

Overcoming Compliance Fatigue

Reinforcing the Commitment to Ethical Growth

13th Global Fraud Survey

Ernst & Young

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OBJECTIVE:

The survey was conducted in order to gather insight into concerning compliance trends to provide concrete recommendations for combatting these trends.

METHODS USED:

Between November 2013 and February 2014, the global market research agency Ipsos conducted 2,719 interviews with senior decision makers in a sample of the largest companies in 59 countries and territories. The polling sample was designed to elicit the views of executives with responsibility for tackling fraud, mainly CFOs, CCOs, general counsel, and heads on internal audit.

KEY FINDINGS:

- Cybercrime threats are increasing; the Chair of the US Securities and Exchange Commission described cyber security threats as of “extraordinary and long-term seriousness”, yet the survey suggests organizations may not be keeping pace.
 - Only 19% of respondents perceive it as a very high risk while 17% perceive it as a very low risk.
 - Nearly a third of all businesses sampled have seen an increase in the number of attacks over the past year.
- 74% of respondents whose businesses had been breached stated that the breach had not been publicly disclosed.
- 1 in 10 executives surveyed reported their company as having experienced a significant fraud in the past two years.
- The level of fraud reported by respondents has remained largely unchanged over the past six years: 13% in 2008 to 12% in 2014.
 - However, 10 countries reported significant increases including the US, China, Japan, and Russia.
- 6% of respondents stated that misstating financial performance is justifiable in order to survive an economic downturn.
 - CEOs are more likely to justify than other colleagues at 11%.
- In order to meet financial targets, 44% of sales and marketing executives stated they could justify introducing more flexible return policies.
- In recent years, many countries such as Germany, Italy, Mexico, and China have shifted towards aggressive enforcement and penalties for bribes.

- In China, the government has made eradicating official corruption one of its highest priorities with several dramatic prosecutions at the senior level.
- In 40% of the countries surveyed, more than half of the respondents stated corruption was widespread.
 - In Egypt, Kenya, and Nigeria, 80% of respondents think that corruption is widespread.
- 10% of C-suite interviewees have been asked to pay a bribe in a business situation.
- 20% of respondents have been asked to make a charitable contribution by a customer or client.
- Over 80% of respondents stated their companies have Anti Bribery/Anti Corruption (ABAC) policies and codes of conduct.
- 20% of respondents say that either their business still does not have an ABAC policy or that they do not know if there is a policy.
- There has been a reduction in the number of respondents who have attended ABAC training, which is now at below 50%.
 - 61% of C-suite executives have not attended ABAC training.
- 38% of businesses never conduct forensic or anticorruption due diligence as part of their mergers and acquisitions process.

CONCLUSION:

- Businesses need to have the right processes and technology to be able to detect fraud indicators and to investigate and remediate incidents.
- Boards need to appropriately challenge management regarding the quality and frequency of their risk assessments, particularly around new risks like cyberfraud/cybercrime.
- Board members should push the company to foster better collaboration between legal, compliance, and internal audit.
- Specialized due diligence should be the norm. If conducting such work pre-close is not possible, then doing a robust post-close procedure is essential given that the company may own the liability for potential illegal acts if not identified and disclosed to regulators in a timely manner.
- Companies should have clearly defined escalation procedures to minimize damage done by speeding up board notification.
- Companies should have ABAC training programs tailored to general job functions and levels of seniority.
- Sufficient budgets should be allocated to internal audit and compliance functions to improve standards of business conduct and to keep the company out of trouble.

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