



REDUCING CORPORATE FRAUD RISK: EUROPEAN PERSPECTIVES

EVENT REPORT

- (1) Accountancy Europe and the Institute of Chartered Accountants in England and Wales (ICAEW) organised a [joint webinar](#) on 8 December 2022 to explore what is being done and what more can be done to better deter and detect corporate fraud. Representatives from different parties in the corporate reporting ecosystem exchanged views on how to collaborate to effectively mitigate fraud risk.
- (2) This document summarises the key issues and recommendations from the panel debate.

SPEAKERS

- **Moderator:** Jens Poll, Chair of Accountancy Europe's Corporate Governance Policy Group
- Ward Möhlmann, Deputy Head of Unit, Unit C1, Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), European Commission
- John Bendermacher, President of the European Confederation of Institutes of Internal Auditing (ECIIA) and CAE at Euroclear
- Marianne van Kimmenade, Senior Policy Advisor on Fraud and Public Sector, The Royal Netherlands Institute of Chartered Accountants (NBA)
- Katharine Bagshaw, Senior Manager Auditing Standards, ICAEW
- Nigel Iyer, Chartered Accountant and Fraud Detective

KEY TAKEAWAYS

FRAUD CHARACTERISTICS

- Not all frauds are of same nature – and not all impact corporate reporting in the same way. Corporate fraud can be small scale or extremely complex. It usually involves intentional unethical behaviour or action that causes (financial) harm to the company, its shareholders and the economy as a whole
- Fraud may start small but can grow quickly if not detected and prevented; its impact on the global economy is estimated as being significant (5-6% of the global GDP)
- There are often signals and anomalies that should act as red flags, drawing attention to potential fraudulent activity, even when the company's management is involved and trying to conceal it
- While the focus is often on fraud as it relates to the financial reporting process, the growth in non-financial reporting may result in more attention being paid to potential fraudulent sustainability reporting – or 'greenwashing', particularly with the forthcoming application of the EU's Corporate Sustainability Reporting Directive,

WHAT IS BEING DONE?

- No auditor or company (board, audit committee and management) sets out to miss a material fraud. Audit firms are taking action to enhance their capabilities and competence in this area. Audit committees, are having more open and probing discussions with the company management to understand potential problems
- Companies operate risk management systems and establish internal controls; the internal auditors review these as part of their regular tasks, and external auditors assess the systems and relevant controls when auditing financial statements
- Both internal and external auditors are raising awareness within their profession via accelerated training programs involving forensic experts

WHAT MORE CAN BE DONE?

- Although company management has the primary responsibility for fraud risk management, all the pillars in the reporting ecosystem need to work together and share knowledge to further limit the opportunities for corporate fraud
- Auditors need to remain alert to signals, while paying more attention to behavioural aspects including company culture. Strong ethics underpins much of this. Information technology tools such as process mining can also be useful
- There is not necessarily a need for new legislation or additional regulatory requirements; stakeholders should engage more to find effective ways of mitigating fraud risk within the current legal framework
- Changing mindsets requires willingness, openness and time

USEFUL LINKS

[Fraud: recommendations to strengthen the financial reporting ecosystem | Accountancy Europe](#)

[Stronger internal controls to reduce corporate risks | Accountancy Europe](#)

[Audit committees' role in fighting fraud – Recommendations | Accountancy Europe](#)

[Sharpening the focus on corporate fraud | ICAEW](#)

[Exploratory root cause analysis into fraud | NBA](#)

[Risk in focus 2023: more risky, uncertain, and volatile times ahead | ECIIA](#)