

Fraud Risk Management from the Perspective of Small Businesses

Grant Richardson*

Department of Accounting and Corporate Governance, Macquarie University, 4 Eastern Road, North Ryde, NSW, 2109, Australia

Abstract

When it comes to reducing their exposure to fraud, small firms confront significant obstacles. Motivated fraudsters have plenty of opportunities to exploit small firms due to financial stress, rapid expansion, and a lack of resources and knowledge. In this post, we draw on our experiences as fraud investigators to provide seven useful suggestions to assist small business executives in preventing and identifying fraud in this particular setting. Even a small business can benefit greatly from these tactics when it comes to managing the risk of fraud.

Keywords: Fraud risk management • Risk assessment • Anti-fraud control

Introduction

Workshops & training on fraud

Understanding the weak points in your business is the first step in preventing fraud. You can analyse the risks that your business confronts based on its particular complexity, scale, products, and market exposure by doing a thorough risk assessment. Risk assessment examines all potential risks, their likelihood of occurring, and the associated costs. Employees are the first to be assessed. It's important to have a comprehensive awareness of how employees deal with corporate resources on a daily basis. Internal fraud is frequently fuelled by the advantages and opportunities offered by the company. Senior management ought to think about evaluating their system installation and communication strategies. In addition, risk might occur outside, particularly if a firm deals with from there, a framework that is cost-effective is built using a risk-tolerance limit. The most money an organisation is willing to lose is known as its risk tolerance limit. This restriction is helpful because it provides a foundation upon which to build your plan and makes risk assessment quantitative. Risks that exceed the limit and are consequently most harmful to the organisation can receive more attention.

These courses can aid in raising awareness of possible fraud indicators. These can be tailored to a particular organisation or business, assisting the participants in learning how to apply concepts in the workplace, taking away strategies and tools to reduce the risk of fraud, and fostering an ethical culture. Expert speakers, multimedia presentations, employee group discussions, and role-playing exercises are all part of the training [1].

Using a fraud risk assessment

By evaluating potential gaps in the framework and risk and process weaknesses, we provide management and development guidance for fraud prevention methods. This can be accomplished through in-depth industry expertise, bespoke data analytics reports, and findings that are frequently unanticipated by management. Additionally, a dashboard of anti-fraud control

can be put in place to assist in continuously monitoring the testing and control [2].

Criminal health check

It will aid firms that do not use a thorough method to assessing fraud risk in their due diligence process. Sometimes a simple investigation would be sufficient to determine whether the company was at risk of fraud.

Survey of organizational perception

These types of surveys are a well-liked method of gauging employee perceptions of the company's fraud-related risk management initiatives and processes as of late. The management can improve the planning for managing fraud risk by identifying its strengths and weaknesses with the aid of these types of surveys [3].

Description

Securing market confidence and public trust requires a reputation for integrity. Unfortunately, fraud and misconduct can substantially undermine these efforts and expose a company to reputational, legal, and regulatory risks. Experienced business executives make an effort to have efficient methods for reducing these dangers because of this. This is particularly crucial in a climate of increased scrutiny and increasing enforcement. The goal of fraud risk management services is to assist clients in avoiding, identifying, and dealing with misconduct and fraud risks. In order to accomplish this, we collaborate with our clients to develop, put into action, and assess ethical and compliance procedures, as well as related antifraud programmes and controls. Each project we work on aims to strike a balance between risk and control to accomplish performance with integrity. Each project is as unique as the clients we serve. We are used to dealing with customers in a variety of circumstances, especially when there is a lot of scrutiny and little room for error [4].

Fraud Risk Management is a methodical approach to reducing fraud in an organisation. Only if there is a procedure in place where the fraud is discovered at an early stage can it be reduced. Once the fraud has been discovered, steps must be taken to reduce it. The term "fraud risk management" refers to this. According to a poll, the majority of organisations struggle to grow because of the rise in fraud. Therefore, having a strong framework in place to deal with fraud in an organisation is essential. When a framework for managing fraud risk is designed, organisations would then adhere to outlined practises to mitigate and lower risk. An organisation should prioritise fraud detection [5].

One of the biggest risks to an organization's profitability and sustainability is fraud. Fraud can result in harm that goes much beyond merely monetary losses or regulatory action. It could have a serious negative influence on the organization's ability to expand and succeed over the long term by weakening

*Address for Correspondence: Grant Richardson, Department of Accounting and Corporate Governance, Macquarie University, 4 Eastern Road, North Ryde, NSW, 2109, Australia, E-mail: grant.richardson656@mq.edu.au

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connections, reputation, and brands. It goes without saying that proactively addressing fraud risks is significantly more cost-effective than allowing preventable fraud to occur and then using important resources to find out about, investigate, and correct negative effects. At PwC, we offer thorough and useful advisory support for a variety of fraud risk management tasks, from overall fraud risk diagnostics to designing and putting into practise strong frameworks and practises for preventing fraud with the goal of facilitating prompt detection and appropriate responses to ever-evolving threats and challenges brought on by fraud-related risks.

Conclusion

One of the fundamental pillars for constructing an efficient fraud risk management capability and resilience to the risks of fraud is a thorough fraud risk assessment that accurately identifies the Organization-specific fraud threats. Such an evaluation is not a one-time activity; rather, it is one that benefits the Organization most when carried out consistently. In order to help organisations analyse their risk of fraud, we provide them with: determining and prioritising the areas and activities that are most vulnerable to fraud based on the particulars of their industry, scale, history of recent fraud instances, and other relevant factors. identifying the organisations' inherent fraud risks and evaluating the likelihood and potential impact of each risk; evaluating if existing internal controls are performing effectively and efficiently by mapping them to the pertinent fraud risks; identification and assessment of lingering fraud risks brought on by ineffective or non-existent controls; the ranking of the remaining fraud threats according to their likelihood and possible impact; creation of sensible, individualised advice in response to the detected lingering fraud risks.

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Conflict of Interest

None.

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