

FRAUD DETECTION & FORENSICS

A Strategic Framework for Risk Mitigation

Opportunity is the only controllable element of fraud.

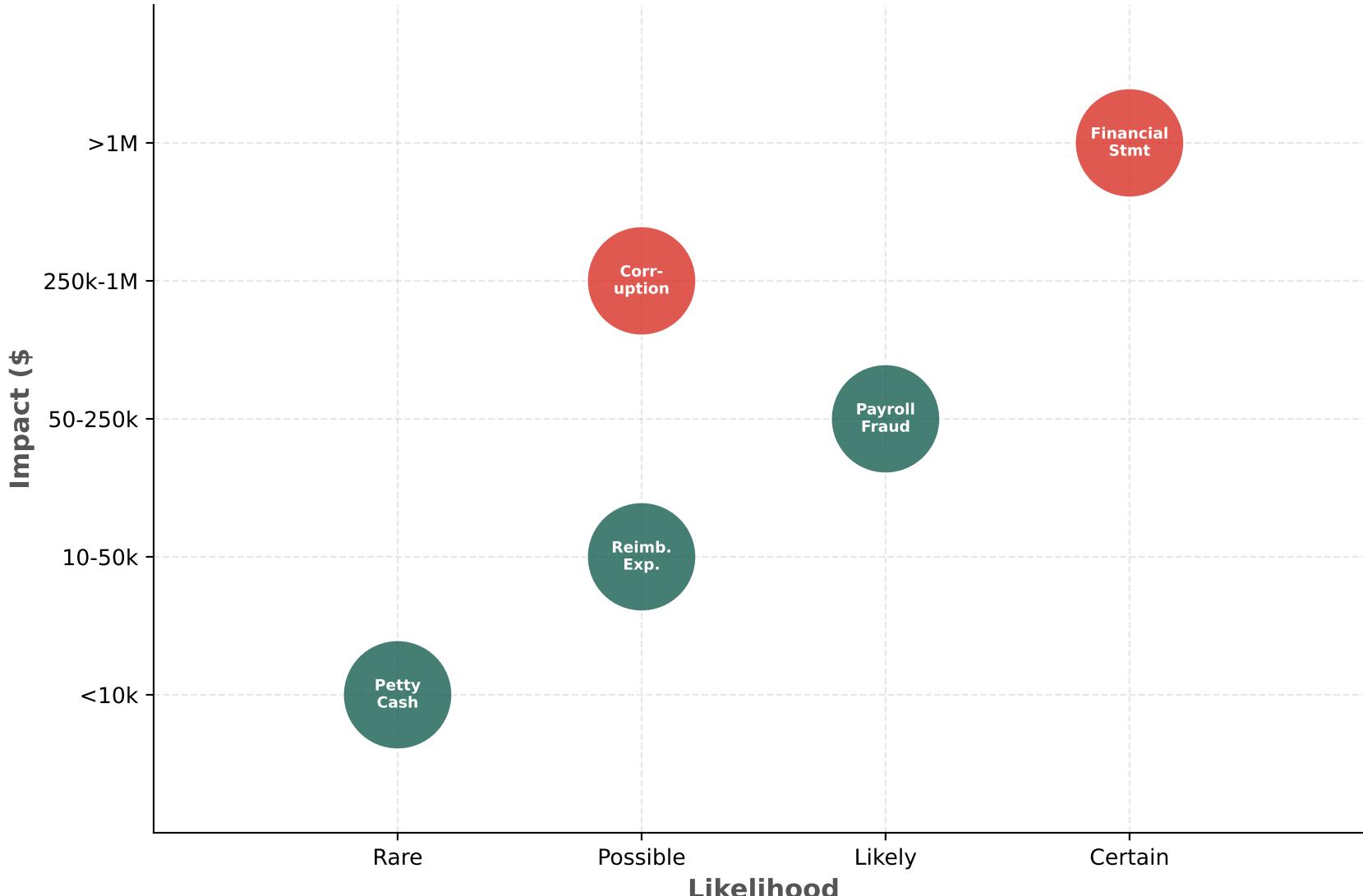


KEY INSIGHT

While we cannot control an employee's financial pressure or personal rationalization, we CAN control the Opportunity through internal controls. Eliminating opportunity stops the fraud.

