Fraud Audit Planning & Execution
ICPAK FORENSIC AUDIT SEMINAR
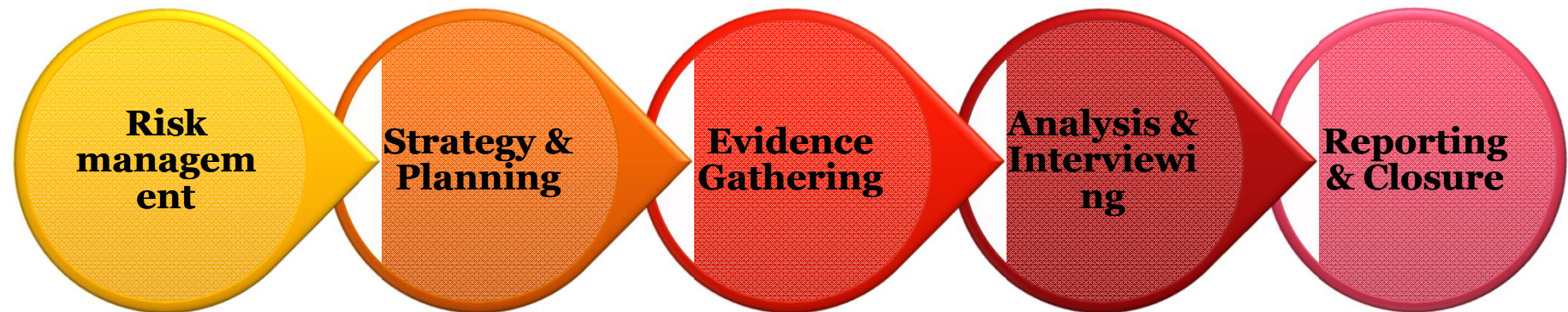
November2017

ICPAK

Credibility . Professionalism . AccountAbility

Introduction

˝ Forensic investigation life cycle

˝ Developing fraud controls and anti fraud programs

˝ Fraud Prevention and response

˝ Aftermath of fraud- legal and court involvement

Forensic investigation lifecycle

Risk management

Strategy & Planning

Evidence Gathering

Analysis & Interviewing

Reporting & Closure

Risk Management – Must dos

˝ Define the objectives and scope the investigation;

˝ Design a risk management methodology- Understand the regulatory environment;

