

Bridging the Divide – How to perform a Fraud Investigation:

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What is
Fraud?



What is Fraud?



A word cloud illustrating concepts related to fraud. The words are arranged in a cluster, with varying sizes and colors. The most prominent words are **corruption** (large, teal), **investigations** (large, orange), **CAPABILITY** (large, blue), and **FRAUD** (large, dark red, oriented vertically). Other words include **cyber** (blue), **collusion** (teal), **motivate** (purple), **regulation** (black), **forensic** (green), **opportunity** (black), **capability** (blue), **rationale** (green), **fraudster** (black), **theft** (green), **VALUES & NORMS** (purple), and **rationale** (yellow). The words are interconnected, suggesting a complex relationship between these concepts in the context of fraud.

What is Fraud?



Fraud is an *intentional deception* made for personal gain in order to *obtain unauthorized benefits* (money, property, etc.)

**FRAUD
ALERT**

The four elements of fraud:

- A **false** representation about a **material fact**,
- And made **intentionally**, **knowingly**, or **recklessly**,
- Which if **believed** and **acted** upon by the victim,
- Can cause the victim's **harm** or **unfair advantage** to the perpetrator.

What is Fraud?



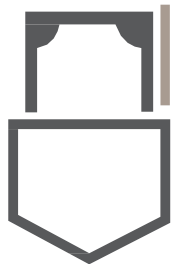
Why is white collar
crime so dangerous as
compared to other
types of crime?



The Key Drivers of Fraud



Opportunity – *Ability to execute plan without being caught.*



Incentive – *The financial or emotional reward pushing one to fraud.*

Fraud
Triangle

Fraud
Diamond

Rationalisation – *Personal justification or wrong action.*



Capacity – *Ability to perpetrate.*



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The Fraud Examination Methodology



Fraud Examination



This term refers to a process of *resolving allegations of fraud from inception to disposition*, and it is the primary function of the anti-fraud professional.



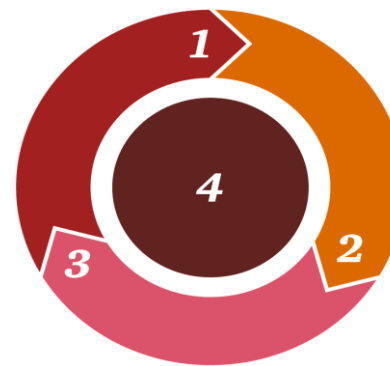
The fraud examination process:

1. Obtain evidence

2. Reporting

4. Assisting in fraud detection and prevention

3. Testifying to findings





Fraud Examination - Risk Management



- Understand the allegations;
- Define the objectives and scope the investigation;
- Define the reporting protocols; (internally & externally)
- Understand the regulatory environment;
- Define the skills and resources required for the job (response team);
- Understand the nature of evidence required;
- Establish proper time parameters

Fraud Examination – 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*

Fraud Examination – Evidence Gathering



What is evidence?



“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”

Fraud Examination – Types and Sources of evidence



Types

- Direct Evidence
- Testimony
- Expert Evidence
- Real Evidence
- Documents
- Physical Objects
- Circumstantial Evidence
- Electronic Evidence
- Photographic Evidence

Sources

- Internal Records
- Financial Records
- Legal Records
- Human Resource Records
- Electronic Media
- Employee Workspace

Fraud Examination –Evidence Gathering Methods



Fraud Examination –Evidence Analysis



Document Examination

- Handwriting reading, document authentication, signature experts etc.

Data Analysis

- Trend analysis
- Comparison
- Test runs for any exceptions

Interview

- Understand case for against the subject
- Other indicators like body language and eye contact

Fraud Examination –Interview

Do's and 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

Fraud Examination – Reporting and 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



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Developing Fraud
Controls &
Anti-Fraud
Programs



Developing Fraud Controls & Anti-fraud Programs



- The regulatory environment
- The elements of fraud to address
- Key components of an anti-fraud regime
- Measuring compliance



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

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Questions?

System Protected