

Everyone can become a Fraud Detective

7th July 09.00 – 09.45 UK time

With Nigel Krishna Iyer



Today's topic

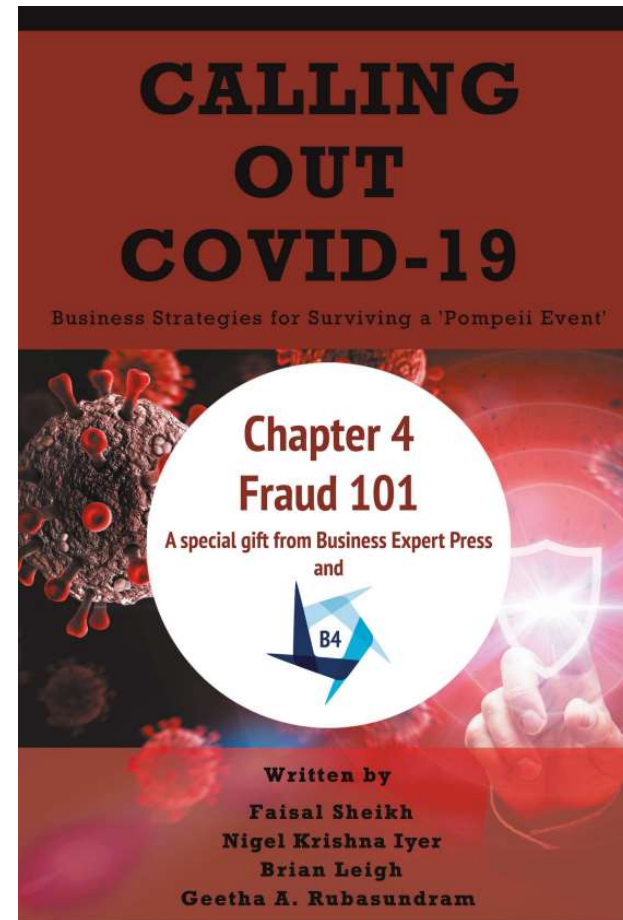
“How can we all play an active role in protecting our organisations and banks using tools and techniques at our disposal together with the skills to recognise suspicious activity...early”

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
- € 1million – € 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



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The numbers game

Sales	1000
Costs	950
Profits	50
Profit Margin	5%

920*
80

8% !!!

*If fraud and corruption costs = 3 % of sales...

