



**Fraud: How I can find it and resolve it fast
(and help remove the wasteful cost from my organisation)**

IIA Croatia

16th June 2021 17.00 – 17.50 (18.00)

**Nigel.Iyer@B4investigate.com
(and special guests)**



The plan for today

1. Welcome and goals
2. Fraud and Corruption de-mystified (what, who, how)
3. Groupwork (groups of 4 or 5)
 - What kind of Fraud Detective are you?
 - Short case for you to solve
4. Review of cases, “follow the money” and Fraud Data Science
5. Situational Example - a short drama
6. Resolving Fraud fast – an introduction
7. Reflections, summary and “Ask us Anything”

You will receive: These slides, articles, CPE certificate from the IIA, Fraud 101 (May 2021)



Any questions please ask



Nigel Krishna Iyer
Born 07.02.1964
Fraud Detective for over 25 years
UK Chartered Accountant, Computer
Scientist, Writer / Dramatist





Our Goals Today



Question #1



A simple and wide definition of the words...

By “fraud and corruption” we are talking about any type of deliberate and unethical activity, done by anybody (external* and internal) which causes harm (to your organisation) in the short or long term.

This includes loss of profits and value, damage to reputation and erosion of culture.

* «External» includes related suppliers, customers, consultants etc, and ALSO completely external such as HACKERS, OPPORTUNISTS, COMPETITORS etc



What do you think?

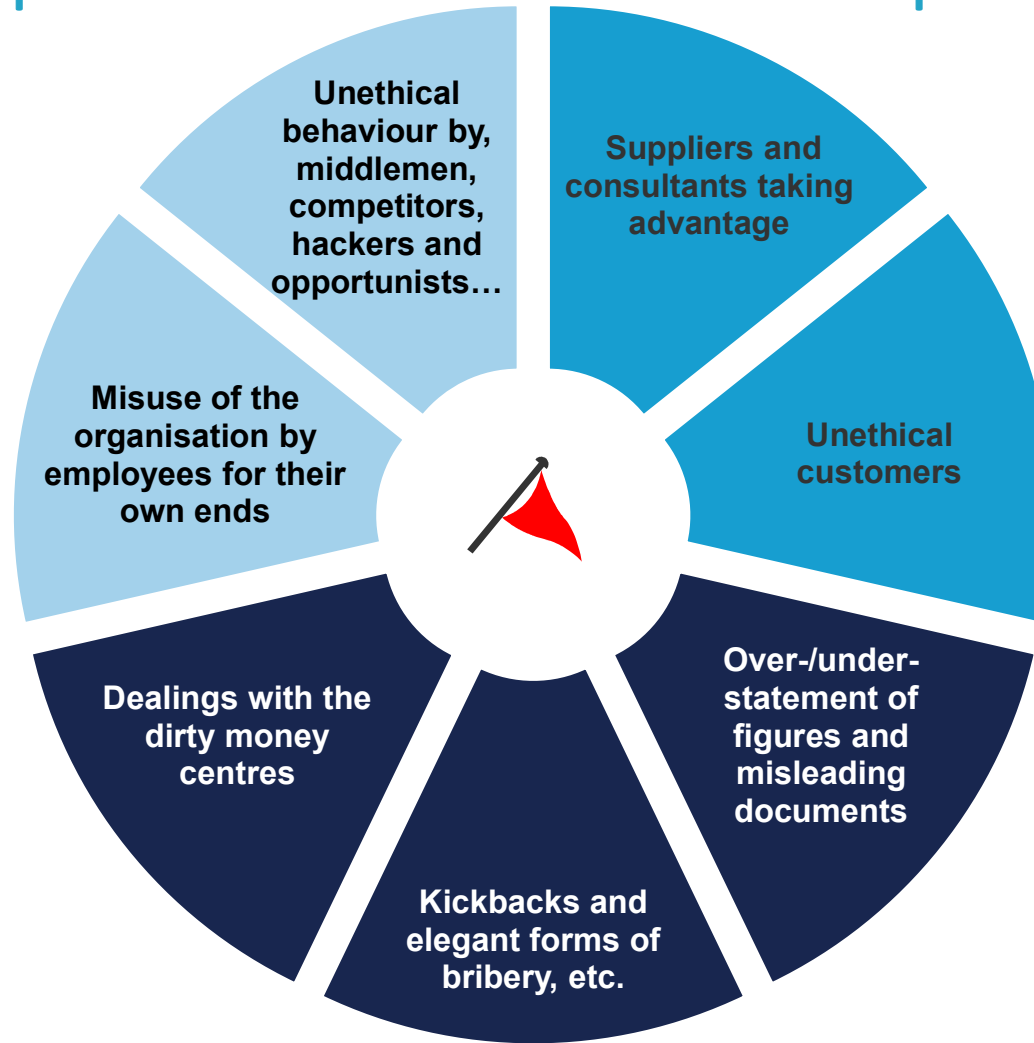


What do you think?

An organisation with sales /a spending budget of EURO 100 million. How much do you estimate is (on average) lost because of fraud and corruption each year?

- € 0 – € 100,000
- € 100,000 – € 1 million
- €1million – €5 million
- € 5 million – € 7 million
- > € 7 million

Types of fraud and corruption





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Question #2



What does it cost?

Sales	1000
Costs	950
Profits	50
Profit Margin	5%

920 *
80 *

8 % * !!!

