

... detect/investigate fraud for the non expert

Detecting fraud

Suspicion indicators

- Assessing whether any employees behaviour has changed. Have they started going on extravagant holidays or do they have a new car?
- Does a particular cost within the accounts appear to be high or are overall costs of the business higher than expected?
- Have a number of complaints been received from customers or suppliers with regards to invoicing and payments?
- Are there staff who are able to work in the office alone and are working unsociable hours?

Investigating fraud

The best way to investigate suspected fraud is to find the answers to the following questions:

1. **What** controls could have been overridden?
2. **Who** has the ability to override the controls?
3. **When** could the controls be overridden?
4. **How** could the controls be bypassed or manipulated?
5. **Why** would someone do this? What would they have to gain?

Steps to finding these answers:

- Do not alert the person you suspect of fraud as this will give them time to cover their tracks.
- Make a note of what fraudulent activity you think may have occurred and your initial thoughts to how this may have happened.
- Obtain all of the underlying source documents available to you that you think may help you uncover the fraud, this could include any of the following:
 - Bank statements;
 - Cheque books/cash records;
 - Sales/purchase orders and invoices;
 - Any accounting software transactional information;
 - Anything else that you think would be appropriate.
- Next note down the various control procedures that operate within your company, for example a director having to sign the monthly pay run.
- Using the monthly pay run as an example, you can check that the expected control procedures have been carried out. You can do this by analysing previous entries in the accounts system and attempting to reconcile them to the underlying source documents. Any errors found here could indicate controls are not being followed and potential fraud could have occurred.
- This will allow you to narrow down what controls are being overridden; who has bypassed them; when this has occurred; and how it has happened.
- The reason as to why someone has committed fraud is normally due to financial gain or due to pressure from someone else who is making a financial gain.

If you would like more advice and information, or have experienced a fraud and need more help, please contact the Ensors Forensics team on 01473 220022