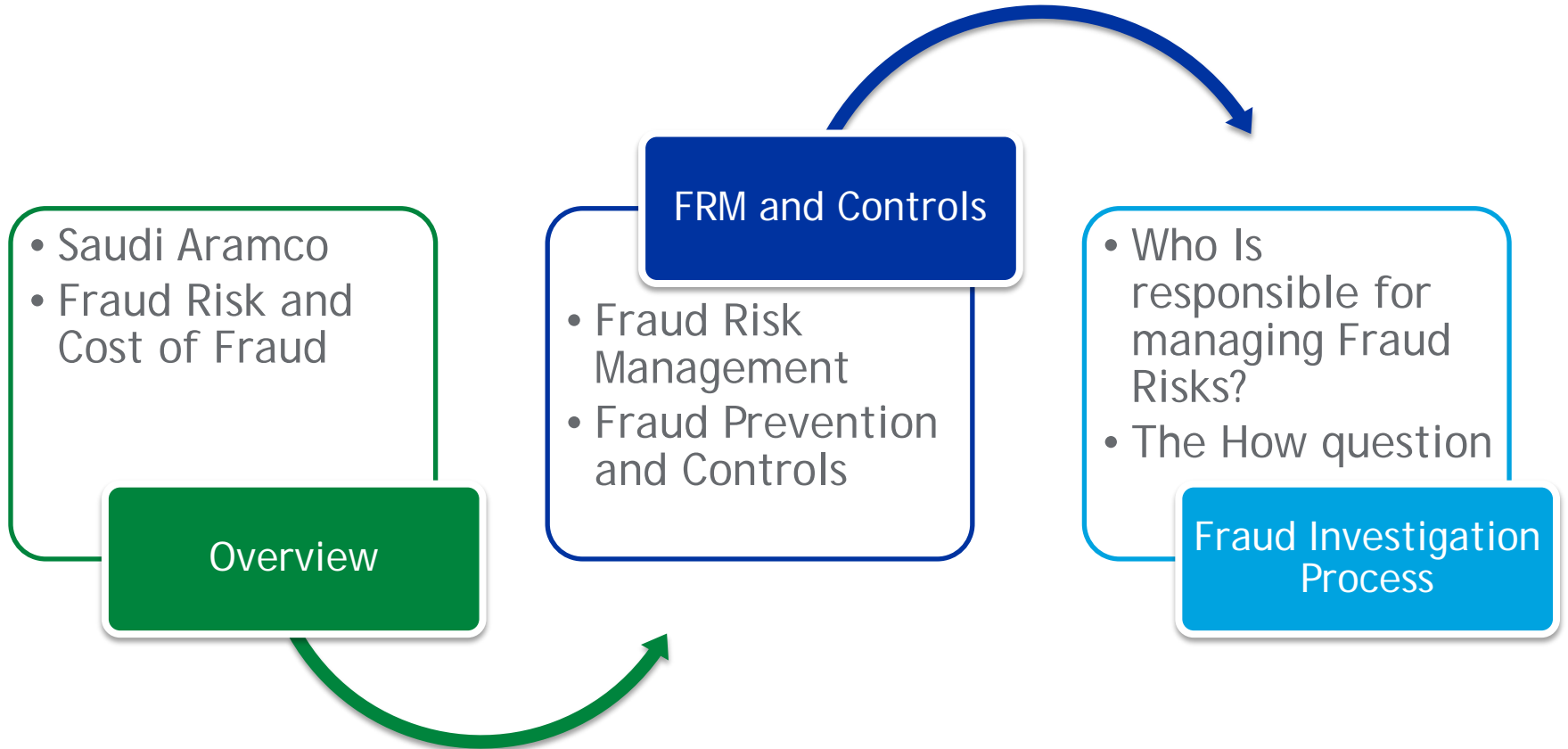




Global Expectations for Addressing Fraud Risk and Investigative Process

Waheed Alkahtani, CFE and CCEP-I
March, 2017

Agenda



Introduction and Overview

General

1

How we are: Saudi Aramco

- The Saudi Arabian Oil Company (Saudi Aramco) is a state-owned oil company of the Kingdom of Saudi Arabia.
- We rank first among oil companies worldwide in terms of crude oil production and exports, and natural gas liquids (NGL) exports, and are among the leading producers of natural gas.
- We are also among the world's leading refiners and are moving further downstream into chemicals production
- We employ more than 55,000 workers and are headquartered in Dhahran in the Eastern Province.
- Internationally, Saudi Aramco subsidiaries or affiliates hold significant interests in refining and marketing companies in the United States, the Republic of Korea, Japan, and China.
- We have key market support service offices in major cities in North America, Europe and Asia.

بترو رابغ
Petro Rabigh



صدارة
Sadara

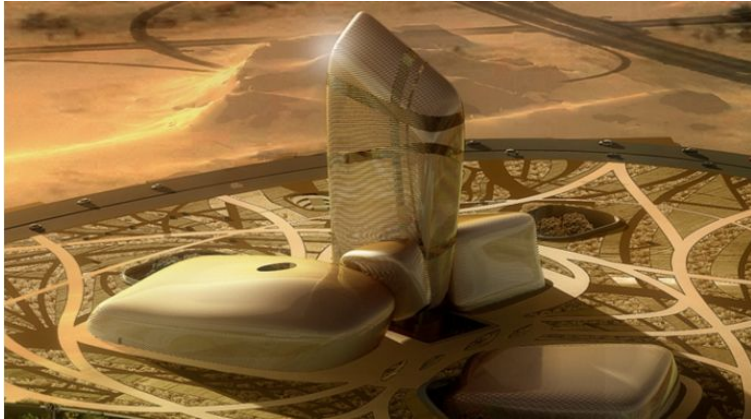


ارامكو السعودية
Saudi Aramco

مركز جونز هوبكنز أرامكو الطبي
Johns Hopkins Aramco Healthcare



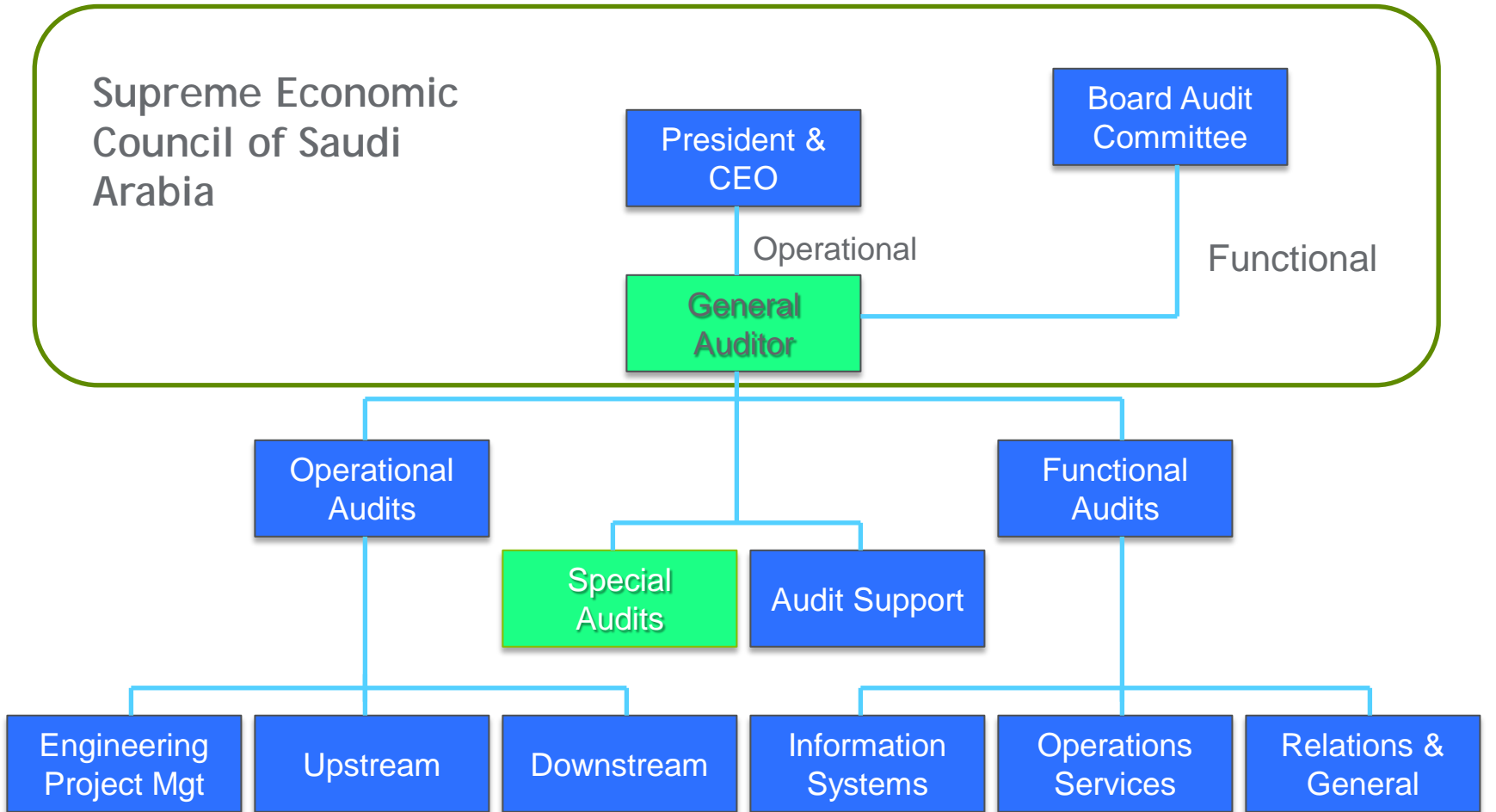
ساتورب
satorp



أرامكو السعودية Saudi Aramco



Internal Auditing Reporting Line



Fraud

- An intentional perversion of truth
- False misrepresentation of a matter of fact

