BUSINESS RISK MANAGEMENT LTD

Fraud prevention, detection and investigation
3 days
On-line live course

Course Overview

- How would you know if fraud was occurring in your organisation?
- Does your organisation have a fraud prevention strategy?
- Do you have a formal programme to tackle the risk posed by fraud?
- Do you have the use of any automated fraud detection techniques?
- If fraud is suspected do you have a clearly defined approach for managing the investigation?
- This course will help you significantly enhance your approach in all these key areas

Course Level

- This is an intermediary level course and delegates should have 12 months experience in Internal Audit (or other assurance roles)
- Delegates should have a good educational standard (and/or a professional qualification or be in the process of studying for such qualifications
- No advance preparation is required
- Delivery method – On-line interactive (with exercises and case studies to provide practical application of the tools and techniques)

After completing this course you will be able to

- Evaluate and challenge management's fraud risks
- Think like a fraudster – the only way to spot frauds
- Apply successful techniques to help prevent fraud
- Promote an effective fraud prevention process
- Adopt data mining as a fraud prevention and detection tool
- Apply an effective fraud investigation process
- Apply audit skills to fraud investigation
- Spot when someone is not telling you the truth
- Monitor the legal compliance with anti-fraud legislation

Course Outline

Day 1 – The fraud risks

Background

- **Fraud explained: definitions**
- **Fraud statistics**
- **Why is fraud such a serious issue?**
- **ACFE 2020 fraud survey results**
- **The cost of fraud**
- **Who commits fraud?**
- **Profile of a fraudster**
- **Trends and statistics regarding detected fraud**
- **Why fraud is probably being perpetrated now in your organisation.**
- **Action taken against fraudsters**

Evaluating the fraud risks

- **E & Y 13th global fraud risk survey results**
- **Fraud risk management process**
- **Managing the business risk of fraud (IIA, CPA, CFE paper)**
- **Building a picture of the major fraud risks**
- **Fraud risk matrix**
- **Fraud scenarios**
- **Fraud risk register example**
- **Fraud risk questionnaire**
- **Generic risk factors**
- **Design of controls to prevent fraud**

Exercise 1 - Identifying the main fraud risks in your organisation

Procurement fraud

- **Tendering and bidding fraud**
- **25 issues to look out for**
  - **Sole source supply**
  - **Contracts awarded where the evaluation score was not the best**
  - **Unusual trends in the approval process**
  - **Minimum number of tenders not received**
  - **One supplier always wins**
  - **Lowest bid regularly not accepted**
  - **Winning bids just lower**
  - **Only one supplier meets the conditions**

- o **Only one successful bid**
- o **Tender documentation 'lost'**
- o **Excluding cheaper bidders**
- o **Complaints from bidders and other parties**
- o **Multiple contracts just below procurement thresholds**
- o **Seemingly inflated agent fees**
- o **Suspicious bidders**
- **Supplier and outsourcing fraud**
- **Procurement and inventory fraud risks**
- **A procurement fraud checklist will be provided**
- **Case histories**

Exercise 2- Fraud in procurement

The IT fraud risks

- **Computer fraud paper**
- **Computer fraud prevention**
- **E-Commerce – the key fraud risks and steps to take to mitigate them**
- **Internet and Intranet – the fraud risks**
- **Preventing internet fraud paper**
- **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**

Exercise 3 - IT fraud risks

Identity fraud

- **Identity fraud – the fastest growing fraud risk**
- **Identity fraud – fraud advisory panel paper**
- **Identity fraud examples**
- **How to protect your business**

Exercise 4 – Identity fraud

The risk of Corruption

- **Corruption causes**
- **Corruption indicators**
- **Fraud red flags**
- **Procurement fraud risks**
- **The issues to look for**
- **Bid rigging – the issues to look for**

Exercise 5 - Identifying corruption indicators

Day 2 – Developing a fraud prevention process

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 6 - Understanding how fraudsters think

Fraud indicators (Red flags)

- 100 fraud indicators
- How to spot the danger signals
- Fraud indicators –fraud advisory panel paper
- Behaviours
- Results/trends
- Documentation
- Goods, services and assets
- Corruption
- Cash and payments
- People
- Computer fraud
- Developing a toolkit for identifying possible frauds
- A fraud toolkit will be provided

Exercise 7 - The fraud indicators

Implementing a best practice fraud prevention process

- CIMA fraud risk management guidance
- 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
- Fraud response plans paper
- Anti- money laundering – issues and requirements
- Money laundering paper in the pack
- The relationship between fraud, risk and control
- The roles, responsibilities and liabilities of auditors, management, specialists and others

Exercise 8 - 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**
- **Whistle blowing policy**
- **Pros and cons of external hot-lines**
- **Use of specialists to aid detection and investigation**
- **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 9 - Fraudulent documents

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**
- **UK Bribery Act and the worldwide implications**
- **Gifts and hospitality guidance**
- **How to recover stolen assets – making sure the criminal does not profit**
- **How to handle disciplinary proceedings**
- **Employers and employees rights**

Exercise 10 – The legal impacts

Day 2 – Fraud detection and investigation

Data analytics and fraud detection

- **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 11: Fraud detection techniques

What to do when you suspect fraud

- **How to react when fraud is suspected**
- **How to decide who needs to be told**

Exercise 12: The anonymous letter

- **How to respond to anonymous letters**
- **Identifying misleading and malicious allegations**
- **How to deal with tips obtained from hotlines**
- **How to decide if you need outside help**

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 13: Sources of information

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 14: 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**