



Creando la cultura de la responsabilidad

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Creating a Culture of Responsibility

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Introduction

- The Development of Risk Management
- The Control Environment
- The Forms of Cyber-crime
- IT as a Preventative Tool
- Case Study
- Conclusions



The Genesis of Risk

- **Triggers**

- New business
- Environmental change
- New systems
- Market events
- International terrorism
- Other forms of fraud



The Main Challenges

- Risk linked to achievement of business objectives
- Risk-based approach to internal control
- Review procedures to cover operational compliance and financial risk
- Risk assessment and internal control procedures embedded in ongoing operations
- Group wide risk identification, evaluation and management review to be reported to and reviewed at Board level



Effective Risk Management



Cyber-crime or Old Fashioned Fraud

- The Internet - a new tool for the fraudster
- Nigerian Letters
 - originally by airmail
 - now by e-mail
- Misrepresentation - not cyber-crime
- Internet - electronic veil



Overview of Cyber-crime

- Fraud Advisory Panel/Confederation of British Industries Survey
 - growth of e- business in small/medium companies in Business to Consumer transactions inhibited by cyber-crime concerns
 - overall, organisations retain confidence in e-business
 - main threats from hackers & viruses
 - reputational loss greater concern than fraud
 - heavy dependency of technical controls
 - many boards not involved in tackling cyber-crime



Cyber-crime Main Threats

- Main Perpetrators
 - 45% are hackers
 - 15% are former employees
 - 13% are organised crime
 - 11% are employees
- Main Concerns
 - publicity
 - loss of trust
 - disruption to business



Advantages of data mining

- Fast and flexible
- Handle and drill down to vast amounts of data
- Identifies hidden patterns
- Graphical representation
- Cost effective







Money Laundering - IT Assistance

- Detection systems
 - Space Search (UK)
 - Suspicious Transaction Reporting (Unisys UK)
 - Americas Soft (US)
- Corporate Intelligence Management Systems
 - Syfact (Netherlands)



Case Study

- Entities
 - Currency Exchange - owned by Mr Black
 - UK wholesaler - owned by Mr White
 - Foreign wholesaler - also owned by Mr White
 - UK trader/broker - owned by innocent third party



