



# YOU'RE INVITED

## A Strategic Approach to Reducing Losses November 7th, Merrion Hotel

**You are invited to an Executive Briefing with:**

**Michael Kearney**, Country Manager, SAS Ireland  
**Peter Dorrington**, Head of Fraud Solutions, SAS UK and Ireland.

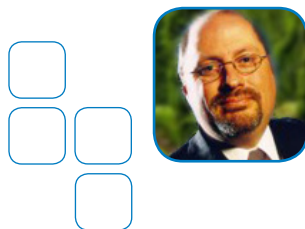
Peter is the author of a SAS white paper entitled 'A Strategic Approach to Reducing Loss', which has been widely quoted in the media. The white paper describes a comprehensive and integrated strategy for the reduction of financial loss.

In his role as Head of Fraud Solutions for SAS, Peter has been working with many EMEA organisations on the implementation of their fraud strategy. In addition, Peter has been very involved in helping UK organisations to submit responses to the UK Government on their Fraud Review, which he will be talking about in his session.

### Speakers:

**Peter Dorrington** is Principal Strategy Manager and Head of Fraud Solutions at SAS UK and has more than 25 years experience in IT and computing systems. His current role enables him to work with a wide variety of clients and partners, with a particular focus on the technologies for detecting and preventing fraud and money laundering. Peter is also widely quoted on related issues such as Identity Fraud, IT Security and the impact of crime/legislation on businesses and the individual. Peter has worked with clients in all parts of the Public Sector and financial services on strategies and techniques for IT-supported fraud detection.

**Michael Kearney** is the Country Manager of SAS Ireland and he is responsible for driving all aspects of the business, including pre-sales, sales and consulting. Before joining SAS, Michael held a number of senior positions in Micro Focus and KPMG. In Micro Focus, he was a Board Member, Head of Worldwide Sales, Director of Investor Relations and a principal on the team which successfully brought Micro Focus to the London Stock Exchange. Before Micro Focus, Michael was General Manager of SAP in Ireland, where he oversaw increases in revenues of 300%. He has a degree in Engineering and a PhD from Trinity College Dublin.



### Register:

To register for this event, please contact Marie O'Donnell: on **01 613 6400** or [marie.o'donnell@irl.sas.com](mailto:marie.o'donnell@irl.sas.com)



## A Strategic Approach to Reducing Losses

*Peter Dorrington, Head of Fraud Solutions, SAS UK & Ireland*

### Executive Summary

This paper sets out to describe a comprehensive and integrated strategy for the reduction of financial loss. It has been deliberately structured so that it is not specific to any individual industry or sector.

Many of the concepts discussed in the white paper will be familiar to many readers, but the cross-function/department interplay between the components of the strategy will be of particular relevance to those with the responsibility and authority to implement change.

It is not the intention of the white paper to lay out a prescriptive approach to the challenge of reducing losses; more correctly it can be viewed as an armature upon which a series of the discrete and limited activities can be mounted leading eventually to a comprehensive solution. In some cases, these will be manifested in the production of a simple checklist to ensure that all the relevant issues have/are considered. Others might wish to consider how all the measurements will be made and reported so that day-to-day management control can be implemented.

Regardless of what conclusions are drawn from this white paper, or what actions are taken, it is vital that modern organisations make a top-to-bottom commitment to address the increasing scourge of fraud and loss. Failure to make such a commitment is guaranteed to invite further attacks from those who wish to defraud us, or to reinforce a sense of apathy that anything can be done.

### Combining Enforced and Voluntary Compliance

The need is not just for better methods of detection or investigation, or for a reliance on security (there is no such thing as 100% reliable security) – fraud needs to be eliminated at source:

- Fraudsters have to believe that the risk/effort outweighs the potential benefit
- The populace at large has to be prepared to take proactive steps to help identify and eliminate fraud.

Why then do so many organisations only consider a rather narrow range of tactics designed either to keep the criminal out (typically the job of ‘security’) or deal with the loss once the worst has happened?

A proactive strategy maintains responsibility and authority within the authority of an organisation. It sets out active measures that have to be undertaken as part of a concerted effort to reduce fraud. It also engages with other stakeholders who may otherwise feel that fraud is not their problem and overcomes apathy and inertia.

In gaming theory, activity is modified to achieve whatever goals are laid out. The danger with a limited, passive strategy is that organisations will do the least they have to in order to achieve the objectives laid out for them. In essence, what gets measured gets done. As a proactive strategy requires action, these actions can themselves be measured and a better understanding of compliance and effectiveness can therefore be reached. What is effective gets reinforced, what is not effective gets modified or discarded.

### Enforced compliance

A strategy of enforced compliance is how we deal with those organisations or individuals who knowingly set out to defraud our organisation. What is clear in these cases is that the individuals concerned had intent to commit the fraud and made a positive decision to act on that intention – so called ‘hard fraud’.

A strategy of enforced compliance is therefore about trying to create an environment where the criminal either does not, or cannot, act on their intent and where, should they be initially successful, they are rapidly caught and dealt with accordingly.

In developing its strategy for reducing losses to fraud in the NHS, the Counter Fraud & Security Management Service (CFSMS) laid out a 7-step integrated strategy for dealing with

**Fraud:**

1. Creation of an anti-fraud culture
2. Maximise deterrence of fraud
3. Successful prevention of fraud that cannot be deterred
4. Prompt detection of fraud that cannot be prevented
5. Professional investigation of detected frauds
6. Effective sanctions, including appropriate legal action against people who commit fraud
7. Effective methods for seeking redress in respect of monies defrauded.

**Voluntary compliance**

A strategy of Voluntary Compliance is designed to address the majority of our customers, suppliers or employees who may not have a knowing intent to defraud our organisation, but do not actively support our counter-fraud activities either.

For example, some individuals may not be aware of their responsibilities or obligations and therefore unknowingly support fraud, others may have their responsibilities changed by a change in their own circumstances and not realise that this requires further work. Some employees may 'work around' a cumbersome compliance process in the belief that it is for the good of the organisation, without realising why the process exists or what its objectives are. Firms may become overly reliant on documented procedures without truly knowing whether the procedures are being followed or even work.

Finally, whilst we might be tempted to consider fraud as a 'black-and-white' issue, classification of fraudsters is not as clear-cut. For many years experts in the field have discussed the population in terms of the '10-80-10 maxim'; 10% of the population are wholly honest, 10% are wholly dishonest and 80% are somewhere in between – relying on a flexible morality and their perceptions of risk, reward and opportunity. In insurance this is commonly encountered when an otherwise honest customer 'inflates' a legitimate claim. To address this kind of behaviour, we need to tackle it at source – we need to change the mindset of the 80%.

This strategy has some similarities to the enforced compliance strategy. However, it has proactive measures designed to not only prevent fraud, but to increase levels of compliance.

It also recognises that some cases of non-compliance will 'self-correct' if appropriate action is undertaken – especially important if the non-compliance was accidental, or without intent.

1. Creation of a culture of willing compliance
2. Incentivise compliance by reinforcing positive behaviours
3. Enable compliance (by removing barriers)
4. Prompt detection of non-compliance
5. Proportional escalation where non-compliance persists
6. Effective sanctions against those who persist in non-compliance
7. Effective methods for seeking redress where necessary.

**Related business activities**

In order to enact and link the twin strategies of enforced and voluntary compliance – there are many separate activities that need to be undertaken. All of these can be measured, and many are dependant on other activities. It is highly likely that many of these activities are already undertaken by the organisation, but they may not be considered/ managed with a specific common objective – to reduce losses.