Maintain Culture of Integrity during COVID-19 Pandemic

ACC Against COVID 19

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Wisdom
is knowing the right path to take...

Integrity
is taking it

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COVID-19

Heightened risk of **fraud** and **unethical behaviour**
Organizations **maintain integrity**

Companies must resist **temptation**

COVID-19

*To sacrifice **controls, systems, governance** and **appropriate culture** in adjusting to new realities*

Increase

Companies and individuals face more **financial pressures**

Key internal controls **weaken**

Easier to **rationalize** action

3 Elements

1. Opportunity
2. Pressure
3. Rationalization

THE FRAUD TRIANGLE

Pressure
Motivation or Incentive to
Commit Fraud

Rationalization
Justification of Dishonest
Actions

FRAUD

Opportunity
The Knowledge and Ability
to Carry Out Fraud

COVID-19 offers more

Compromised ability to undertake effective compliance **monitoring, supervision** and **oversight**

COVID-19

Opening for **criminal** and **unethical** behaviour

Organization's wider **integrity culture** comes under **threat**

COVID-19

End justify Means!

COVID-19 Government Funding
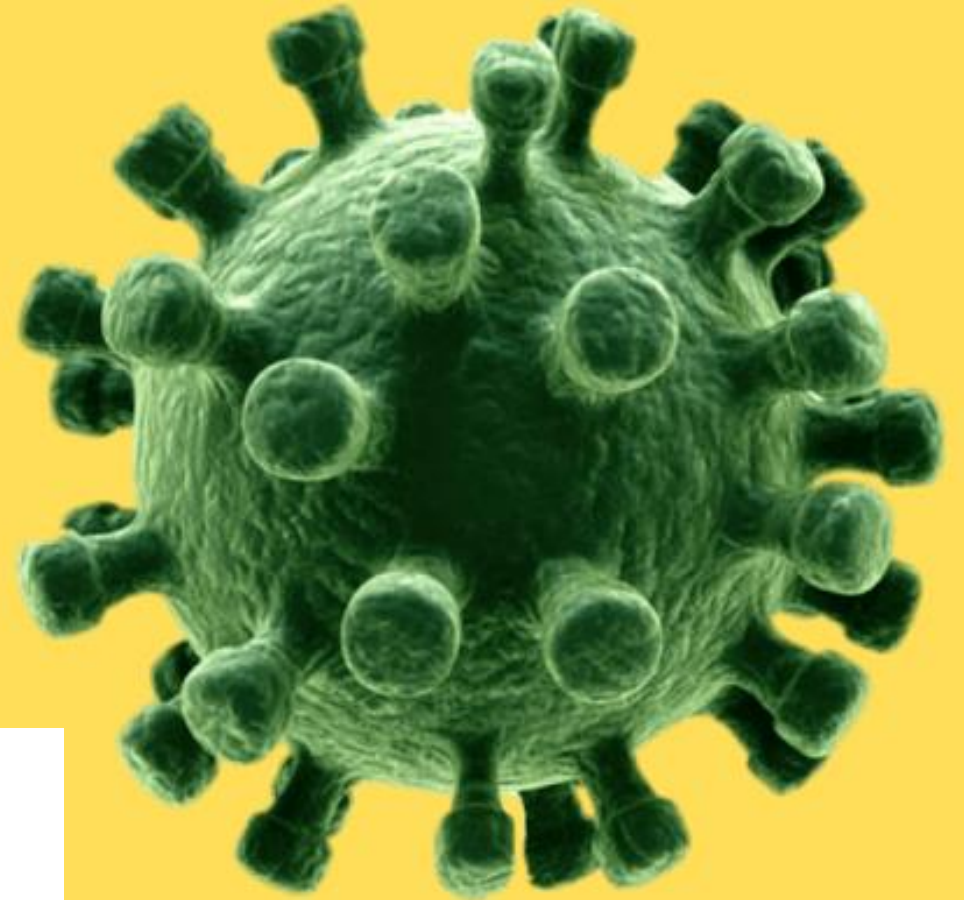
Untested procedures

New **canvass** for **fraud** and

embezzlement

Moving to **remote working** as **"virtual"** businesses

Risk of **cybercrimes**

Phishing attacks requesting payments for non-existent quarantine fines and other **scams**

Fraudulent requests from accounting, finance department or leader to approve invoice payment, journal entry, or other transactions

Old scams with **"new skin"**

Ingenuity creating **new ways** to deceive **housebound**

Hackers sending messages claim to have attachments with

vital information or **links** to government websites

Instead **malicious intent** (clickbait)

More sophisticated attacks use information for **industrial espionage**

Penetrate **information security** with employees logging in remotely

Provide **confidence** to **shareholders, customers, suppliers, lenders**, and **employees** about long-term future through **resilience processes**

Reliance on **electronic** or **digital** processes when traditional in-person verification in supply chains remains impossible

PRIVATE SECTOR

Operating with **culture of integrity** important during moment of crisis

*Those who lead in integrity **differentiate** themselves*

*Those who do not held **accountable** after crisis passed*

Some argue for **less attention**
Business survival and economic
recovery more important

INTEGRITY

Underpin **business relationships** and managing **risks**

Business Leaders

Build and sustain **integrity agenda** under four headings:

1. **Governance**
2. **Culture**
3. **Controls and procedures**
4. **Data-based insights**

✓ *Where there are **job losses**, is **segregation** of duties still effective, and does management understand need for **increased** supervision and review in the interim?*

✓ *What more can be done to reinforce **right tone** from the top?*

✓ Is **guidance** on **appropriate conduct** clear, consistent and adequately communicated?

✓ What processes exist to identify when **management bias** in accounting estimates becomes **inappropriate** accounting?

✓ What are processes to manage possible breach of **debt covenants?**

✓ If earnings targets **missed,** what is the process **to ensure**:

➤ **Revenues** not recorded **prematurely**

➤ **Expenses** properly **accrued**

➤ **Inflated provisions** or **accruals** not established to achieve targets in later periods**?**

✓ *How can we encourage people to **"do the right thing"** when faced with new financial or ethical dilemmas?*

Integrity is choosing your thoughts and actions based on values rather than personal gain.

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