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Anti-Fraud Playbook

The best defence is a good offense

March 3, 2021

What We Will Cover

1. Introduction
2. The Phases & Plays
3. Q&A

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Fraud - It's not a case of if but when!

Man arrested after phishing email used to make fraudulent PUP claims

Cybercrime in Ireland now double global average with record levels of fraud

Belfast mailbox address used by account holder in Russian money-laundering scheme

Two arrested over allegations of fraud at Irish broadcaster

Couple jailed for £600,000 VAT fraud

A Slovenian woman has been found guilty of deliberately sawing off her own hand as part of an insurance scam.

HSE feared €7.5m fraud during purchase of 350 ventilators

Former barrister jailed for three years for theft

Judge says Patrick Russell committed substantial breach of trust

Man arrested over lucrative international fraud activities in Ireland

Former solicitors plead guilty to conspiracy to commit fraud

Irish man arrested as part of €15m global PPE scam

800 lockdown benefit fraud claims in Northern Ireland as staff did other work during coronavirus pandemic

Ireland: BOI Fined Over €1.6 Million In Relation To Cyber- Fraud Incidents

The U.K.'s Serious Fraud Office charged three former executives of G4S Care and Justice Services UK Ltd. for conspiring to defraud the Ministry of Justice over several years, the prosecutor said in a statement.

Coronavirus: Up to £3.5bn furlough claims fraudulent or paid in error - HMRC

Financial company in Dublin city raided as part of alleged international fraud investigation

Click fraud levels reach new heights in pandemic

Commerzbank says it was a victim of Wirecard fraud

Businesses warned to be on high alert for fraud ahead of Brexit

A Belfast accountant who defrauded a care home of more than £1m has been sentenced to 18 months in prison.

Online fraud 'costs UK £10.9bn a year'

Why should Directors/companies consider Fraud?

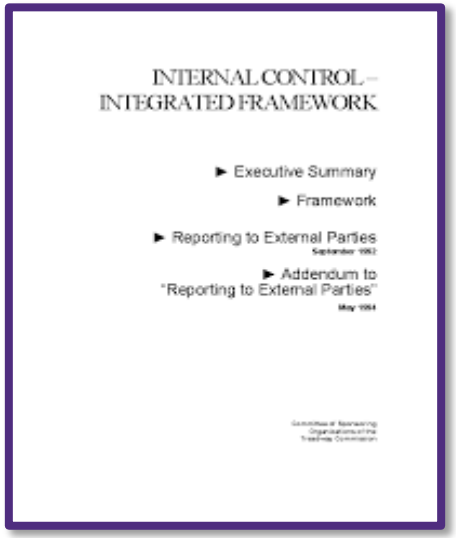
- The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
  - Important that management, and those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- Section 58 of the Criminal Justice (Theft and Fraud Offences) Act 2001
  - Personal criminal liability of a director where an offence is committed with the consent, connivance of or attributable to any neglect by the director. The standard of neglect is an objective one and no actual knowledge or intention needs to be proven.
- Criminal Justice (Corruption Offences) Act 2018 (Corruption Offences Act)
  - Body corporate can be liable for an offence committed by any director, manager, secretary, employee, agent or subsidiary of the company acting for its benefit, unless it can be established that it took all reasonable steps and exercised all due diligence to avoid the offence being committed.
- Companies Act 2014
  - Under the Companies Act, where it appears that a director was knowingly a party to carrying on the business with intent to defraud creditors or for any fraudulent purpose, a court can find the director guilty of fraudulent trading. Fraudulent trading attracts both civil and criminal liability.

Why should Directors/companies consider Fraud – Contd.

- UK
  - A director can be held criminally liable for theft under the Theft Act 1968, but a company cannot.
  - A company, and any director who consented to or connived in the act, may be held criminally liable for fraud under the Fraud Act 2006.
  - It is a criminal offence for a company to bribe another person (including a foreign public official) or to accept a bribe under the Bribery Act 2010.
  - If the offence is committed with the consent or connivance of a director, the director may also be held criminally liable. The Companies Act 2006 duty of a director not to accept benefits from third parties is also relevant in this context.

How Did We Get Here?

