



ANALYSIS OF THE STATUS OF THE FRAUD WITHIN THE ENTERPRISES IN DIFFERENT COUNTRIES AROUND THE WORLD

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Abstract

The consequences of fraudulent actions are losses of significant financial resources in companies, which endangers their business. The resolution of the occurred criminal issues is complex and therefore requires the exchange of the experience of many countries worldwide. It is needed to conduct an internal audit to detect embezzlement in the company. The relevant department must carry out the audit, e.g., the security services department, involving an internal audit, internal control, and legal department. Identification of persons possibly involved in fraudulent actions is a complex issue that carries a criminal responsibility. Different companies impose disciplinary liability, penalties, or criminal liability on employees. The most common are corruption, misappropriation of property, and falsification of financial statements. The variety of fraudulent schemes grows and becomes even more dangerous for businesses. Fraudsters analyze the financial statements of enterprises and find vulnerabilities to create threats and fraudulent actions. Such schemes lead to risks for both large and small businesses worldwide. Most companies have been affected by fraud incidents in recent years. The unreliable partners frequently cause losses in the companies. The negative consequences of risky activities include losses of money, reputation, and trust of customers and partners. All affect the loss of profits, which is the purpose of the activities.

Keywords: data protection, copyright infringement, fraud in enterprises, confidentiality of information, interference in enterprise data systems.

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1 INTRODUCTION

Many enterprises lose significant amounts of money because of various types of malpractice, business reputation, credibility, competitive position in the market, and sometimes the entire business. The main reason for the emergence of risks and threats from corporate fraud is an inefficient internal control system.

Domestic and foreign researchers believe that every other company that has incurred financial losses and reported them has lost its reputation and credibility through corporate misbehavior.

Corporate malfeasance incidents negatively affect the financial condition of the company. They undermine its credibility and business reputation. The scale of fraud expands rapidly. Therefore, it is necessary to develop and implement more effective legislation and regulations that would regulate the fight against criminal activities and develop measures for the system of internal control functioning in enterprises and sectors of the economy.

2 PROPOSED APPROACH

Companies often face questions about risks that were caused by negligence. Negligence results in economic losses, inefficient management, low potential privatization of companies for investors, low levels of corporate culture, and significant financial losses, leading to economic risks and company closures, regardless of their size.

Reliable and efficient state development depends on the economic development of the companies. The lack of effective monitoring and assessment of threats does not allow companies to effectively develop their defense system to detect and prevent corporate wrong behavior in the future. Violations against the confidentiality and integrity of information, fraud, copyright infringement, and interference in the data systems of corporate enterprises, banks, and institutions are becoming more common (Rybalchenko, Ryzhkov, & Ohrimenko, 2021).

According to the Association of Certified Fraud Experts (ACFE), the loss of professional fraud to enterprises is estimated at \$1.5 million, which is an average of 5% of their annual revenue. In 2020, there were 2504 cases of fraud in enterprises in 125 countries. Considering the period of fraud, which lasted about 14 months until they were discovered the average loss of companies was \$8,300 per month.

In detecting fraudulent activities, companies prefer litigation and internal punishment, rather than the transfer of fraudulent crimes to law enforcement agencies. The number of companies that have chosen lawsuits has grown to 28% in 2020 compared to 23% in previous years. The number of appeals to law enforcement agencies decreased from 69% in 2008 to 59% in 2020. Most companies have taken steps to improve domestic discipline and civil justice rather than prosecute (Rivera, Rohn, Donker, & Butter, 2020).

Fraud is a global issue for businesses around the world. Professional fraud is often undetectable, so it leads to large-scale costs, which is a global threat.

Losses from professional fraud are growing every year. That has a significant impact on job creation, production of goods, and providing reliable services.

There are three main categories of professional fraud. Misappropriation of assets, which includes theft by employees or misuse of resources by employers, is the case in 86% of fraud schemes. Such schemes lead to the smallest losses - 100 thousand US dollars. The second category of professional fraud includes corruption, which includes crimes such as bribery, conflict of interest, and extortion, which cause financial losses to 43% of enterprises with an average loss of 200 thousand US dollars (ACFE, 2021).

According to the speed of various professional fraud schemes, the fraud with financial reporting leads to the greatest loss, the average level of which is 39.8 thousand US dollars per month. Next are corruption schemes, with a loss of 11.1 thousand US dollars per month. It is these schemes that cause the greatest losses and occur

very quickly. Therefore, companies need to take measures to create priority areas for rapid prevention and detection of such types of fraud.