Focus limited resources on High-Impact risks.

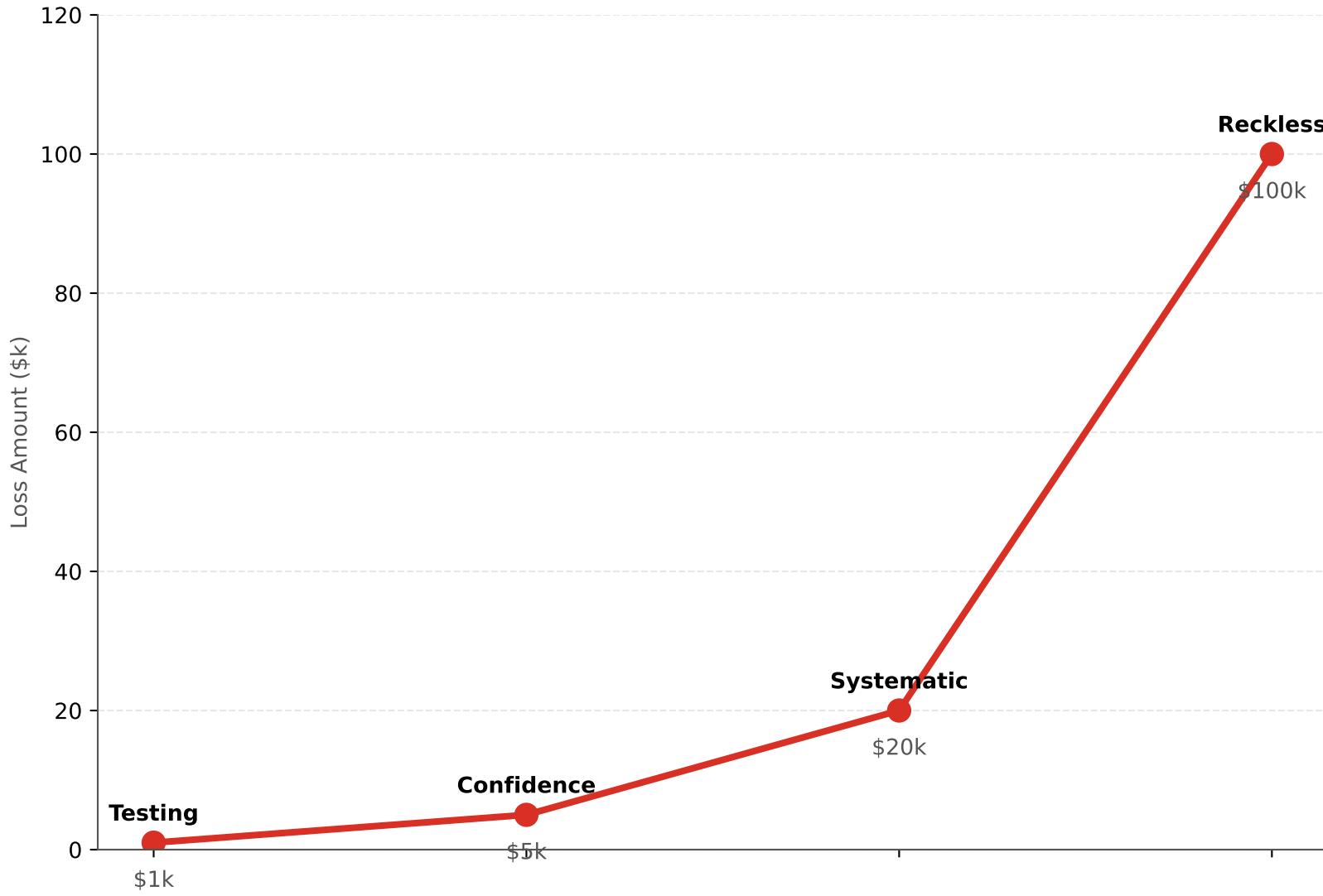
Fraud Risk Assessment Matrix



KEY INSIGHT

Financial Statement Fraud occurs rarely but causes catastrophic damage (>1M). Asset misappropriation is common but less costly. Calibrate controls accordingly.

