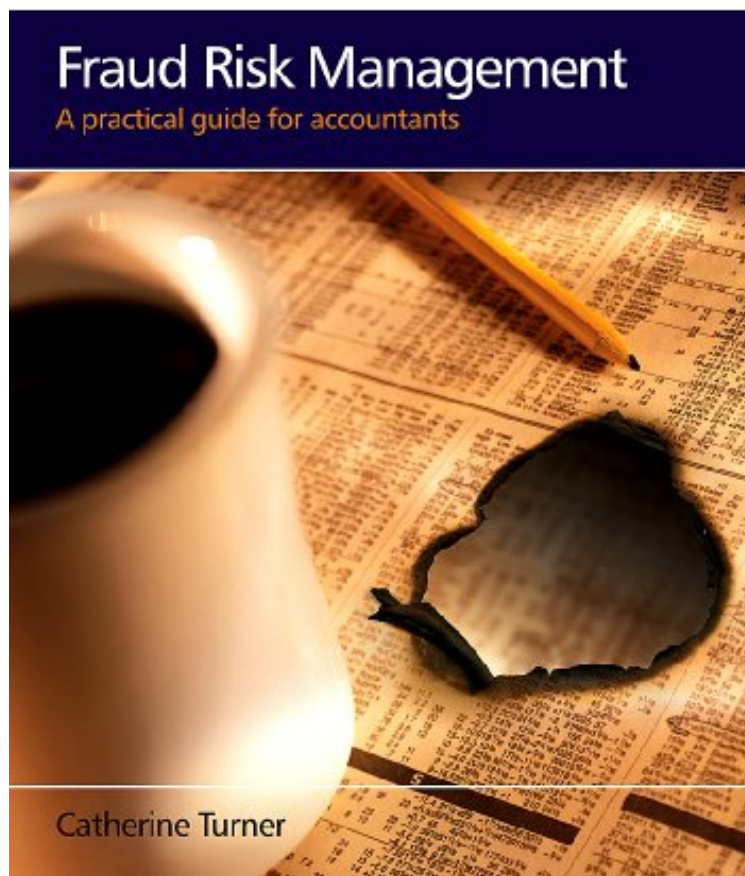


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Fraud Risk Management: A practical guide for accountants

Catherine Turner

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Catherine Turner : Fraud Risk Management: A practical guide for accountants before purchasing it in order to gauge whether or not it would be worth my time, and all praised Fraud Risk Management: A practical guide for accountants:

0 of 1 people found the following review helpful. Vague on fraud risk management!By Jack TanTis book should be termed Fraud Handling and the use of "Fraud Risk Management" is a misnomer.Catherine Turner did not discuss any approaches or structured programme to prevent and detect fraud. However, the reader could still derive some values by having a better understanding on the schemes used by a fraudster.There is also room to improve the English used e.g."How could you thief stock from us without getting caught?" (colloquial)"Put in place processes to preserving, trace, locate and recover lost funds/assets" (Lack of parallelism)Some salients points include:1. Fraud could be categorised into Fraud by false representation, Fraud by failing to disclose information, and Fraud by abuse of

