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## HOW TO INVESTIGATE FINANCIAL ABUSE WITHIN COMPANIES

***Аннотация:** в статье рассмотрена проблема финансовых злоупотреблений, в настоящее время актуальная как для компаний, так и для частных лиц. С усилением роли высоких технологий и новейших тенденций в деятельности организаций информация становится доступной любой заинтересованной стороне, что увеличивает риск экономических и финансовых преступлений. Однако понятие финансового злоупотребления до сих пор не было рассмотрено подробно. В статье проанализированы центральные работы в данной области, а также криминалистика как часть исследования.*

***Ключевые слова:** финансовое злоупотребление, высокие технологии, расследование, мошенничество, криминалистика.*

***Abstract:** the article considers the problem of financial abuse, which is vital for both companies and individuals nowadays. With increasing role of high technologies and brand-new trends in companies' activity, the information becomes available for every interested party, causing more opportunities to commit economic and financial crimes. However, the concept of «financial abuse» has not yet been disclosed in detail. This article examines fundamental studies of this concept as well as forensic as a part of its investigation.*

***Keywords:** financial abuse, high technologies, investigation, fraud, forensic.*

Nowadays the problem of financial abuse is vital. However, the concept of «financial abuse» has not yet been disclosed in detail. Fundamental studies of this concept have not been conducted as a whole. Crimes in the financial sphere began to be committed as soon as the first banknotes appeared. Initially, these were elementary schemes of fraud, theft and counterfeiting of banknotes. With the increase in the number and scale of economic crimes, new services aimed at identifying these crimes become relevant. Existing services, such as auditing, identify some types of economic crime, but not all. This is due to selective verification in the audit and the fact that the purpose of the audit is to express an opinion on the reliability accounting (financial) statements. In this regard, a new activity in the field of expert and audit services is actively developing – forensic.

Forensic aimed at investigating financial crimes is a new phenomenon that has not been sufficiently studied both abroad and in particular in Russia. Forensic is a complex of services aimed at identifying corporate fraud and corruption in a company. Forensic specialists conduct lawyer investigations to detect unscrupulous employees and bring them under investigation. That is, the business owner does not just find out which of the employees, for example, sells or acquires products at a price that is not favorable to the company, but with the help of specialists will bring them to administrative or criminal liability. And this will allow to recover money from guilty subordinates. In the Russian Federation, forensic is currently offered mainly by the Big Four companies (KPMG, EY, Deloitte, PwC), and abroad this service is presented more widely.

Forensic team studies all servers, work computers and telephones, analyzes information using Big Data technologies and conducts a series of interviews with bank employees. In this case, profiling was used – a psychological method based on reading non-verbal signals. The result is impressive: thanks to high technology and profiling, experts find hard drives with information about the withdrawal of funds in a bank cell. Forensic includes not only financial investigations, but also many practices, even the prevention of fraud. For this purpose, for example, corporate intelligence is used – the study of available information about a potential business partner (supplier, contractor

or investment object) to assess possible risks. Cybersecurity services are also popular – protection against hacking of corporate and work devices.

One of the largest forensic projects was also banking. This is BTA Bank, the largest in Kazakhstan in 2008. Achievements in the balance sheet amounting to more than 10 billion. Dollars. US and the withdrawal of assets at 6 billion. Dollars. The United States became the subject of legal proceedings in the UK in 2009–2014. Since 2008, when the bank's problems became apparent, several firms, including Alvarez & Marsal and PwC, who told employees of these companies, were involved in the investigation.

In addition to corporate information, experts collect and analyze data from open sources, for example, from social networks. Forensic team is able to establish affiliation of different companies with the help of a tag in a social media.

PwC Forensic Group has successful experience in project implementation in the field of prevention and investigation of fraudulent activities, corporate intelligence, support during litigation and compliance. They help companies to investigate financial abuses as: investigation of probable fraud in the company, including cases of misappropriation of assets, as well as facilitating their return; identification of cases of hidden conflicts of interest and relationships, contrary to business ethics. They also help companies to minimize financial, commercial and reputational risks associated with involving intermediary companies and suppliers, as well as risks associated with mergers and acquisitions. The team of computer forensics experts helps companies to prevent or investigate fraudulent activities by making a data image (including hidden) from servers, work computers and other devices on the network, as well as from smartphones.

