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Monitor

Economic crime and misconduct

Tackling economic crime
Misconduct and economic crime such as fraud, bribery and corruption, money laundering and sanction breaches can manifest in a number of adverse ways which have devastating consequences on society.

Such behaviour or activity can have a considerable impact on an organisation and its executives, including damage to reputation, loss of shareholder value, penalties and corporate or even personal liability.

Monitor
As part of a robust economic crime governance and risk management framework, it is important that organisations can monitor their risk exposure on an ongoing basis and understand and investigate risk issues as they arise.

Organisations are increasingly looking to the use of strategic technology and analytics to help them effectively monitor business

Often fighting economic crime and misconduct focuses on reactive rather than proactive detection and establishing effective monitoring can seem a monumental task. It requires significant investment, a major implementation initiative and huge effort to identify and obtain the necessary data, which is often large in volume and spread across multiple data sources. However, this need not be the case.

Deloitte helps our clients to develop sustainable and future focused monitoring capabilities by leveraging our deep economic crime subject matter expertise, combined with technology and advanced analytics to identify trends, monitor known risks and detect new threats so that they can mitigate the risk of being blindsided. Each client requires a tailored approach, so we leverage our expertise and suite of technology tools to combine an organisation's financial and operational data with key external data sources, along with a suite of customised analytical tests to help identify suspicious third party, customer or employee activity.

Accessing deep insights and maintaining a wider view of internal and external factors enables our clients to be more resilient to both current and future risks.

Early detection of issues will help mitigate the negative impacts and enable action to be taken.

Protect

We help build resilience and protect the value of an organisation by enabling organisations to operate with integrity.

Monitor

We help monitor across economic crime domains through the use of technology and data analitycs.

Respond

We help our clients respond to business as usual or event driven economic crime issues.

How we are using analytics to help clients prevent and **monitor** economic crime

The Client challenge
A large, global oil and gas client engaged with Deloitte to help them address suspicious behavior across their organisation, and also to identify potential recovery, optimisation, and savings opportunities in their procure-to-pay process.

How we added value
We implemented an end-to-end Forensic Analytics capability that leverages machine learning to identify anomalies that highlight potentially suspicious employee and vendor behavior, fraud, waste and corruption. Our work involved reviewing the supply chain process to understand the current procure-to-pay process and consolidating data from 50 disparate sources in a customised cloud-based analytics environment to overcome data privacy issues. Utilising specialised advanced analytics tools and techniques, we were able to quickly drill down to the most risky entities and highlight anomalies. The client was able to access and review the data through a series of dashboards to give them an aggregate view of the risk.

Impact
Through our work, the client was able to enhance existing capabilities and detect new and emerging issues in procurement and materials management. We developed an interactive dashboard which gave the client an aggregate view of their risk areas, and included the ability to risk rank suppliers so that they could quickly identify and investigate highest risk entities. We were able to identify several fraud schemes (driving investigation and cost savings) and key process enhancements further driving efficiency and savings.

The Client challenge

One of our major international retail clients was concerned about certain aspects of performance with respect to its retail stores. Our client had specific concerns around potential fraud, inventory shrinkage, aspects of payroll and other performance issues.

How we added value

Through the use of analytics and monitoring, we helped our client build an understanding of which areas of their business contributed most to loss – be that a particular store, a particular product or certain employees. We clustered retail units based on the demographics of store locations (e.g. levels of education, crime, employment and lifestyle), and combined this with performance data to identify higher risk units. We also identified which products lead to the greatest loss for the retailer – whether that be through theft, spoilage, damage or supply chain issues. By monitoring over time, we recorded the contribution products make to shrinkage as a proportion of their contribution to sales. Finally, we leveraged transaction data enabling us to identify high risk cashier staff; and by applying machine learning to operational data we uncovered payroll leakage (something that can lead to significant losses for retailers given payroll is typically their largest cost).

Impact

We helped our client to identify and address key high risk areas, leading to a reduction of the annual inventory shrink rate by up to 35 basis points in the first two years. Early identification of risk issues enabled our client to modify its in-store audit programme resulting in 60% decrease in time spent on check-the-box store reviews, allowing more efficient deployment of resources in the field. Our client has continued to use analytics on an ongoing basis to increase the visibility of in-store performance and supply chain operations through data-driven monitoring to improve efficiency and effectiveness of resources.

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