1992

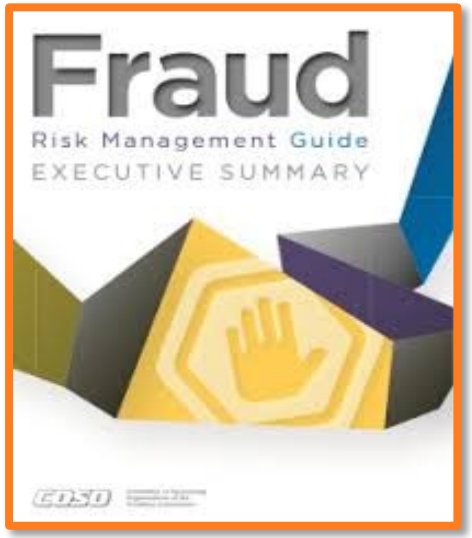


COSO releases its original Internal Control-Integrated Framework

2013

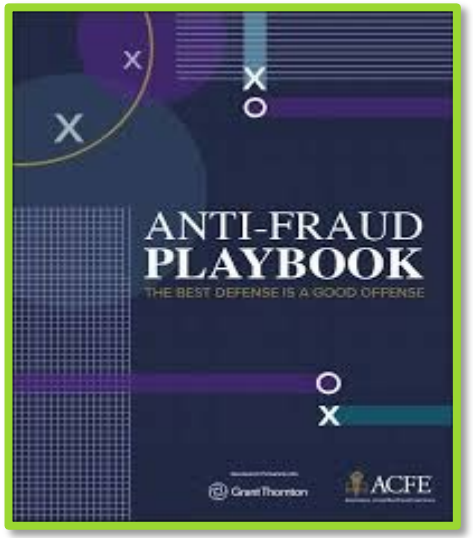
COSO incorporates 17 principles, including a new principle focused on fraud risk

2016



COSO & ACFE publish the Fraud Risk Management Guide

2020



Grant Thornton & ACFE publish the Anti-Fraud Playbook

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Poll #1

Are you familiar with the COSO Fraud Risk Management guide?

- A) Yes, my organisation leverages the guidance in the COSO Fraud Risk Management guide.
- B) I have heard of the COSO Fraud Risk Management guide, but my organisation does not fully leverage it today.
- C) I am unsure, or not familiar with the COSO Fraud Risk Management guide.

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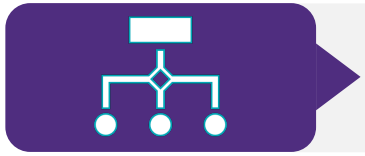
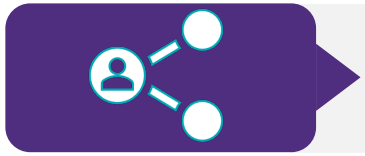
The Phases & Plays

COSO's Fraud Risk Management Principles



Fraud Risk Governance: The organisation establishes and communicates a Fraud Risk Management program

Fraud Risk Assessment: The organisation performs comprehensive fraud risk assessment

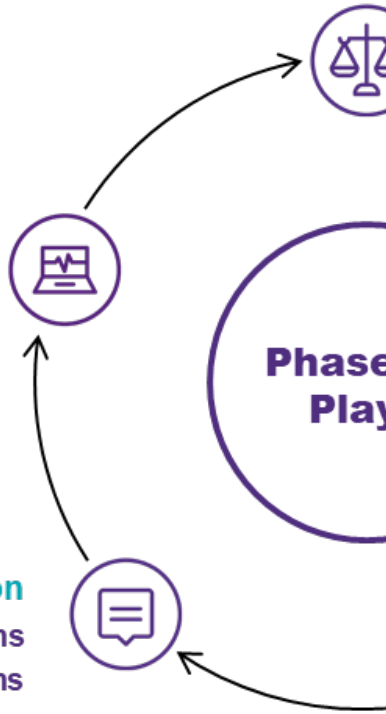


Fraud Control Activity: The organisation selects, develops, and deploys preventive and detective fraud control activities

Fraud Investigation & Corrective Action: The organisation establishes a communication process to obtain information about potential fraud and deploys a coordinated approach to investigation and corrective

Fraud Risk Management Monitoring Activities: The organisation selects, develops, and performs ongoing evaluations

The Phases & Plays



Fraud Risk Governance
Play #1 – Understand Where You Are & Where You Want to Be
Play #2 – Create a Culture

Fraud Risk Assessment
Play #3 – Think Like a Fraudster
Play #4 – Discover What You Don't Know

Fraud Control Activities
Play #5 – Use Data to Uncover Fraud
Play #6 – Knowledge is Power

