

Raising Fraud Awareness

Peter Farrow, Audit Services & Risk Management Manager

Stuart Taylor, Head of the Counter Fraud Unit

what we will try & cover

- latest fraud identification equipment
- what is fraud?
- exercises
- policies & procedures
- how to raise awareness
- role of internal audit
- role of the audit committee

CIPFA national award runner up 2006



- “innovation and excellence in public sector audit”



You are here: [Home](#) > [What we do](#) > [Campaigns](#) > [Terrorism and Security](#) > Guantánamo Bay

What we do



Guantánamo Bay

↳ [Guantánamo in numbers](#)

↳ [Sign the petition: Bring UK residents home](#)

↳ [Status of UK residents in Guantánamo](#)

↳ [Poems from Guantánamo](#)

[Stop Torture](#)

[Counter-terrorism](#)

[100-days](#)

[Testimonies](#)

Guantánamo Bay



Sunday 11th January 2009 marked seven years since the US authorities first transported 'war on terror' detainees to the illegal prison at Guantánamo Bay, Cuba.

That means seven years of torture, ill treatment, and detention without proper charge or trial. There are still over 250 prisoners inside, all of who are facing an

uncertain future.

In his first 100 days, Amnesty is calling on Barack Obama to announce a plan and date to close Guantánamo. This call on the incoming president is part of our ['100-days' campaign](#) which is aiming for concrete human rights reform.

House of Guantanamo

www.houseofguantanamo.com

latest investigation techniques









hospitality & gifts









go undercover



Regulation of Investigatory Powers Act 2000

About RIPA

The Regulation of Investigatory Powers Act (RIPA) legislates for using methods of surveillance and information gathering to help the prevention of crime, including terrorism.

RIPA makes provision for:

- ◆ the interception of communications
- ◆ the acquisition and disclosure of data relating to communications
- ◆ the carrying out of surveillance
- ◆ the use of covert human intelligence sources
- ◆ access to electronic data protected by encryption or passwords
- ◆ the appointment of Commissioners and the establishment of a tribunal with jurisdiction to oversee these issues







be alert at all times

- especially in the fight against fraud, crime & international terrorism!!

MIDLANDS DISTRICT EVENT REGISTER										
1										
2										
3	Event:	Fraud - Awareness, Prevention, Detection								
4										
5	Invoice date	Ref.	Name	Organization	Email	Membership No.	Invoice No.	Attendee Amount	VAT	Invoice Total
6	24/12/2008	1	Malcolm Barrett	AQA	hkaur@aqa.org.uk	11994	MID101/FR	75.00	11.25	86.25
7	24/12/2008	2	George Bromage	Herefordshire Council	geb@herefordshire.gov.uk	16014	MID102/FR	75.00	11.25	86.25
8	24/12/2008	3	Sue Herrington	Herefordshire Council	smherrington@herefordshire.gov.uk		MID102/FR	115.00	17.25	132.25
9	24/12/2008	4	Nick Partou	Midlands Co-op	nickpartou@midlandsco-op.com	38065	MID103/FR	45.00	6.75	51.75
10	24/12/2008	5	Cheryl Eason		cheril_eason@yahoo.co.uk	46953	MID104/FR	45.00	6.75	51.75
11	24/12/2008	6	Colin Clarkson	Chesnara plc	colin.clarkson@chesnara.co.uk	53698	MID105/FR	75.00	11.25	86.25
12	24/12/2008	7	Geoff Bradley	Stratford District Council	Geoff.bradley@stratford-dc.gov.uk	14528	MID106/FR	75.00	11.25	86.25
13	24/12/2008	8	Barry Dean	KPMG	barry.dean@kpmg.co.uk		MID107/FR	115.00	17.25	132.25
14	24/12/2008	9	Ann Batty	Dudley MBC	ann.batty@dudley.gov.uk		MID108/FR	115.00	17.25	132.25
15	24/12/2008	10	Sue Smith	Dudley MBC	sue.m.smith@dudley.gov.uk		MID108/FR	115.00	17.25	132.25
16	24/12/2008	11	Hani Bassey	Dudley MBC	hami.bassey@dudley.gov.uk		MID108/FR	115.00	17.25	132.25
17	24/12/2008	12	Michael Holland	Orbit Group Ltd	Mike.holland@orbit.org.uk	32364	MID109/FR	45.00	6.75	51.75
18	24/12/2008	13	Michelle Roe	Orbit Group Ltd	Michelle.roe@orbit.org.uk		MID109/FR	115.00	17.25	132.25
19	07/01/2009	14	Mary Costello	Telford & Wrekin Council	mary.costello@telford.gov.uk	31028	MID110/FR	75.00	11.25	86.25
20	07/01/2009	15	Tim Brown	Pearl Group Limited	tim.brown@pgl.net	37041	MID111/FR	45.00	6.75	51.75
21	07/01/2009	16	Marina McQuade	Selfridges Retail Limited	marina.mcquade@selfridges.co.uk	36391	MID112/FR	75.00	11.25	86.25
22	07/01/2009	17	Eric Rothery				MID113/FR	45.00	6.75	51.75
23	07/01/2009	18	John cookson	Lloyds Pharmacy	John.cookson@lloydspharmacy.co.uk	33095	MID114/FR	75.00	11.25	86.25
24	07/01/2009	19	O.B.Laden	Al-Queda		37987		75.00	11.25	86.25
25	07/01/2009	19	David Stow	Baker Tilly LLP	DAVID.STOW@BAKERTILLY.CO.UK	33486	MID115/FR	45.00	6.75	51.75
26	12/01/2009	20	Alan Tillman	Mutual One	alan.tillman@mutual-one.co.uk	54367	MID116/FR	45.00	6.75	51.75
27	12/01/2009	21	Jane Harrison	University of Warwick	j.e.harrison@warwick.ac.uk		MID117/FR	115.00	17.25	132.25
28	12/01/2009	22	Chris Teckoe	Tarmac Limited	Chris.Teckoe@Tarmac.co.uk	11105	MID118/FR	45.00	6.75	51.75
29	13/01/2009	23	Jasmit Hanspal	NEC Group	jasmit.hanspal@necgroup.co.uk	52359	MID119/FR	45.00	6.75	51.75