- The use of deception (cheating) with the intent of obtaining an advantage or avoiding an obligation

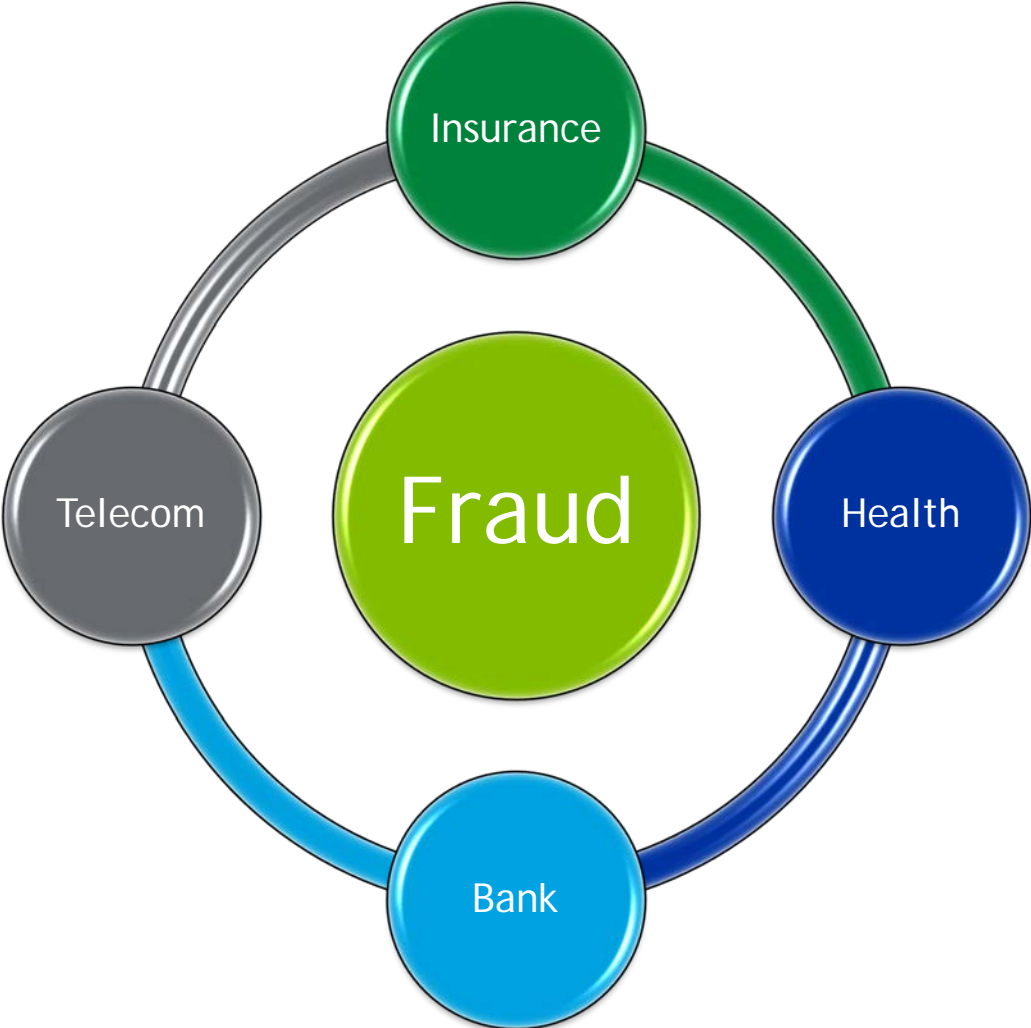


Faces of Fraud

- ❖ **Extortion**
- ❖ **Collusion**
- ❖ **Corruption**
- ❖ **Conspiracy**
- ❖ **Embezzlement**
- ❖ **Forgery**
- ❖ **Bribery**
- ❖ **Money Laundry**
- ❖ **False representation**
- ❖ **Concealment of material**



Fraud in Business Sectors



All kind of Business Processes

Contracts Processing and Administration

Invoice Processing and Cash Payments

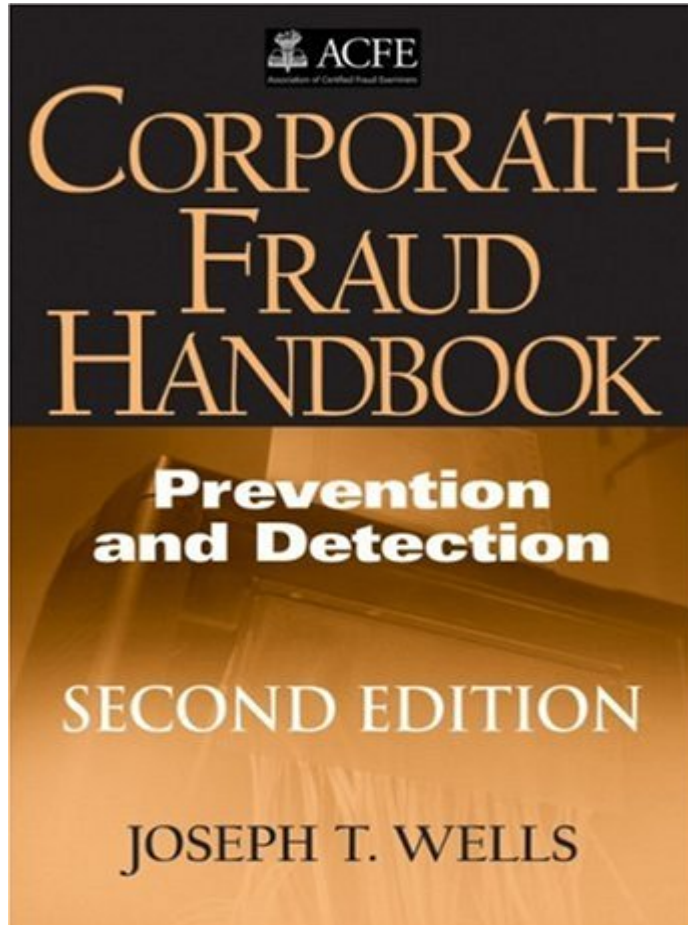
Materials Ordering and Handling

Payroll and Staffing

Performance and Accountability

PROCUREMENT AND CONTRACTING FRAUD

Why we are Discussing FRAUD?



- All organizations are subject to fraud risks
- Frauds have led to the downfall of entire organizations
- Massive investment losses
- Significant legal costs
- loss of key individuals and image
- Many fraud cases involve safety.