˝ Define the skills and resources required for the job; and

˝ Understand the nature of evidence required

Strategy & Planning

Type

″ *Covert vs Overt*

″ *Internal Review*

″ *Internal Investigation*

″ *Internal Disciplinary proceeding*

″ *Civil Proceeding*

″ *Criminal Proceedings*

Legal considerations

″ *Different jurisdictions*

″ *Rights of employees*

″ *Contract of Employment*

″ *Procedure documents*

″ *Evidence gathering options*

″ *Whistleblowers*

Activity Plan

Identify the tasks and subtasks to be carried out

″ *Agree on the resources manpower, workspace and the security of the team*

″ *Assign the tasks to the team and agree on the milestones*

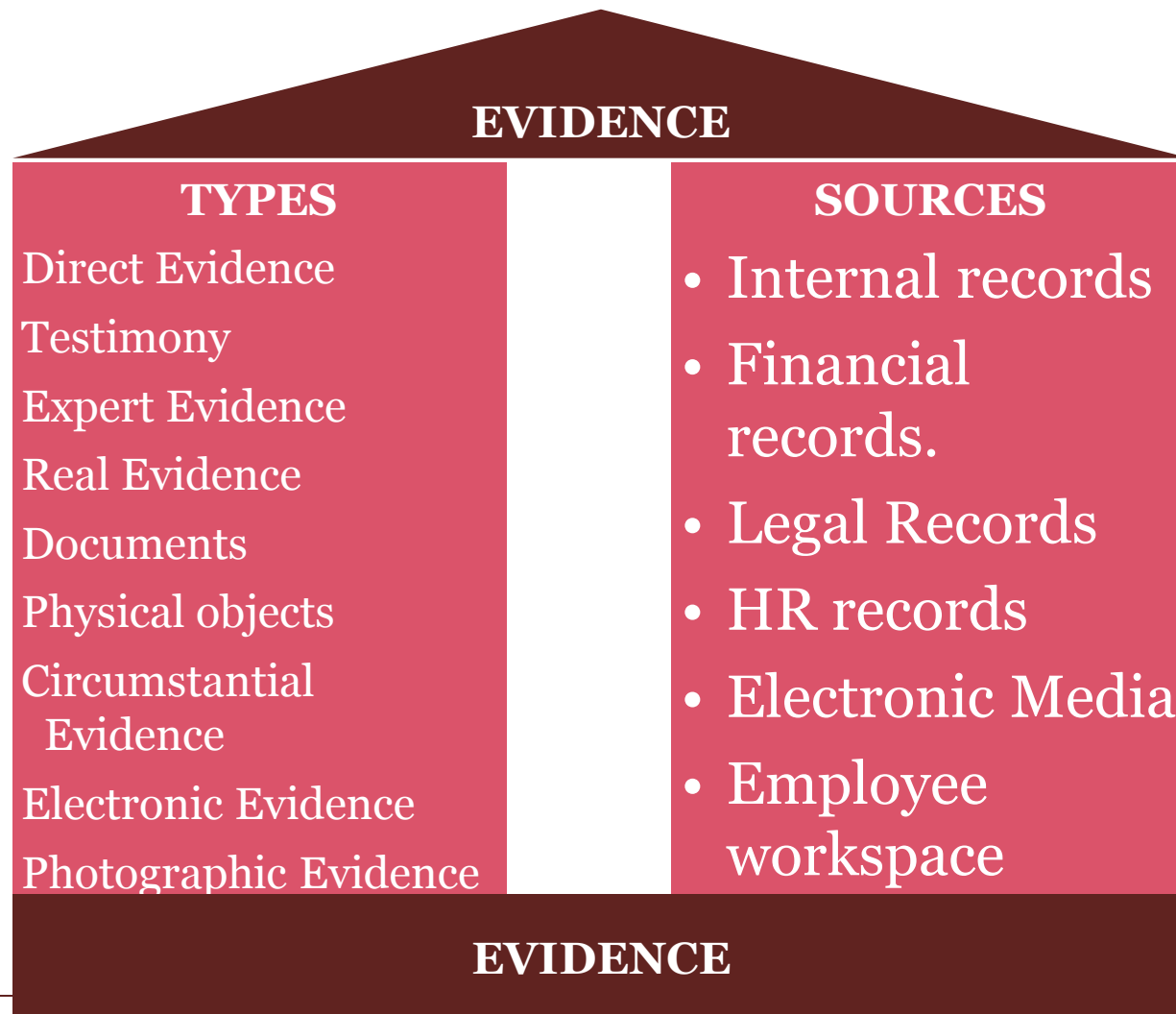″ *Sensitize the plan to time and the budget allocated*