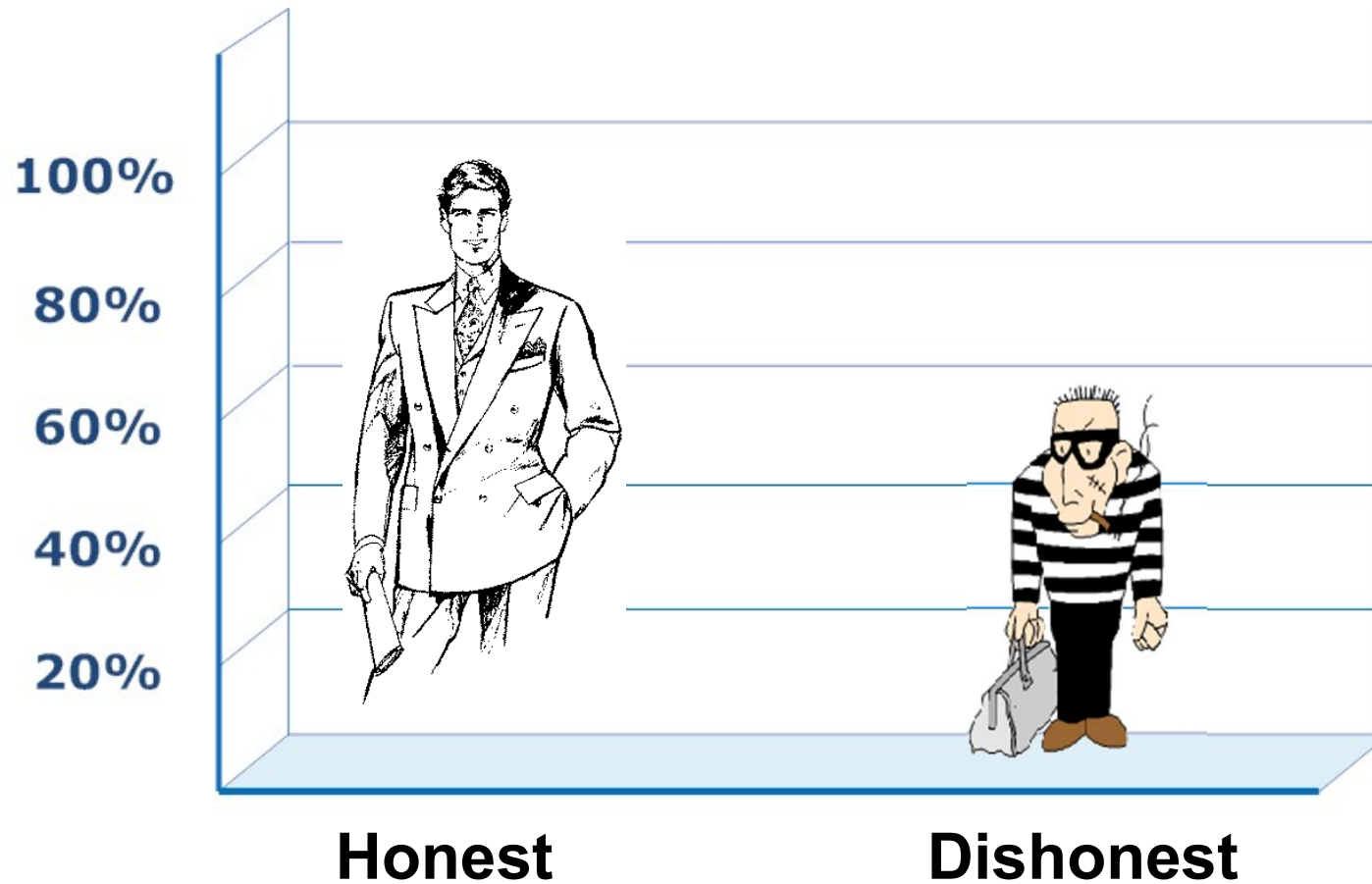


Ex 1

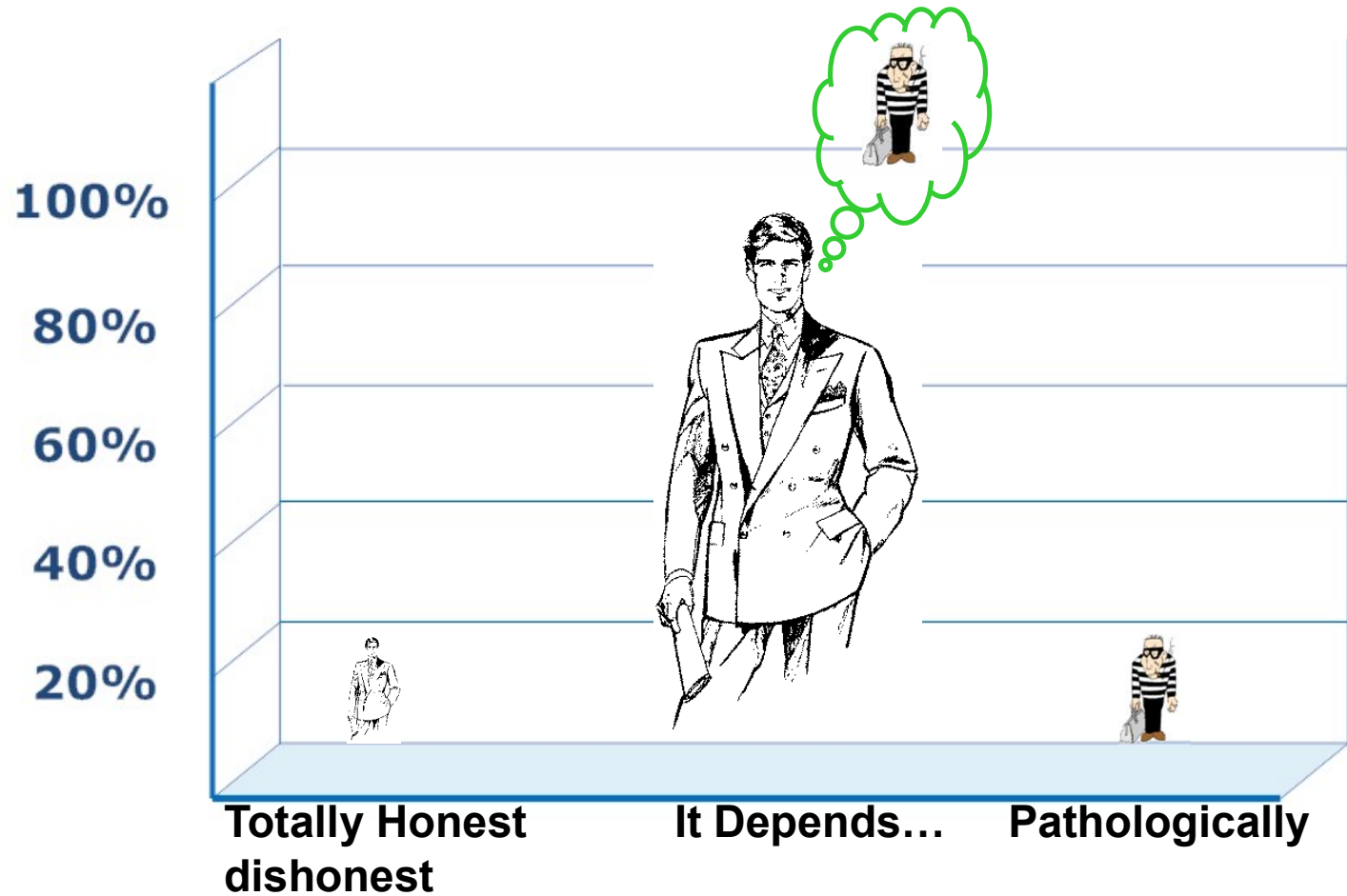
What do you think has happened here (and how is he feeling) ?