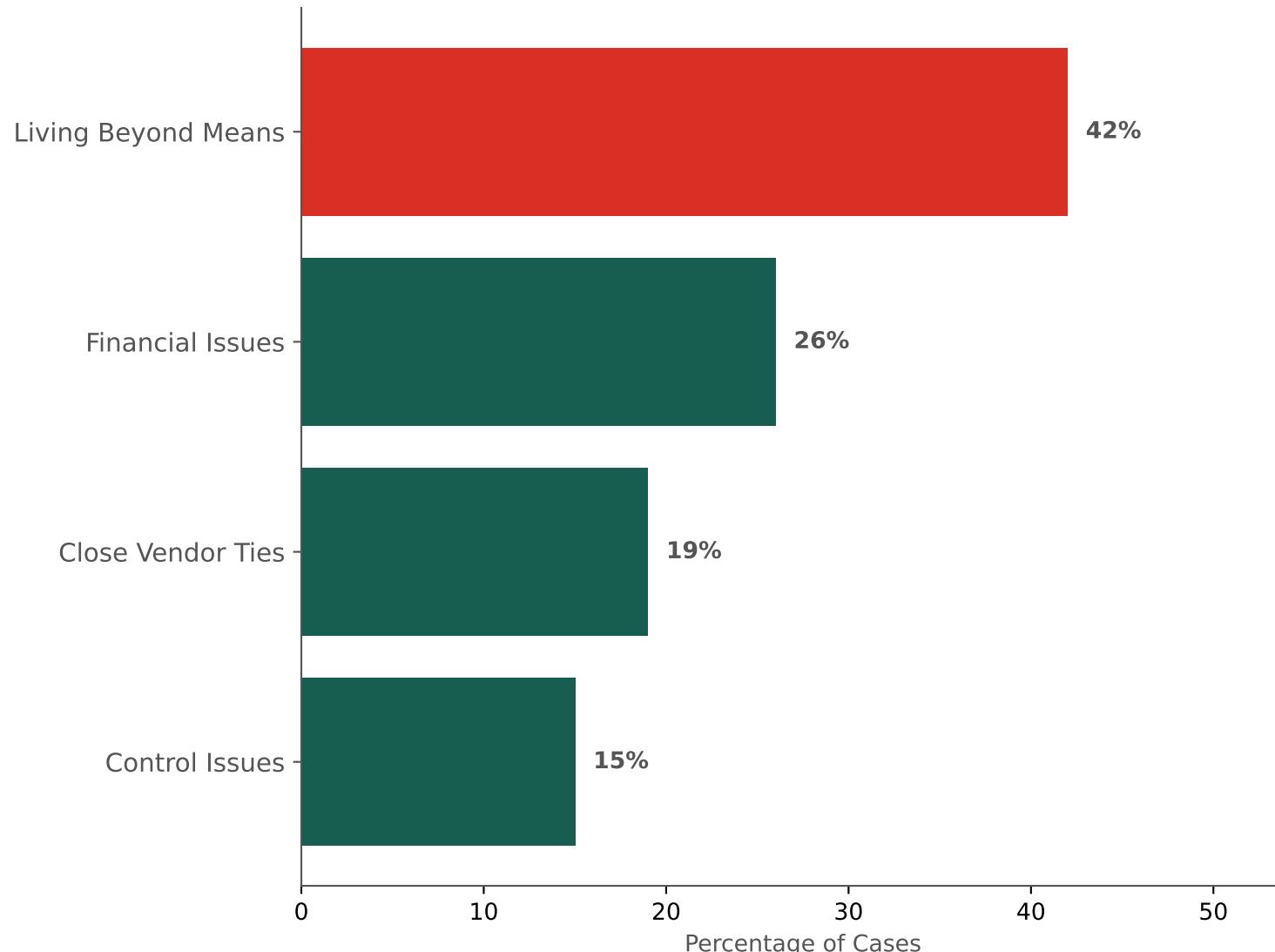
Fraudsters test controls with small amounts before scaling.