Evidence Gathering: What you need to know

"**Evidence** is information that may be presented to a **client**, **court** or **tribunal** to help it assess the probability of some facts asserted before it, i.e. **information by which the facts tend to be proved or disproved**"
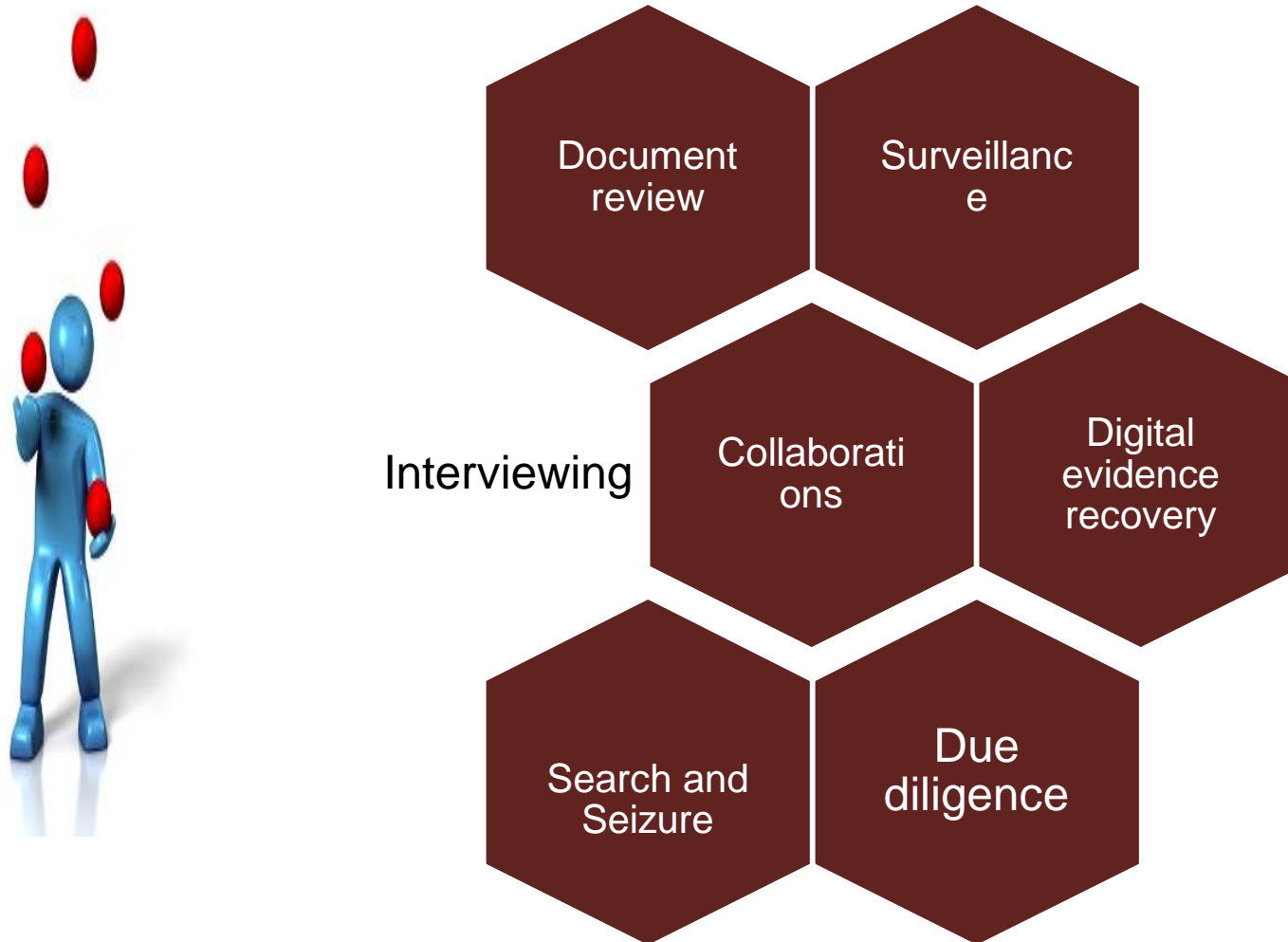
A must know;

" Understand what evidence is

" Provenance

" How to capture and preserve evidence

" Where am I likely to find evidence?

Evidence Gathering: Sources and types of evidence

EVIDENCE

TYPES	SOURCES
Direct Evidence	• Internal records
Testimony	• Financial records.
Expert Evidence	• Legal Records
Real Evidence	• HR records
Documents	• Electronic Media
Physical objects	• Employee workspace
Circumstantial Evidence	
Electronic Evidence	
Photographic Evidence	

EVIDENCE

Evidence Gathering Methods of evidence Gathering

Document review

Surveillance

Interviewing

Collaborations

Digital evidence recovery

Search and Seizure

Due diligence

Evidence Analysis

Document Examination

> ″ Handwriting reading, document authentication, signature experts etc

Data Analysis

> ″ Trend analysis
> ″ Comparison
> ″ Test runs for any exceptions

Interviewing and cross examination

> ″ Understand case for or against the subject
> ″ Other indicators like body language and eye contact

