



Basic Fraud Toolkit

Presented by:
T. Charlotte Hoggard, CGA, CFI

T. Charlotte Hoggard Inc.
Sales Tax and Forensic Consulting
A-1011 Johnson Street
Victoria BC V8V 3N6



The Accountant's Role in Fraud Detection

- Internal processes and procedures
- Management
- External auditors
- Employees
- Internal auditors



Steps in Fraud Detection

- Know the risk areas
- Know symptoms of fraud
- Always be alert for the symptoms
- Include steps in your processes to test for symptoms
- Follow up on all symptoms



Risk Areas

- Know your client and his business
- Experience and knowledge of management
- Types of internal controls
- Hiring policies and procedures



Symptoms of Fraud

- Understaffed accounting departments
- Infighting among top management
- Low morale and motivation among employees
- Lack of or non-functioning internal controls



Symptoms of Fraud

- Employees poorly paid or poorly managed
- Employee with lifestyle beyond their salary
- High level of complaints against organization from customers, suppliers or regulatory authorities
- Unusual journal entries

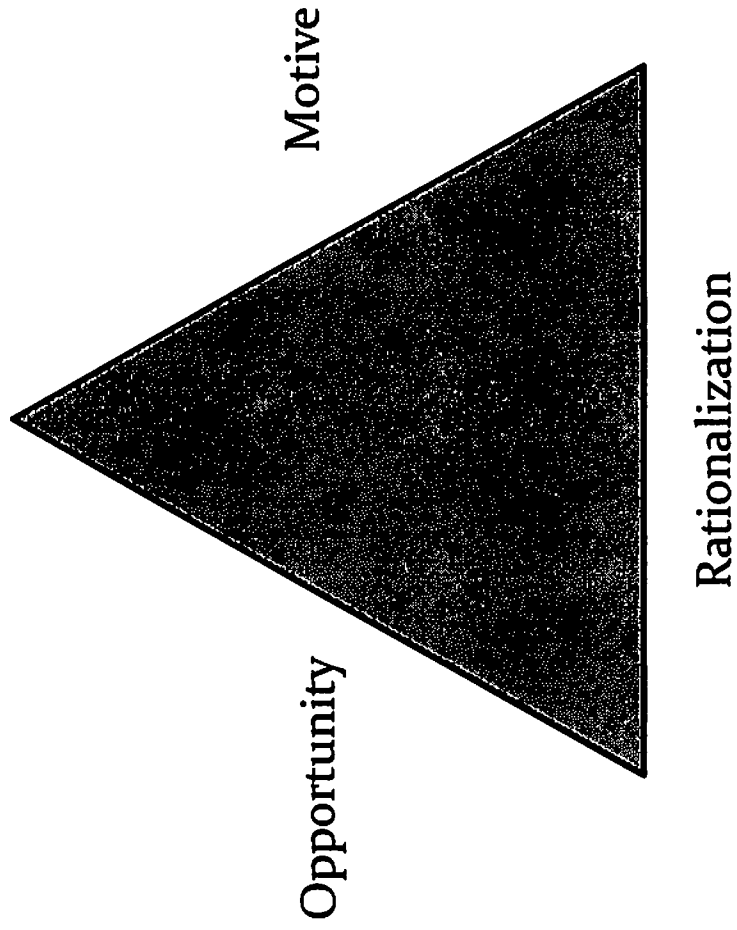


Symptoms of Fraud

- Lack of supporting documentation for transactions
- Staff under stress without a high workload – marked personality changes – always working late – reluctance to take leave
- New staff resigning quickly
- Suppliers/contractors insist on dealing with one individual



Fraud Triangle





Fraud Techniques

Financial statement fraud

- Revenue/Sales
- Expenses
- Asset Based – existence or valuation
- Disclosure related



Fraud Techniques

- Misappropriation – inventory, assets, time, cash
- Cheque fraud
- Procurement fraud
- Deposit fraud
- Only limit is imagination and opportunity




Fraud Detection Toolbox

1. Environment analysis
2. Testing reasonableness
3. Observation
4. Analysis
5. Audit
6. Physically verify
7. Review
8. Examination
9. Confirmation
10. Test counts

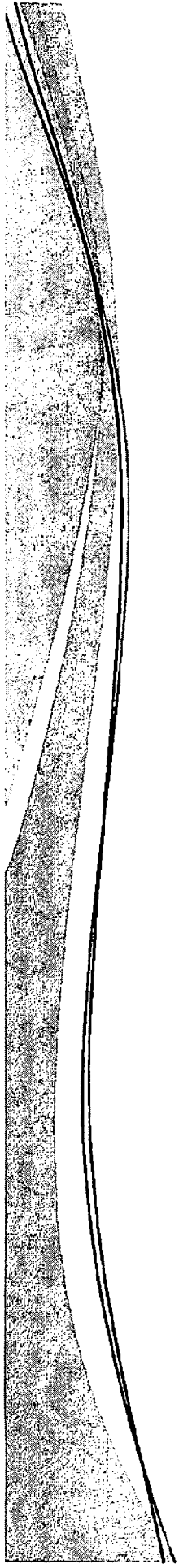


Advice to Victims of Fraud

- Shut the door
- Safeguard the evidence
- Notify insurer
- Do not confront suspect without consulting an advisor who has fraud relate experience
- Decide your objectives



Questions?



T. Charlotte Hoggard Inc.

- T. Charlotte Hoggard, CGA, CFI
- *President*
- *Email: t.charlotte@hoggardcga.ca*
- *Phone: (250)386-6611*
- *Cell Phone: (250) 889-6501*
- *Fax: 1-888-331-6493*