Safety is Everyone's Business



The Cost of Fraud



\$3,900,000,000,000

From ACFE Report to the Nation 2014

and...
Global data shows



an upward trend

Fraud Control and Risk Management

2

Command and Control Concept



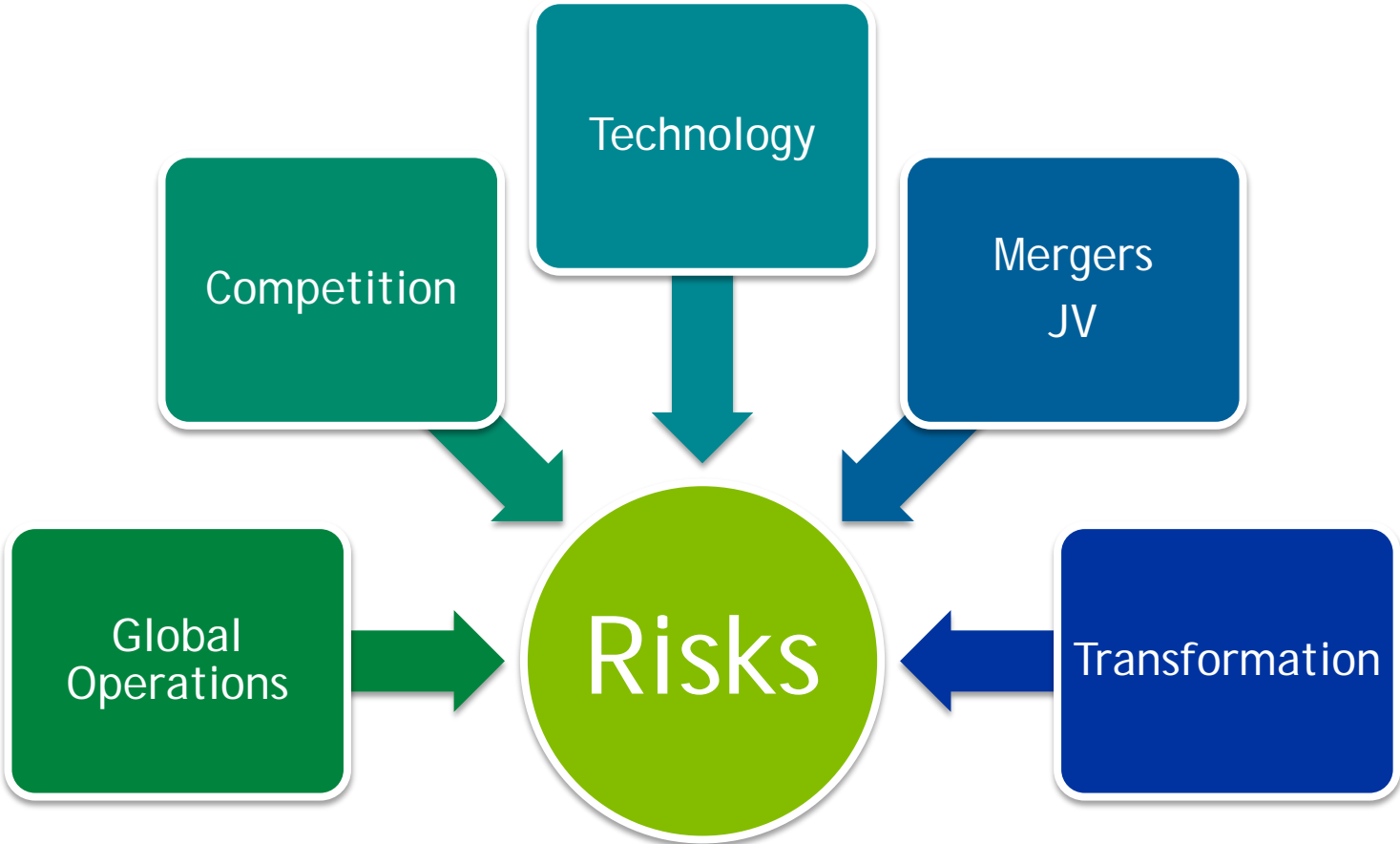


Why

It is

Risky?

Organizational Risks



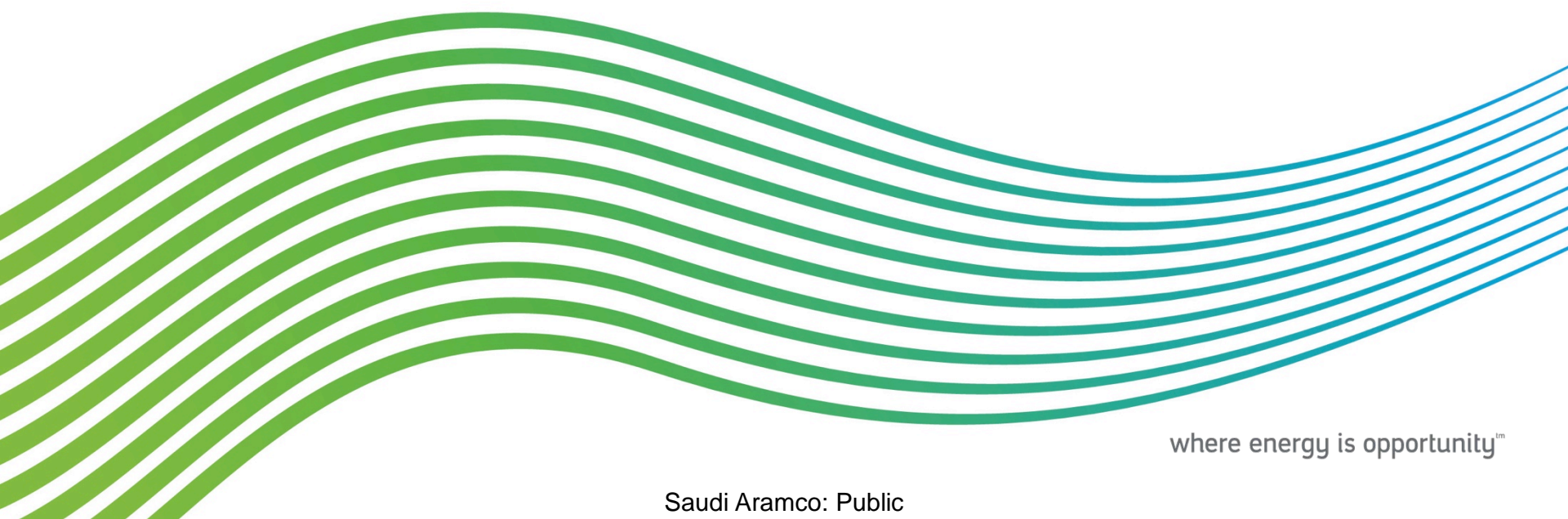
Organizational Risks

- Local Employment and labor laws
- Global Anti-trust and Anti-corruption regulations, such as FCPA and UK bribery acts.

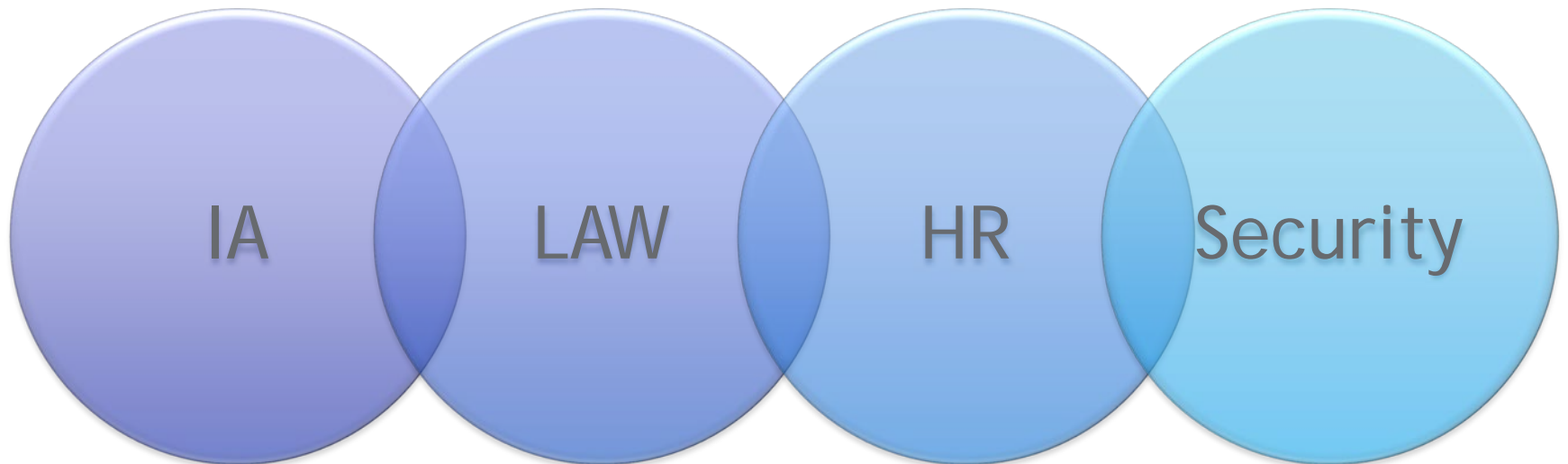
Laws/Rules/Regulations



Who Mange Fraud Risks?



Who manages the RISK?



The Gate Keeper



Internal Auditing

- “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- In relation to fraud, this means that internal auditing provides assurance to the board and to management that the controls they have in place are appropriate, given the organization’s risk appetite.