Corporate fraud is an economic crime activity that benefits from deception, trickery, abuse of trust, concealment of the truth, and so on.

Economic crimes are more common in countries where the level of shadowing of the economy is high. Corporate fraud is common in developed countries with high economies. Ukraine ranks sixth in the national ranking of corporate fraud (45%); Russia - 1st place (71%), South Africa – 2nd (62%), Kenya – 3rd (57%), Canada – 4th (56%), Mexico - 5th place (51%) (according to a study by PwC "Economic Crimes" during the economic downturn"). (Parton, Rajarao, & Skalk, 2009) 59% of domestic companies have been victims of economic crimes in the last two years, which is higher than the world average (43%).

According to recent studies, 67% of all fraud cases are committed by persons aged 31-40 years (ACFE, 2021). Employees (77%) who work in the fields of finance, accounting, sales, procurement, and senior management have the best chances of fraud. According to Ukrainian companies, the most common types of corporate fraud are corruption, abuse of office, and misappropriation of assets.

Fraud in enterprises is growing because it is difficult to detect and identify such crimes. More often than not, corporate fraudsters commit crimes in large companies. Therefore, the losses become very significant.

Fraud is a problem for corporations, manufacturing companies, organizations, and institutions, misappropriating their assets, manipulating money, and taking large amounts of them out of the country.

About 70% of all enterprises in the world, in 2020, suffered from professional fraud (ACFE, 2021). 44% of them were private organizations and 26% were public companies, 16% were government enterprises, and 9% were non-profit. Private and public companies suffered an average loss of

\$ 150,000, government one's lost \$ 100,000, and nonprofits suffered the least \$ 75,000.

Enterprises with annual revenues of less than US \$ 50 million have a loss of 114 thousand US dollars (this includes 38% of enterprises). The biggest losers are enterprises (ACFE, 2021), whose revenue is more than 1 billion US dollars, and which had losses of US \$ 150,000 (26% of enterprises).

Professional fraud leads to material loss and legal costs and can lead to bankruptcy. A company can reduce the risks that may occur in enterprises and take measures to avoid professional fraud by creating a strategic plan and monitoring the planning of activities and development of the enterprise. A modern policy of corporations and enterprises should be aimed at applying modern methods and tools to prevent fraud and ensure their sound economic development.

In particular, the highest absolute indicators of the number of crimes recorded by the police in 2019 are observed in such EU member states as Great Britain - 6.54 million, Germany - 6.5 million, France - 4.11 million, Italy - 2.23 million, Spain - 2.18 million crimes. The lowest absolute figures for the number of crimes registered in 2019 are: in Cyprus - 4.8 thousand, Malta - 17 thousand, Luxembourg - 26 thousand, Latvia - 49.3 thousand, and Estonia - 53.3 thousand crimes (ACFE, 2021).

In the context of the crisis of EU migration policy, a significant increase in the number of illegal migrants trying to find employment in the most economically developed European countries, as well as increasing property crimes, European authorities are trying to strengthen the criminal justice system's response to recent crime in Europe (Rivera, Rohn, Donker, & Butter, 2020).

Thus, as the analysis and generalization of the leading modern approaches to crime prevention in the leading European countries shows, the main element of this activity is not government repression of the committed crime, but the expansion of private sector participation.

Ensuring national economic security is based on:

- the creation of political and legal international conditions of the country's existence,
- providing free choice and implementation of strategic objectives of economic development,
- ensuring the achievement of macroeconomic goals at national and regional levels by creating a domestic subsystem of economic security and protection of economic entities from illegal encroachments, unfair competition with the use of forces, and means of all government institutions of power, including the objects of protection.

Ensuring the national economic security is one of the main functions of the state, which serves as a guarantee of state independence, implementation of the strategy of social and economic development, stability, and reliable protection against possible threats (Rybalchenko, Ryzhkov, & Ohrimenco, 2021). State economic security focuses on ensuring the independence of the national economy, creating stability and sustainability, ensuring effective economic

development, and improving the living standards of the population.

National economic security, at first glance, is the protection of the country's economy from dangerous influences, which can be both a deliberate source of danger and a consequence of natural market relations. Danger also arises when the economic situation of any state deteriorates to a critical level and so on.

3 CONCLUSIONS

At the state level, it is crucial to:

- develop appropriate mechanisms to monitor threats to economic security,
- develop measures to minimize threats,
- improve existing legislation in the field of economic security,
- create a system to guarantee the protection of economic security from possible threats,
- identify factors influencing economic security.

It will ensure sustainable economic development and a reliable and competitive state in the international economic space.

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