Who, how, why?

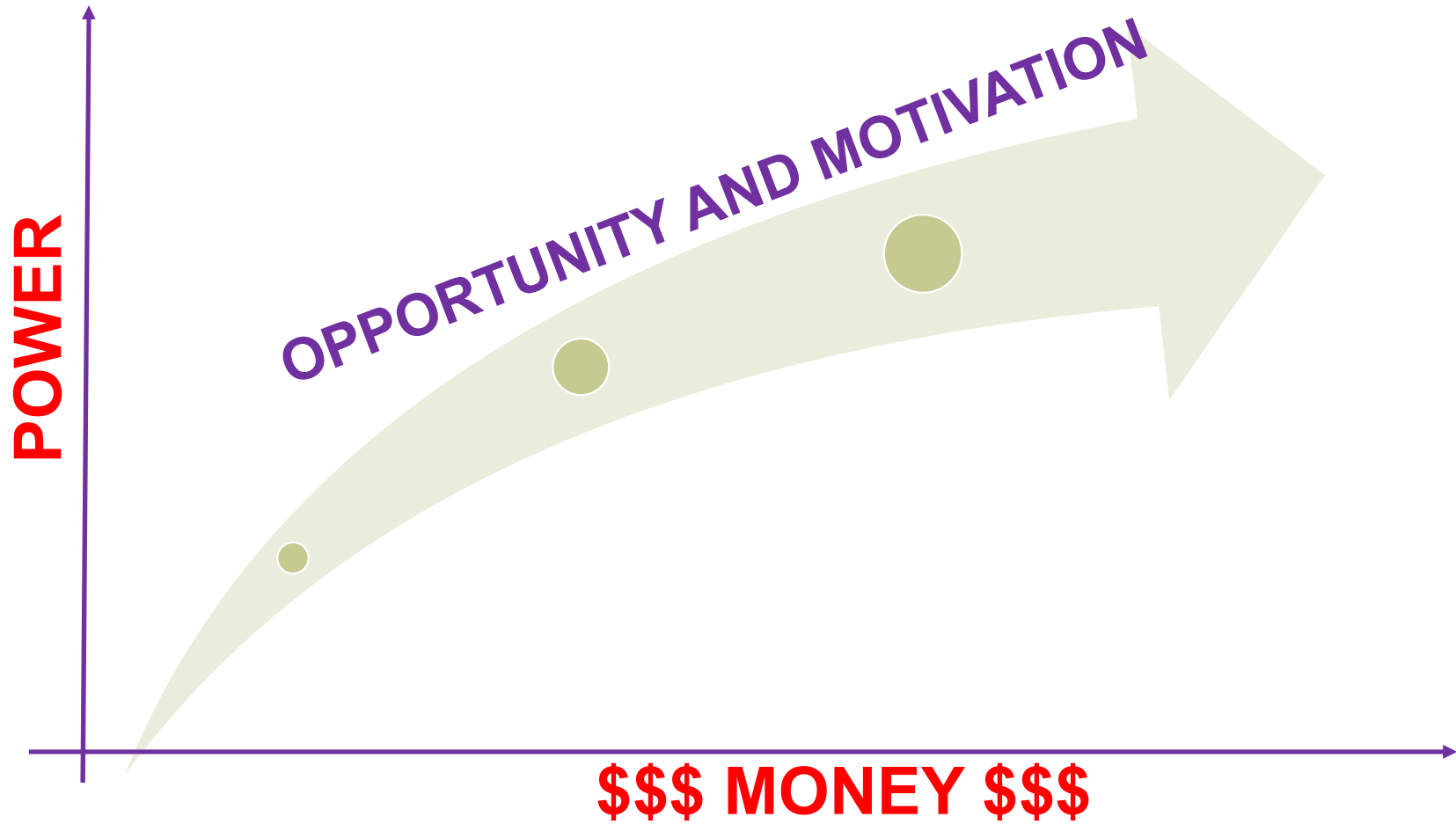
What we may want to believe?



