Everyone can become a Fraud Detective

7th July 09.00 – 09.45 UK time
With Nigel Krishna Iyer
Today’s topic

“How can we all play an active role in protecting our organisations and banks using tools and techniques at our disposal together with the skills to recognise suspicious activity…early”
The plan

• Fraud: Demystification and myths dispelled
• The human side and how to spot the signs? (ex 1)
• What kind type of fraud detective are you? (ex 2)
• Healthy Curiosity using the “T.L.A.T. method”
• Follow the money and exercise (for you to try) (ex 3)
• Efficient Resolution
• Summary and “Ask me Anything”
After the webinar

- Slides
- Fraud 101
Nigel Krishna Iyer
- Born 07.02.1964
- Fraud Detective for over 25 years
- UK Chartered Accountant, Computer Scientist, Writer / Dramatist
- Co-Founder and CEO “B4”
First case…
What do you think?

An organisation with total external costs or sales of €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
- € 1 million – € 5 million
- € 5 million - € 7 million
- € 7 million
A simple and wide definition of Fraud

By “fraud” 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
Suppliers and consultants taking advantage

Unethical customers

Misuse of the organisation by employees for their own ends

Unethical behaviour by, middlemen, competitors, hackers and opportunists...

Over-/under-statement of figures and misleading documents

Dealings with Dirty Money

Kickbacks and elegant forms of bribery, etc.

Unethical behaviour by, middlemen, competitors, hackers and opportunists…
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The numbers game

<table>
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<tr>
<th>Sales</th>
<th>1000</th>
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<tr>
<td>Costs</td>
<td>950</td>
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<tr>
<td>Profits</td>
<td>50</td>
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*If fraud and corruption costs = 3 % of sales...
Ex 1
What do you think has happened here (and how is he feeling)?
Who, how, why?
What we may want to believe?
vs. The more likely picture

- Totally Honest
- Dishonest
- It Depends...
- Pathologically
Where it goes…?

OPPORTUNITY AND MOTIVATION

POWER

$$$ MONEY $$$
Nigel’s “Top Ten”
why we failed in the last decades

10. Overcomplication of Fraud!
9. Fraud and Corruption is primarily considered a developing country’s phenomenon
8. People have become lazy and believe that robots with AI using big data will find fraud.
7. Zero tolerance
6. Dirty money that we choose to ignore
5. The tick box mentality and “OCD”
4. “Someone else’s problem”
3. Panicking at the last minute
2. Waiting for the whistleblower:
1. A false sense of security and reliance on things which do not help (much) against fraud
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A & P^2
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The cost of fraud after Covid-19

40 Years of Failure to Stop Fraud

Costs of fraud rising post COVID

Ref: Centre for Counter-Fraud studies (University of Portsmouth – Professors Jim Gee and Mark Button).
Example Bank: When the robot got it wrong…
Ex. 2: What kind of Fraud Detective are you?

www.b4fraud.com
You are selling your electric bicycle. An hour after the advert goes online, you get a cash offer that is 10% over your asking price from a Mr. John Jones. When you meet John, he suggests that he pays you 80% of the money now in cash and the remaining 20% next week after he has tested out the bike. You will, of course, receive the balance from his company JJ Investments Ltd, a British Virgin Island company with an address and bank account in London.
F & C Ltd
71 Park Plaza
London LW1 3QE
Tel: +44 (0) 20 800 3000 (5 lines)

INVOICE FC-2020-003
31 April 2020

Britmax Engineering Ltd
11 Grosvenor Place
London
WE2 3EW

Marketing support (EMEA) and retainer (Jan – March 2020) $120,000

(Purchase order reference: BEL: PO: 707328 / Project Director Tom Rupland)

Payment due in 14 days to
F&C Holdings Ltd
PBK Bank
Account Number 11802740000001
IBAN: EE601086663116027400001
SWIFT: PBKBSE22

Email: fcholding@gmail.com
(Holding company registered in Cyprus: reg no: 65464378)

Urgent: Please pay now! Tom Rupland
25.04.20
From: Sir Dave Ramsden ramsden-d@boe.co.uk
Sent: 5 May 2021 15:22
To: “you”
Subject: Business Proposition

I am Sir David Edward John Ramsden; I work at the Bank of England. I have a business proposition to share with you. If you are interested please come back to me for more information.