Investigations and Corrective Action
Play #7 – Lay the Groundwork for Investigations
Play #8 – Conduct Investigations

Fraud Monitoring
Play #9 – Monitor Your Progress
Play #10 – Report on Your Progress

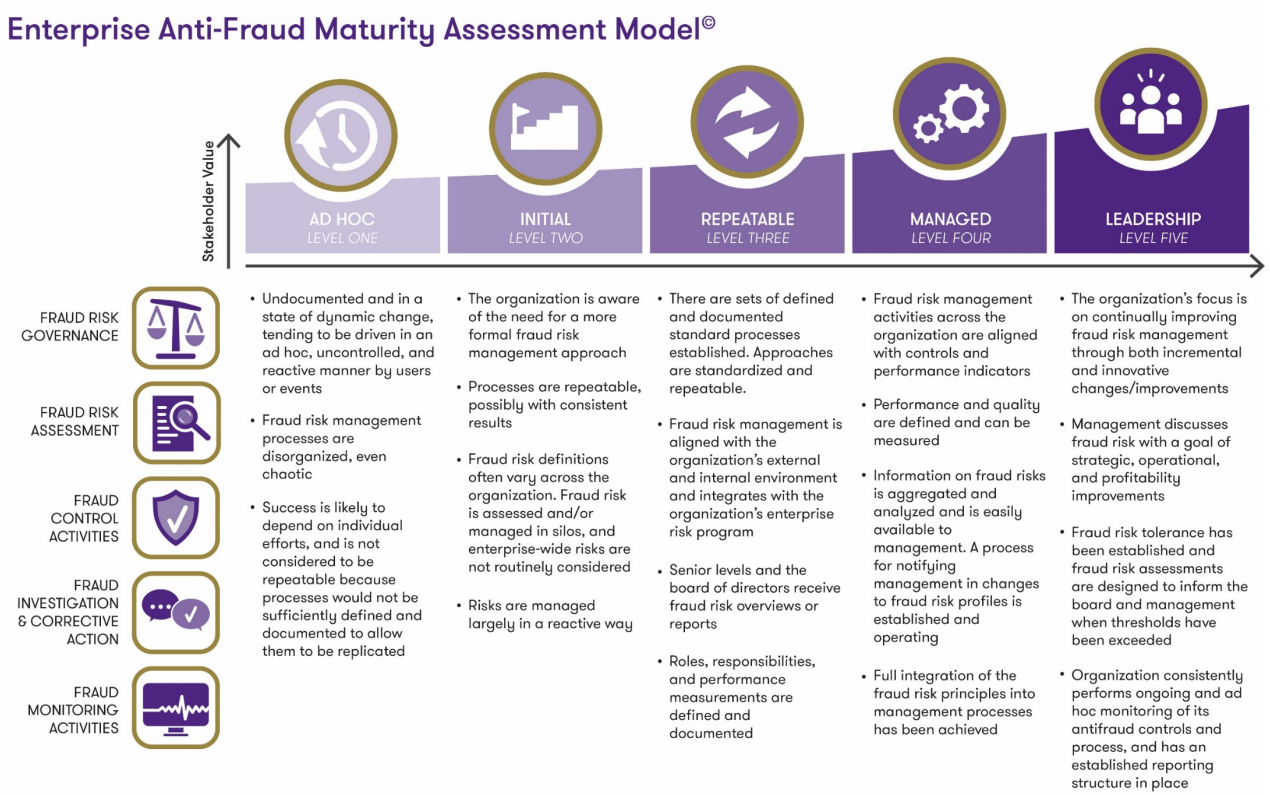
Fraud Risk Governance

Play 1: Understand Where You Are & Where You Want to Be

Fraud Risk Management (FRM) should be **right-sized and tailored** for the unique needs of each organisation.

An organisation must understand where their FRM program stands today (**current state**), then identify their long term vision (**goal state**).

This process will allow you to develop a **roadmap for the future** and **focus on gaps** that need to be addressed to **move from the current to the goal state**, ensuring resources are effectively utilised in areas of high impact and high priority.



Poll #2

My organisation has a clear roadmap and strategy to support our fraud risk management program and serve as the foundation for decision-making and resource allocation.