Role of the Internal Audit

Fraud Risk Assessment

- Internal auditors should consider the organization's assessment of fraud risk when developing their annual audit plan and periodically review management's fraud management capabilities.

Communicate and Report

- They should interview and communicate regularly with those conducting the organization's risk assessments, as well as others in key positions throughout the organization, to help them ensure that all fraud risks have been considered appropriately.

Internal Controls

- When performing engagements, internal auditors should spend adequate time and attention to evaluating the design and operation of internal controls related to fraud risk management.

IIA Practice Advisory 2130-1

Role of the Internal Audit

Watch Red Flags

- They should exercise professional skepticism when reviewing activities and be on guard for the signs of fraud.

Respond

- Potential frauds uncovered during an engagement should be treated in accordance with a well-defined response plan, consistent with professional and legal standards.

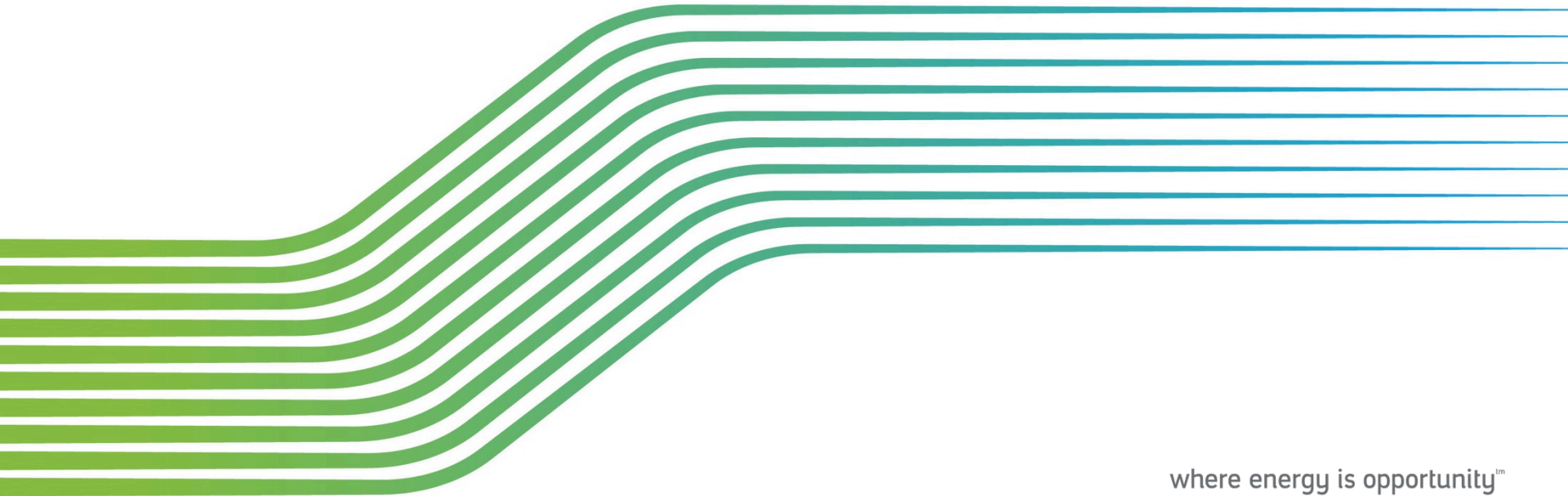
Active Role

- Internal auditing should also take an active role in support of the organization's ethical culture.