If fraud and corruption costs for example 3 % of sales...



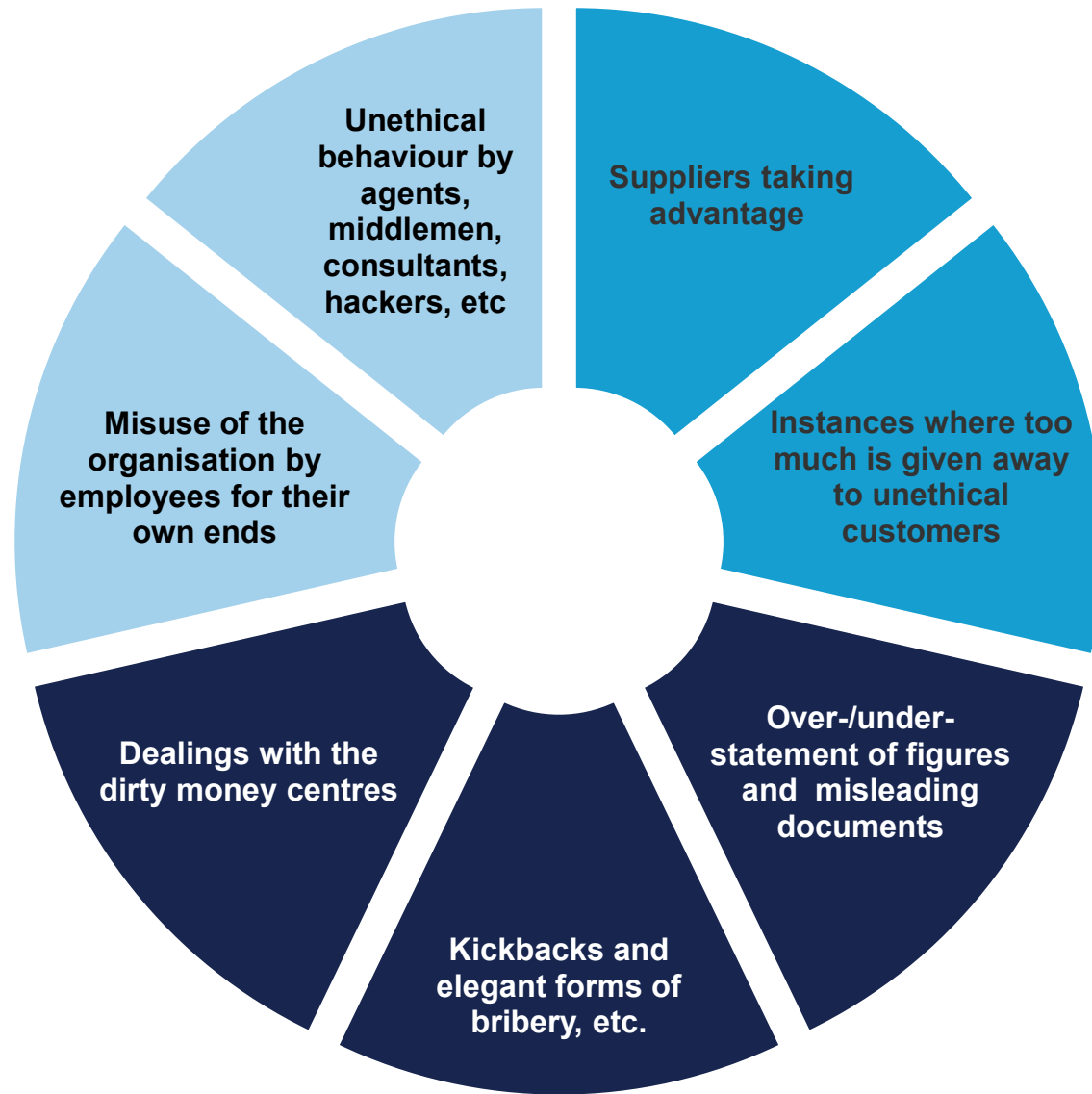
Circular arguments....

*“Agreed but
not
recognised”*



*“Common
but not
tolerated”*

*Based on research done by Veronica Morino,
Richard Minogue and Thomas Brytting*





C^3

R

A

P^2



Current "defences"

- More rules and even more compliance



I solemnly swear that I have read and understood the terms and conditions



Covid-19 - update

- Accepting a failure to deal with fraud in the past 40 years
- The growing costs....



Centre for Counter-Fraud studies
(University of Portsmouth –
Professors Jim Gee and Mark
Button). November 2020

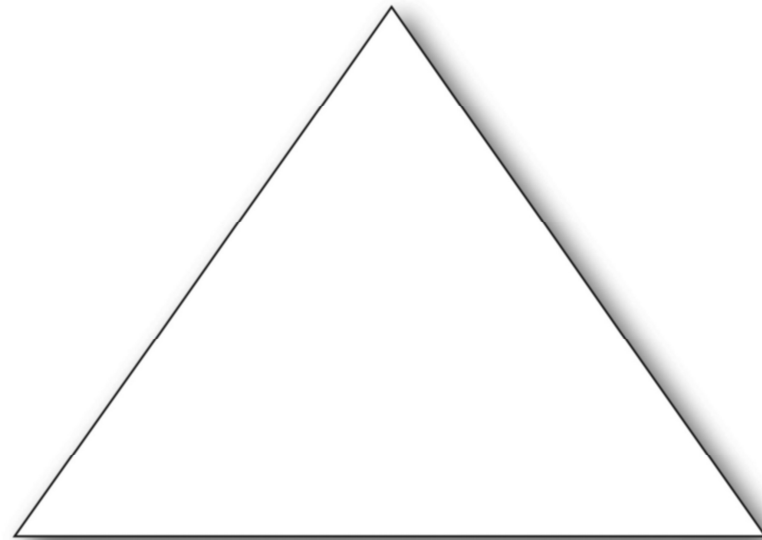


Who, how, why?



