



Executive Summary

What Lies Beneath

The prevalence of, and approaches to, procurement fraud, waste and abuse in global business

Procurement fraud, waste and abuse (FWA) is a hidden but ever-present danger that is sapping the global economy. New research from SAS shows organizations suffer losses between \$10,000 and \$150,000 a year on average, but that's just the tip of the iceberg. A third of companies can't report how much they lose as a result of procurement fraud. A lack of insight, responsibility and a failure to use the latest technologies likely mean the scale of the problem is much worse than reported, especially in developing countries.

To combat this threat, organizations need clear leadership and accountability. The finance function is the most likely to be held responsible for fraud losses, but 19% of businesses either have no assigned personnel or can't say who has ownership. A common, international approach is lacking, dampening the effectiveness of fraud detection and response.

Furthermore, the majority of companies hold no more than one internal audit and supplier check a year, with 26% admitting they don't audit for procurement fraud at all. Companies are too dependent on manual controls and basic rules-detection software, which struggle to process the quantity and quality of data required, and are easily exploited. By contrast, only 24% and 17% use advanced analytics or artificial intelligence (AI) respectively.

These factors leave organizations highly vulnerable to procurement fraud. To avoid damages, diminished brand equity and lost market share, they have to embrace AI and analytics-driven detection technologies to emerge unscathed.

Between 2018 and 2019, SAS and 3Gem surveyed 2,025 global business leaders across 38 countries for their opinions and experiences of procurement fraud. SAS commissioned the research to understand the extent of the problem and assess how much organizations understand it and attempt to fight back. The goal was to analyze current anti-fraud strategies, while making the case for a more analytical, technology-enabled approach.

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