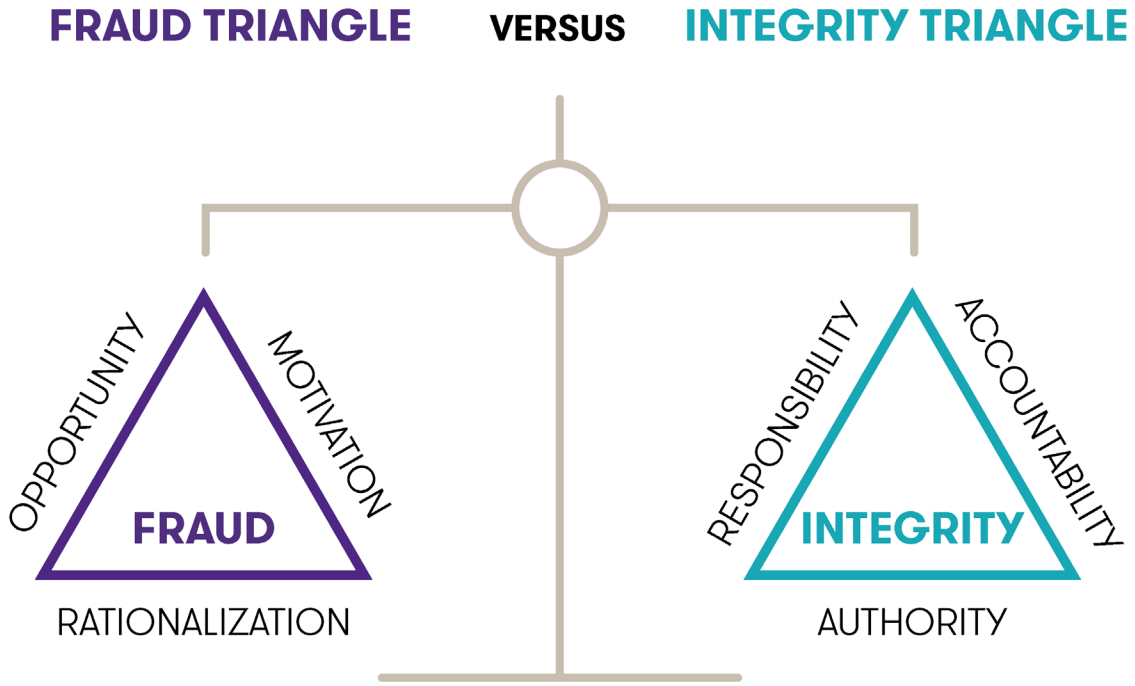
- A) No, we do not have a clear roadmap and strategy.
- B) Partially, we have some pieces of a roadmap and strategy but it is not comprehensive.
- C) Yes, we have a clear roadmap and strategy.

Fraud Risk Governance

Play 2: Create a Culture

Promoting fraud awareness throughout your organisation from the top down is vital to a creating a **strong anti-fraud culture,** enhancing fraud awareness, and encouraging employees to discuss fraud risks openly and thoughtfully.

There is not a one-size-fits-all model when it comes to promoting fraud awareness. It is important for every organisation to tailor these efforts to be relevant to its **specific fraud risks** and the strategic goals of the FRM program.



Serving as the counterbalance to the **Fraud Triangle**, the **Integrity Triangle** emphasises the values that encourage people to do what is right for the organisation.