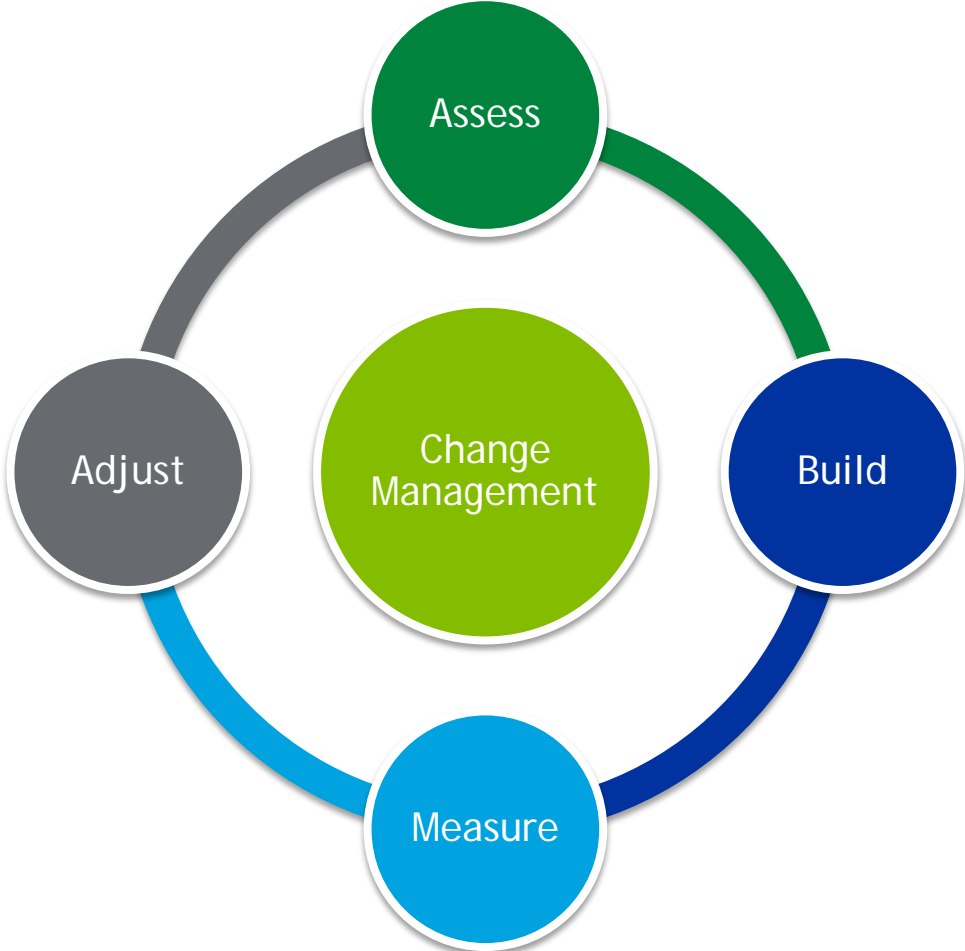
IIA Practice Advisory 2130-1

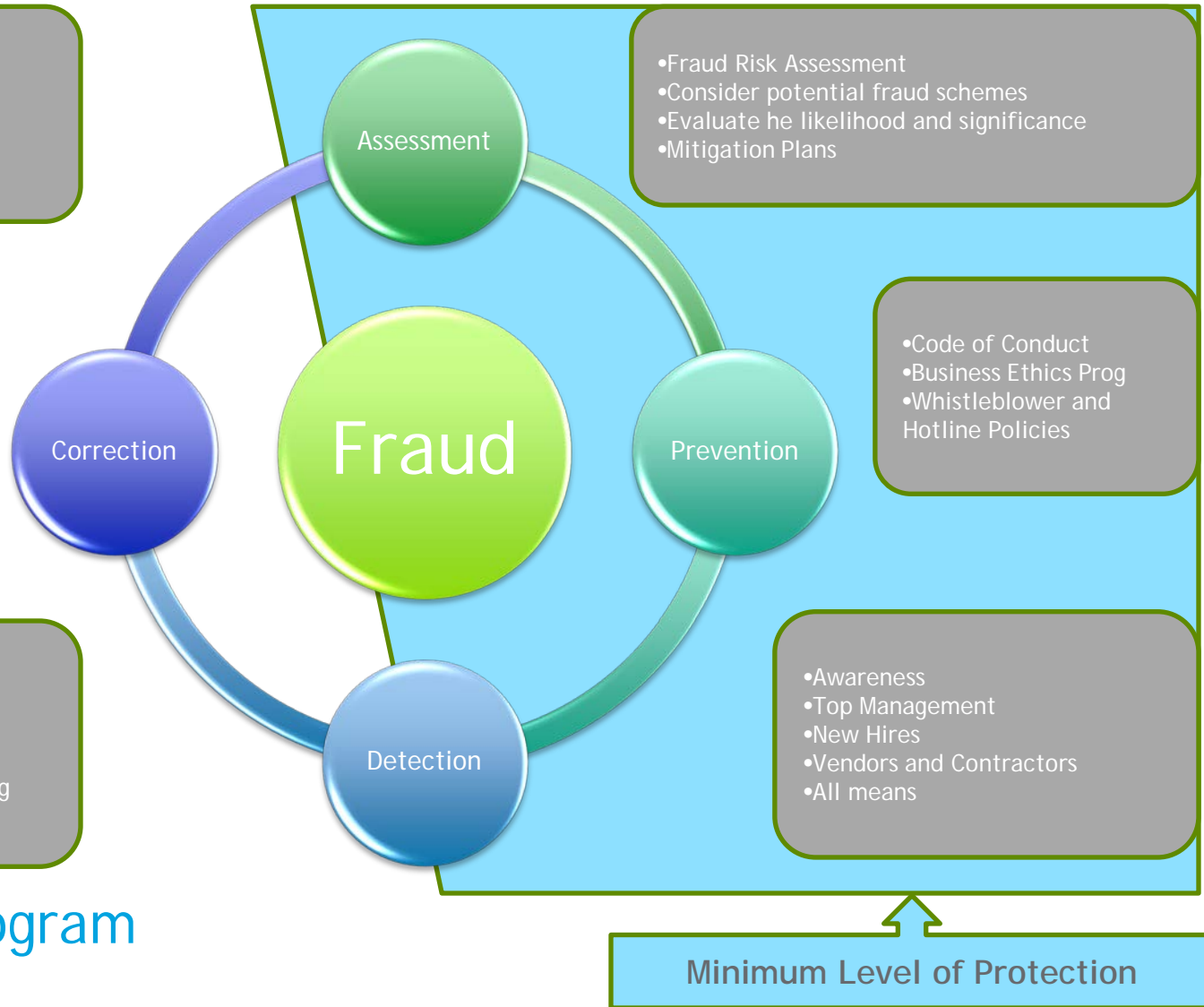


The How to Question



Change Management Theory





Anti-Fraud Program

What ...



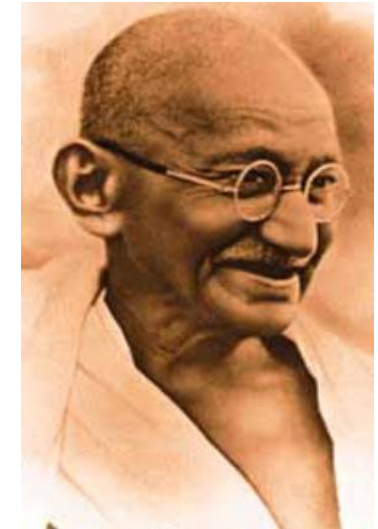
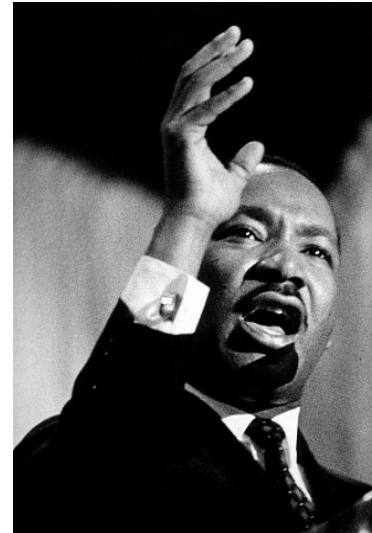
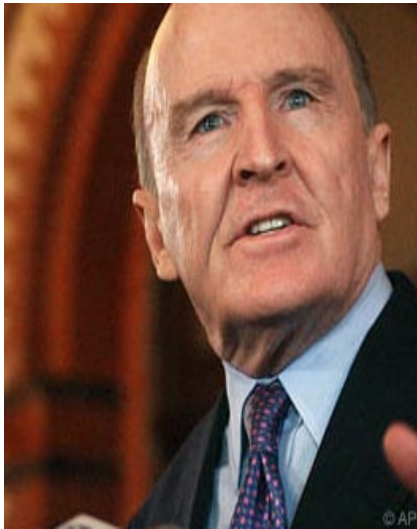
Should

Can

Must

Be Done?