why is raising fraud awareness important?

- increased importance as part of good governance
- avoid loss of resources
- demoralising
- negative publicity

Benefit fraudsters brought to book

Two Kingsbury benefit cheats, who netted more than £27,000 from the per legal costs of £2,125 within six months. The court judgement for Jobcenter Plus is stated as being final.

Credit card cloner faces jail

A 31-year-old man from Wednesbury, who has been charged with cloning credit cards, faces a jail sentence for his actions. The man, who has been charged with cloning credit cards, faces a jail sentence for his actions.

BHS billionaire Green hit by identity fraudsters

Lord Green, the former BHS chairman, has been hit by identity fraudsters. The fraudsters used his name to secure a £1.5 million loan from a bank.

The eBay Racketeers

Gang took bidders for £300,000 in world's biggest web auction fraud



Off to the jailhouse

Cashier stole £1m to pay for her Elvis obsession



Jail for high-life boss who milked £4m from Dome

Fraud spent fortune on property, jewels and a helicopter



Postmaster stole £86,000 to woo the clerk half his age

Fake CV high-flier let off jail

A 40-year-old man from Wednesbury, who has been charged with using a fake CV to secure a job, has been let off jail. The man, who has been charged with using a fake CV to secure a job, has been let off jail.

Thieving banker's £7m bets

A BANK MANAGER SPENT £7million on Internet betting after leaving one-liners with a £400 investment.

Jail for lawyer who plundered £5.8m

A 65-year-old lawyer from Wednesbury, who has been charged with plundering £5.8m from his clients, has been sentenced to jail. The lawyer, who has been charged with plundering £5.8m from his clients, has been sentenced to jail.



Millionaire lifestyle of cash fiddle dentist

Luxury property dealings exposed by NHS false claims case

By Wayne Beese
This is the £700,000 luxury converted barn that a Block Country dentist bought after swindling thousands of pounds from the NHS. The house in Hampton Lovett, near Droitwich, was bought by Dentist Scott Rhodes and fiancée Sarah.



exercise 1

- In groups, using your workplace experiences, think about how you could carry out (and get away with) a fraud.

results

what is fraud?

- CIPFA definition – ‘The intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain’

the fraud bill

- the Fraud Bill 2006 (introduced Nov 06)
- provides a framework for the legal definition of fraud
- not yet really challenged in the courts to give definitive case law (as of yet)

what is fraud (cont)?

