

Culture and Fraud Risk

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Protiviti's 2018 White-Collar Crime and Fraud Risk Survey reveals an inverse relationship between corporate culture and ethical failures.

Survey Key Findings

While culture continues to be a buzzword in boardroom discussions, in practice, it is given little attention as an operational priority.

Poor culture can cause organisational inertia and complacency; this, in turn, may give rise to unethical behaviour, including fraud, corruption and misconduct.

Companies that give lip service to fraud risk are signalling to their employees that ethics is not a priority. This can have a toxic ripple effect and set the stage for an inevitable cultural meltdown.

To build a stronger corporate culture, companies need to be more proactive in managing fraud risk across all areas of operations.

Organisations lag in employing leading practices to build a strong culture

43% Organisations that do not conduct ethics and fraud risk awareness training

16% Organisations overall that have no senior management professional designated with ownership of and responsibility for fraud risk management

Organisations that have a fraud risk management (mitigation) programme



Culture issues extend to third parties

Organisations lacking high confidence that they have effective oversight of third parties



Organisations that do not categorise third parties according to risk



Companies should adopt sound fraud risk governance practices

- Regular ethics and fraud awareness training can teach companies to recognise warning signs and prevent fraud.
- Third-party due diligence and competitive bidding, IT controls, authority and approval limits, and segregation of duties can be effective methods for preventing fraud.
- Implementing a fraud detection programme and monitoring its ongoing improvement are fundamental to a company's ability to mitigate fraud risk.
- Well-defined and documented confidential reporting and internal investigations are hallmarks of an effective ethics and compliance programme.