vs. *The more likely picture*



Where it goes...?



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

A diagram consisting of a 2x2 grid formed by a horizontal line and a vertical line. The labels are positioned in the quadrants: C³ in the top-left, R in the top-right, A in the bottom-left, and P² in the bottom-right.

C^3

R

A

P^2

The cost of fraud after Covid-19

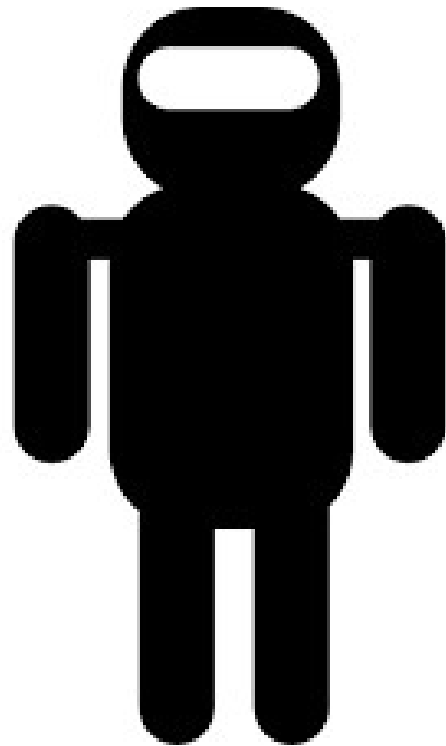
40 Years of Failure to Stop Fraud



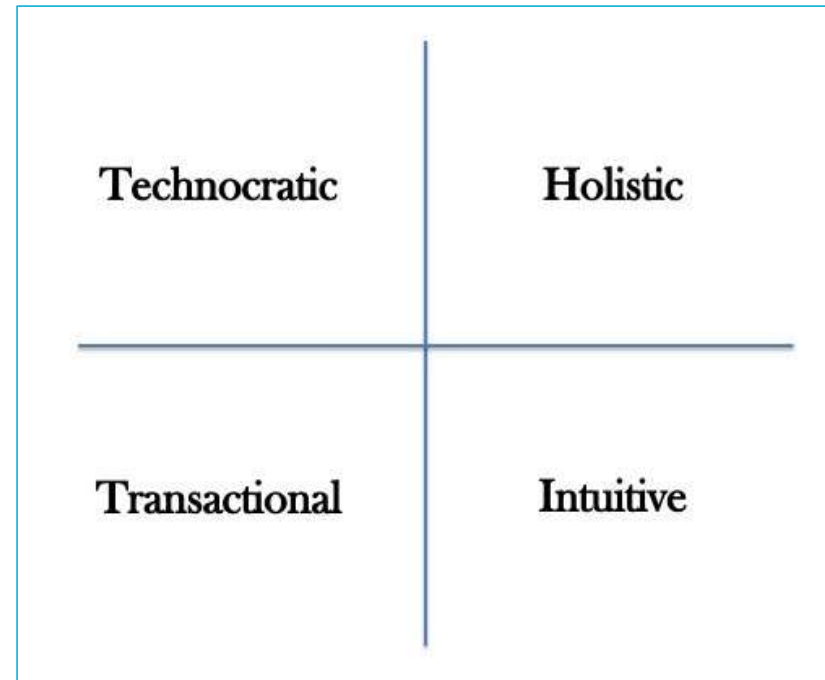
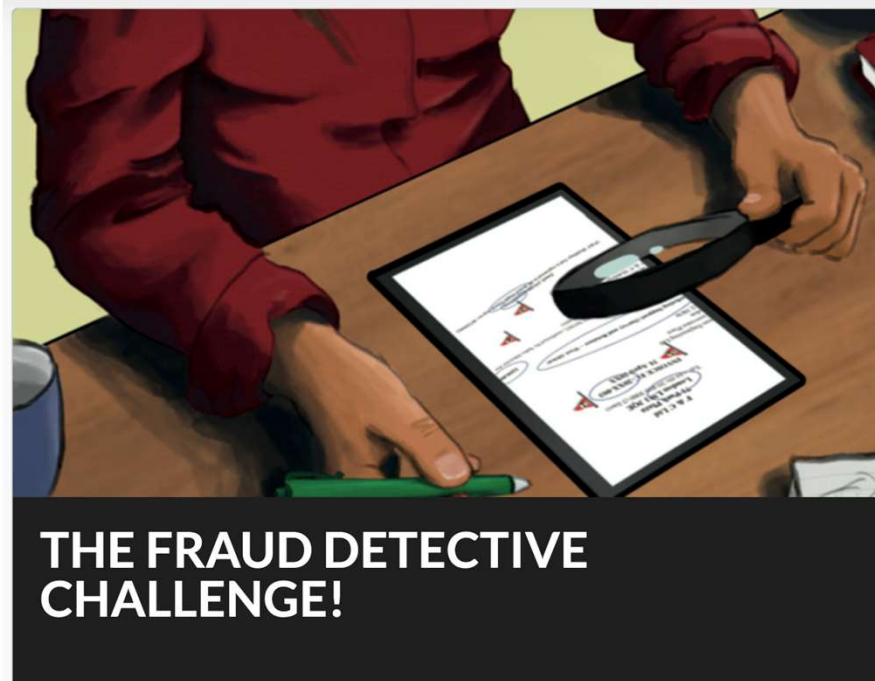
Costs of fraud rising post COVID

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 Rupdandl)

Payment due in 14 days to

F&C Holdings Ltd
PBK Bank
Account Number 1180274000001
IBAN: EE601086663116027400001
SWIFT: PBKBSEE22

*Urgent:
Please pay now!
Tom Rupdandl
25.04.20*

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

The screenshot shows the Microsoft Outlook interface. The title bar reads "Inbox - Outlook Data File - Outlook". The ribbon includes "File", "Home", "Send / Receive", "Folder", "View", "Help", and "Grammarly". The "Home" ribbon is active, showing various actions like "New Item", "Clean Up", "Delete", "Archive", "Reply", "Forward", "More", "Move to", "To Manager", "Team Email", "Done", "Create New", "Move", "Rules", "OneNote", "Unread/Read", "Categorize", "Follow Up", "Search People", "Address Book", "Read Aloud", "Speech", and "Reply with Grammarly".

The left sidebar shows the folder structure under "Outlook Data File":

- Inbox
- Drafts (12)
- Sent Items
- Deleted Items
- Junk Email (1)
- Outbox
- RSS Feeds
- Search Folders

Under "Lifewire":

- Deleted Items
- Search Folders

The main pane shows an email with the following content:

Unread

FROM SUBJECT RECEIVED SIZE CATEGORIES

We didn't find anything to show here.