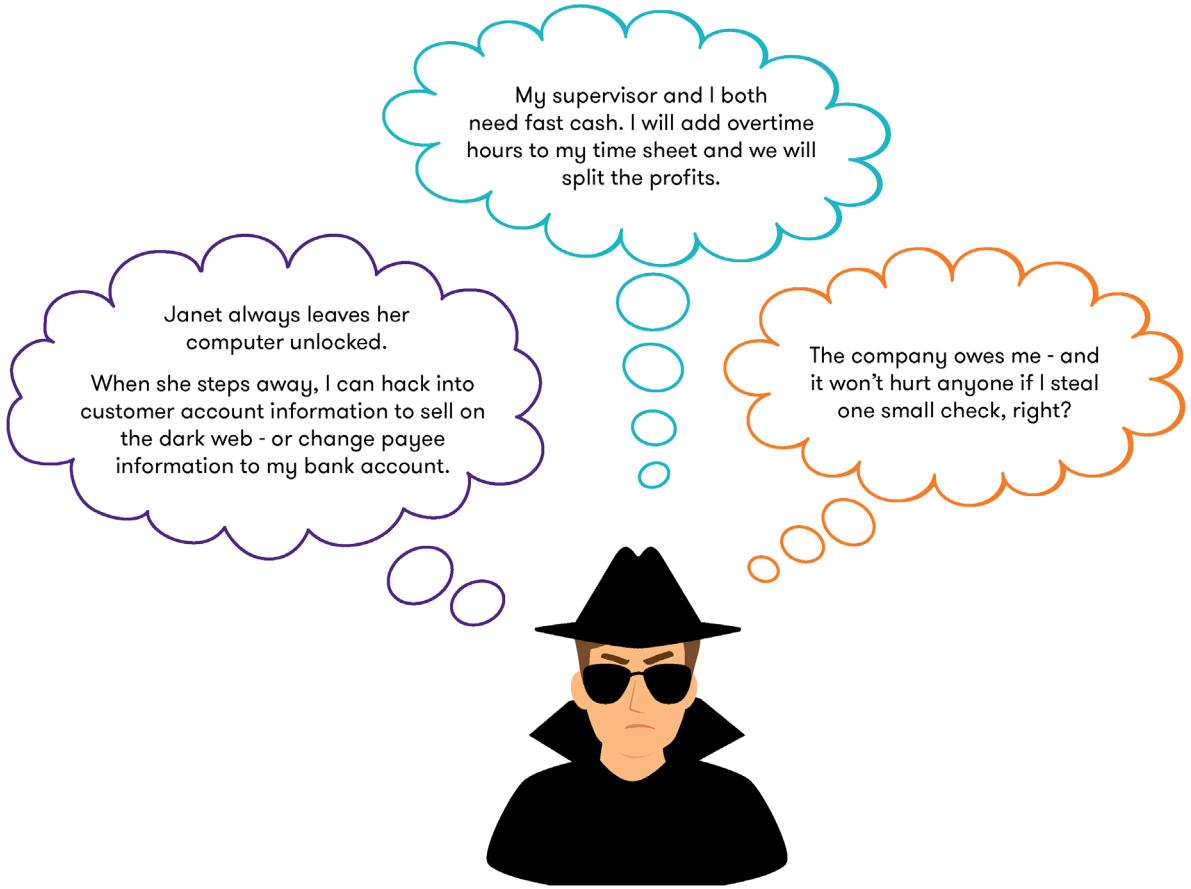
Fraud Risk Assessment

Play 3: Think Like a Fraudster

Identifying vulnerabilities and likely fraud schemes – both internal and external – is imperative to informing your fraud risk assessment.

Thinking like a fraudster and brainstorming the various fraud schemes that could be used to commit fraud within or against your organisation is a key step.

You can accomplish this effort by developing a comprehensive **Fraud Risk Map**, which identifies significant fraud scenarios across your entire organisation.



Poll #3

My organisation has a comprehensive understanding of both current and emerging fraud risks.

- A) No, we do not have a comprehensive understanding of both current and emerging fraud risks.
- B) Somewhat, we have an understanding of risk but it may vary across the organisation.
- C) Yes, we have a comprehensive understanding of both current and emerging fraud risks.

Fraud Risk Assessment

Play 4: Discover What You Don't Know

Conducting a fraud risk assessment helps you **understand exactly where your processes may be vulnerable to fraud** and allows for a holistic and detailed look at the fraud risks across the organisation.

A Fraud Risk Assessment is a tool that helps organisations **identify the unknowns** through the identification of key risks – both internal and external – and enables organisations to **take action to proactively combat those risks**.

Fraud Risk Assessment

Play 4: Discover What You Don't Know

As you develop a methodology and conduct a fraud risk assessment, key questions to ask yourself include:

- Who will be on your fraud risk assessment team? What are their roles and responsibilities?
- Where do you want to start your fraud risk assessment?
- Does your organisation leverage a likelihood and impact scale for other risk assessment efforts that you can leverage for assessing fraud risk? If not, how do you plan to develop those scales?
- How will you educate stakeholders on the fraud risk assessment process to ensure understanding of key terms and procedures?
- How will you document and evaluate existing anti-fraud controls throughout the assessment process?
- What factors should you consider when prioritising fraud risks? Will this be based solely on likelihood and impact scores, or will other information be considered?
- How will you respond to high-priority risks identified? How can you leverage your roadmap and strategy (see Play 1) to inform this process?
- How often will you perform a fraud risk assessment? What changes will initiate a reassessment?