KEY INSIGHT

Most fraud is detected in the 'Systematic' phase (median 16 months). Catching fraud in the 'Testing' phase (\$1k) prevents 20x larger losses later.

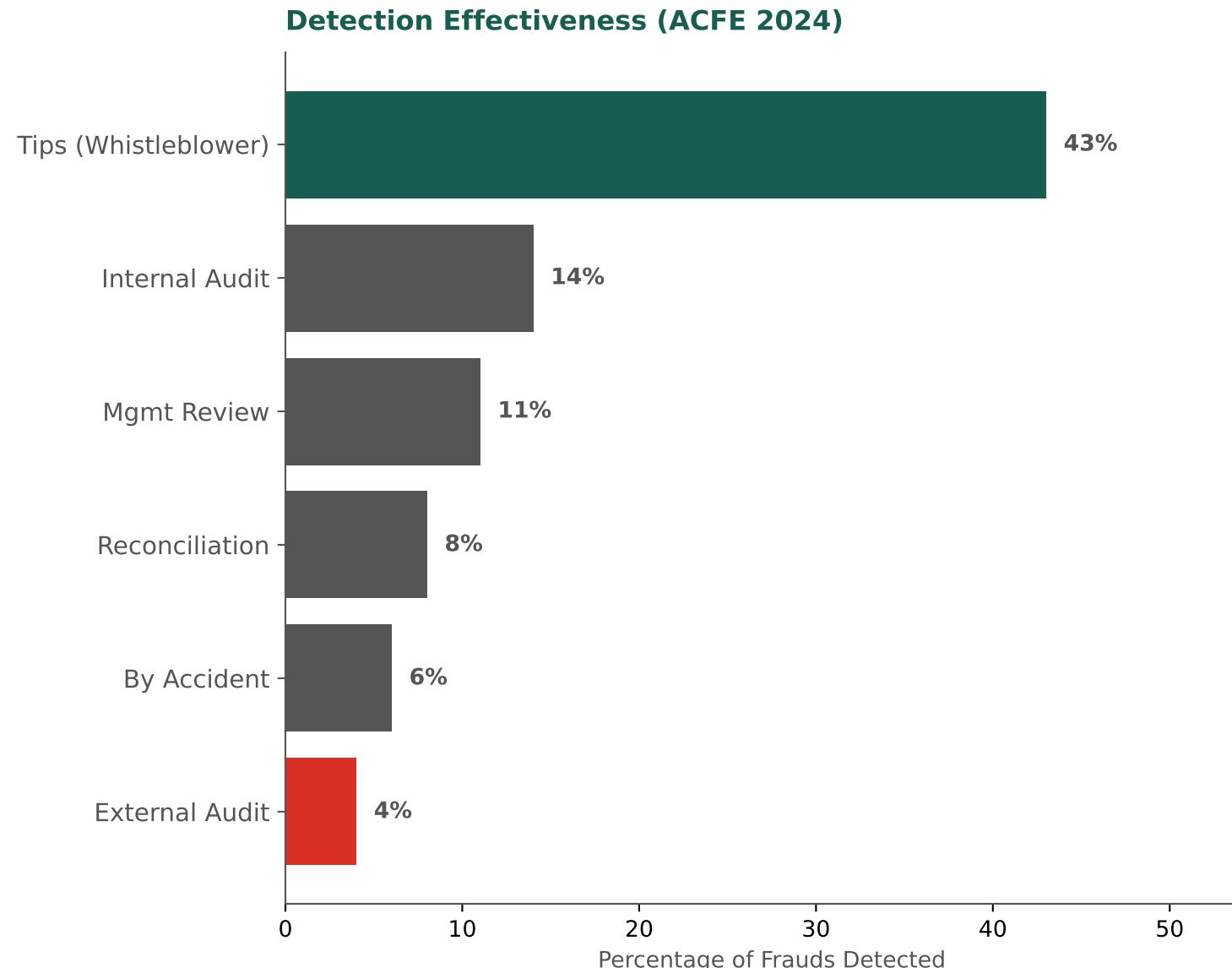
Behavioral changes often precede financial discovery.



