



Message from Arpinder Singh

Partner and National Leader,
Fraud Investigation & Dispute Services, EY India

Increased public awareness and regulatory reforms have led to a significant change in the Indian business environment, paving the way for improved economic growth, greater transparency and boosting investor confidence. The onus on the C-suite to manage the organization's financial and operational aspects has also increased considerably, and it is important, more than ever before, to tighten the noose on unethical practices, invest in compliance and promote good governance. This awakening of sorts is compelling organizations to strengthen their forensic, investigation, risk, legal and compliance teams, which can take the lead in identifying fraud, corruption and other threats proactively. Parallely, anti-fraud professionals can take the necessary steps to mitigate these threats early on.

India has seen an uptick in forensic professionals over the last decade. This includes professionals in the auditing and consulting sides, and in-house professionals at corporates as well as government departments. While there are no official numbers, the total number of anti-fraud professionals would be about 5,000 in India. EY's Fraud Investigation & Dispute Services practice grew from 30 to over 650 in the last six years, and plans to add another 100 over the next few months.

While fraud and related risks cannot be eliminated, initiatives such as the International Fraud Awareness Week by the Association of Certified Fraud Examiners (ACFE) give an impetus to raising the awareness quotient on the impact of fraud and the need for companies to build a strong anti-fraud frameworks and controls.

As we pledge our support for the International Fraud Awareness Week 2016, we are pleased to share this newsletter, which captures some news, trends, viewpoints and leading practices around the current fraud environment. I hope you find it an interesting read.

ACFE and EY Fraud Investigation and Dispute Services announced Forensic Trailblazer Award 2016



In October 2016, the winner of the flagship award was announced.

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Continuous awareness amongst employees is needed on whistle-blower mechanisms. It should not be restricted only to posters, but is important to continuously interact with your employees on this area and cite examples of fraudulent activities and repercussions to individual or company.

Each employee should be encouraged to be a watch dog of his own working zone. In addition, business partners (third parties) should be well informed about company's vigilance resources.

Dr. Rajesh Chitre,
Chief Compliance Officer,
Group Compliance, Merck



Building you forensic EQ through e-learning modules

A broad solution of courses to enable technical and practical understanding of various fraud detection and deterrence methods.

These learning and development share points can be customized and cover subjects such as:

- ▶ Investigation
- ▶ Prevention of sexual harassment at workplace



For more details, visit ey.com/IN/FIDS

What is International Fraud Awareness Week?



Backed by ACFE, International Fraud Awareness Week is a dedicated week to drive cognizance about the impact and repercussions of fraud. In 2016, 13 to 19 November is International Fraud Awareness Week, which focuses on measures that can be taken to mitigate the risks associated with it. EY's Fraud Investigation & Dispute Services practice has been a long-standing supporter of this global initiative to promote anti-fraud awareness and education, and enable companies to build robust internal polices and frameworks.

This week is an apt time for anti-fraud professionals step up in their roles as custodians of sound corporate governance. They can use this initiative to start discussions among peers, co-workers and stakeholders in the business community on the importance of detection and deterrence. The International Fraud Awareness Week also highlights the much-needed attention on mitigating future risks through new and advanced tools and techniques.

What is making news in 2016?

01 Continued turmoil due to non-performing assets



The banking and financial services sector has continued to make headlines. At a macro level, cases of non-performing assets (NPAs) are still troubling the sector. Estimates from the Reserve Bank of India (RBI) have pegged the amount of bad loans at INR 624,119 crore at the end of December 2015. The regulator's deadline

for banks to fully clean up their balance sheets by 2017 has made them address this issue on priority.

According to EY's survey, *Unmasking India's NPA issues - can the banking sector overcome this phase?*, 72% of the respondents stated that the NPA crisis in India is set to worsen, while 87% said that the rise in stressed asset numbers is due to diversion of funds to unrelated business or fraud.



#ProTip

As banks look to come up with solutions to combat fraud, conducting regular forensic audits with focus on proactive measures to detect early warning signals will prove to be crucial in the near future.