Interviews Do's & Don'ts

DO'S

- Be objective in your assessment
- Consider the facts
- Know what you say and what you write
- Keep the discussion circle small
- Preserve any evidence through access control
- Protect your work product
- Consider/discuss legal issues with counsel

DON'TS

- Respond emotionally or take any hasty actions
- Immediately confront the subjects
- Damage or mark any (potential) evidence
- Writing on original documents
- Base your investigation on anonymous info, hearsay or opinions
- Limit the scope of your concerns to a specific issue

Reporting & Closure

˝   Purpose of the Deliverable

˝   Structure of the Report

˝   All facts must be supported with an exhibits

˝   The value of the Executive Summary

˝   Presentation of the report

˝   Sign off

Developing Fraud Controls & Anti-Fraud Programmes

Developing Fraud Controls & Anti-fraud Programs

˝ The regulatory environment

˝ The elements of fraud to address

˝ Key components of an anti-fraud regime

˝ Measuring compliance

15

The Regulatory Environment

˝ Internal control systems should be designed to prevent or detect material error and fraud

˝ "Sarbox" is the first regulation where established good practice for anti-fraud programmes is set out; European legislation is likely to follow suit

˝ Auditors (will) have a responsibility to give an opinion on the adequacy of controls, including anti-fraud programmes

The Elements of Fraud to address
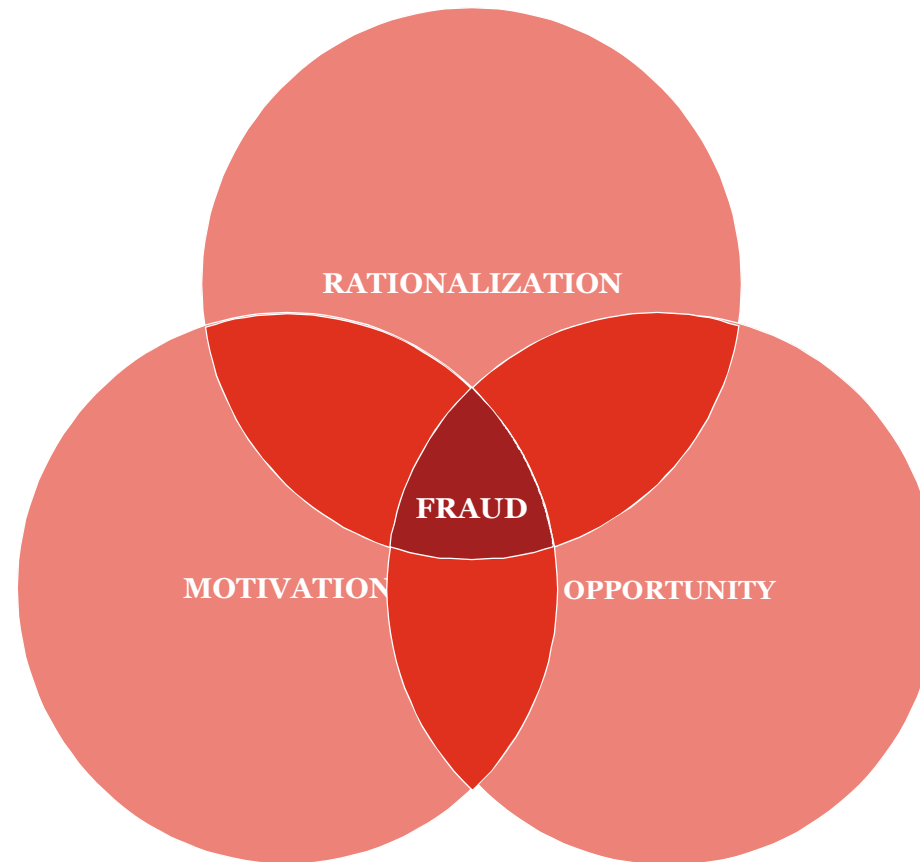
Key components of an Anti-Fraud regime