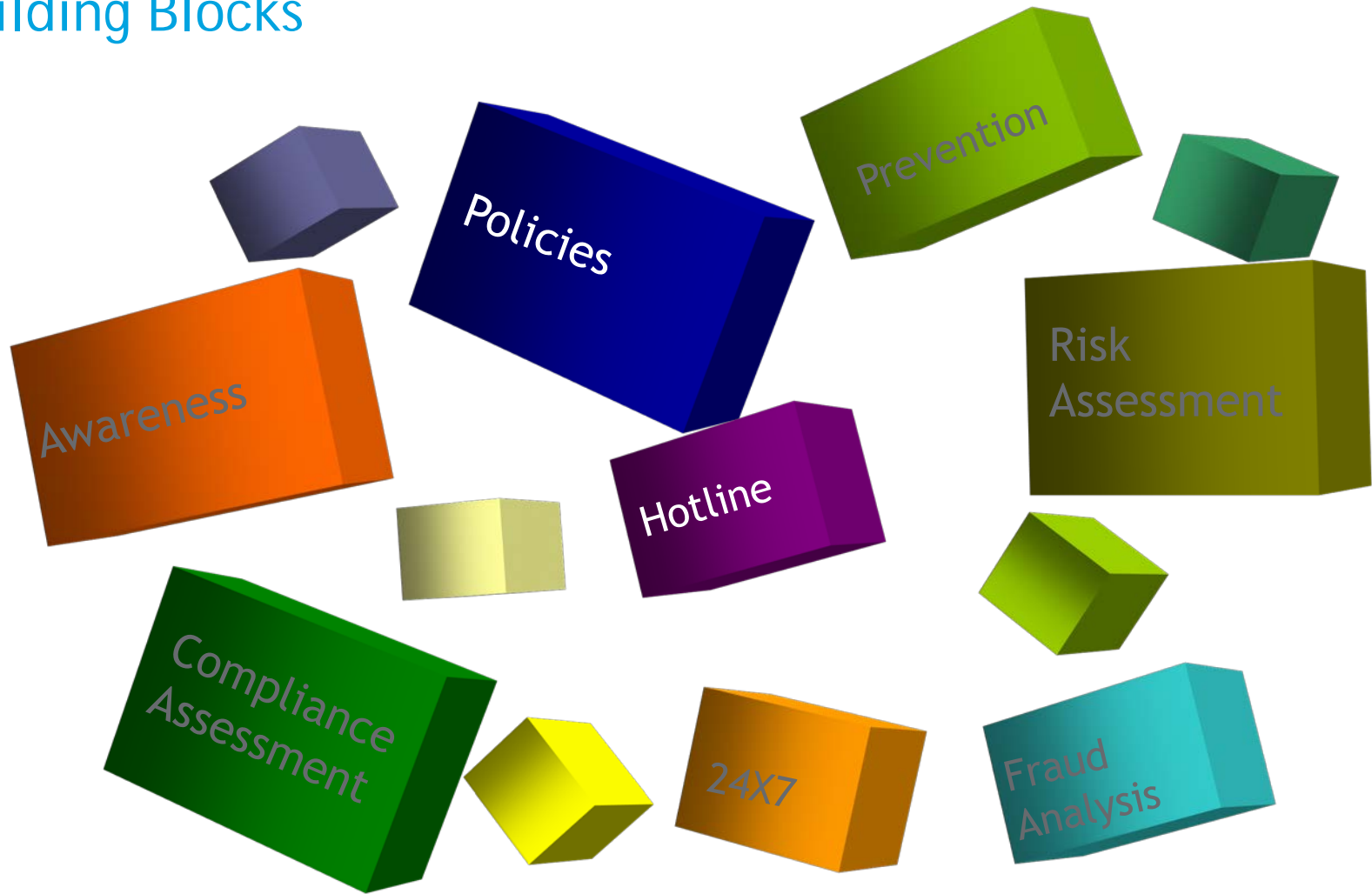
Set the Tone from the Top



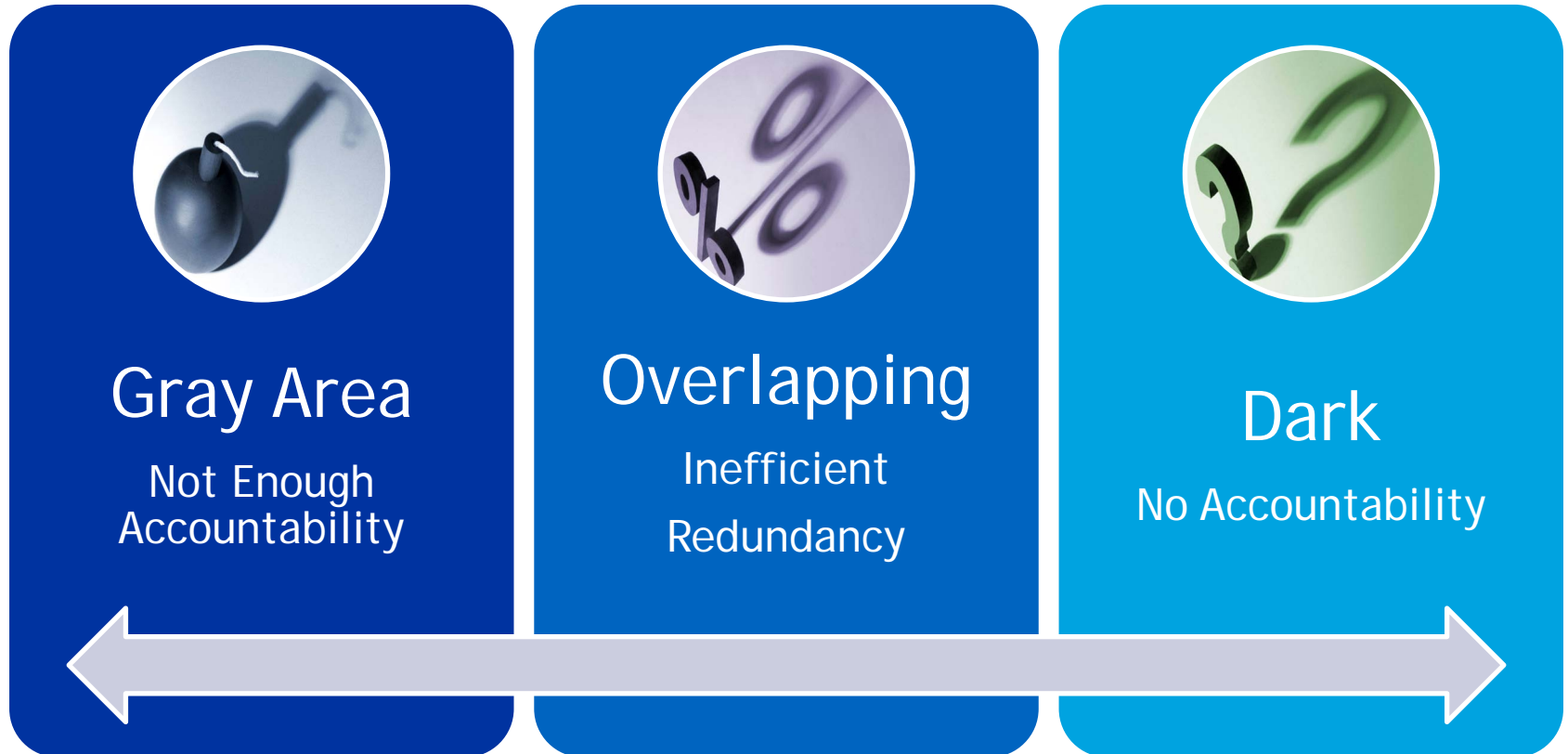
You must be the change you wish to see in the world.