02 Security breaches at ATM or point of sale machines



There has been a notable rise in ATM security breaches, which have impacted not only the financial services sector, but also the general public at large. Recent news reports have stated that almost 3.2 million debit cards across different banks have been compromised. Some of the key reasons include financial institutions

targeted by cybercriminals for disruption of business operations and cloning of cards at ATM or point of sale machine. Many people also use the same passwords across their email, social media profiles and bank accounts, which further increases the risk of a security breach.



#ProTip

Change passwords and PINs regularly and keep them unique – do not use the same passwords and pins on different websites. Avoid sharing any private factual information, especially on social networking sites.

03 Anti-money laundering efforts



Global economies have been grappling with challenges around siphoning of money to off-shore locations and rising cases of terrorist financing. This, in the form of unaccounted or illicit wealth, commonly referred to as "black money," poses a risk for India as well. However, the Government has taken a number of

positive steps e.g. the Income Declaration Scheme, which resulted in a black money disclosure of INR 65,250 crore. Additionally, the recent announcement of demonetizing INR 500 and INR 1,000 currency notes will help boost India's anti-money laundering efforts by uncovering domestic black money and curbing the circulation of counterfeit currency.



#ProTip

Don't get apprehensive and start depositing money in your bank accounts.



On behalf of Ericsson, we would like to congratulate EY and ACFE for organising this initiative in India. This initiative is very relevant for organisations like ours which are grappling with new challenges in a very dynamic and fast paced business environment. At Ericsson, we live by our Code of Business Ethics and are committed to fight against any form of fraud and corruption. Accordingly, we have rolled out mandatory employee awareness trainings on this subject and have zero tolerance policy against fraud and corruption.

Prabhat Ganjoo, Regional Security Director, Ericsson



04 Managing cybercrime threats



There has been an uptick in cyber-related attacks across multiple industries. These involve cases of identity thefts, phishing, spoofing, card skimming and ransomware, hitting businesses as well as individuals. For companies, the C-suite executives

seem to be the primary targets. Hackers have effectively spoofed emails of senior management by targeting unsuspecting employees for financial gain. In recent times, the issue of ransomware has also gained momentum, wherein cybercriminals introduce malware in the systems, locking everything down. The encryption key is provided to retrieve the devices and the data only once a "ransom" is paid. In India, the Government has taken initiatives, which include introducing a circular on cybersecurity frameworks in banks. The circular suggests putting in place a board-approved cybersecurity policy, preparing a cyber-crisis management plan and sharing any unusual cybersecurity incidents with the RBI. Cybercrime is perceived as the fastest growing fraud risk in India, with 40% of the respondents stating their concern. - EY's survey, *Shifting into high gear: mitigating risks and demonstrating returns*



#ProTip

Building robust cybersecurity frameworks, training employees and the general public at large, with timely action and professional help in case of a breach are some ways to manage a cybercrime incident.

05 Compliance with food safety standards



The tipping point in the realm of food safety standards in India took place with the enactment of the Food Safety & Standards Act 2006. Since then, there has been a paradigm shift in compliance with food safety standards, with the Food Safety & Standards

Authority of India (FSSAI) institutionalized to bring the scientific community together with different regulatory agencies for an integrated food safety regulatory framework.

The quality of products across diverse food brackets has seen immense discussion lately. While access to safe and hygienic food is a basic right, there have been many questions raised on the quality and compliance with pre-determined standards. Reports suggest that India has close to 3.5 million food business operators, with a significant number being in the unorganized sector. Therefore, food operators need to ensure that their internal processes are robust and seal any gaps.



#ProTip

Food safety audits and periodic testing during the entire product life cycle will enable compliance with quality and ensure seamless functioning of the business.

Enhancing skill-sets by becoming a Certified Fraud Examiner

In this dynamic business environment, fraud, bribery and corruption-related risks are becoming exceedingly complex. Perpetrators are deploying new ways to break through the shield of compliance, leverage technology for their benefit and indulge in corporate misconduct. Therefore, the role of fraud investigators needs to evolve constantly. They should be equipped to mine relevant information from huge volumes of data, stay abreast of new forensic tools and techniques, understand regulations impacting their industry and be aware of technological innovations to address threats to the health of an organization.