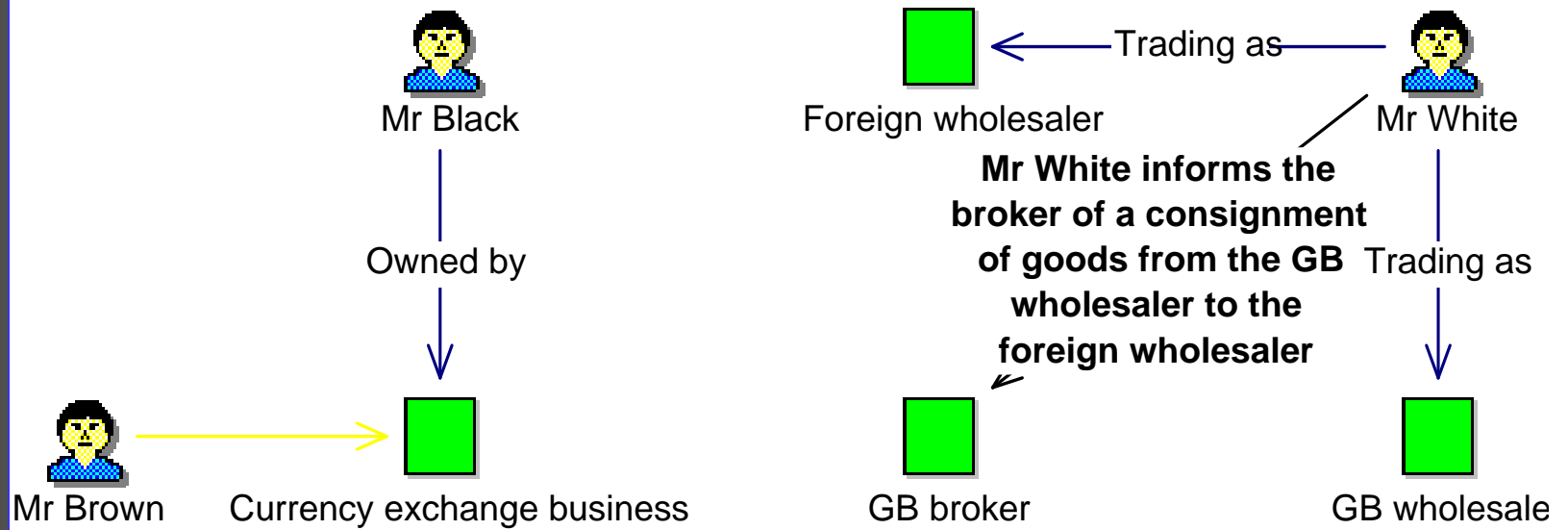
Case Study

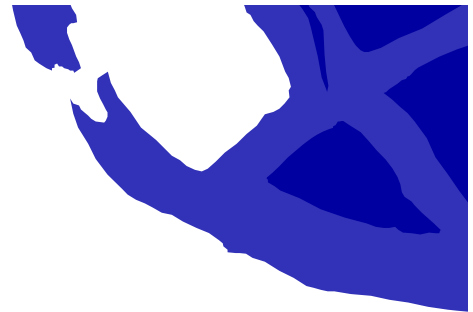
- Currency Exchange also operates as unlicensed private bank
- Mr White & Mr Brown are “account holders” at Exchange
- Other “account holders” known to be involved in criminal activities including drugs and smuggling
- Fictitious business transactions aim to divert suspicions from large funds transfers abroad
- Banks and third party become involved in laundering activities unwittingly