As part of the risk scoring process, you should identify existing anti-fraud controls and their effectiveness. This will help determine likelihood and impact scores and inform risk response.

Poll #4

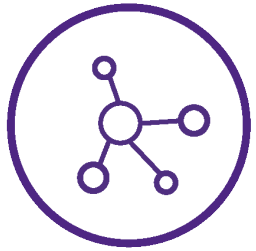
My organisation has a clear picture of anti-fraud controls and their effectiveness.

- A) No, we do not have a clear picture of anti-fraud controls and their effectiveness.
- B) Somewhat, we have an understanding of anti-fraud controls but it may vary across the organisation.
- C) Yes, we have a clear picture of anti-fraud controls and their effectiveness.

Fraud Control Activities

Play 5: Use Data to Uncover Fraud

FRAUD RISK ASSESSMENT

Rule-based analytics	Anomaly detection analytics	Predictive analytics	Network / link analytics	Text analytics
				
Known patterns	Unknown patterns	Complex patterns	Linked patterns	Text patterns

Common fraud | Criminal fraud | Organized fraud

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Fraud Control Activities

Play 6: Knowledge is Power

Organisations should not only develop and deploy mandatory enterprise-wide anti-fraud training, but customise the content and delivery of the training.

This type of **targeted and role-based anti-fraud training** will help your employees to better identify suspicious activity and feel empowered to act against potential fraud.

Focus on real-life examples and provide on-the-job tools, such as red flags listings or job aides. **Include interactive sessions, such as role-playing exercises** to keep participants engaged and help employees practice the thoughts and behaviors demonstrated in the training materials.

Still not convinced that you need this type of training?

Tips are time and time again one of the top ways that fraud is identified. The ACFE's 2020 Report to the Nations found that organisations with fraud awareness training for employees were more likely to get tips through formal reporting mechanisms, 56% compared to 37%. That translates to more effective hotlines and the potential to catch fraud sooner, reducing the loss and impact to your organisation.