With white-collar crime risks turning pervasive, anti-fraud professionals can sharpen their skill-sets through qualifications such as Certified Fraud Examiners (CFE). Accredited by ACFE, this certification is directed at professionals focused toward the detection and deterrence of fraud. The first step is to be part of the elite ACFE community of global anti-fraud professionals and then take the CFE examination. The benefits of becoming a CFE include getting a distinguished, globally acceptable recognition, as well as advancing your career in fraud prevention and management.

For more details, check www.acfemumbai.in

Did you know?



CFEs earn **23% more** than their non-certified colleagues ¹



Organizations with CFEs discover fraud **50% sooner** and experience fraud losses that are **62% smaller** than organizations that do not have them



A typical organization loses **5% of annual revenues** to fraud ²



The median loss from a single case of fraud is **\$150,000** ³



Fraud is the silent hemorrhage that sits inside organizations and bleeds to kill ethics. Just like you cannot ignore even a small hemorrhage in your body, similar treatment needs to be given to fraud and fraudsters. It is sad to see that often materiality is brought in as a parameter to assess punishment parameters, which is severely disturbing as the industry needs to unanimously adopt zero tolerance policy in this regard. We, at Dalmia Bharat Group have taken up a zero tolerance policy against ethical violations and have vowed to work toward creating an environment of trust and mutual respect, while handling unethical behavior with an iron fist. **Surath Mukherjee, Head - Internal Audit, Dalmia Cement Ltd.**



Evaluate your company's fraud quotient

The key to a successful anti-fraud program is to have the right internal controls and frameworks mitigate fraud and corruption risks. So at a very fundamental level, are you aware if adequate mechanisms are in place? Answer this short questionnaire to assess your company's vulnerability quotient.

Sr. no.	Question	Yes	No
1.	Does your company have a strong whistle-blower mechanism?	<input type="checkbox"/>	<input type="checkbox"/>
2.	Does your company conduct due diligence prior to on-boarding third parties such as vendors, agents etc.?	<input type="checkbox"/>	<input type="checkbox"/>
3.	Do any of the employees in your company have a personal or close relationship with a third party (client or vendor)?	<input type="checkbox"/>	<input type="checkbox"/>
4.	If yes to the above, have they reported it to the senior management?	<input type="checkbox"/>	<input type="checkbox"/>
5.	Does your company do background checks on employees, especially the senior management?	<input type="checkbox"/>	<input type="checkbox"/>
6.	Are regular anti-fraud or anti-bribery training programs conducted in your company?	<input type="checkbox"/>	<input type="checkbox"/>
7.	Do you know the potential consequences for failing to abide by anti-corruption legislations?	<input type="checkbox"/>	<input type="checkbox"/>
8.	Does your company conduct proactive monitoring of cybercrime breaches?	<input type="checkbox"/>	<input type="checkbox"/>
9.	Does your company deploy forensic analytic tools and techniques during internal investigations?	<input type="checkbox"/>	<input type="checkbox"/>
10.	Are employees with access to sensitive data required to sign non-disclosure agreements?	<input type="checkbox"/>	<input type="checkbox"/>
11.	Has your company stated clear rules on penalising fraudsters, if found guilty?	<input type="checkbox"/>	<input type="checkbox"/>
12.	Is a three-way match (purchase order, goods receipt note and invoice) conducted before processing any payment?	<input type="checkbox"/>	<input type="checkbox"/>
13.	Does your company have a dedicated investigation or fraud prevention and mitigation team?	<input type="checkbox"/>	<input type="checkbox"/>
14.	Do you think loyalty to your company would not be a barrier when reporting an incident of fraud or corruption within your business?	<input type="checkbox"/>	<input type="checkbox"/>
15.	Do you think senior management has adequately communicated their commitment to anti-bribery and anti-corrupt practices?	<input type="checkbox"/>	<input type="checkbox"/>

