

Fraud: Exploring Challenges & Opportunities for Internal Auditors
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Your Goals for Detection, Investigation & Prevention

Ten Fraud-related Challenges for Auditors & Their Organizations

1. Accepting the extent of fraud
2. Undefined fraud-related expectations for managers
3. A culture that won't tolerate problem identification
4. **Tigranic Effect** – the bearer treatment
5. For auditors – detecting that which they should detect
6. Encouraging complete investigative response
7. Performance pressures
8. Unrealistic expectations about growth & yields
9. Evolving technology
10. Decisions driven by emotions and ego rather than evidence

Opportunities for Internal Auditors

Build IA credibility by being part of the fraud solution without being a gotcha auditor.

- Fraud can make a career or destroy it.
- Fraud can be challenging.
- Fraud can be dangerous.
- Detecting and responding to fraud can help us understand WGO.

1. Three questions for mobilizing executive management.

- a. How would you prefer fraud to surface?
- b. When would you prefer fraud to surface?
- c. Have your detection expectations been defined and communicated?

2. Fraud policy

Management is responsible for being aware of exposures and symptoms of exposures in their areas, and for detecting suspected wrongdoing.

- 3. T F – Internal auditors are expected to detect fraud and identify other problems.**
T F – Public accountants auditing financial statements are expected to find fraud.

What do you tell the audit committee about responsibility for detection?

4. Build fraud detection into routine audit activity.

- a. Be incident oriented.
- b. Brainstorm fraud exposures.
- c. Build program steps to surface specific fraud symptoms.
- d. Follow up on all symptoms to see if there was an occurrence.
- e. For unbelievable lifestyle or generosity, **audit the area for occurrences.**

OMTM - # of Frauds Detected

5. Use technology:

- a. To KYC
- b. Use data mining or analytics to surface symptoms:
 - i. Your own data
 - ii. Others data – vendors, administrators, partners, contractors
 - iii. Follow through to look for incidents

What have been your most effective data mining applications?

6. Audit third parties:

- a. For cost recoveries
- b. To improve processes
- c. To identify corruption

Do you audit 3rd parties? What have been your results?

7. Be part of your organization's complete investigative response.

What role does IA play in investigations in your organization?

About Your Speaker

Courtenay M. Thompson, Jr. provides fraud-related training for managers, auditors, and investigators. For over 20 years, Courtenay and his associates have taught experience based courses with practical solutions to real problems. Courses currently offered address fraud detection, investigation and prevention, data mining, auditing contracts, audit interviewing, behavior and communication skills, and increasing personal and professional effectiveness. Construction fraud and construction audit seminars are offered in conjunction with the Construction Audit & Cost Control Institute. Courtenay's background prior to entering consulting includes internal auditing and public accounting.

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