



Welcome to this microlearning nugget on

THE EVOLVING FRAUDSTER

Select **START** to begin.

START



Is Everybody Susceptible?

The Association of Certified Fraud Examiners (ACFE) has a *Workplace Deviance Model*.

This model states that the workplace population can be divided into three parts.



Those who are totally honest.



Those who can be persuaded to err (especially by a seemingly low-risk high-reward situation).



Those who are totally dishonest.

Defining a Fraudster

For over six decades we've understood that any person can become a fraudster if three elements fall in place.

This is what we know as the **fraud triangle**; a model developed in the 1950s.

If there is enough **pressure** and the **right opportunity** presents itself; a person can **rationalise** taking ethical risks (such as committing Fraud).



The Evolving Fraudster

In 2004, two researchers (Wolfe and Hermanson) presented the Fraud Diamond. This is an update of the Fraud Triangle.

Select each quadrant to learn more.



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Opportunity

These people hold some form of **Authoritative position** or function within the firm.



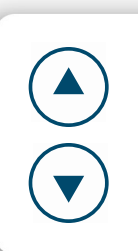
NOTE: These characteristics are not confirmed fraud indicators but merely guidelines.



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Capability

They have the capacity to understand accounting systems and internal controls.



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Rationalisation

They are confident that **detection is unlikely** or, if caught, can be explained away.



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Motivation

They are able to deal with the **stress of deception**.



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Profile of a Fraudster

The 2016 KPMG – Profile of a fraudster survey taught us that most fraudsters feel **they are esteemed and well-respected** in their organisation. The other characteristics are shown here.

Over 60% of those surveyed:

- ▶ Were aged between 36 and 55
- ▶ Were in the victim's employ
- ▶ Were likely to have colluded with others
- ▶ Did it for personal gain
- ▶ Did it because of weak internal controls

35% of the fraud was committed by a director or senior executive.

18% were autocratic and three times as likely as others to be friendly.

Evolving Practices

As companies get smarter, so do Fraudsters. Aware that due diligence can find them, they've come up with creative ways to accept bribes and reroute money.



Fraud tactics in the late 2000s	Contemporary fraud tactics
Offshore registered vendors	Empty invoicing to known third parties, in order to build a slush fund
Bank accounts in red-flag jurisdictions	Above-average discounting to customers and distributors
One-off, round sum payments	The provision of rebates resulting from invoicing excessive amounts for goods delivered
Transactions recorded as consultant expense in general ledger accounts	Well-known and trusted third parties such as travel agents are being encouraged to act as intermediaries



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THE EVOLVING FRAUDSTER.

This nugget is a part of the
CONNECTED FRAUD RISK PROFESSIONAL PROGRAMME.

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CONNECTED FRAUD RISK PROFESSIONAL
for more information.