According to the «The 2018 Economic Crime Survey in Russia», it is revealed that in recent years there was a significant growth in the level of fraud both in the world and in Russia. More and more organizations face with its problem. The share of Russian companies who suffered from it had increased from 48% in 2016 to 66% in 2018 (Figure 1).

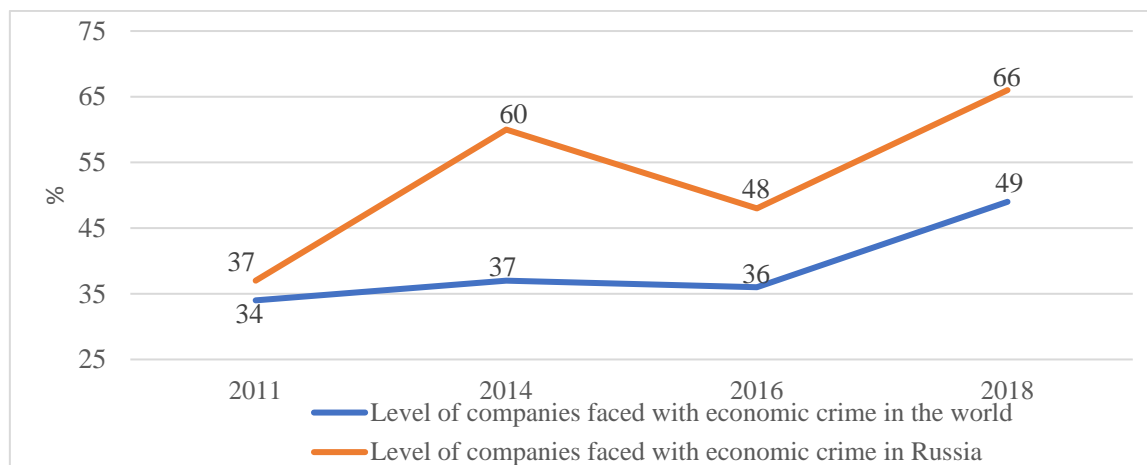


Figure 1. Reported rate of economic crime in the period from 2011 to 2018, %

Misappropriation of assets is the most widespread type of economic crime both in Russia and all over the world (53%). It includes fraud committed by clients and gross breach of business ethics. The second place takes bribery and corruption (41%). The level of corruption in Russia has always been higher than the world average indicator (25%). The third place takes fraud in the procurement of goods and services. It was noted by 35% of Russian respondents. The level of this type of economic crime is also higher than the world average (22%).

In Russia 22% of respondents from companies, who have faced economic crimes (in other words, every fifth organization) over the past two years indicated that the loss incurred exceeded 1 million US dollars, which is slightly higher than the world average (19%).

The results of the survey show that the main factors for the detection of economic crimes are corporate control systems including internal audit, management fraud risks, monitoring suspicious activity, service enterprise security, data analysis and personnel rotation). Public companies usually create a range of internal control systems, because they are required to comply with the legal requirements for the internal audit service. Corporate culture (confidential informing on suspicious operations or hotline) has been specified as a method of identifying economic crimes (21% respondents).

The first step towards preventing economic crime is to assess the risks of fraud. According to PWC survey, fraud risk assessment includes general fraud risk assessment (61% of Russian companies use this method), cyber-attack vulnerability (44%),

anti-bribery and corruption (42%), cyber response plan (32%), sanctions and export controls (29%), anti-competitive/ anti-trust (24%), industry specific regulatory obligations (19%) and AML (18%).

Talking about combating fraud, in Russia, 56% of respondents noted that their companies have increased costs on counteraction to fraud and to economic crimes in the last two years. Number of Russian companies, who plan to increase their spending for such purposes in the next two years is 65% of all respondents and it also exceeds the global level.

However, increasing costs does not guarantee decrease in quantity of economic crimes. Consolidation of companies' structural divisions efforts including Risk Management Committee, Internal Audit and Security Committee, Ethics Committee, Regulatory Compliance Services is the necessary condition of effectiveness of measures to identify and prevent economic crimes. Another measure refers to building rational lines of communication within the company and with officials. If enterprise services are not able to cooperate and coordinate in fraud risk assessment and routine risk assessment, they can easily miss the threats of fraud despite the increase in costs of counteracting to economic crimes.

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