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

At the bottom, there are tabs for "Mail", "Calendar", "People", and "Tasks". The status bar at the bottom left shows "Items: 0" and the bottom right shows "100%".

Waugh, Eve Lynne

From: Eve-Lynn.Waugh@miralux.com
Sent: 03 January 20XX 11:28
To: Maria.Neumier@miralux .com
Subject: Clearing against advance invoices (EAB Systems AB)

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

Date	Payment / -Receipt to and from	Information	Cur	Amount
04.05.2021	SCARM TRADERS	Return of CO2 certificates	EUR	-20,000.00
05.05.2021	MARY A STEVENS	Return of employee loan	GBP	10,000.00
07.05.2021	MINERAL RESOURCE TRADERS	Refund c/o Minerals Resources (Cyprus)	EUR	-10,000.00
10.05.2021	PA FINANCE	Invoice PA 0003	GBP	251,208.00
12.05.2021	ROBYN M BLYNDE	PAY TO PRIVATE ACCOUNT GENEVA 7200912432	EUR	100,000.00
15.05.2021	SUNOIL ANGOLA E PRODUCAO SARL	BONUS PAID SUNOIL JERSEY	USD	1,679,467.00
18.05.2021	OCSENU TRUST	Donation	USD	15,000.00
20.05.2021	THE RUPDANDL FOUNDATION INC	c/o Tom Rupdandl (Isle of Man)	USD	-300,000.00
20.05.2021	MORTON INVESTMENTS LONDON LTD	REMITTED TO MORTON INVESTMENTS TORTOLA	USD	500,000.00
21.05.2021	ESPERANTIA STATE OIL	Introduction fee (to K3 Konsultado Inc)	USD	600,000.00
25.05.2021	Mr Gregory Almond	Sales bonus (pay to Almond Enterprises)	EUR	35,758.00
25.05.2021	KEY CONSULTANTS AG	Settlement (re invoice 20925)	USD	-20,000.00
27.05.2021	KEY CONSULTANTS AG	Invoice 20935 (20.05.2020)	NOK	1,236,789.00

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!)

TLAT OR “Think like a thief” to assess fraud and corruption risks (part 1)

You have 5 MINUTES to find what is the best way YOU can swindle your bank for at least €100,000 in the next 12 months.

You will need:

- A silver spoon of influence
- To identify the window of opportunity
- ...and have a bucket full of GR£€D!!!

you can be whoever you like



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



Ex 3

The One Minute Fraud Detective

Follow the money...				
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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?

A

The One Minute Fraud Detective

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27.05.2020	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?

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)

