

# BUSINESS RISK MANAGEMENT LTD



## **Fraud- The Invisible Enemy** **How to prevent, detect and investigate fraud**

### **Who should attend?**

- **Senior Auditors**
- **Audit Managers**
- **Fraud examiners**
- **Auditors that are or could be involved with investigations**
- **Assurance professionals who need information about the threat of fraud**
- **Business managers who need a better appreciation of this major risk**

### **What you will learn**

- **The definitions and misunderstandings about fraud**
- **Background to fraud – illustrated by fraud case histories**
- **Why someone commits fraud**
- **Common fraud indicators**
- **How to implement a balanced fraud prevention and detection programme**
- **The techniques of data mining**
- **What to do when fraud is suspected**
- **How to manage the investigation**
- **How to lead a successful fraud interview**
- **How to spot when someone is lying to you**

### **Why you should attend**

Recent surveys have revealed that many organisations do not have a formalised approach to fraud prevention, detection or investigation. Furthermore most survey respondents stated that their organisations were not taking the risk of fraud seriously enough.

**Staff invariably did not receive any fraud awareness training.**

**Many organisations rely on internal controls to prevent and detect fraud. This is unwise. The fraudster invariably knows your controls well and how to bypass them.**

**Complacency, poorly applied procedures and the frenetic pace of change are the fraudster's main allies**

**Add to this the ever-increasing reliance on technology, and it is no great surprise that fraud is escalating both in frequency and magnitude – in all industry sectors and all countries**

**During the current economic crisis, fraud poses an even greater threat. One recent survey revealed that 84% of the worst frauds were committed by employees, nearly half of whom were managers with more than 5 years service.**

## **Day 1 - Understanding the Risks and Evaluating the Controls**

### **Background**

- **Fraud explained: definitions**
- **Fraud statistics**
- **Why is fraud such a serious issue?**
- **The cost of fraud**
- **Who commits fraud?**
- **Trends and statistics regarding detected fraud**
- **Why fraud is probably being perpetrated now in your organisation.**

### **Case histories**

- **20 fraud case histories and the lessons to learn**
- **Means of discovery**
- **Action taken against fraudsters**

### **Evaluating the fraud risks**

- **Surprises**
- **Fraud risk management process**
- **Building a picture of the major fraud risks**

### **Exercise 1 : Identifying the fraud Risks in your organisation**

### **Fraud mitigation**

- How to evaluate fraud risk mitigation
- Why controls may not protect you
- Putting yourself in the mind of the fraudster
- Examination of typical controls in place to mitigate the risks
- Risk exposures
- Identifying the vulnerable areas.

*Exercise 2 : Fraud mitigation – teams will be selected and given 2-3 fraud risks as identified earlier – they will discuss what is in place to prevent the frauds occurring and present the findings*

- Discussion of the issues raised with the whole team.

## Fraud indicators

- The top 30 fraud indicators
- How to spot the danger signals
- Developing a toolkit for identifying possible frauds

**Exercise 3 : The fraud indicators**

## Implementing a best practice fraud prevention process

- Introducing effective anti-fraud policies
- Creating a fraud consciousness loop
- Development of a fraud awareness training programme
- Communicating standards of expected behaviour /ethics
- The need for strong and consistent action when fraud is suspected.
- Electronic data and asset protection
- Anti Money Laundering – issues and requirements
- The relationship between fraud, risk and control
- The roles, responsibilities and liabilities of auditors, management, specialists and others

**Exercise 4 : Developing a fraud awareness training programme**

## Aiming for a cost-effective balance between prevention and detection

- Use of management check-lists
- The need to be able to think like a fraudster – to be able to prevent it
- Company policy on consequences of committing fraud
- Facilitation of whistle blowing
- Pros and cons of external hot-lines
- Use of specialists to aid detection and investigation
- ECIIA paper
- Preparing and implementing fraud contingency plans

- How to ensure fraud investigation is always given top priority
- Use of successful fraud investigation as a moral deterrent
- Managing the external coverage of proven fraud

### **Exercise 5 : Fraudulent documents**

#### **Fraud Scenario**

- A situation will be created to simulate a relevant fraud situation – delegates have to establish the circumstances and actions to be taken

## **Day 2 – Fraud detection and investigation**

#### **Data mining as a fraud detection tool**

- Fraud profiling – how to target the right systems
- Static and dynamic profiling
- Risk scoring
- Fraud Risk prioritisation
- How to get the information you need
- The use of Internal databases
- Demonstration of External databases
- Benfords Law
- Data Validation
- Automated fraud detection
- Example of a working model
- How to put the techniques into use in your organisation.
- Audit software – the tools available
- Practical uses of data mining and the results achievable

### **Exercise 6 : Determining tests and comparisons you can undertake to target the areas of risk in your organisation**

#### **Managing the IT risks**

- E-Commerce – the key fraud risks and steps to take to mitigate them
- Internet and Intranet – the fraud risks
- IT security – how to evaluate effectiveness and influence change
- Adoption and enforcement of information security standards
- Segregation of duties - the dangers and the practical solutions
- How to detect IT fraud

#### **What to do when you suspect fraud**

- How to react when fraud is suspected

- How to decide who needs to be told

### **Exercise 7: Typical fraud scenario – the anonymous letter**

- How to respond to anonymous letters
- Identifying misleading and malicious allegations
- How to deal with tips obtained from hotlines etc
- How to decide if you need outside help (forensic accountants etc)

### **Managing the investigation**

- The need for thorough planning
- Determining the objectives of the investigation
- Who should be involved – what skills do you need?
- Determining roles of security and Internal audit
- How to keep the investigation low-profile
- Research – what information can lawfully be obtained
- What information is available and can be used
- Forensic evidence and how to obtain it
- Collating information and maintaining the chain of evidence
- Covert monitoring of employees – new legislation
- Knowing when to suspend or dismiss employees

### **Exercise 8 : Sources of information**

### **The legal aspects**

- The need to stay within the law
- The legal implications
- When to bring the lawyers in
- How to protect your work from disclosure – legal privilege
- How to ensure that evidence is admissible
- Search and seizure orders
- Civil V Criminal action
- How to recover stolen assets – making sure the criminal does not profit
- How to handle disciplinary proceedings
- Employers and employees rights

### **Confronting suspects**

- Setting the scene – choice of venue etc
- Planning the interview – do's and don'ts
- How to keep in control
- How to tell if someone is lying

## **Exercise 9 : Spotting the liar**

- The use of open questions
- Interpreting body language
- How to recognise when someone is lying
- Recording and evaluating the conversation
- How to avoid accusatory or threatening questions
- The need to think like a fraudster

**Exercise 10 : The fraud interview (role play) – you will all have the opportunity to play the interviewer, the observer and the suspect**

## **Communicating the results**

- When and how to inform top management
- When to inform regulators / the police / etc
- Managing external coverage
- Dealing with the media / stakeholders
- The use of successful fraud investigation as a moral deterrent
- Rebuilding damaged relationships