KEY INSIGHT

'Living beyond means' is the single most common indicator, present in 42% of cases. Train managers to spot lifestyle changes inconsistent with salary.

Whistleblower tips are the #1 fraud detection mechanism.



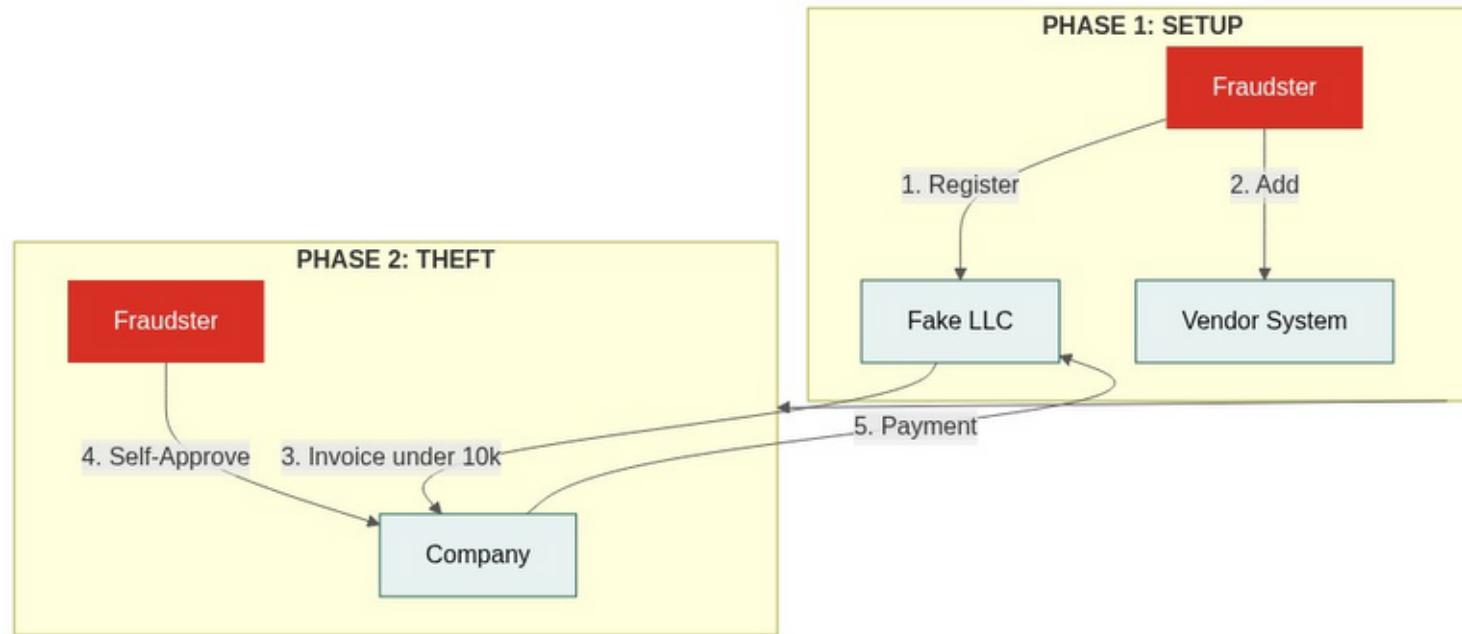
Source: ACFE 2024 Report to the Nations

KEY INSIGHT

Tips detect 43% of fraud, compared to only 4% by External Audit. Invest in whistleblower hotlines rather than relying solely on annual audits.

Majid Mumtaz | Profit Protection & Value Assurance

Shell companies exploit vendor approval weaknesses.



KEY INSIGHT

Fraudsters usually keep invoices just below approval thresholds (e.g., 9,500 USD vs 10k limit) to avoid management review.