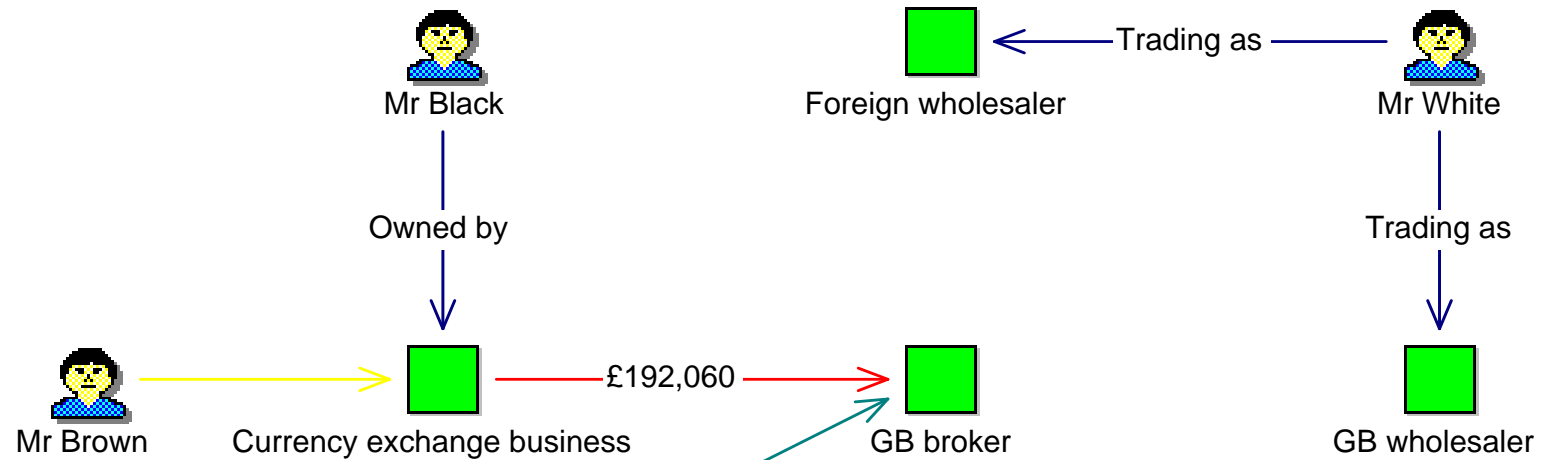


Case Study





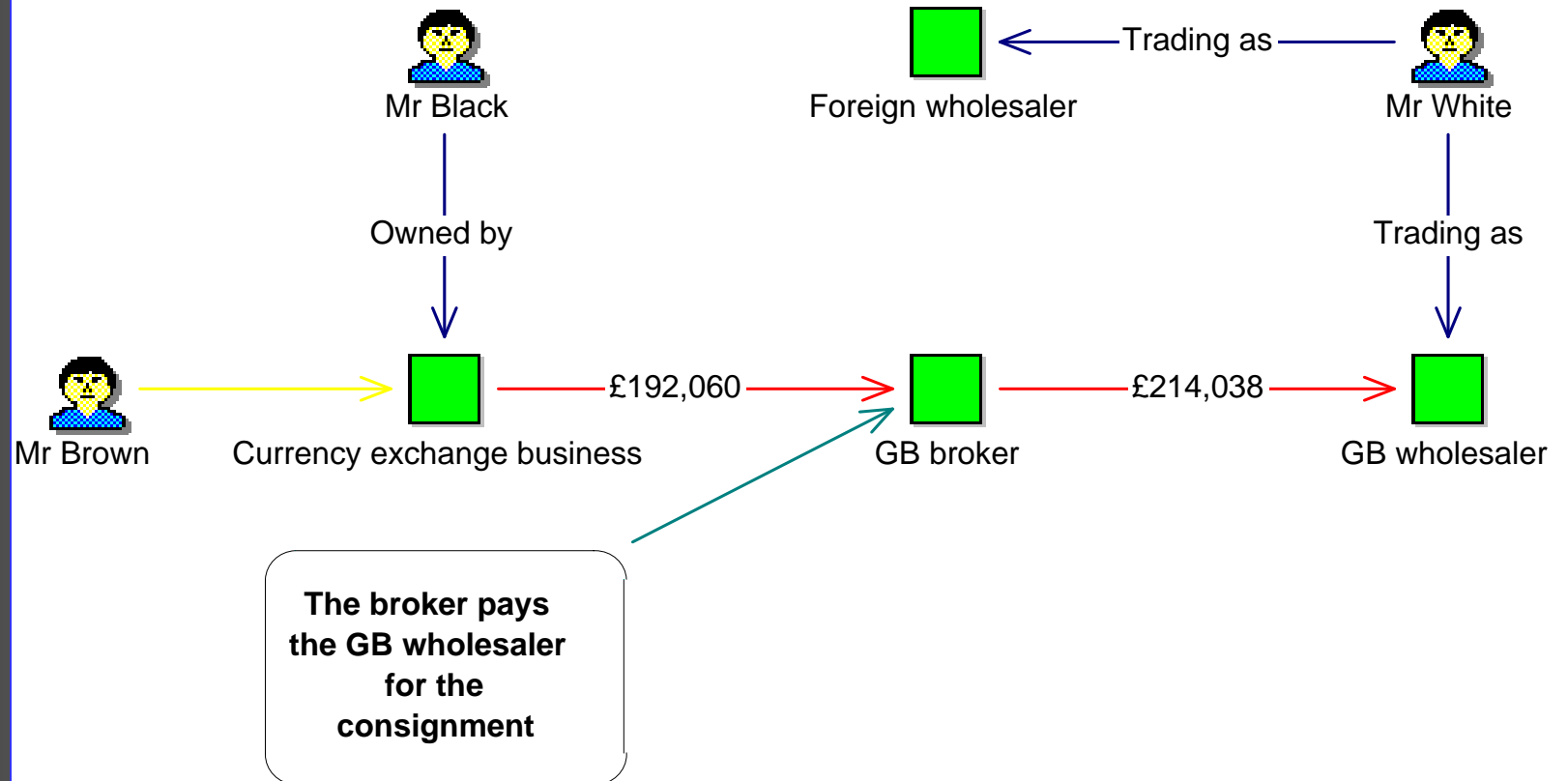
