Catching the Bad Guys: Fraud Auditing for Internal Auditors

In today’s internal audit environment, auditors are expected to be knowledgeable in all areas of their business, help the organization meet its objectives through value-added auditing, and catch fraud during the audit process. A standard audit catches less than 15 percent of existing frauds because it is designed to test the effectiveness of controls and evaluate operating efficiency — not find fraud. This course provides the fundamentals for developing fraud audit programs and incorporating fraud detection into the standard audit process. This in-depth course looks at the complete fraud tree and covers all common fraud schemes and scenarios to provide participants with the knowledge needed to start implementing fraud auditing into their audit processes immediately. Additionally, the course will cover the role of auditing and the appropriate process for auditors conducting or assisting fraud investigations.

Internal auditors, accountant staff, and management will benefit from this interactive course taught through a combination of lecture, group exercises, and class participation. The learning objectives of the course are:

- Understanding the fraud triangle.
- Understanding fraud fundamentals.
- Understanding the fraud tree.
- Common fraud schemes and scenarios.
- Characteristics of fraudsters.
- Knowledge of fraud prevention and detection programs.
- Implementing fraud audit techniques.
- Conducting investigations.
Course Duration:
2 Days

CPE Hours Available:
16

Knowledge Level:
Intermediate

Field of Study:
Auditing

Prerequisites:
- Auditors with at least two years’ experience in order to draw upon their professional audit experience.

Advance Preparation:
None

Delivery Format:
On-site Training (Group-Live)
Course Outline

**Principles for Managing Fraud Risk in an Organization**

- Governance.
- Fraud risk assessment.
- Prevention.
- Detection.
- Reporting.

**Fraud Risk Assessment Basics**

- Why conduct a fraud risk assessment?
- Fraud risk as part of an overall enterprise risk management program.
- Potential obstacles and pitfalls for fraud risk assessments.
- Best practices in fraud risk assessment.
- Internal audit's role.

**Fraud Basics**

- The fraud triangle.
- Association of Certified Fraud Examiners’ 2014 Report to the Nations on Occupational Fraud and Abuse — fraud and corruption statistics.
- Fraudsters — characteristics and behaviors.

**The Fraud Tree — Schemes and Scenarios**

- Corruption including conflicts of Interest, bribery, illegal gratuities, and economic extortion.
- Financial statement fraud to include accounting basics, asset and revenue overstatements, and asset and revenue understatements.
- Asset misappropriation — cash (skimming — sales, receivables, and refunds; larceny).
- Fraudulent disbursements in billing schemes, payroll schemes, expense reimbursement schemes, check tampering, and register disbursements.
- Asset misappropriation — inventory and other assets (misuse and larceny).
Integrating Fraud Auditing Into the Internal Audit Program

- Red flags common to various fraud schemes.
- Identifying red flags during the audit.
- Analyzing red flags for actual fraud.
- Fraud auditing versus controls auditing.

Using Data Analytics for Fraud Auditing

- Scoping the use of data analytics.
- Identifying the data to be mined.
- Identifying investigation objectives.
- Acquiring data.
- Data mapping.
- Cleaning data.
- Vetting data.
- Risks of using data originals or copies.
- Avoiding data corruption.

Prevention Programs

- Control activities.
- Human resources.
- Anti-fraud training.
- Assessing fraud prevention programs.

Detection Programs

- Detective controls.
- Continuous auditing and monitoring.
- Hotlines.

Fraud Investigations and Response

- Audit’s role in investigations.
- Barriers to effective incident response and how to avoid them.
- Obstacles and challenges in investigations.
- Fraud incident response checklists.
- Fraud interviewing: the basics.
- Evidence and chain of custody.

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