

# Lending Fraud Investigation & Control Effectiveness Review

## Investigating lending fraud cases and assessing control effectiveness for a Slovenian Bank

We supported a Slovenian bank in investigating two suspected lending fraud cases (across retail and corporate segments) to identify root causes of the incidents and assess whether existing controls and fraud indicators were sufficient to detect or prevent the fraud at an earlier stage. The work was performed as part of a broader lending fraud risk indicator enhancement initiative.



### Key Activities

- Conducted investigations of two suspected lending fraud cases across retail and corporate portfolios;
- Reconstructed the end-to-end lending journeys to identify where control failures occurred;
- Assessed the design and operational effectiveness of key preventive and detective controls across the lending lifecycle;
- Analysed whether relevant red flags and fraud indicators were present in underlying data but not acted upon;
- Identified gaps in escalation, monitoring, and decision-making processes.

### PwC Deliverable

- Investigation summaries outlining fraud typologies, and control breakdowns for each case;
- End-to-end control gap assessment across key lending stages(origination, underwriting, approval, monitoring);
- Mapping of missed or ineffective fraud indicators and early warning signals;
- Root cause analysis report highlighting weaknesses in control design and execution;
- Practical recommendations to strengthen controls, improve detection capabilities, and enhance escalation processes;
- Input into the broader lending fraud indicator framework, incorporating insights from investigated cases.

### Client Outcome

- Clear understanding of how the fraud incidents occurred and where controls failed;
- Identification of specific weaknesses in the lending control environment across both retail and corporate segments;
- Improved ability to detect similar fraud patterns earlier through enhanced indicators and monitoring;
- Strengthened control framework with targeted remediation actions addressing key gaps;
- Better alignment between real-life fraud cases and ongoing fraud risk indicator development.