



Smart decisions. Lasting value

Fraud Risk Management

A Global Model

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Agenda

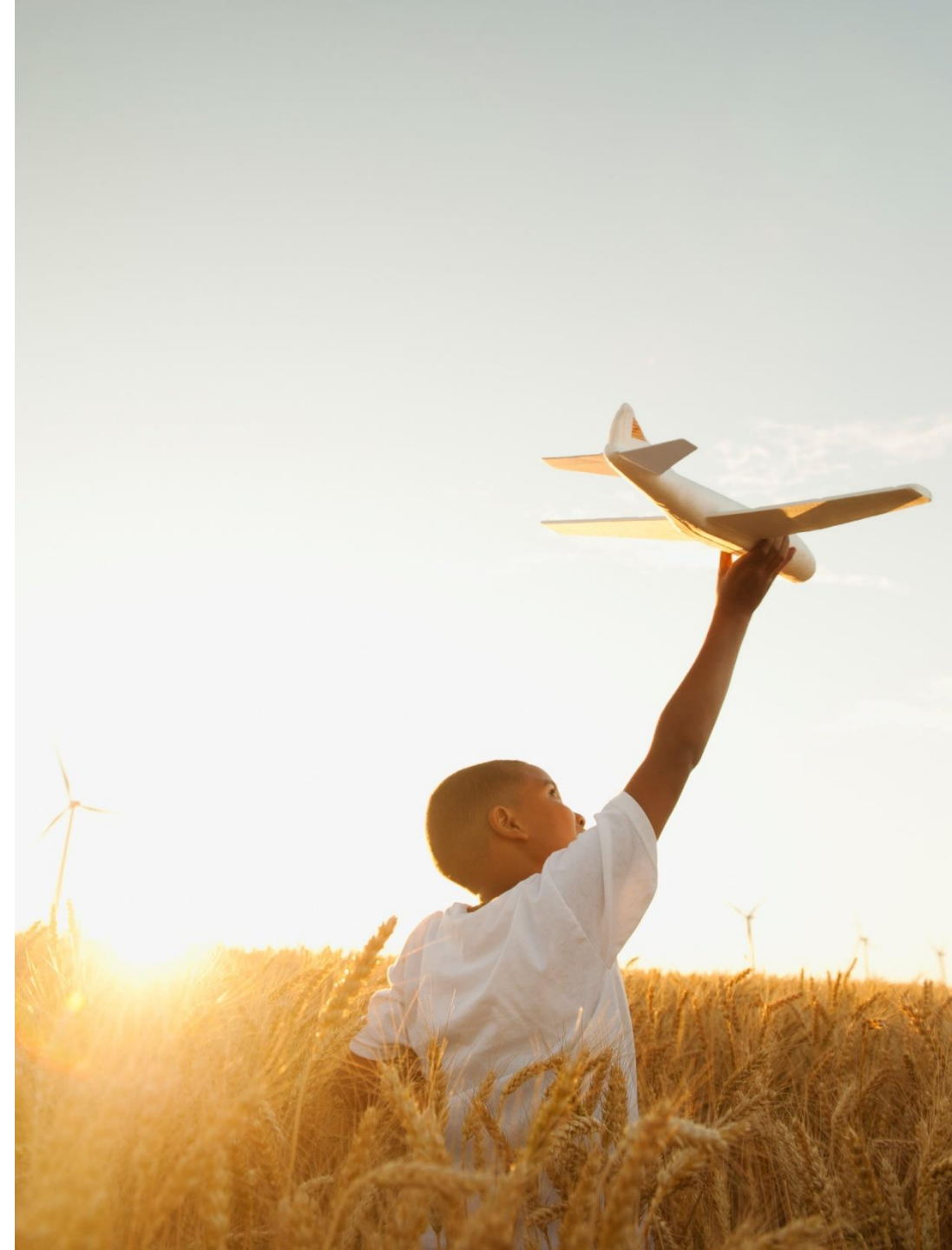
01 - Fraud Prevention Models

02 - Best Practise in Fraud Risk Management

- Composite Model

03 - Summary

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Fraud Prevention Models

Fraud Prevention Models

- Often linked to corporate governance
- Can be result of legislation / regulation
- Can be prescriptive
- Can be principles-based
- Need to be adapted to suit local culture
- Need to be adapted to organisation sector
- Composite model based on combination of US / UK / Aus / NZ standards

Fraud Prevention Models

- *US*
- *UK*
- *Australia / NZ*

Best Practice in Fraud Risk Management

Composite Model

- *Model Objectives:* -
 - Prevention – impossible to achieve
 - Cost
 - Other resources
 - Criminals always ahead of the game
 - Deterrence – very effective
 - 10% Honest
 - 10% Dishonest
 - 80% Floating

Composite Model

- Disruption – very effective
 - Keep the criminal on the move
 - Switch to easier targets
- Identification – very effective
 - Identification of risks to organisation
 - Development of strategies
- Legal Action – effective
 - Expensive
 - Disruptive

Composite Model

1. Consider fraud risk as an integral part of an overall corporate risk management strategy

- Fraud Risk Management Group
- Full Risk Assessment

2. Develop an integrated strategy for fraud prevention and control

- Priorities
- Develop Appropriate Management Strategies

Composite Model

3. Develop an ownership structure which cascades downwards throughout the organisation

- Everyone has a role to play
- Key members of staff have specific responsibilities

4. Introduce a Fraud Policy Statement

- Applicable to all (irrespective of position or length of service)
- Outcome: Tribunal, Civil or Criminal?

Composite Model

5. Introduce an Ethics Policy Statement

- A code of business conduct

6. Actively promote the policies throughout the organisation

- Positive attitudes
- A possible marketing tool

Composite Model

7. Establish a sound internal control environment

- Positive management
- Adherence to procedures

8. Develop sound operational control procedures

- Segregation of duties
- Authorisation (sign-off) levels

Composite Model

9. Introduce a fraud education, training and awareness programme

- Everyone should be aware that fraud is both an external and an internal problem
- Target specific groups

10. Introduce a Fraud Response Plan as an integral element of organisational contingency planning.

- Roles and responsibilities
- Investigation management

Composite Model

11. Introduce a Whistleblowing Policy

- Highlight safeguards

12. Introduce a reporting 'Hotline'

- Internal/External?

Composite Model

13. Constantly review all policies and procedures

- Changes in business processes
- Annual report

14. Constantly monitor adherence to policies and procedures

- Continuous process
- Annual report

Composite Model

15. Establish a 'Learn From Experience' Group

- Analysis of system failures; i.e. a fraud
- Recommends system and procedural changes

16. Develop appropriate information and communication systems.

- Education
- Successful 'prosecutions'

Summary

Effective Fraud Management Strategies will give rise to -


- effective fraud prevention strategies,
- act as a deterrent,
- increase the likelihood of disruption,
- aid identification of high risk and problematic areas of business,
- and reduce the need for civil action/prosecutions.




Thank You



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