B U S I N E S S   R I S K   M A N A G E M E N T   L T D

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**