INFRASTRUCTURE

- Governance
- Ethics – Fraud Policy/Code of Conduct
- Training and Education
- Communication
- Incident Reporting

Mechanisms

- Intelligence Screening

RISK MANAGEMENT

- Analysis and Implementation – management fraud risk assessment
- Self Assessment – Management Evaluation and testing
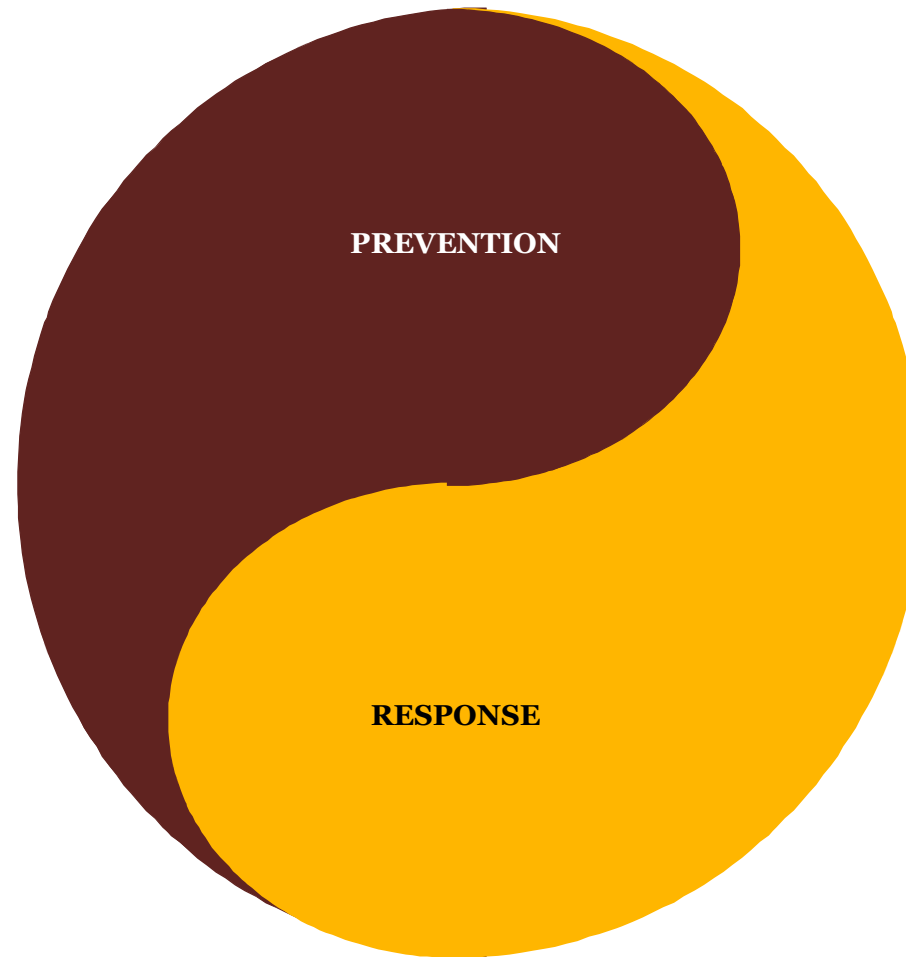
KEY COMPONENTS OF AN ANTI-FRAUD REGIME