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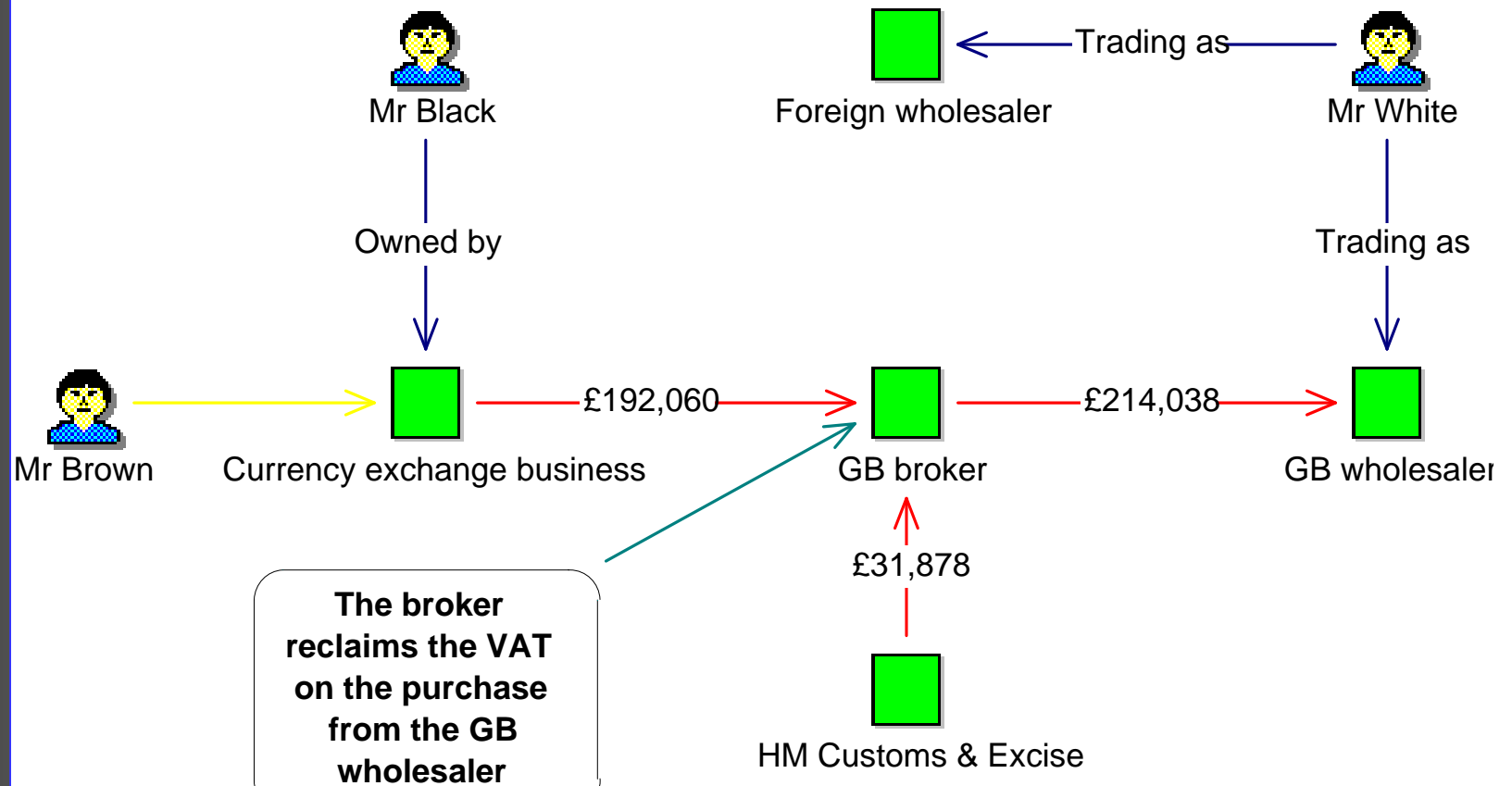
**The GB broker
retains £9,900 profit
net of VAT**