Calculate the numbers of times you have answered 'yes' to the questions

- Above 10 - Successfully taken robust measures to combat fraud from an early stage
- Between 5-10 - satisfactory anti-fraud measures have been taken, but there is still scope for improvement
- Between 1-5 - extremely vulnerable to potential fraud and corruption risks

¹According to the 2015/2016 Compensation Guide for Anti-Fraud Professionals

²2012 Report to the Nations on Occupational Fraud & Abuse

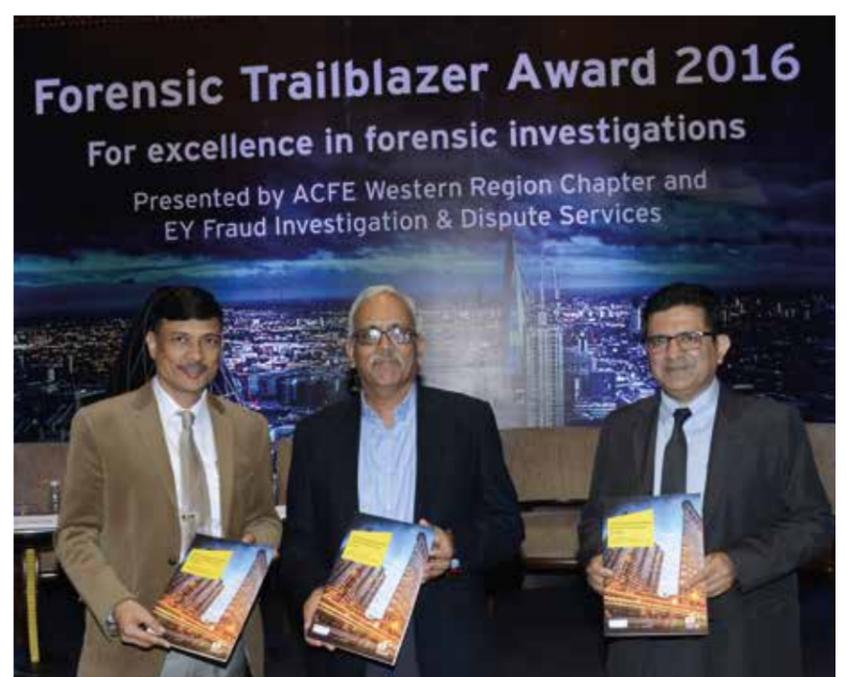
³Report to the Nations on Occupational Fraud and Abuse' by Association of Certified Fraud Examiners (ACFE) 2016 Global Fraud Study

Recognizing talent: Forensic Trailblazer Award 2016

The ACFE Western Region Chapter and EY India Fraud Investigation & Dispute Services practice launched the **Forensic Trailblazer Award**. The objective of the initiative was to recognize and applaud the anti-fraud brigade in India and encourage more talent to be a part of the larger forensic space.

Mr. Satish Mathur, Director General of Police, Maharashtra and Mr. Pradeep Kadu, Joint Commissioner, Sales Tax, Maharashtra felicitated **Ms. Divya Mohan** from **SAP India** as the winner. She is now set to attend ACFE's Fraud Conference in Singapore (20-22 November) and a one-week forensic technology training with EY. Mr. Sri Sabari Rajan K from Phoenix Legal and Mr. Nilesh Kabra from Vodafone India were adjudged the first and second runners up, respectively. The award saw high visibility and participation from many professionals across forensic, risk, legal, compliance, finance, human resources, technology and other business functions. The evaluation process involved a two-stage assessment, based on participants' written and practical knowledge of investigations. The winner was decided through an independent judging panel, comprising stalwarts from investigation and enforcement background.

A white paper titled, **The changing dynamics of white-collar crime in India** was also launched by EY and ACFE. It outlined the impact of white-collar crime, the need to undertake radical measures to combat it and how the future of investigations can be redefined by ramping up skill-sets and creating a wider pool of anti-fraud professionals.