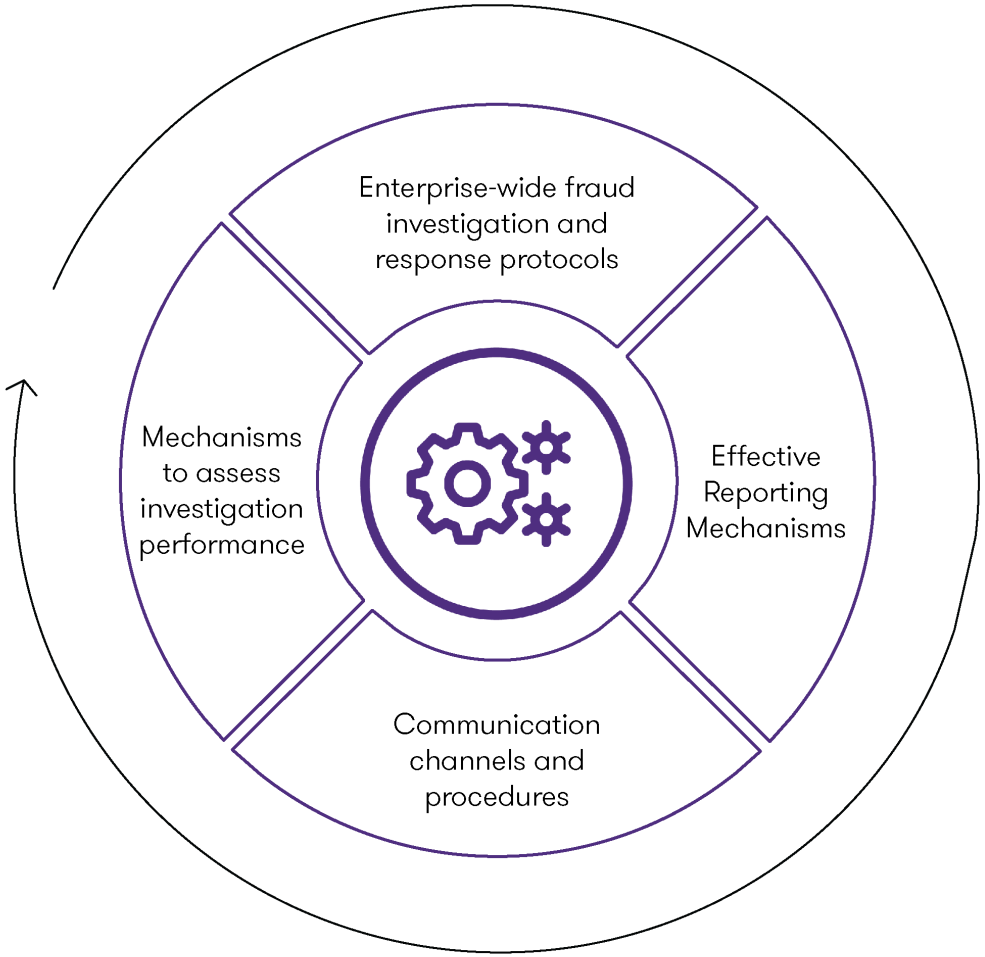
Investigations & Corrective Action

Play 7: Lay the Groundwork for Investigations

An effective fraud risk management framework include controls that first **prevent** fraud from occurring, **detect** fraud when it does happen and **respond** effectively to fraud incidents when they occur. **Investigations are part of fraud response.**

A **necessary first step** is to **lay the proper foundations** for such an investigation by adopting the proper tools and mechanisms to evaluate, communicate, and remediate both instances of potential fraud and the control deficiencies that lead to fraud.

This will **empower your organisation to prioritise, assign, and monitor reported fraud** and implement effective corrective actions.



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Investigations & Corrective Action

Play 8: Conduct Investigations

Investigations are a critical component of uncovering not only fraud within your organisation, but also a range of associated other corporate crimes, such as money laundering, corruption, and bribery. Investigations also act as an effective fraud deterrence practice, showcasing the organisation's **commitment to high ethical standards** and **creating the perception of detection**.

If you have a solid foundation, as highlighted in the previous play, then this should be a well-defined process. Key steps you should perform following the conclusion of an investigation include: **communicating investigation results, taking corrective action, and finally, evaluating investigation performance.**

Investigations will typically include the following components:	The investigation will involve different steps depending on the kind of allegation, but below are some general factors to consider:
Computer forensics	Time sensitivity
E-discovery	Confidentiality
Data analytics (i.e., predictive coding)	Legal priveleges
Digital forensics	Objectivity
Records and risk management	
Incident response	
Data breach investigations	

Poll #5

Have you ever had to conduct an investigation, if so did you use an internal team or external team?

- A) No, we have never had to conduct an investigation.
- B) Yes, and we used and internal team.
- C) Yes, and we used an external team.

Monitoring Activities

Play 9: Monitor Your Progress

Organisations and risk landscapes are dynamic and always evolving. This means that implementing an effective fraud risk management program requires ongoing monitoring to stay on top of those changes, and get ahead of emerging threats.

Monitoring almost always comes last when organisations build FRM programs, sometimes even as an afterthought. However, **monitoring and periodic evaluations provide vital insight into the effectiveness of fraud risk management activities** and help identify areas for improvement.