Why do we break the rules?

Need, Motivation, Pressure



Rationalization

Opportunity



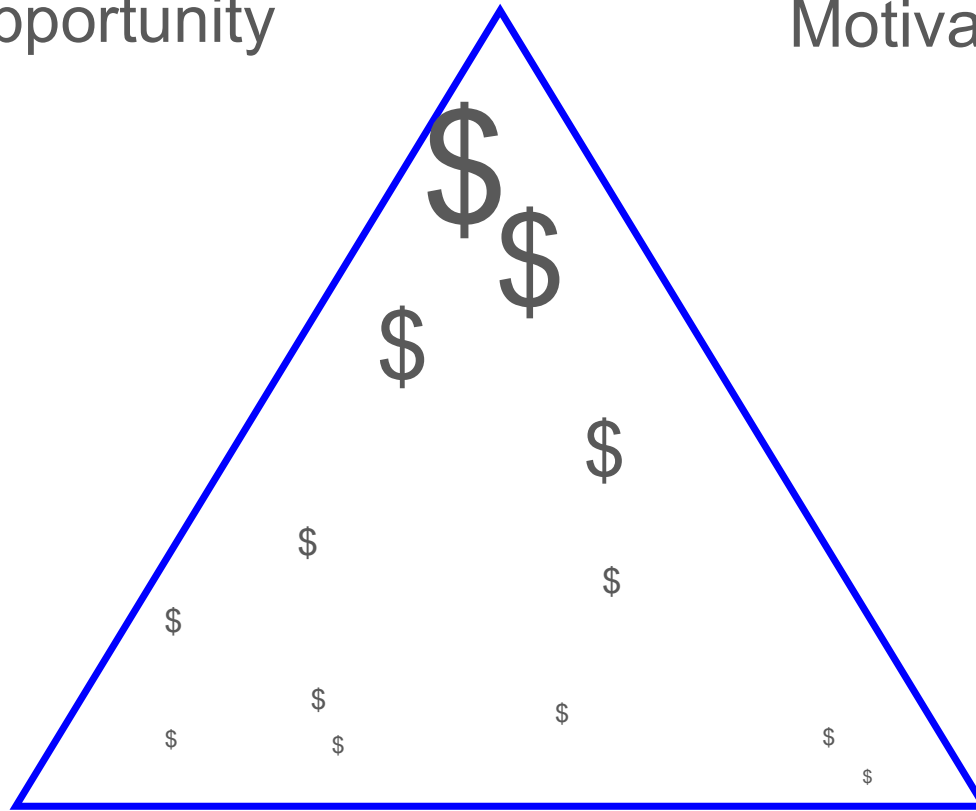
Donald Cressey



Where does it all go?