MONITORING & COMPLIANCE

- Investigation
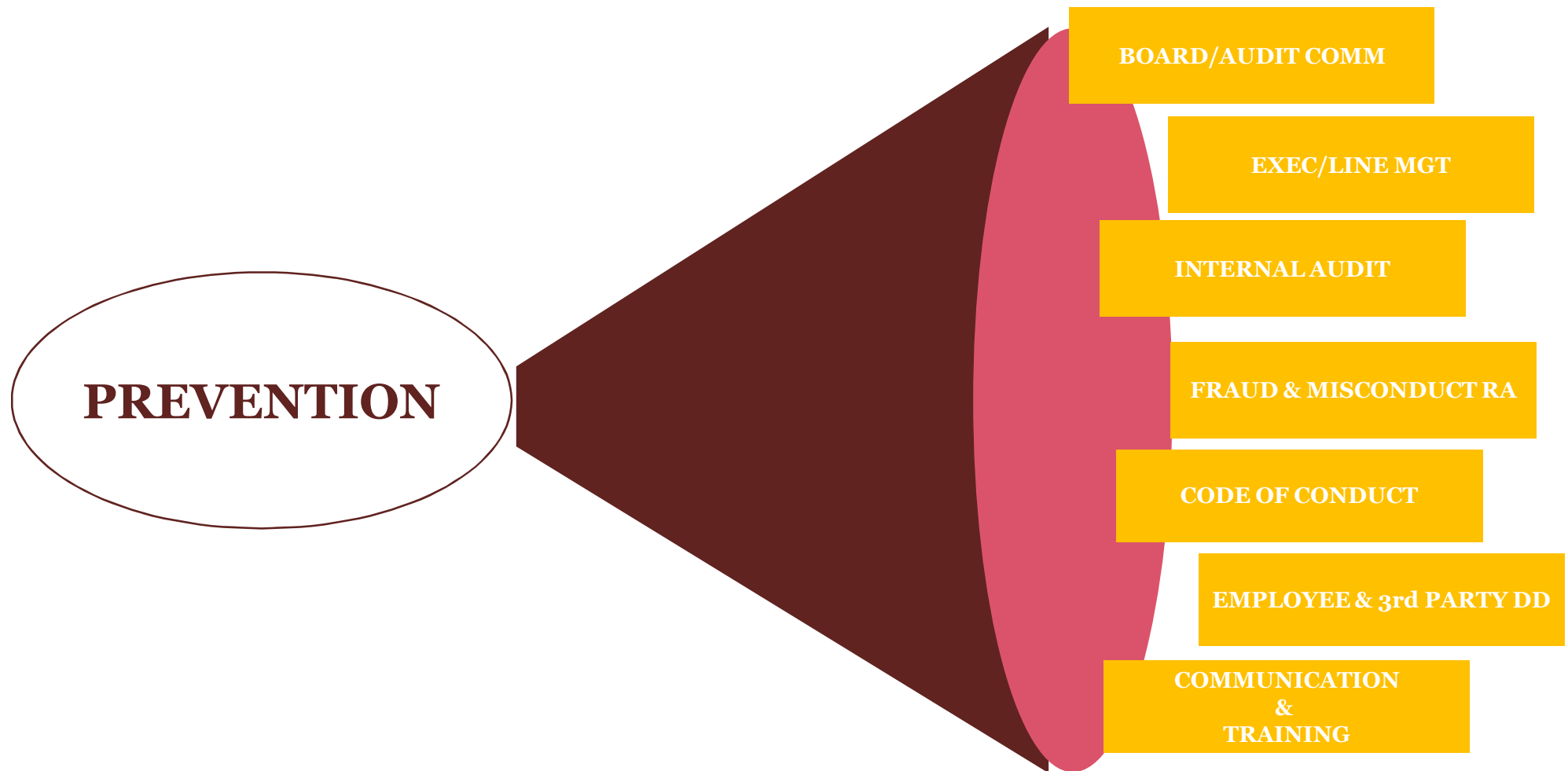- Internal Audit
- Remediation

INTELLIGENCE

- Internal: investigation and internal audit findings, trend analysis
- External: intelligence networks, best practice