Regards

Sir Dave Ramsden

Deputy Director – Marketing and Banking

Tel: +356 79 63 1829 E-post: davrsd4@gmx.com
Dear Maria

I have received a credit note from the Northern European sales team. They have given strict instructions that this credit note should be posted to the EAB Systems AB Customer Account (number R 470043) in this financial year and booked against invoice number 1638467 to EAB Systems for the same amount of €1.3 million date dated 16th December. A replacement sales invoice will be issued in February and should also be booked in this financial year. I am acting on instructions from Max, the head of NE Sales. If you have any questions, please let me know as it is easier to explain.

Best regards

Eve 😊

Eve Waugh
Sales Assistant
Miralux Northern European Sales Team
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<td>SUNOIL ANGOLA E PRODUCAO SARL</td>
<td>BONUS PAID SUNOIL JERSEY</td>
<td>USD</td>
<td>1,679,467.00</td>
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<td>Donation</td>
<td>USD</td>
<td>15,000.00</td>
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<td>USD</td>
<td>600,000.00</td>
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<td>NOK</td>
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On the bill of a restaurant, you spot a side dish which you are sure you never ordered.

You also have been charged for tap-water and a 18% service charge was added. You weren’t informed in advance about such extra costs.

How would you react?
• **Transactional** fraud detectives tend to focus first and foremost on details as well as how these details relate to each other. In other words, the Transactional Fraud Detective sees “stories” of fraud through seemingly insignificant happenings. They tend to enjoy working most with technocratic fraud detectives.

• **Technocratic** fraud detectives enjoy identifying patterns creating relationships by “joining the dots” in data which often can be visualized by programs and algorithms. They are often highly systematic and rely on machine support.

• **Holistic** fraud detectives recognize and balances the input from detailed analysis combined with gut feel. They can often quickly see the big picture of the likely frauds taking place but may skip over details. “Holistics” tend to enjoy taking charge to get the best out of the other 3 types of fraud detectives.

• **Intuitive** fraud detectives tend to be internally driven and relying primarily on gut feel. You rapidly skim large volumes of information leading to judgement calls and quick conclusions. They are highly driven but can tend to prefer working alone (…which is not always healthy!)
You will need:

- A silver spoon of influence
  - To identify the window of opportunity
  - ...and have a bucket full of GR£€D!!!
Using “Think-like-a-Thief” in Fraud Risk Assessment – A 3-course menu

The Appetiser
• Group induction
• Warm up (open-up)
• Allow yourself to “think the unthinkable”

The main course
• Assets & Opponents
• Brainstorm Methods

The dessert trolley
• Assembling the Fraud and Corruption Profile
• Using the Fraud and Corruption Profile
Finding fraud early

The Mantra: «Follow the money»

Example: Infiltration, laundering and cover up
# The One Minute Fraud Detective

## Follow the money...

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What questions could YOU be asking?
## The One Minute Fraud Detective

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### What questions could YOU be asking?

- Why was there a payment for CO2 certificates with an unusual amount?
- Why was there a significant payment to a private account in Geneva?
- Was the payment to SUNOIL JERSEY a bonus, and if so, why was it unusually large?
- Why was there a negative payment to a private account in Isle of Man?
- What is the purpose of the proforma invoice dated 20.05.2020?
- Why was there a payment for property acquired by Helion Ltd with a negative amount?
- What is the purpose of the payment to Almond Enterprises Ltd?
- Why was there a negative payment to a consultancy firm?
- What is the purpose of the no-show refund?
Resolve

Only fools rush in
Zero tolerance – There are alternatives
Summary
Eight pathways

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-passionate 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)
Your material

• Slides
• Fraud 101

And feel free to reach out to me for anything else:

Nigel.Iyer@myB4.ai

https://www.linkedin.com/in/nigel-iyer/
The only thing worse than finding fraud... is not finding it.

Oscar Wilde?
Ask Anything!