Fight fraud to realize the full potential of your business. Here are seven tips that can be your sword in that battle.

- 01 Corporate governance and training**
 The tone at the top should be clear and ethical to promote sound corporate governance among all stakeholders. Trainings and other learning tools are effective means to augment awareness about any potential fraud lurking in the system.
- 02 Rotation of employees and job responsibilities**
 Employee rotation between different departments, variation in job roles and mandatory vacation policies can help serve as a forewarning platform for organizations.
- 03 Surprise checks**
 Frequent surprise checks in the form of audits could bring to light potential abnormalities in the functioning of the business.
- 04 Technological changes**
 The use of new technologies and analytics can assist in investigations, maintaining business agility, offering timely response and monitoring
- 05 Digital cleaning**
 Changing passwords and PINs at regular intervals can help protect user data, maintain privacy and mitigate risks if there is breach in security.
- 06 Penalties**
 Emerging markets such as India should impose penalties on fraudsters in line with global standards.
- 07 Whistle-blowing**
 Building robust whistle-blowing mechanisms can enable early detection of red flags.

How fraud aware are you?

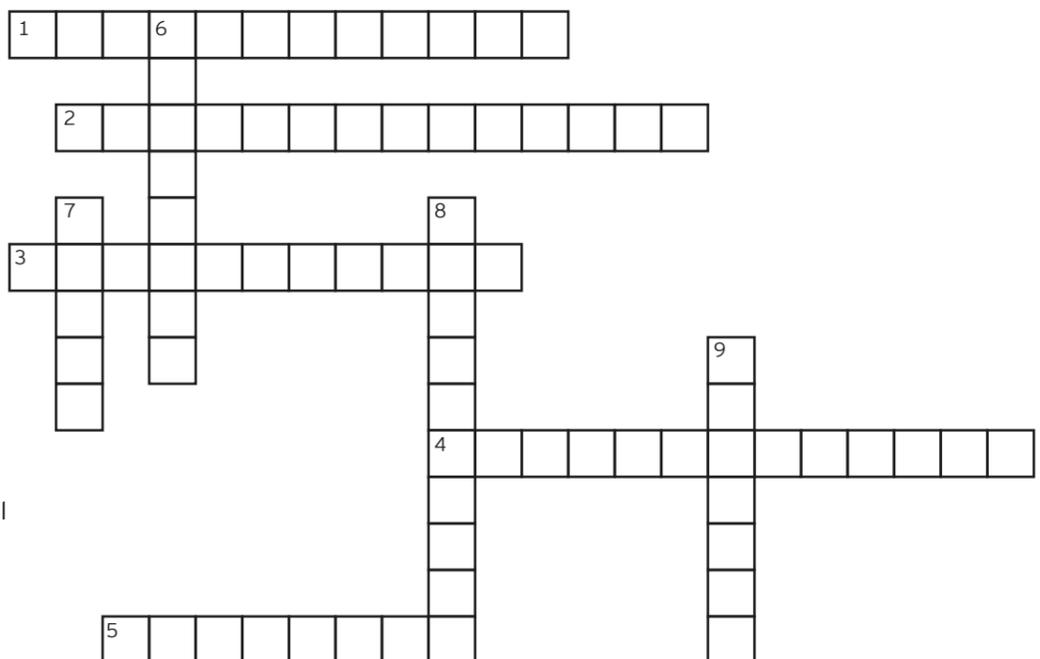
Complete the crossword

Horizontal:

1. Individuals who have committed a crime
2. An act to expose unethical or illegal practices
3. A technique for settling a dispute
4. Fact-finding search
5. Gathering proof

Vertical:

6. Obtaining sensitive information through falsified email for malicious reasons
7. Deliberate deception
8. The act of complying
9. Offering or receive something of value to influence the action of an individual



Follow conversations on #FraudWeek

Answer key

1. Perpetrators | 2. Whistleblowing | 3. Arbitration | 4. Investigation | 5. Evidence | 6. Phishing | 7. Fraud | 8. Compliance | 9. Bribery

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