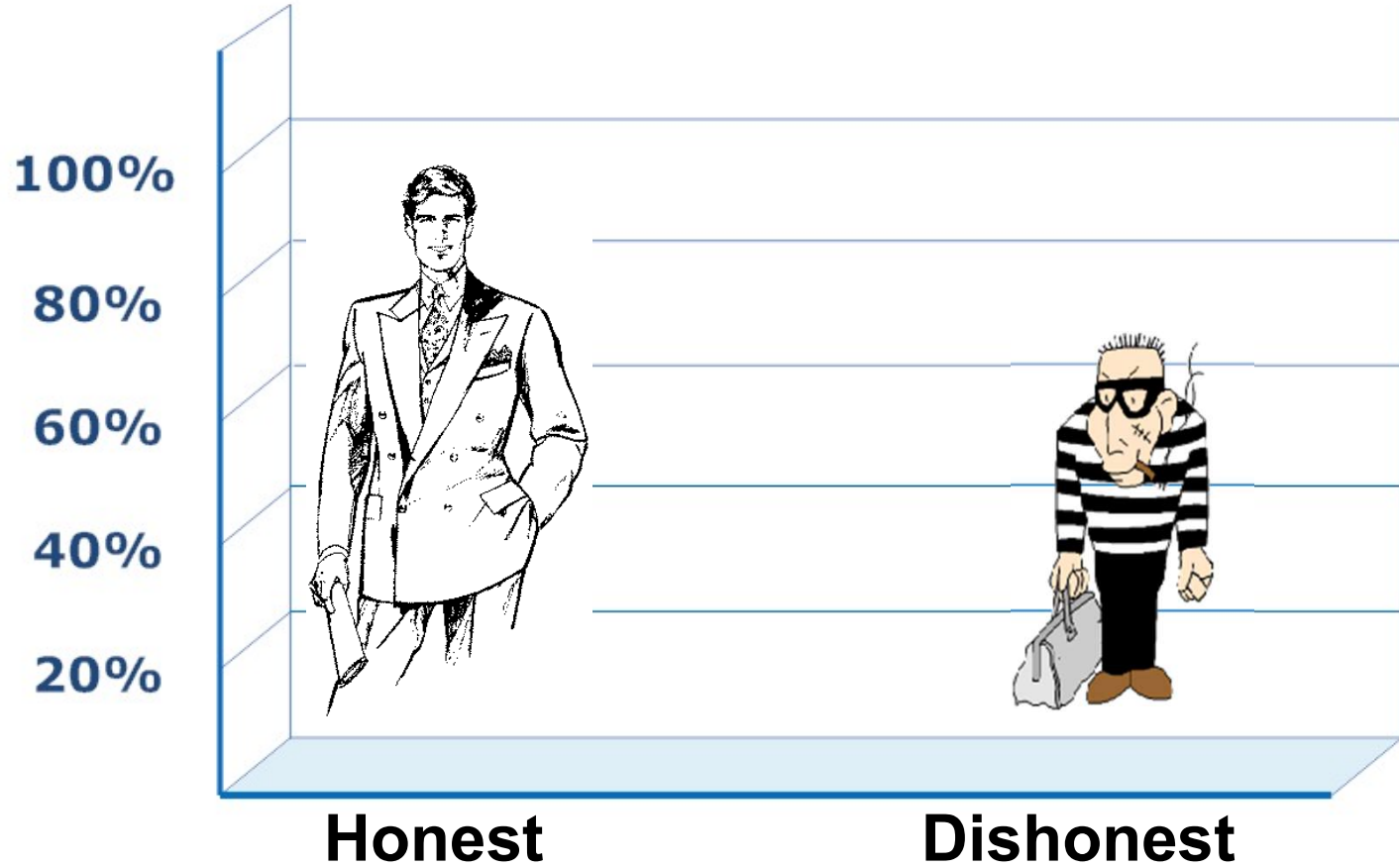
Opportunity

Motivation



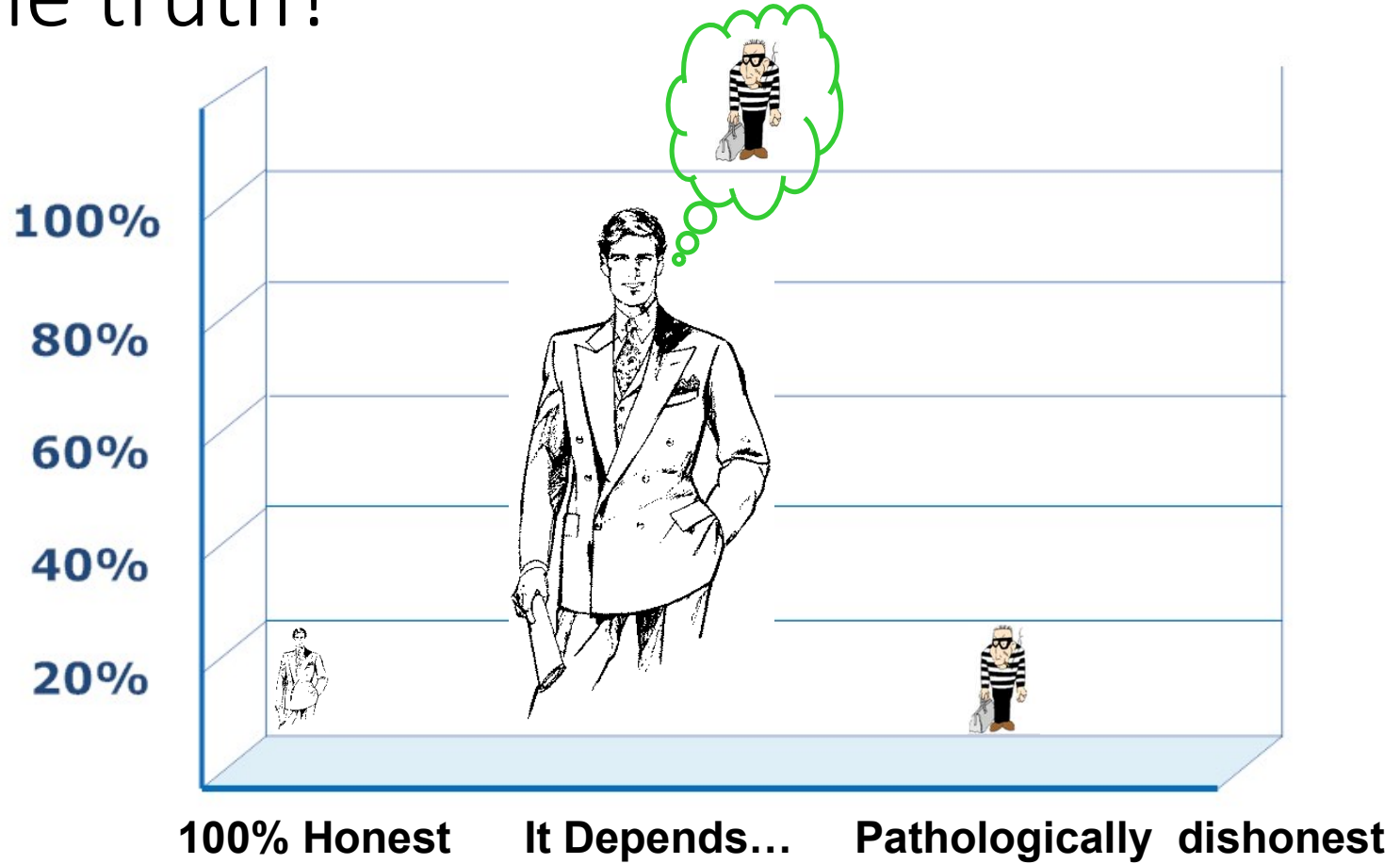


We believe...