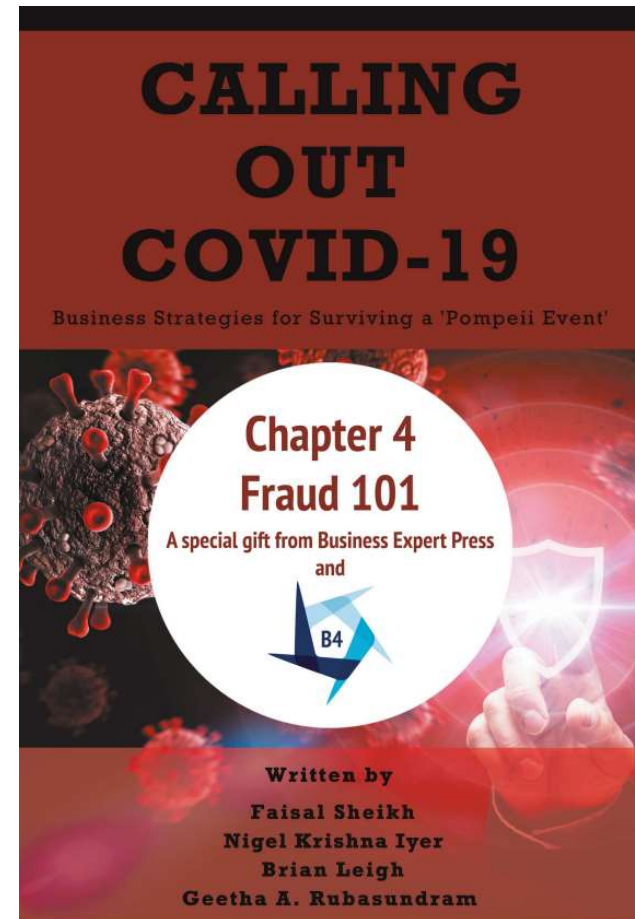
Your material

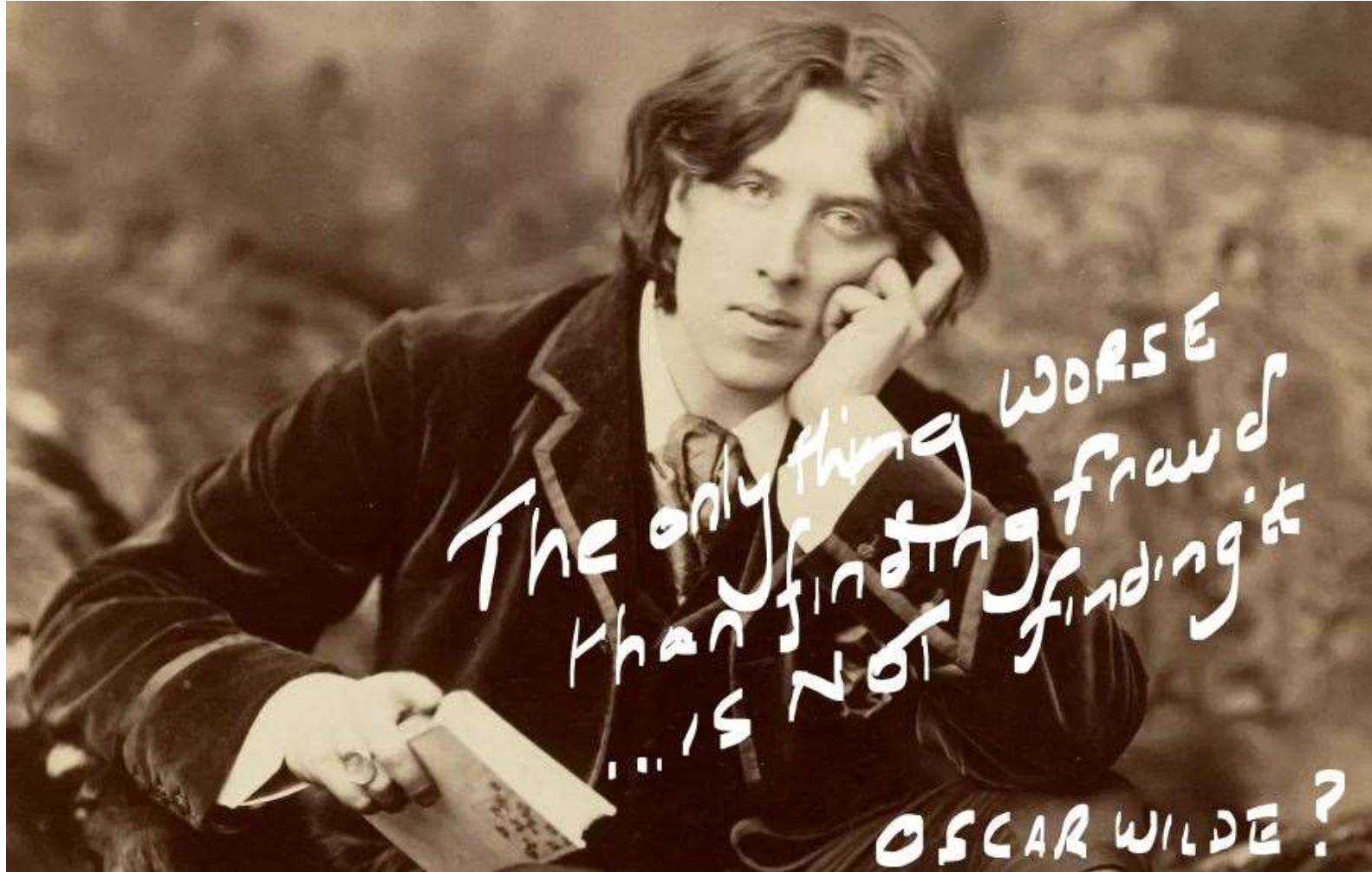
- Slides
- Fraud 101

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!