position.2. A non-material misrepresentation, whether intentional or not, which causes no loss or detriment, would not usually be deemed to be fraudulent.3. 80% of serious frauds against business are estimated to be carried out by staff; a relatively high proportion are carried out by the more senior staff. It seems most probable that it is because of the greater opportunity they have, both in terms of avoiding controls to carry out the fraud, and in terms of covering their tracks.4. A specific review of the organisation's vulnerabilities is often initiated at the request of the organisation's audit committee or internal audit department.5. There is a rising public disquiet at the perception of wrongdoing.6. The general offence of fraud focuses on the penetrator's intentions (i.e. as opposed to the actual outcome of what he has done).7. Frauds manifest themselves in the quieter, more inactive areas.8. In considering a business fraud risk, you should include an assessment of where are the weak links in your system, and if there was a culture of open information sharing and co-operation to combat fraud.9. Fraud risk management should also become part of the project in developing any new products, processes or markets; where it is embedded early in the process, results are likely to be much improved compared to where it happens late in the planning process.10. Using appropriate synthesis and analysis of data trends, and assessment data in the context of other information, can provide a significant improvement on the more basic approach of simply testing and verifying the current figures, as presented at a given point.11. A key element of fraud risk management plan is the identification of key fraud risk factors.12. Gain a clear understanding of all relevant processes taking place in the business - both in their documented form (e.g. what the procedures manual says should happen) and in their actual form (what people actually do on a day to day basis, which may be very different). Ensure that the procedures are adhered to, and if/how the assets of the business or its customers may be put at risk.13. Approaches to understanding the nature, scale and complexity of the business involved:a. Discussions with in-house legal advisers. They may have valuable insights into the weaknesses in the process, or trends.b. Encourage staff to put themselves in the shoes of a would-be fraudster.i. As the accountant/book-keeper for this division, how could you embezzle money and cover your tracks?ii. If you were the Executive Officer, in what ways could you inflate profits/improve the financial statements to impress the shareholders, increase your bonus, or encourage a bank to lend to the business?iii. If you worked in the loading bay, how could you remove stock from the company without getting caught.14. When assessing likelihood and impact, you should base on appropriate metrics.a. Likelihood should be in terms of the number of times it might be expected to occur, given the current status of the systems and controlb. Impact should be quantified as a percentage of annual profit, turnover, or assets.15. A medium-sized company transacting business on credit, or internationally, may have 8-10 divisions or functions, and within each of these at least another 8-10 specific risks - leading to a matrix of between some 60-100 risks.16. Another option is to establish a database spreadsheet based matrix, organised so as to sort the identified fraud risks by:a. nature;b. department/owner;c. control or action to remedyd. comments from the department manager/risk owner;e. additional comments;and including columns for later population, to show the action by date, progress update, and completed/uncompleted status.17. Divisional manager can yield useful information as to how the processes have been established, what supervisory arrangements are in place, how exceptions and significant transactions are handled.18. Factors which indicate that a fraud may be being attempted or penetrated (As opposed to there being a high propensity for the risk of this) are usually known as fraud indicators, fraud alerts or red flags.19. Use technology to alert management to certain patterns of account usage, which may be indicative of fraudulent behaviour.20. A suggested documentation for fraud risk management process could be:a. Motivation - for example individual employee with gambling debts;b. Opportunity - for example, poor internal controls over the tendering process;c. Method - Fraudulent invoicing for services to the organisation;d. Fraud Indicator/Red flag - Employee has close relationship with service provider;e. Method - Preparation of false tender application, and subsequent false invoices for services;f. Consequences - Failure to give contract to best provider. Over payment for non-existent services.21. Anti-fraud measures include a positive anti-fraud culture, strong systems and controls, and a workable whistleblowing policy.22. Use the everyone could be trusted but need to be verified approach.23. Opportunity include weaknesses in systems that result in ineffective reporting/inaccurate or late management information.24. Look out for circumvention of controls.25. Motivation include lifestyles that appear excessively lavish in the context of the known remuneration and other sources of income.26. Accounting fraud could involve overuse of suspense accounts in the course of the year (Even if they are closed out at the company's year-end.27. Warning sign include inclusion of post year-end income but not associated costs.28. Good anti-fraud practices include a full periodic reconciliation of supplier payments against goods inwards, and prompt investigation of any complaints by other suppliers that they seem unable to secure orders, regardless of the competitiveness or quality of their products.