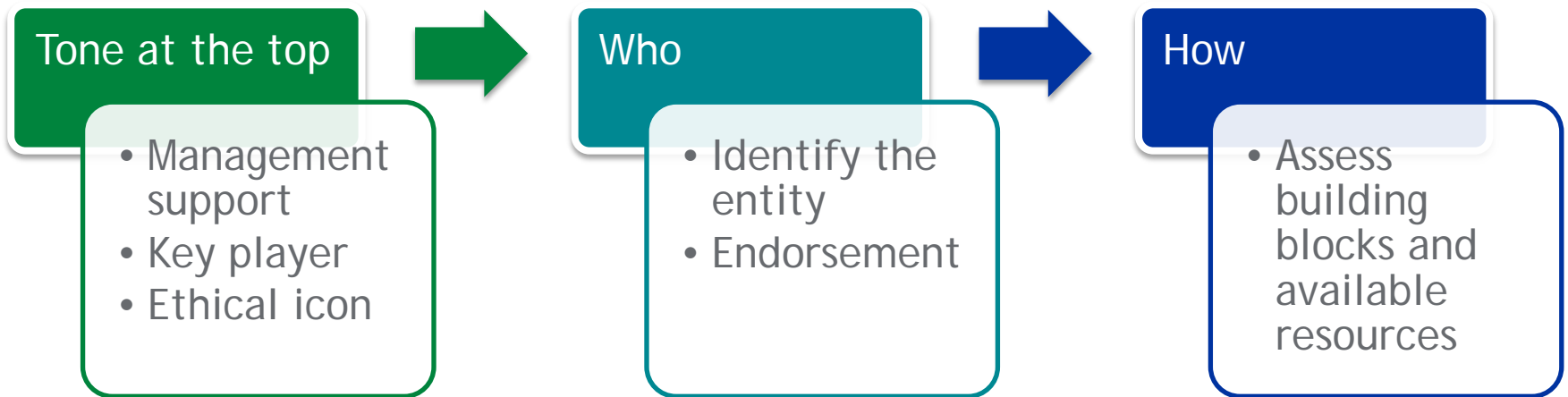
Building Blocks



Gap Analysis Methodology



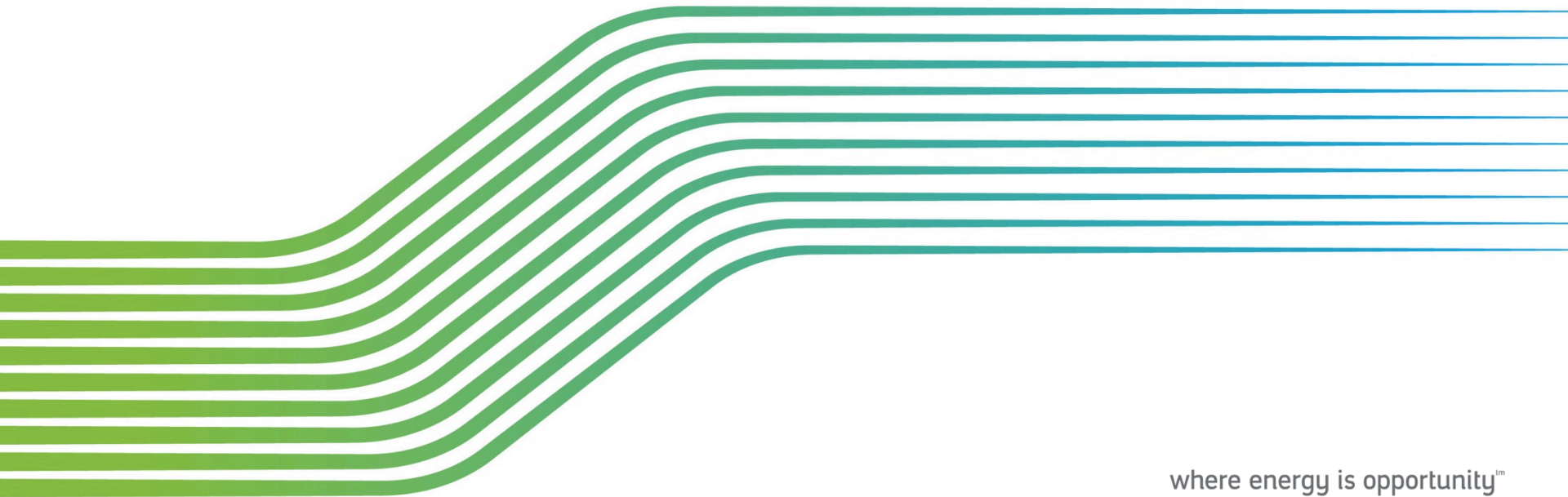
The Implementation Process



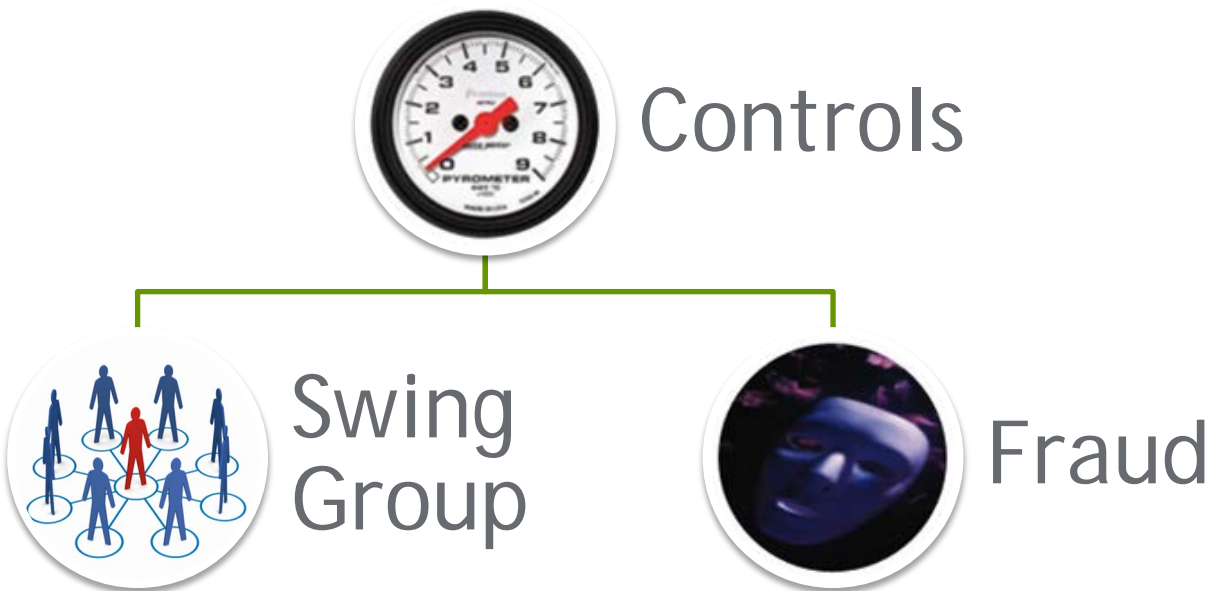


Fraud Control

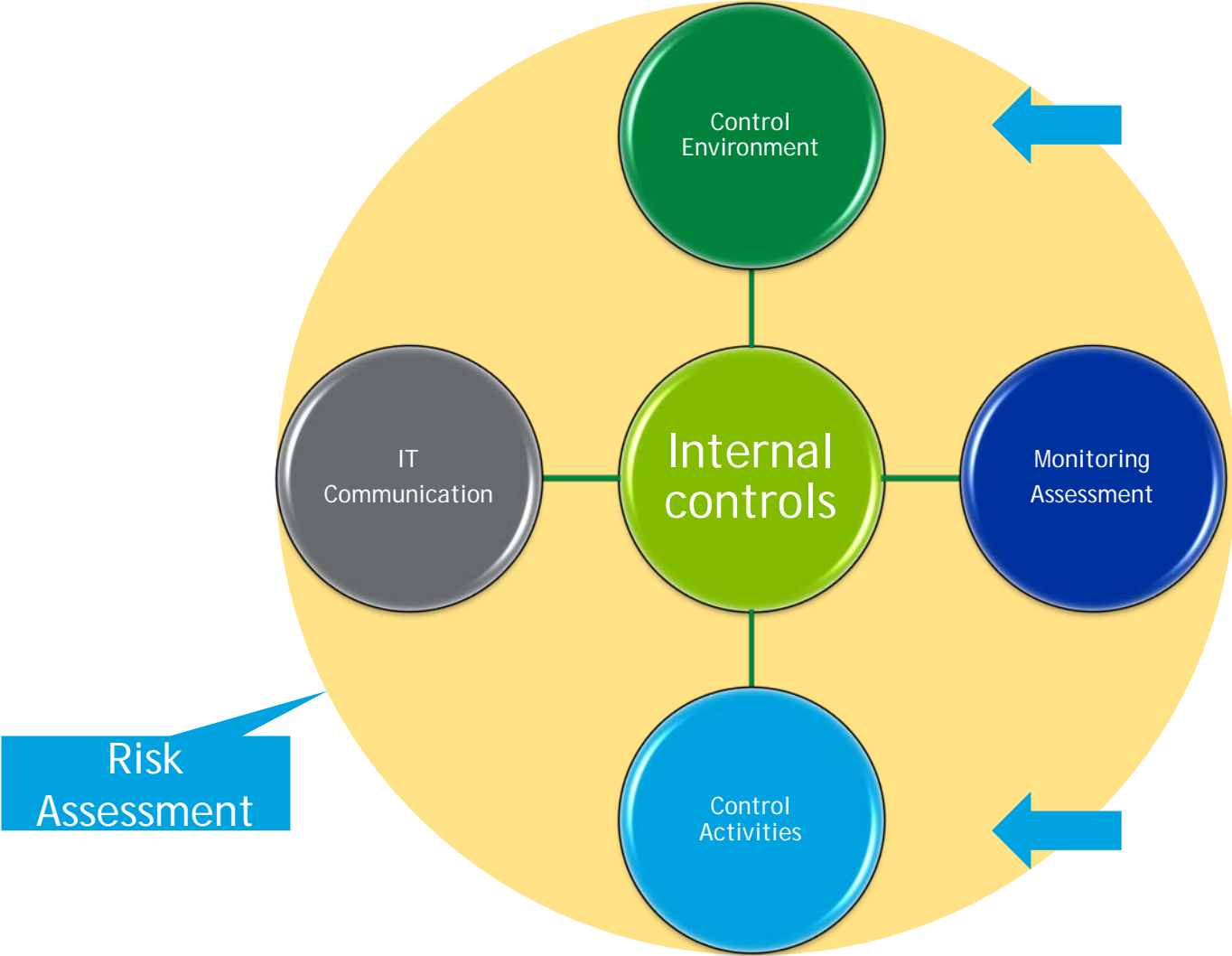
Section Two



In Summary



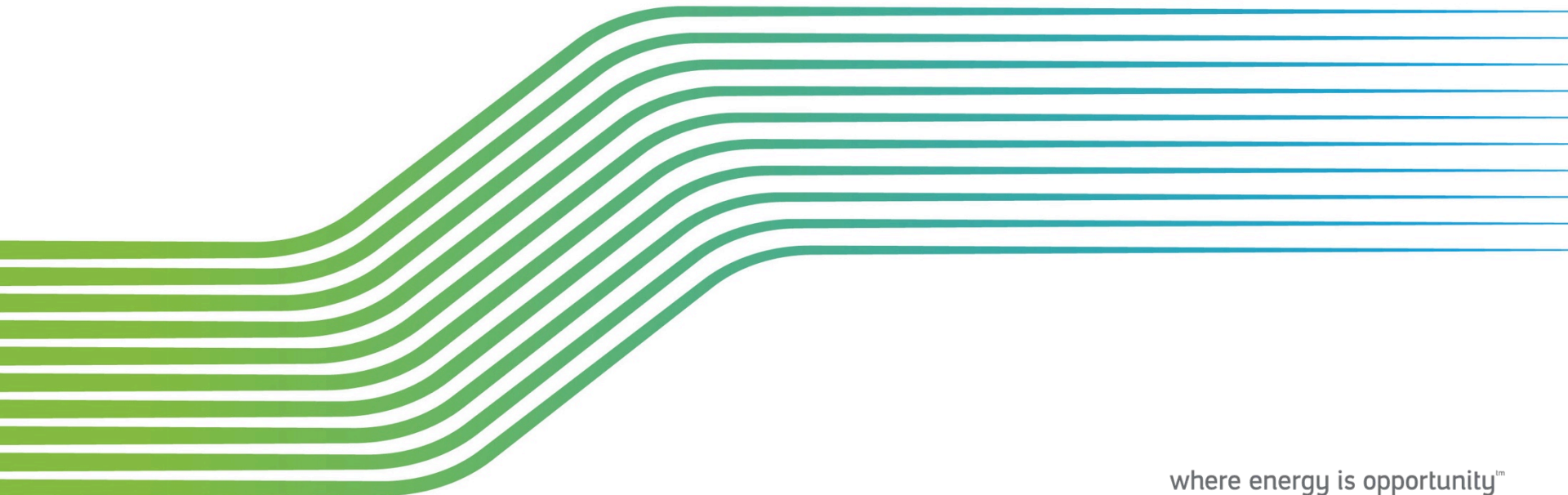
The Internal Controls and COSO Model







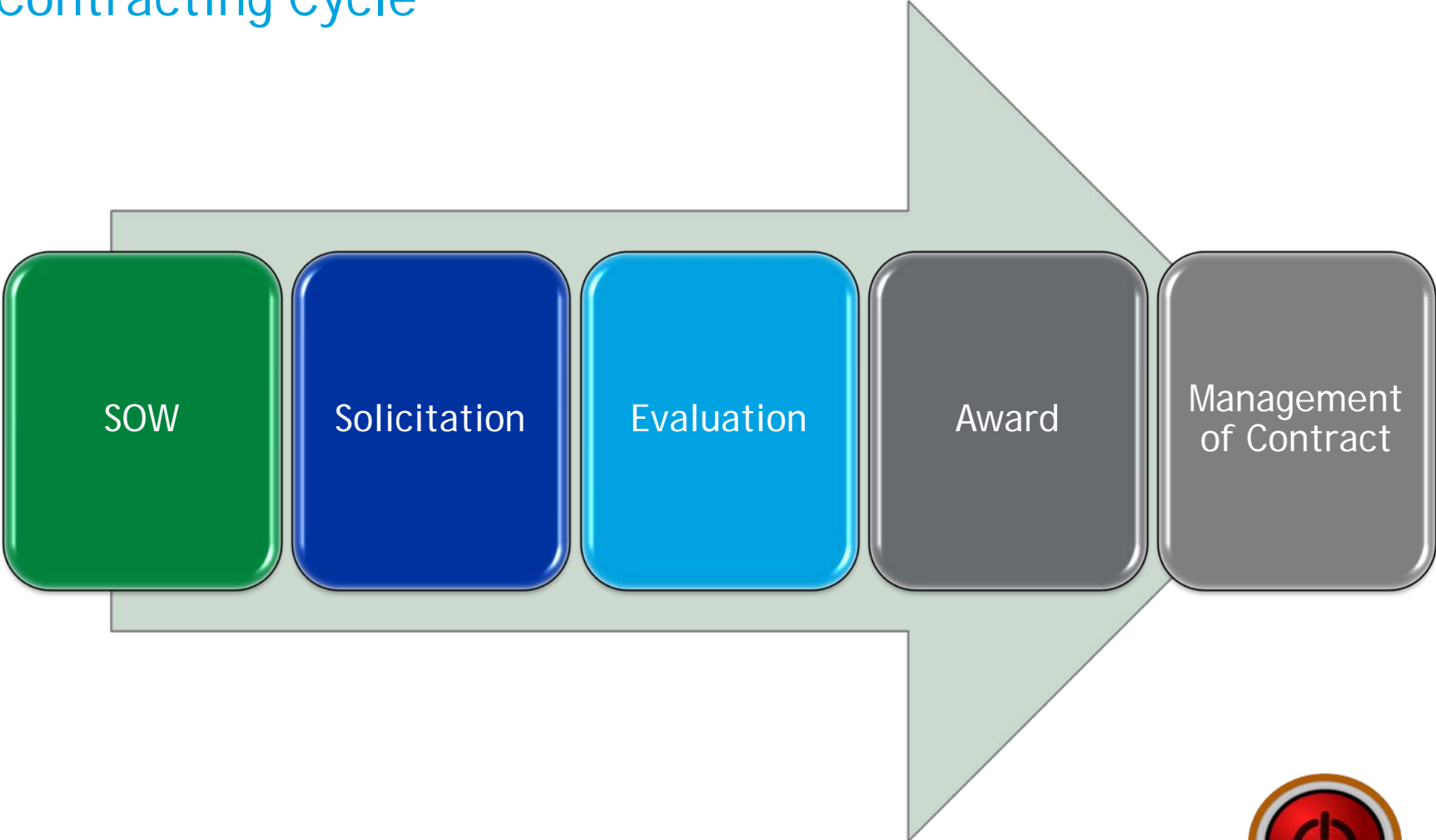
Control Activities



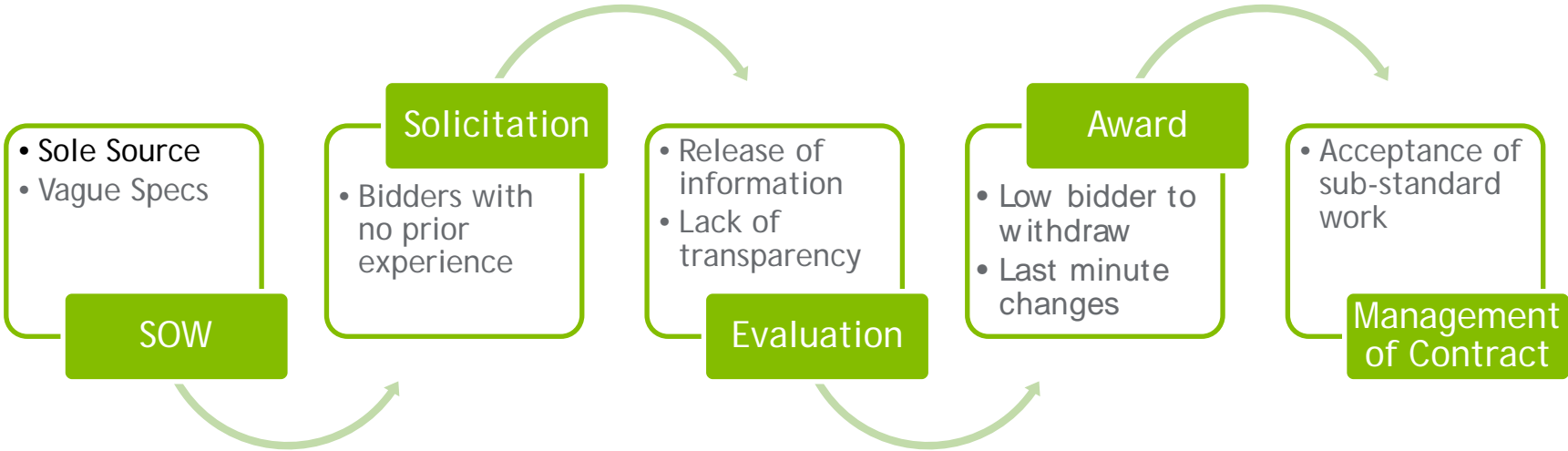
Controls Activities

1. Approval Authority and COI
 2. Contract Services and Administration
 3. Invoice Processing and Cash Payments
 4. Materials Ordering and Handling
 5. Payroll Procedures and Staffing
1. Performance and Accountability
 2. Planning, Budgeting, and Cost sheets
 3. Plants, Tools, and Equipment
