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Corporate Governance

– Return on Security Investment

Auditors are increasingly educating their clients to become more risk aware. Businesses should not implement risk management controls because legislation forces them to be compliant, they should implement sensible controls to protect their businesses because it makes sound business sense. How would your business be affected if you were the victim of fraud? Well, research shows that 75% of companies interviewed admitted to suffering some form of fraud due to poor internal controls. Still think you don't need security?

To enable you to assess for yourself the potential impact inadequate security might have on your organisation; some typical security problems have been identified overleaf, with space for you to write in how you think they could affect you.

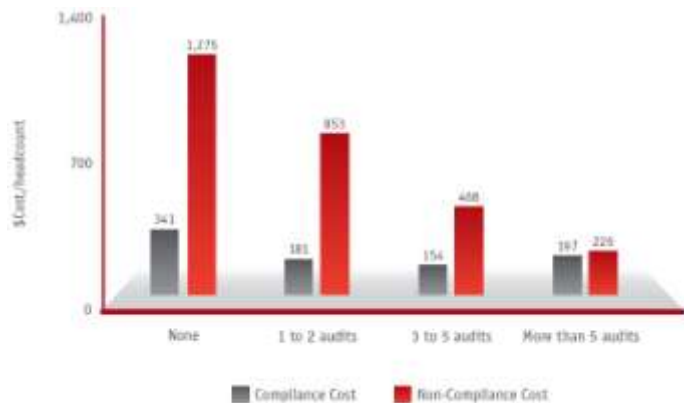
Research highlights the problem

The US Association of Certified Fraud Examiners in its 2010 Report to the Nation estimates that **global fraud amounts to \$2,900, 000,000,000**. Only four nations have a GDP greater than fraud.

PricewaterhouseCoopers reported in its Global Economic Crime survey (November 2009) – UK supplement that **“the economic climate over the past 12 months has resulted in not only declining financial performance for many UK businesses but also an increasing level of fraud.”** It also reported that almost 50% of UK respondents had suffered fraud in the previous twelve months.

Research by the Ponemon Institute, in its Benchmark Study of Multinational Organizations in January 2011, indicates that per capita non-compliance costs are inversely related to the effectiveness of security controls and the frequency of compliance audits. For example, organizations that do not conduct compliance audits experience the highest compliance cost.

Whereas **those that carry out 5 or more audits per year reduce their non-compliance costs by an amazing 82%**. Ref: Ponemon Institute chart below.



UK fraud accounts for £38 billion per annum

If the total cost was broken down, every UK adult would be £765 worse off.

- UK National Fraud Authority (NFA)

The £21bn cost of public sector fraud could pay for 800 secondary schools or 615,000 nurses.

- Cabinet Office Minister, Francis Maude

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Adding value to your business

Risk Awareness

A number of other factors increase the likelihood that your organisation will be a victim of fraud:

- Hasty business mergers are taking place.
- Large-scale redundancies are being made.
- Remaining staff are being asked to take on additional duties.

Leading audit firms are encouraging their clients to become more risk aware and to budget for risk avoidance. You need to answer such questions as:

- How likely are risks of economic crime to affect you?
- How much is economic crime likely to cost you should you be affected?
- How can you take sensible action to reduce the risk?
- How much could investment in effective controls save you?

Please use the chart below to review your risk and assess the effectiveness of your security controls and business protection.

Problem	Potential impact	Your calculation
Fraud	<ul style="list-style-type: none"> ▪ Loss of reputation / brand damage ▪ Loss of business ▪ Share price ▪ Damage to business relations (partners) ▪ Damage to relations with regulators ▪ Staff morale / motivation / mistrust – loss of productivity 	
Theft of proprietary information	<ul style="list-style-type: none"> ▪ Loss of IP value ▪ Lost revenues 	
Theft of Personal Data	<ul style="list-style-type: none"> ▪ Regulatory fines ▪ Law suits ▪ Loss of revenues 	
Ensuring authorised users CAN access valuable data in an emergency i.e. trace faulty lots.	<ul style="list-style-type: none"> ▪ Loss of future sales ▪ Law suits in extreme life or death situations. 	
Denial of IT service	<ul style="list-style-type: none"> ▪ Inability to conduct business or service customers ▪ Loss of revenues 	
Preventing unauthorised users inadvertently or deliberately modifying critical data.	<ul style="list-style-type: none"> ▪ Loss of revenues ▪ Law suits in extreme cases i.e. tampering with clinical trials data, tampering with recipes or product designs. 	
Sales orders lost due to incorrect stock information	<ul style="list-style-type: none"> ▪ Loss of revenues ▪ Law suits in extreme cases i.e. tampering with clinical trials data, tampering with recipes or product designs. 	
Sales orders lost due to incorrect stock information	<ul style="list-style-type: none"> ▪ Up to 5% of orders lost due to “out of stock” are caused by data errors.¹ ▪ Value of your orders lost due to incorrect stock information? 	
Sales effort diverted to administration tasks such as correcting data errors.	<ul style="list-style-type: none"> ▪ 12-23% of sales time is spent correcting data errors.¹ ▪ How much sales time and revenue are you losing? (No. of sales people * average target * time wasted %) 	
Note 1: Olin Thompson - “Father” of Process ERP in study for Grocery Manufacturing Association & Food Marketing Agency		

Budgeting for security controls

Before you can decide what budget is appropriate to invest in security, you need to understand the risks and potential scale of those risks This checklist is not intended to be comprehensive, but serves as a guide only to help your thought process to assess the risks posed to your business.

Contact Interimco without delay for help with this process.

Adding value to your business

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