But is the truth?

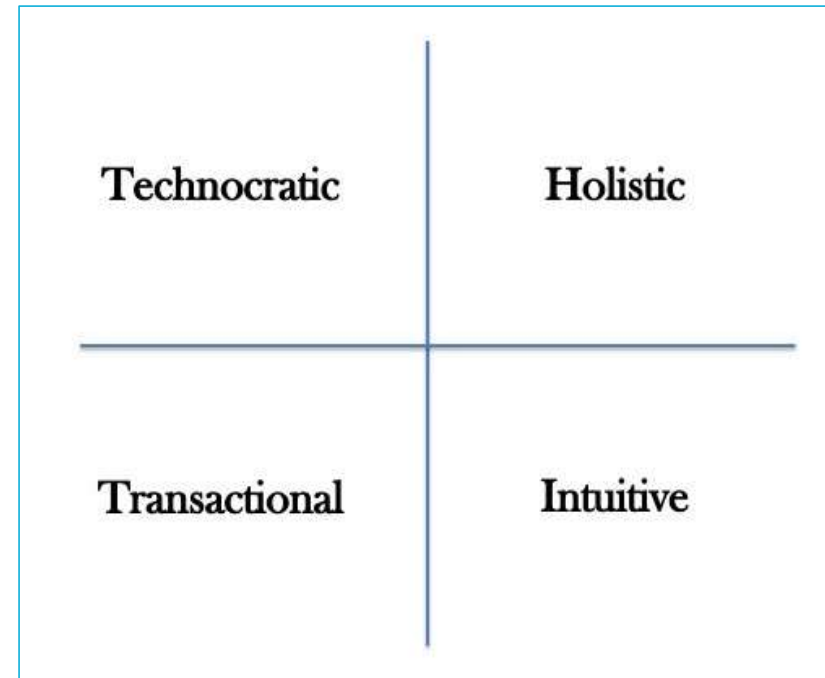
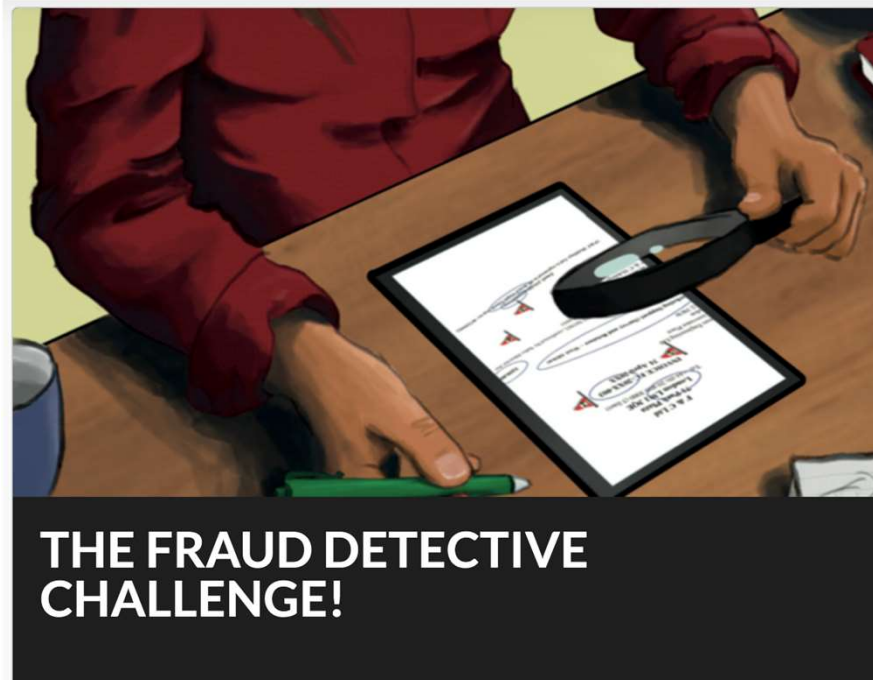




Groupwork



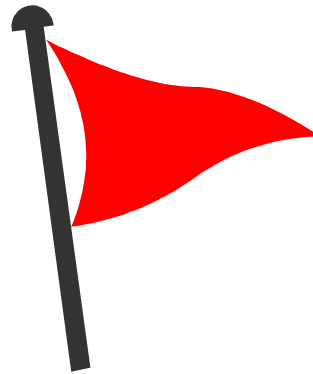
Question 3



<https://b4investigate.com/fd-challenge/>



Question #4





Gron Brothers Ltd

Renovation specialists

INVOICE: GB 32

PAYMENT TERMS: 30 days net

DATE ISSUED: 26.04.2021

SEE REFERENCE: verbal agreement

YZW Manufacturing d.o.o.
Av. Većeslava Holjevcica 62
10010 Zagreb,
Croatia

Date	Description of service	Qty	Pce
26.04.2021	Compensation claim as agreed with plant manager		40,000.00
	Sum (GBP):		40,000.00
	Vat (20%)		8,000.00
	Grand Total (GBP):		48,000.00