Tips

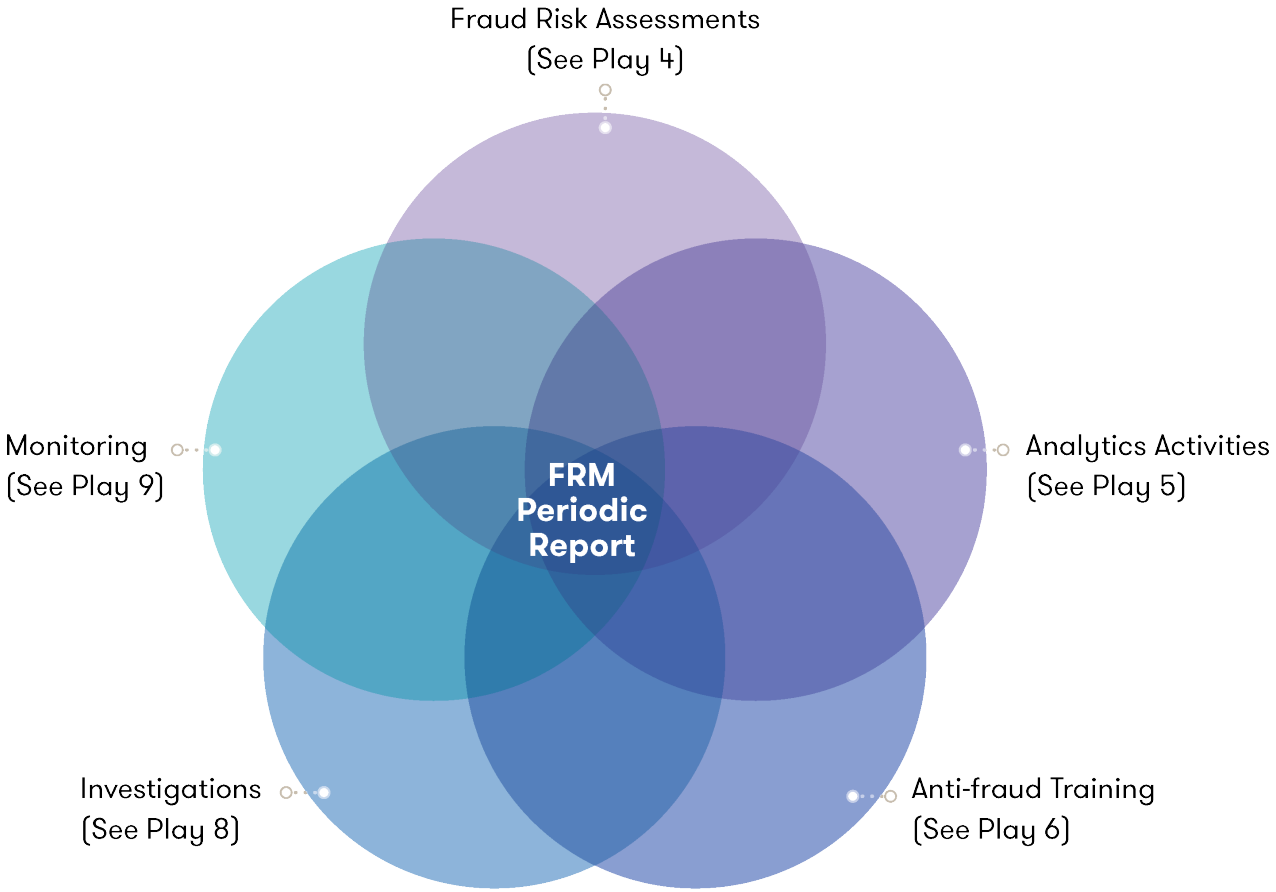
- **Focus on the effectiveness**. This means you should focus on measuring outcomes instead of outputs.
- **Use the results to improve**. Conducting monitoring and evaluation activities is the first step. Ensuring that there are mechanisms in place to track progress on corrective actions is key to closing identified gaps.

Monitoring Activities

Play 10: Report on Your Progress

Communicating the results and outcomes of your fraud risk management program at all levels of your organisation— and to your organisation's leadership—is essential to **increase awareness, showcase accomplishments, and motivate senior leaders to prioritise FRM efforts**.

You should be communicating along the way, but **it is important to have periodic reporting to share outcomes, insights and lessons learned**. The information you include is up to you – just be sure you consider all your fraud risk management activities.



Poll #6

Part 1 - Does your organization monitor your Fraud Risk Management Programme? Yes / No

Part 2 – If yes, in Monitoring your Fraud Risk Management, does your organisation:

A. have a plan for monitoring your organisation's fraud risk management program?
B. perform ongoing evaluations that monitor control activities real time?
C. use data analytics as part of ongoing monitoring activities?
D. capture the number of frauds (actual and attempted) against your organisation?
E. capture the number of fraud allegations received via your organisation's fraud hotline (or other methods)?
F. capture the number of employees who have not signed your corporate ethics policy or completed your corporate ethics training?
G. provide regular reports to its leadership with statistics/measures aimed at fraud prevention and detection?
H. seek to identify fraud schemes (existing or new) elsewhere in your industry?
I. track whether deficiencies identified in your fraud risk management program are remediated on a timely basis?

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Supplemental Tools

The Anti-Fraud Playbook outlines a number of supplemental tools you can leverage to apply the best practices and guidance outlines. This includes:

Anti-Fraud Playbook

- Enterprise Anti-Fraud Maturity Assessment Model
- Fraud Risk Map Template

ACFE's Fraud Risk Tools

- Interactive Scorecards
- Library of Anti-Fraud Data Analytics Tests
- Risk Assessment & Follow-Up Action Templates
- Points of Focus Documentation

https://www.acfe.com/fraudrisktools-tools.aspx

Any final questions?

Please contact one of our Core Forensic team, who between them have over 110 years of experience in Forensics:

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Thank you for attending

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