



Fraud prevention, detection and investigation

Who should attend?

- Internal auditors in organisations without a dedicated fraud team
- Auditors who need to learn about the most modern approaches to fraud prevention and investigation
- Newly appointed fraud specialists
- Members of fraud teams who need to learn more about targeting internal fraud
- Managers needing a broader understanding of how to prevent and detect fraud

Course Level

- This is an intermediary level course and delegates should have 12 months experience in an assurance role.
- Delegates should have a good educational standard (Bachelors degree or above) and/or a professional qualification or be in the process of studying for such qualifications
- No advance preparation is required
- Delivery method – Group-live (with exercises and case studies to provide practical application of the tools and techniques)
- A pre-course questionnaire will be sent out 2-3 weeks prior to the course date to obtain some information about the delegate's role and to provide an opportunity to indicate specific learning requirements

Highlights

- ACFE Global fraud survey statistics
- Results of the E & Y 13th fraud survey
- Learn about fraud profiling
- Fraud risk register example
- The profile of a fraudster
- The new IIA guidance on the IA role in relation to fraud
- Guidance on gifts and hospitality and the legal requirements
- 47 tips for fraud risk interviews
- A fraud investigation report template will be provided
- Guidance on supplier and outsourcing fraud risk
- Tone at the top video

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

CPE credits

- Participants can earn up to 30 CPE credits (12 in the regulatory ethics of study and 18 in the auditing field of study)

Business Risk Management Ltd is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

Why you should attend

- A recent survey from the Association of Certified Fraud Examiners revealed that fraud is costing the world economy at least USD 3.7 trillion and the average organization is losing 5% of it's income to fraud and malpractice
- It also highlighted that many businesses 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.
- Furthermore, in today's competitive environment internal controls have often been compromised by frequent changes of management , the removal of management layers and employee empowerment
- 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 economies.
- During the current economic difficulties across the world, fraud poses an even greater threat.

Background

- Fraud explained: definitions
- Fraud statistics
- Why is fraud such a serious issue?
- ACFE 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

Case histories

- 15 fraud case histories and the lessons to learn
 - Bank paying in slips
 - BCCI fraud
 - Madoff
 - Barings Babk
 - Enron

Exercise 1 - What are the lessons from the frauds?

Evaluating the fraud risks

- **Tone at the top video**
- E & Y 13th global fraud risk survey results
- Fraud risk management process
- Managing the business risk of fraud (IIA, CPA, CFE paper)
- 6 principles (from the paper)
 - Fraud risk management programme should be in place
 - Fraud risk exposure should be assessed
 - Prevention techniques to avoid potential fraud risk events
 - Detection techniques should be established
 - A reporting process should be in place
 - A coordinated approach to investigation and corrective action
- Building a picture of the major fraud risks
- Supplier and outsourcing fraud
- Fraud risk matrix
- Fraud scenarios
- Fraud risk register example
- Fraud risk questionnaire
 - Generic risk factors
 - Specific risk
 - Design of controls to prevent fraud
 - Physical and logical access
 - Job descriptions
 - Accounting reconciliations
 - Supervision

Exercise 2 - Identifying the fraud risks in your organisation

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 - Discussion about 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

Procurement fraud

- Tendering and bidding
- Common indicators
- Supplier and outsourcing fraud
- Procurement and inventory fraud risks
- A procurement fraud checklist will be provided

Exercise 7- Fraud mitigation

Fraud indicators

- The top 30 fraud indicators
- How to spot the danger signals
- Fraud indicators –fraud advisory panel paper
- Developing a toolkit for identifying possible frauds
- An auditor's fraud toolkit will be provided

Exercise 8 - 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 9 - Developing a fraud awareness training programme

Day 3 The link between fraud prevention and detection

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 10 - Fraudulent documents

The assurance role regarding fraud

- ECIIA paper
- Prevention and investigation
- Should detection be an IA role?
- The IIA states currently detection is not an IA role
- What should IA do to aid detection

Exercise 11 - Fraud Scenarios

- 3 situations will be used to focus on fraud areas – delegates have to establish the circumstances and actions to be taken

Use of Computer assisted audit techniques (CAAT's)

- ACL as a fraud investigation tool
- ACL fraud e- book
- Examples of how to use CAAT's in fraud investigation will be shared
- Benford's Law
- Benford's and CAAT's paper

Exercise 12 - The fraud game (A and B challenge)

Day 4 Fraud detection and legal issues

Data mining as a fraud detection tool

- Fraud detection basics paper
- Fraud profiling – how to target the right systems
- GTAG 13 Fraud prevention and detection in the automated world
- Data mining paper
- Risk scoring
- Fraud Risk prioritisation
- How to get the information you need
- The use of Internal databases
- Demonstration of External databases
- Data Validation
- Automated fraud detection
- 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 13 - Determining tests and comparisons you can undertake to target the areas of risk in your organisation

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
- Bribery Act and the implications for GCC businesses
- 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 14 - The 1000 Dirham note

What to do when you suspect fraud

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

Exercise 15 - 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

Day 5 – Fraud Investigation

Managing the investigation

- The need for thorough planning
- Determining the objectives of the investigation
- Who should be involved – what skills do you need?
- How to keep the investigation low-profile
- Conducting fraud investigations guidance
- 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

- Knowing when to suspend or dismiss employees
- Fraud investigation report template will be provided

Exercise 16 - Sources of information

Interviewing suspects and witnesses

- Setting the scene – choice of venue etc
- Do you know your legal authority for conducting interviews?
- Can you use deception in interviews?
- How do you avoid breaching the employees' rights under law?
- 47 tips for fraud interviews
- Planning the interview – do's and don'ts
- Fraud interview – the 10 steps
- How to keep in control
- How to tell if someone is lying

Exercise 17 - 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 18 - 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

Exercise 19 – action plans