Gron Brothers Ltd
12 Dorando Ct,
W12 London, UK

Tel: +385 98 362 714
E-mail: ivan.maric@hotmail.com
Reg.nr.: 341987676

Account nr: 60-16-13 32926819
Bank: NowBank Inc.
IBAN: GB29 NWBK 6016 1331 9268 19



GoldenRod Research Academy Ltd

71 Park Plaza

London LW1 3QE

Tel: +44 (0) 20 800 3000 (5 lines)

INVOICE 0001

21 January 2021

YZW Manufacturing d.o.o.
Av. Većeslava Holjevca 62
10010 Zagreb,
Croatia

Research Study – The impact of Brexit on the YZW Group

	GBP
Progress payment on account (regulated in contract: MYORG - 2020 – 2776-118992 dated 07.02.2020)	13,000.00
Travel expenses for Dr. Goran Karlović incurred in period	1,439.58
Total	14,439.58

Payments due in 14 days to

Bank

GoldenRod Research Ltd
Barclays Bank PLC
Kensington West Branch
Sort Code 41-46-35
Account Number: 21122186
London

Email: gracademy@get2net.dk

(company registered in the British Virgin Islands: reg no: 467239992)



The One Minute Fraud Detective

Follow the money...				
Date	Payment / -Receipt to and from	Information	Cur	Amount
04.05.2020	SCARM TRADERS	Payment for CO2 certificates	EUR	-20,000.00
05.05.2020	MARY A STEVENS	Return of employee loan	GBP	10,000.00
07.05.2020	MINERAL RESOURCE TRADERS	Discount refunded c/o Minerals Resources (Cyprus)	EUR	-10,000.00
08.05.2020	KEY CONSULTANTS LTD	Invoice 20933 07.05.2020	GBP	128,402.00
09.05.2020	CASH (CHEQUE 201923232)	Withdrawal	USD	2,000.00
10.05.2020	PA FINANCE	Invoice PA 0003	GBP	251,208.00
11.05.2020	VEKSOL SA LTD (c/o Mr Gammudi)	Agency commission	USD	200,000.00
12.05.2020	ROBYN M BLYNDE	PAY TO PRIVATE ACCOUNT GENEVA 7200912432	EUR	100,000.00
15.05.2020	SUNOIL ANGOLA E PRODUCAO SARL	BONUS PAID SUNOIL JERSEY	USD	1,679,467.00
18.05.2020	OCSENU TRUST	Donation	EUR	15,000.00
20.05.2020	THE RUPDANDL FOUNDATION INC	c/o Tom Rupdandl (Isle of Man)	USD	-300,000.00
20.05.2020	MORTON INVESTMENTS LONDON LTD	LAND ACQUISITION - PAID TO MORTON INV. BVI LTD	GBP	500,000.00
20.05.2020	HARPIK CONSTRUCTION	Proforma Invoice dated 20.05.2020	GBP	13,456.00
20.05.2020	GREEN LEASING	CAR HIRE (MAY) Sales Director Gregory Almond	GBP	75,876.00
21.05.2020	NOIL INVESTMENTS	Final sum property acquired by Lion Ltd	EUR	-200,943.00
21.05.2020	K3 KONSULTADO	Finders fee (Esperatia State Oil)	GBP	60,000.00
25.05.2020	Mr Gregory Almond	Sales bonus (pay to Almond Enterprises Ltd)	EUR	35,758.00
25.05.2020	SWEDISH PIPE AND SERVICE AB	Urgent steel purchase (Tenerife)	SEK	234,728.00
25.05.2020	KEY CONSULTANTS LTD	Settlement (re invoice 20925)	GBP	-20,000.00
27.05.2020	KEY CONSULTANTS AG	Invoice 20935 (20.05.2020)	GBP	246,843.00
29.05.2020	FRAUD CONFERENCES LTD	No-show refund (Jones, Smith, Anchovy)	GBP	-15,000.00

What questions could YOU be asking?



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“Follow the money”



What is Fraud Data Science?



A situational example

(and what would you do if you were this lady?)