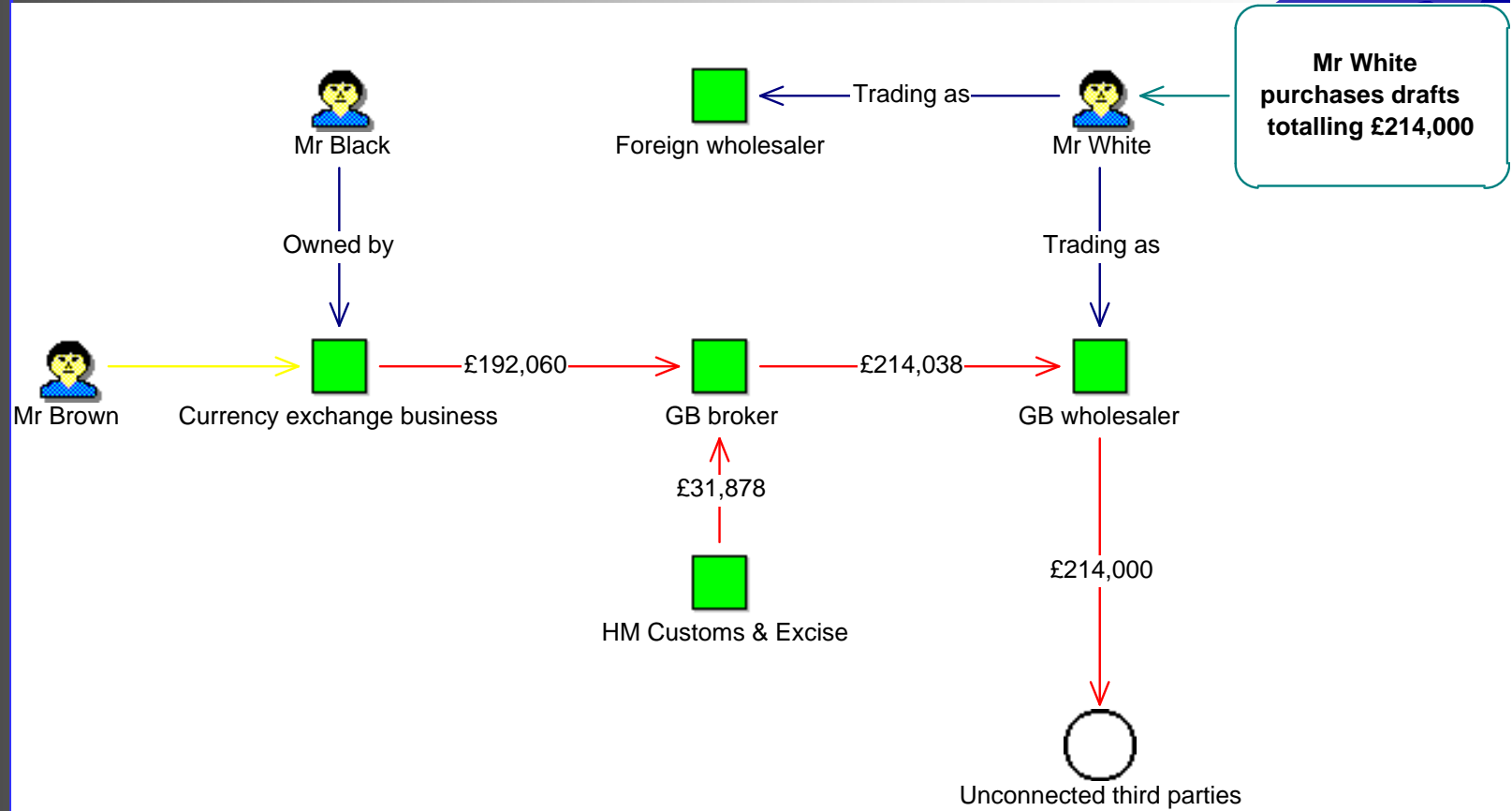
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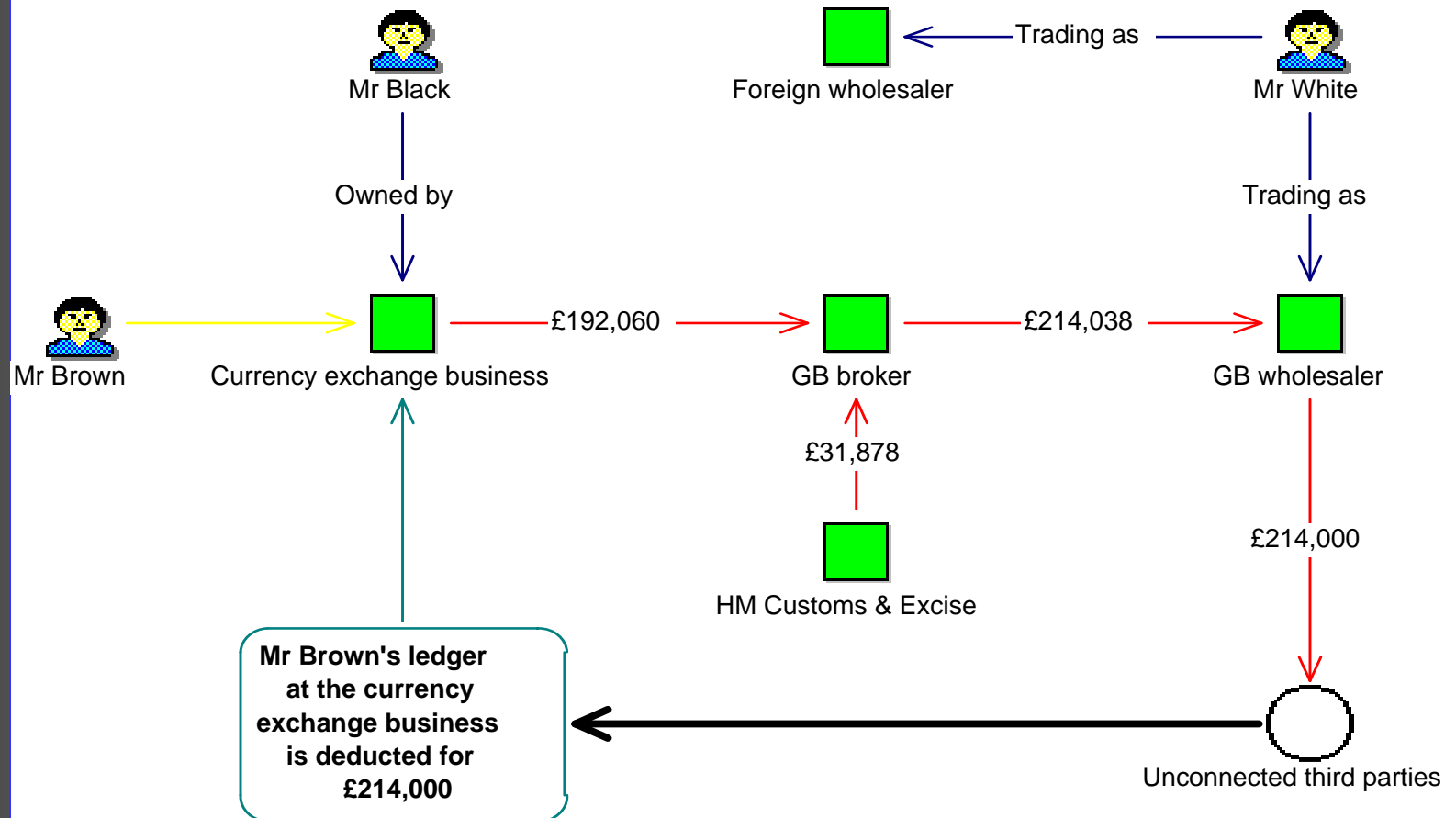
Case Study



Case Study



Case Study



Conclusions

- Understand the risks
- Get the correct information
- Keep reviewing the controls
- IT - is it state of the art
- Ensure controls not too cumbersome
- Have you had a fresh look recently