This book provides a user-friendly guide to current and emerging issues in fraud both internal to the company, and external. It explains the terminology used and sets out the chief risks which management accountants need to be aware of. It then sets out a practical framework for the management and mitigation of fraud risk. This is followed up by an explanation of what to do in the event of concerns that a fraud has been perpetrated, is underway or is being attempted. The book also guides the reader through the process of dealing with the law enforcement authorities in the event of an investigation. The book is for all those accountants who are not professionals in risk management or investigation

procedures, but who need to be aware of the issues, many of which will impact on their area of responsibility; it therefore aims to give them a user-friendly manual to the issue of fraud risk. In addition the book will provide a valuable update on emerging trends in the fraud environment. The author is a financial services and regulatory consultant with extensive experience in fraud risk management. She is also Manager, Corporate Governance for an international life company, and an examiner and moderator who lectures and writes extensively on a wide range of compliance and financial services matters. The book is in three sections: Section 1: What is fraud? What are the emerging trends in fraud at present? Section 2: what risks may you encounter in your business, and what fraud management systems should you have in place? Section 3: post-event fraud management? what to do when your concerns are aroused that a fraud has taken place or is being attempted? * makes accountants aware of different types of fraud risk* explains practical issues including post-fraud event management* The author, a financial and regulatory consultant, offers her extensive experience in fraud risk management

From the Back Cover: "Fraud Risk Management", the essential guide for accountants in the management and mitigation of fraud risk. "Fraud Risk Management" is a practical guide to current and emerging issues in managing internal and external fraud risk. Whilst providing a valuable update on current and developing trends in the fraud environment, this book also covers terminology used and elaborates upon the chief risks which management accountants must be aware of. Turner, the author, provides a practical framework for essential action in the event of the perpetration of or attempted fraud. The reader is also guided through the process of interacting with law enforcement authorities during an investigation. The current context of fraud is such that there is rising public disquiet at the perception of wrongdoing within large and often publicly listed companies; a sense that the people to whom individuals entrust their money should be held properly accountable for what they do and how they spend. Fraudulent activity is often believed to be associated, disconcertingly, with terrorist funding. Politicians and lawmakers are keen to be seen to act swiftly and firmly to protect their people, with a view to both protecting local economy and to maintaining investor confidence. Thus Governments have never been so ready to intervene. They are granting, and regulatory bodies and law enforcement agencies are using, a wide range of enforcement and information-gathering powers — and there is more talk than ever before on subjects such as "corporate governance". In effect, the officers and senior employees of companies are now subject to much greater responsibility, liability and accountability, for the activities of the organisations they work for. This book is aimed at management accountants who are not professionals in risk management or investigation procedures, but who need to be suitably aware in case of impact on individual responsibilities. It provides a user-friendly manual divided into three sections, "What is fraud?", "What risks may you encounter in your business and what fraud management systems should you have in place?" and "Post event fraud management". The author, is a financial services and regulatory consultant with extensive hands-on experience in internal audit, risk management and compliance matters. She is also Manager of Corporate Governance for a group of international life companies and lectures extensively on a wide range of compliance and financial services matters. About the Author Catherine is Group Compliance Officer for Maitland (www.maitlandgroup.com) and also an Associate Lecturer in Financial Services at the Isle of Man College of Further Education. Prior to her current position she was Head of Legal, Compliance and Risk - Global Fund Services, Bank of Bermuda (Isle of Man) Ltd. She has been in the financial services industry for 20 years. She has also held positions as Manager, Marketing and Product Development for an international financial services provider, and was a Policy Adviser to the Isle of Man Government Financial Supervision Commission specialising in the development of the regulatory framework for collective investment schemes. She is a Fellow of the Chartered Institute of Bankers, a Member of the Securities Institute, a Member of the Society of Financial Advisers and an Associate of the Life Insurance Association by Diploma. She lectures internationally on subjects including fund management, regulation and compliance, insider dealing, investor protection regimes, and mortgage lending, and is Associate Lecturer, Financial Services at the Isle of Man College of Further Education. She has been engaged by the Africa Centre for Investment Analysis to deliver a 3-day course in November 2003 covering Insider Dealing Regimes, Investor Protection Regimes and International Funds.