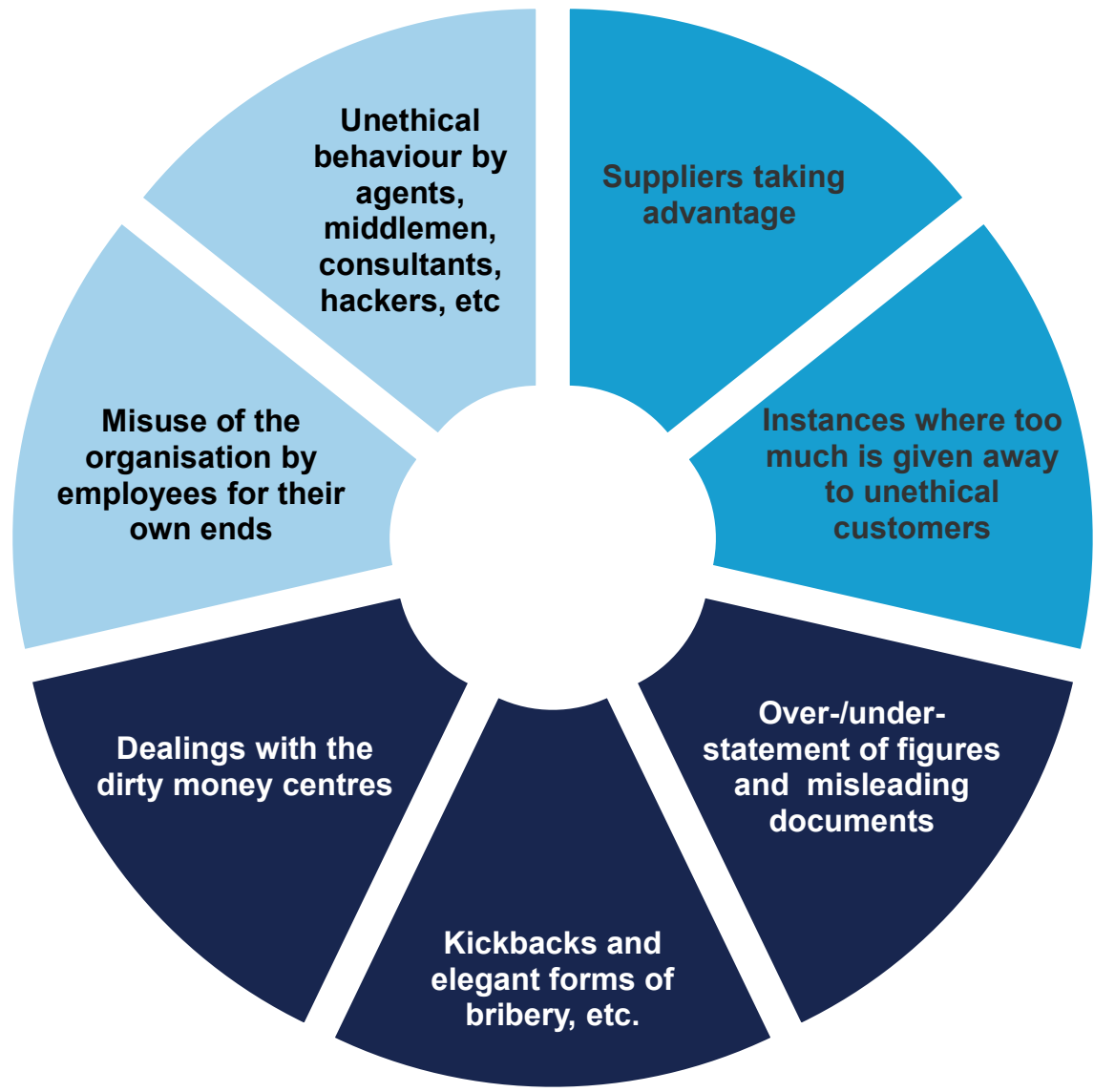


Question #5

If you were Helga what would your next move be?