Fraud Prevention & Response

PREVENTION

RESPONSE

Fraud Prevention: Control Considerations

PREVENTION

BOARD/AUDIT COMM

EXEC/LINE MGT

INTERNAL AUDIT

FRAUD & MISCONDUCT RA

CODE OF CONDUCT
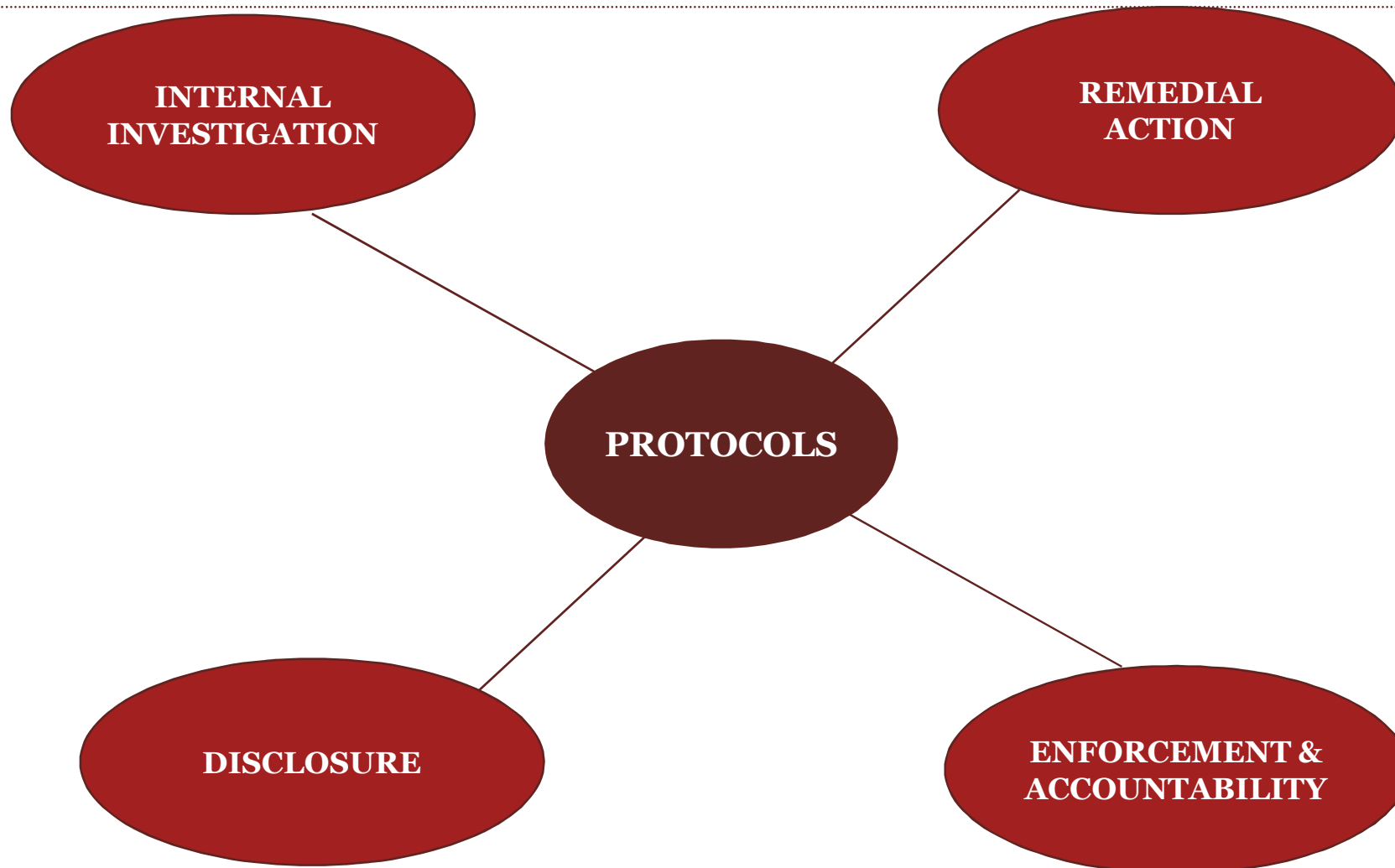
EMPLOYEE & 3rd PARTY DD

COMMUNICATION
&
TRAINING

Fraud Response

˝ Responsive controls are designed to take corrective action and remedy the harm caused by fraud or misconduct. These include:

    ˝ Internal investigation protocols

    ˝ Remedial action protocols

    ˝ Enforcement and accountability protocols

    ˝ Disclosure protocols

RESPONSE

Fraud Response

The End

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