance of the services rendered is not specified.
- All the counterparties were registered within 12 days.
- All the contracts were made on the same day.
- Two counterparties are registered at the same address.
- The same telephone number specified for two counterparties during registration.
- At the time of the analysis one counterparty had been dissolved.

Example 4

Cash tunneling scheme

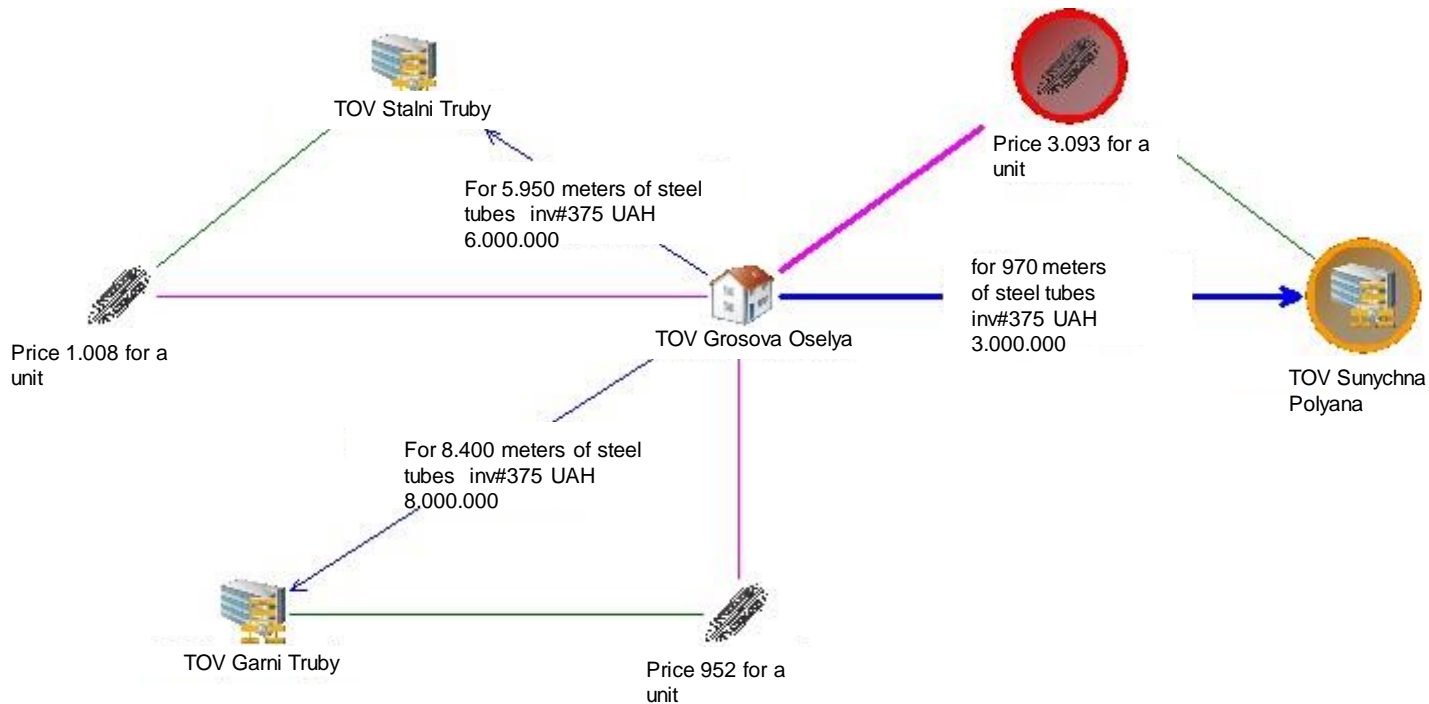
Bank/Contractor	Bank Capital	NO.PO	Value, Rub
Bank rozvytku finansovyh skhem			
TOV Roga and Kopyta	108 889 000	14	10 000 000
TOV Garni Khlopsy		50	5 000 000
TOV Avtivyky		1	3 000 000



- Companies without obvious connections have accounts with the same obscure bank.
- The bank has no ratings assigned by any rating agency.
- At the time of the investigation, the bank's license had been recalled for non-compliance with anti-money laundering legislation.
- The bank was originally incorporated in the North Caucasus region.
- The bank's equity was relatively low.

Example 5

Overstatement of the cost of goods



Category	Category total value	Contractor total value	Category total quantity	Contractor total quantity	Category average cost	Contractor average cost	Potential Saving/Loss	Average Cost ABS Diff	Average Cost % Diff
Steel tubes inv #375									
TOV Stalni Truby	17 000 000	6 000 000	15 320	5 950	1 109,66	1 008,40	-602 480	-101	-9%
TOV Garni Truby		8 000 000		8 400		952,38	-1 321 149	-157	-14%
TOV Sunychna Polyana		3 000 000		970		3 092,78	1 923 629	1983	179%

The unit cost of the same product purchased from one of the suppliers is materially different from the average cost for this product. This suggests that the price was intentionally overstated.

Our Team

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