Resolving Fraud





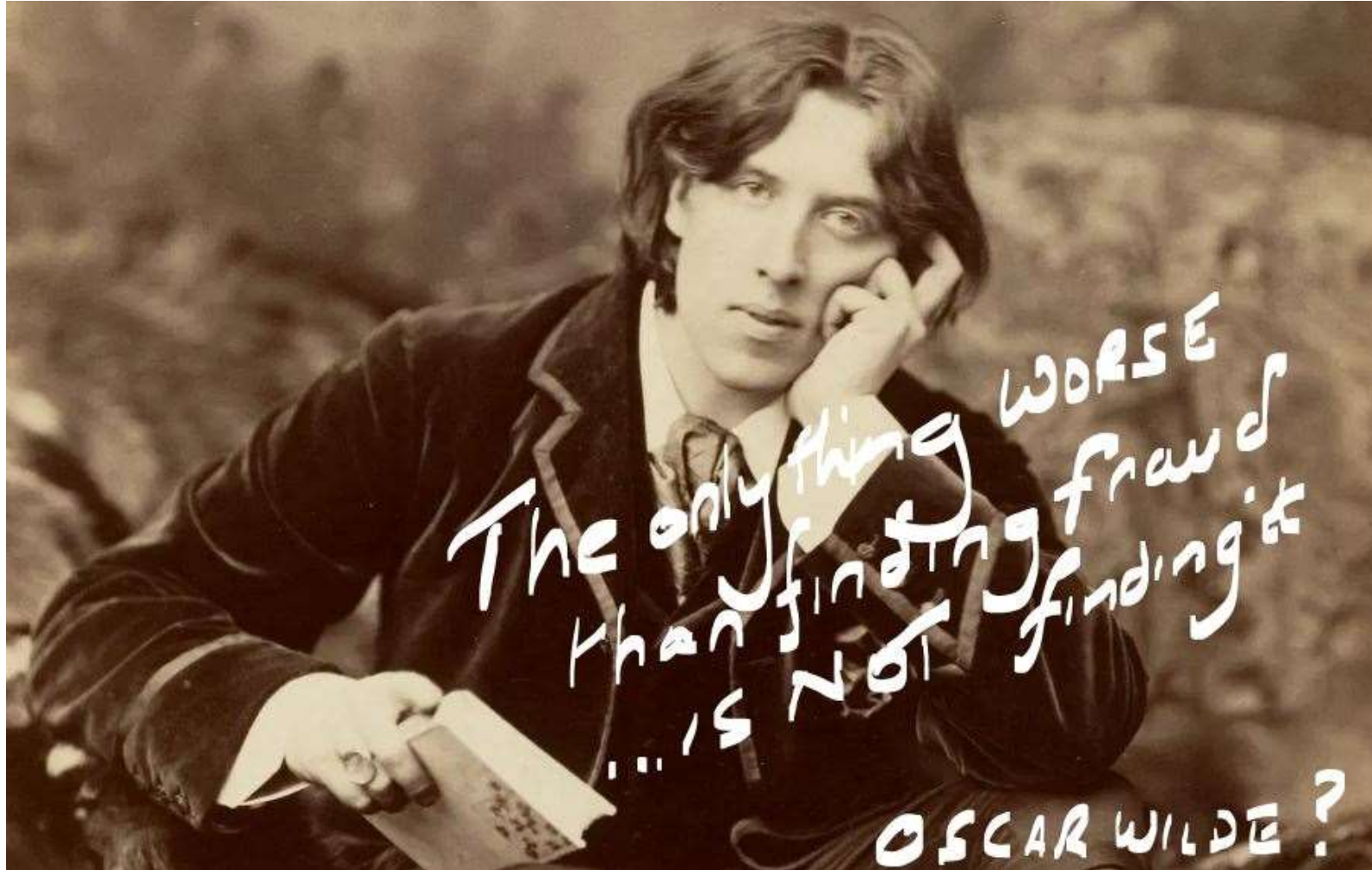
Eight pathways to resolve fraud fast

1. “All hands-on deck”
2. Learn to “think like a thief” to out-think the fraudsters.
3. Embrace a healthy curiosity.
4. Be passionate and also com-compassionate in dealing with fraud.



8 pathways (continued)

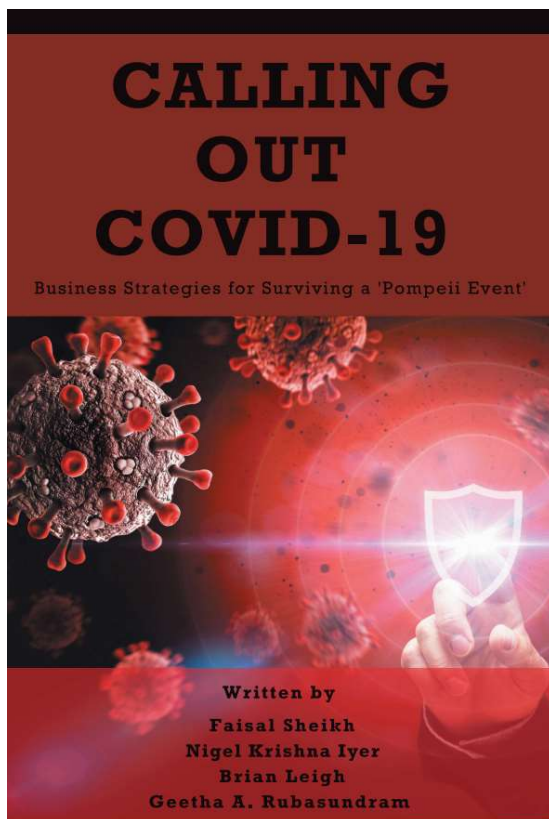
5. Never panic (fraud is normal, not a remote risk!)
6. Encourage everyone to be a fraud detective.
7. Take charge of technology.
8. Stay ahead of the problem (and don't wait for the whistleblower)





$$\langle \int_a^x \sum F * n = \rangle NPM$$

Less fraud equals greater net profit margins



CHAPTER 4

Fraud 101

In the wake of this Pompeii Event, governments across the world are borrowing tens of billions of dollars in order to satisfy spending needs, as tax receipts have plummeted. National gross domestic products (GDPs) are deteriorating, and unemployment rates are sky rocketing. Millions of workers are working from home due to hard and soft lockdowns and are social distancing, which has also disrupted local and global supply chains. The result is a fertile ground for fraudulent activity. For example, in December 2020, in America, two owners of New York pharmacies were charged in a \$30M COVID-19 health care fraud and money laundering case, due to exploiting Medicare rules that were intended to help patients obtain access to essential COVID-19 medications.

Although imperfect, the most appropriate theory to understand why fraud occurs is Cressey's (1953) *The Fraud Triangle*, which argues three conditions are necessary, namely *pressure*, *opportunity*, and *rationalization*, see Figure 4.1 for the perpetration of any type of fraud. The analogy of starting a fire is a good way to visualize why a fraud occurs. Pressure is the *source of heat for the fire*, opportunity as the *fuel that keeps the fire going*, and rationalization as *oxygen that keeps the fire burning*.

The principal factor contributing to an increase is pressure from the economic fallout due to the unfolding pandemic. As workers lose their jobs or are overworked, they will be tempted to look for internal control weaknesses and rationalize any fraudulent activity such as embezzlement due to mounting bills such as mortgage payments. Consequently, the Fraud Triangle is amplified in a downturn and even more so in a Pompeii Event. An exploration of how to deal with the menace of fraud will now be made.



Ask us Anything!



Last words



Protect your organisation from
fraud B4 it spreads

THANK YOU!

Nigel Iyer

Nigel.Iyer@B4investigate.com