- from an organisation's view point it can be categorised as:
 - theft
 - false accounting
 - bribery and corruption
 - deception
 - collusion
 - money laundering
 - identity theft

theft

- dishonest appropriation of assets from another with the intention of permanently depriving them of it.
- examples.....

false accounting

- false accounting – dishonestly destroying, defacing, concealing or falsifying any record, account or document required for accounting purposes, with a view to personal gain or the gain for another or causing loss to another.
- Credit Suisse – inflating the financial position by £1.5bn
- Societe General (French Bank) – fraudulent trading £3.7bn

bribery and corruption

- bribery and corruption – the offering, soliciting or acceptance of any inducement or reward that may influence the actions taken by the authority, its officers or members.
- potentially BAe and Saudi Arabia

deception

- deception – obtaining property or pecuniary advantage
- deliberately hiding or not informing another of relevant information that would have affected a decision made

money laundering

- to move illegally acquired cash through financial systems so that it appears to be legally acquired
- while this may not be as important as it could be for the private sector we still need to be aware of any large cash payments made to the authority and report it according to the correct in house policies

identity theft

- the use of another persons personal details for advantage by another
- www.stop-idfraud.co.uk
- www.identitytheft.org.uk

identity theft

- the fraudsters pick up bereavement notices in papers and then target bereaved families
- the fraudsters send forged credit card statements to families who have experienced a recent death in the family. The invoice is in the name of the deceased and for small sums of money. The fraudster relies on the fact that the amounts are small enough not to be questioned, and is simply a charge the deceased incurred without the family knowing. It is too easy to pay in those circumstances.



data loss

- HMRC – 25 million records lost
- MoD lose 600,000 personnel records
- Police forensic data is lost
- does your organisation have a response plan for this?

Jeremy Clarkson

- Jeremy Clarkson on HMRC Data loss
- Published details of his Barclays account in the Sun newspaper, including his account number and sort code. He even told people how to find out his address "All you'll be able to do with them is put money into my account. Not take it out. Honestly, I've never known such a palaver about nothing,"



what could go wrong?

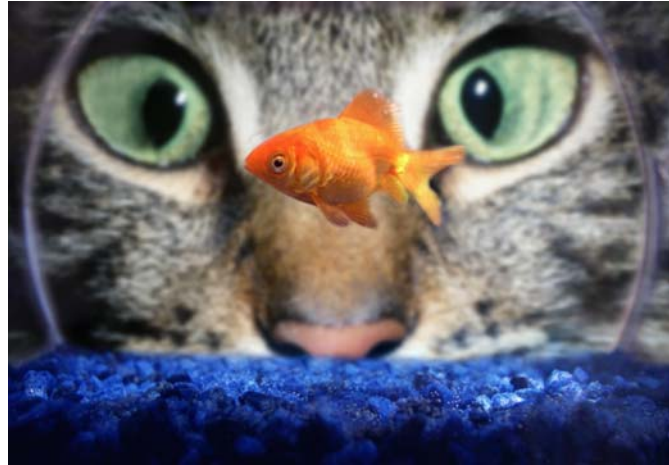


- Clarkson stung after bank prank
- “Contrary to what I said at the time, we must go after the idiots who lost the discs and stick cocktail sticks in their eyes until they beg for mercy”

- **Jeremy Clarkson**



email phishing



- is the act of tricking someone into giving them confidential information or tricking them into doing something that they normally wouldn't do or shouldn't do.
- www.antiphishing.org

Abbey National plc Online - Client's Details Confirmation [Thu, 10 Mar 2005 21:46:21 +0600] - Message (HTML)

File Edit View Insert Format Tools Actions Help Type a question for help

Reply X »

From: Abbey [support_refnum_066869089@abbey.com] Sent: Thu 10/03/2005 15:45
To: firstname.surname@mindgrove.co.uk
Cc:
Subject: Abbey National plc Online - Client's Details Confirmation [Thu, 10 Mar 2005 21:46:21 +0600]

abbey Online Banking Details Confirmation

Dear client of the Abbey National plc,

Last night there was a failure of the bank software, which resulted in partial loss of users accounts data. We kindly ask all clients of the bank to follow the reference given below and to confirm the registration data, so that our technical services could make certain corrections in the users database. Thank you in advance for your cooperation.