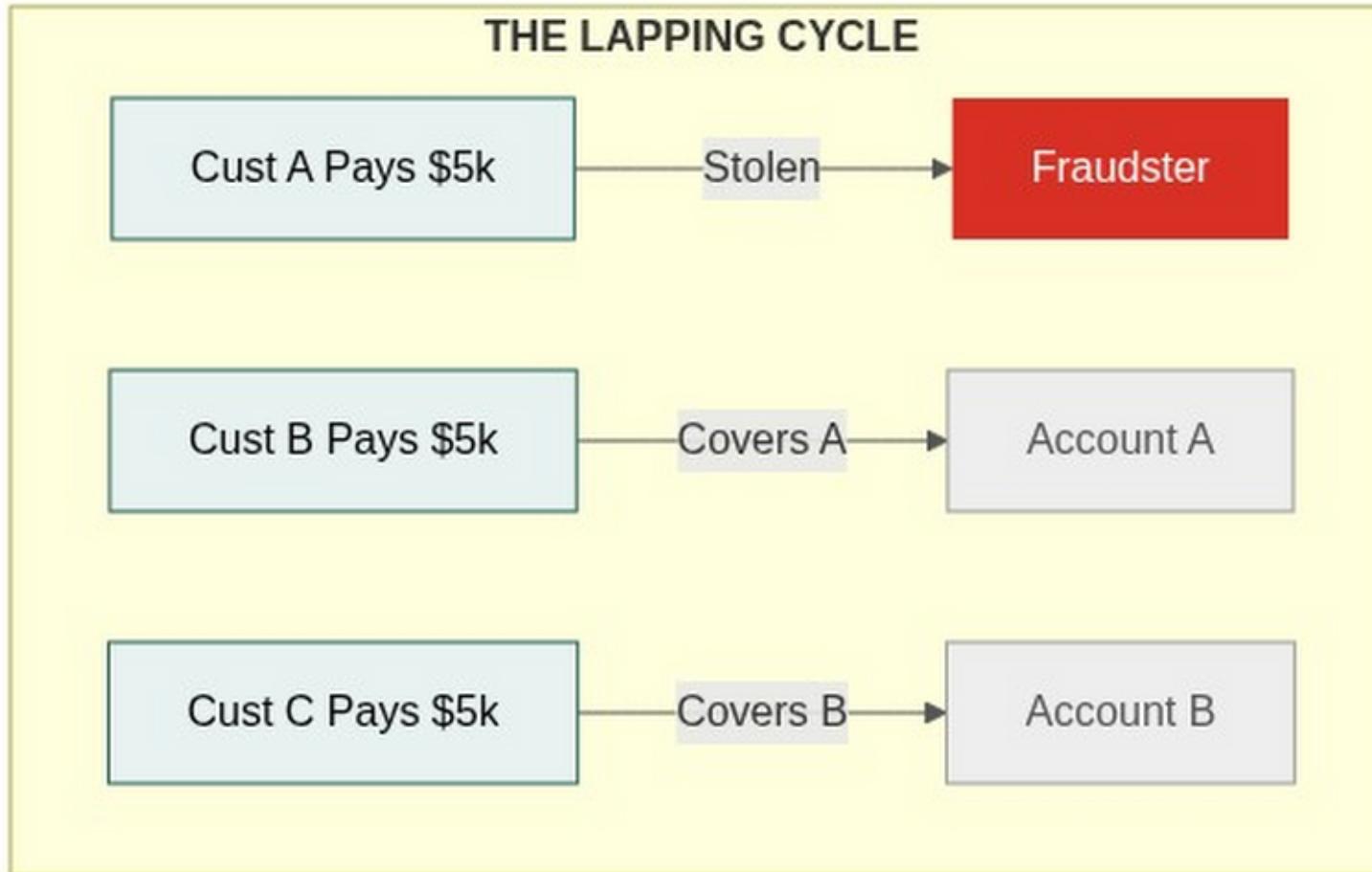
Ghost employees mimic legitimate data patterns.



KEY INSIGHT

Payroll fraud often relies on the volume of data to hide. Red Flag: Multiple employees sharing bank accounts or addresses.

Lapping schemes conceal theft by cycling payments.