<https://myonlineaccounts2.abbeynational.co.uk/CentralLogonWeb/Confirm?action=confirm>

Please do not answer this message and follow the above mentioned instructions.

PayPal - Random Account Verification - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Reload Home Search Favorites Media SnagIt

Address http://123.456.789.123/paypal/ Go Links SnagIt

PayPal Sign Up | Log In | Help

Welcome Send Money Request Money Merchant Tools Auction Tools

Random Account Verification Secure Verification

Your credit/debit card information along with your personal information will be verified instantly.

All the data is protected by the industry standard [SSL](#) encryption. All information is required and is kept confidential in accordance with [PayPal Privacy Policy](#).

*Your credit/debit card information is needed to verify your identity.


Account information

***All the fields are necessary.

Email :

Password :

Credit/debit card information

Card type :  Visa Credit Debit

Issue Bank Name :

Card number :

Expiration date : mm/yyyy

CVV code : 3 last digits at the back of your card; next to signature

Name on card :

Billing address :

Country : USA

City :

State/Province :

Zip/Postal-code :

Telephone :

Verify you are the true holder of this card

Bank routing number :

Checking account number :

PIN-code : 4 Digit code used in ATM's

SSN : Social Security Number

MMN : Mother's Maiden Name

DOB : mm/dd/yyyy Date Of Birth

[About](#) | [Accounts](#) | [Fees](#) | [Privacy](#) | [Security Center](#) | [User Agreement](#) | [Developers](#) | [Referrals](#) | [Shops](#)

an eBay company

Copyright © 1999-2003 PayPal. All rights reserved.
[Information about FDIC pass-through insurance](#)

Internet

facts and figures

- ACPO - £20bn Annually and a conservative figure at that
- Benefit Fraud approx £700m nationally
- Central Government - £3.8m reported 2006/07
- no definitive cost of fraud within Local Government/Social Housing

how frauds occur

- 4 basic elements are necessary for a fraud to occur
 - People (either individuals or groups)
 - Assets to acquire
 - Intent
 - Opportunity
- MOM formula - Motive + Opportunity + Means

fraud awareness

- why frauds are committed?
- who commits fraud?
- why do we need to be aware of fraud?

why frauds are committed?

- opportunity
- need
- thrill
- ego

who commits fraud?

- **the simple answer is anyone. In any large organisation it is unfortunate, but highly likely, that someone somewhere is committing a fraud**
- 10-80-10 rule generally applies
 - 10% of people will always commit fraud (if the opportunity arises)
 - 80% are reliant on circumstances and their own moral guide
 - 10% will never commit fraud

fraudster profiles

- The following are from KPMG
- In 8 out of 10 cases, the fraud involves an employee
- 90% of fraudulent employees had been with the company greater than 1 year
- 32% had been with the company more than 10 years
- The fraudster is often a trusted employee

fraudster profiles cont.

- 68% of fraudsters aged 36-55 (only 1% aged 18-25)
- 82% of fraud committed by middle management and above
- 65% of fraud involves collusion
- average fraudster – Male, director, in finance, under 45, 5-10 years experience, with collusion, gain <£100,000
- Also 40% of those who know a fraud is being committed do nothing about it

fraudsters advantage

- they have the initiative
- they plan when to strike
- they have the choice of battleground
- they choose the most suitable method

results of fraud

- monetary gain for the individual(s)
- monetary loss for the Company
- dip in performance for teams and individuals aware of fraud
- lack of trust (both internal and external)
- encourages incompetence
- loss of reputation/bad publicity
- 91% of fraudsters commit multiple times

indicators of fraud

exercise 2

- If you were now your manager, think about what controls you could put in place to prevent the fraud (or at the very least detect it)

results

Soapspam

- Segregation of duties
- Organisation
- Authorisation
- Personnel
- Supervision
- Physical
- Arithmetic
- Managerial

raising fraud awareness

anti-fraud & corruption policy

- cornerstone
- policy statement/commitment
- organisation's approach & beliefs
- how will deal with
- who to report suspected fraud to
- who will investigate

whistleblowing/speak up policy

- who to report to
- escalation process
- take seriously
- anonymous (better if not)
- timescale
- make it safe and acceptable for employees to raise concerns



money laundering policy



others

- financial regulations
- standing orders
- codes of conduct
- procedure notes

investigation resource

- counter fraud unit
(within internal audit)
- dedicated officer & team
- second others
- other investigation teams
- days in the audit plan



pro-active fraud

- not just reactive (too late)
- deterrent
- take serious
- promote

risk assessment



- formed a fraud group – relevant members
- covers all areas significant operations/departments/activities
- addresses all fraud categories
- recurring process, not one off

fraud risk register - scoring:

- Past experience
- Client concerns
- National issues
- Impact
- Likelihood

- map risks to controls
- prevention controls better than detection controls
- try and map areas open to fraud to existing audit plan

targeted testing

- targeted/pro-active testing of areas vulnerable to fraud
- areas may not necessarily look at under new higher-risk based auditing (travel claims, petty cash etc.)
- report & make recommendations



e-newsletter



Issue No. 7 - July 2007

Back issues of the FRAUDitor

If you have missed previous editions of "The FRAUDitor", back issues can be found on the Council's Intranet site. From the Intranet homepage click on: Quick Links/ Corporate Links

Sandwell MBC Fraud Statement

Sandwell MBC is totally committed to creating and maintaining an environment where fraud and corruption have not been and will not be tolerated. The Council operates a zero tolerance for fraud and corruption and all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies.

Raising Fraud Awareness Activities

The Next Fraud Surgeries will be held at:

Ante Room - Smethwick Council House
From 9am to 12pm on 24th July 2007
and
From 2pm to 5pm on 2nd August 2007

We will also be able to provide advice and assistance on all related matters.

Remember: all discussions will be held in strict confidence!

Reminder
 In addition to the Council's Confidential "Whistle-blowing" Code, an Audit Hotline has been set up specifically for you to discuss any possible fraud and corruption issues you may have concerns over. During office hours you can ring 0 121 688 3783.

silence is not golden

- interesting articles
- local cases
- national cases and issues
- scams
- warnings
- contact details

regional fraud group

- formed/hosted
- other LA's
- representatives from NHS & Police
- share ideas & best practice
- investigations



fraud surgery

- half day sessions
- drop in or make appointment
- convenient/private locations
- publicise/posters
- information to take away

intranet site (developing)

- what we do
- what you need to do
- contact details
- electronic referral form
- links to useful sites and documents



fraud seminars

- allocation of time for fraud related activities in the Audit Plan
- 14,000 + staff
- chose to run a series of seminars
- kept to half a day
- training centre
- open invitation to all managers

fraud seminars

- plan B



- invite included hot and personal topics (identity theft, email phishing, money laundering etc.)



fraud seminars



- over 80 managers signed up to attend in the first wave – of their own free will

fraud seminars

- Included other investigation speakers
- exercise: examples of fraud, split into groups & obtain feedback
- indicators of fraud



- identity theft leaflets www.identitytheft.org.uk




guide for managers

- fraud awareness – a guide for managers
- “cribbed” from HM Treasury Guide
- well publicised
- available on intranet

guide for managers

- what is fraud
- how fraud occurs
- where behaviour may indicate fraud
- indicators of fraud in systems
- do's and don'ts for managers and staff
- investigating fraud (who to contact)

national fraud initiative

- led by the  audit commission
- data matching exercise
- public sector bodies
- examples: housing benefits/payroll, overlapping shifts, false sick leave
- expanding (both organisations & areas e.g. taxi's market traders, door security, blue badge holders)

role of internal audit

- lead/review on risk identification?
- provide assurance on controls
- ensure compliance with guidelines and any relevant statutes
- advice and support
- provide an investigations service
- greater knowledge of fraud
- raising awareness
- Report fraud to the Audit Committee

role of audit committee

- oversight
- are there policies and training in place?
- is the risk of fraud identified and assessed through a risk management process?
- receive regular reports on frauds from internal audit etc.
- focus on weaknesses in control – ensure rectified



what more could be done?

- data mining/matching (local level)
- training video
- online quiz
- qualifications – CIPFA investigative practice qualification

outcome

- feedback – very good
- requests to visit specific teams/areas
- future seminars
- contacts made
- awareness raised
- CIPFA runner up





**any
questions?**