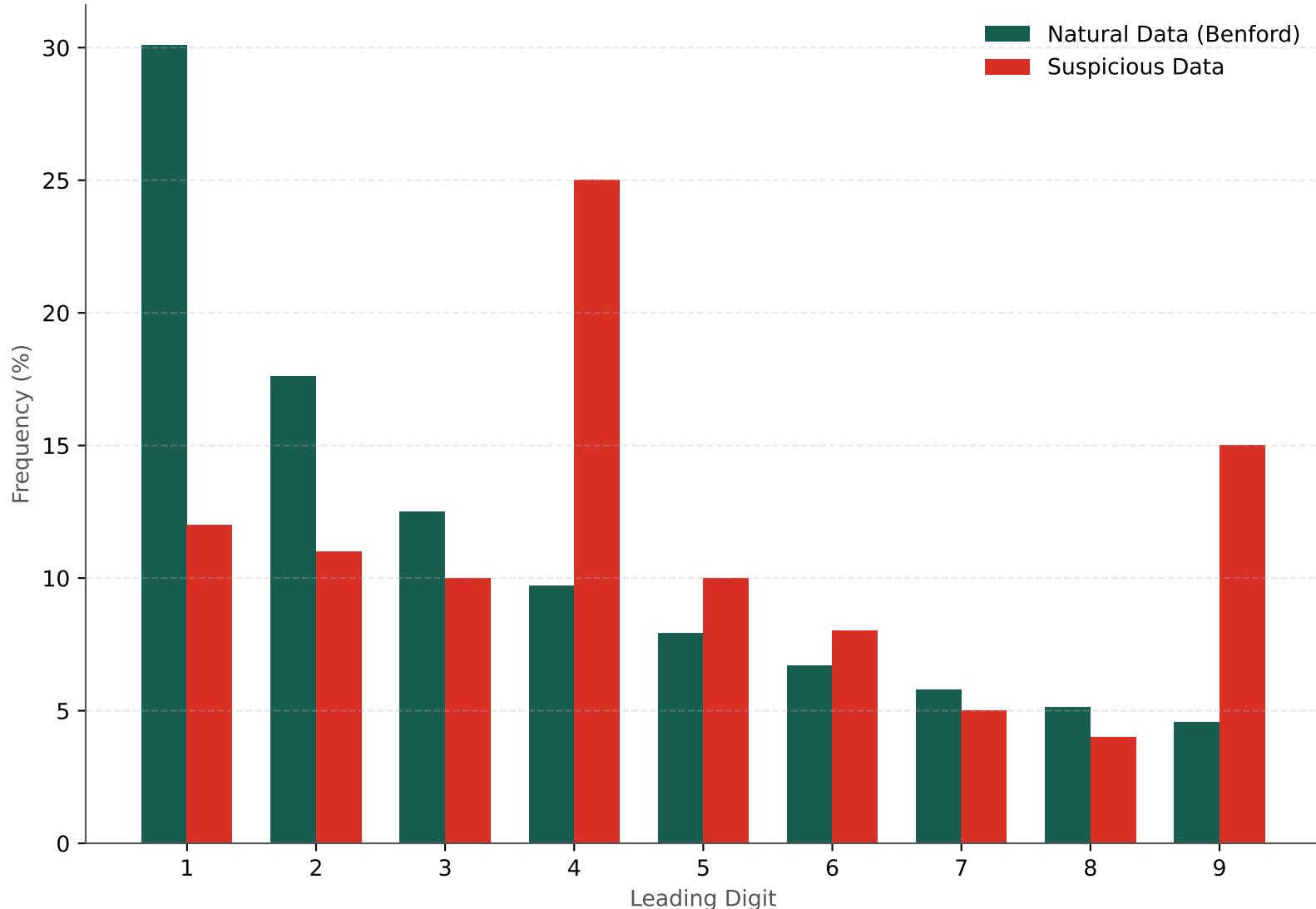


KEY INSIGHT

This perpetual cycle requires the fraudster's constant attention. Mandatory vacation policies are the #1 way to detect this, as the scheme collapses when the fraudster is away.

Digital analysis detects manipulated financial data.

Digital Analysis of Vendor Invoices



KEY INSIGHT

Benford's Law predicts the frequency of leading digits in natural datasets. Fake invoices often overuse digits like 4 or 9, creating visible spikes (Red bars) against the expected curve.

A systematic investigation workflow protects evidence.



KEY INSIGHT

Securing evidence immediately (Step 3) is critical. Most cases fail because the suspect deletes data while management deliberates on the scope.