 4. Policies, Instructions, and Procedures
 5. Information Technology
-

Contracting Cycle

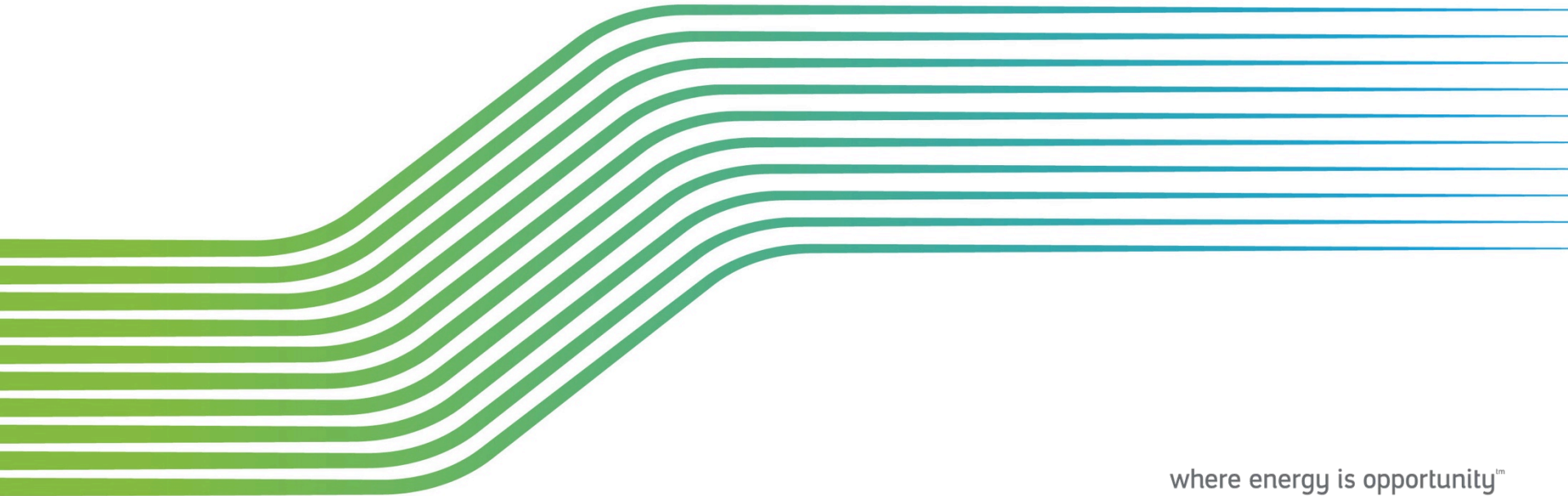


Contracting Cycle





Red Flags



What is Red Flags

- A red flag is a signal or a set of circumstances that are unusual in nature or vary from the normal activity and may need to be investigated further
- Red flags do not indicate guilt or innocence but merely provide possible warning signs of fraud

...“ What is considered as
RED Flags?”

In Your Organization

“ What should YOU do when you see
a **RED** Flag?”

In Your Organization



Reporting Irregularities



A Wealth of Data



2011 National Business Ethics Survey, Ethics Resource Center

The Reporting Mechanisms



Major means of communication



Fire hose



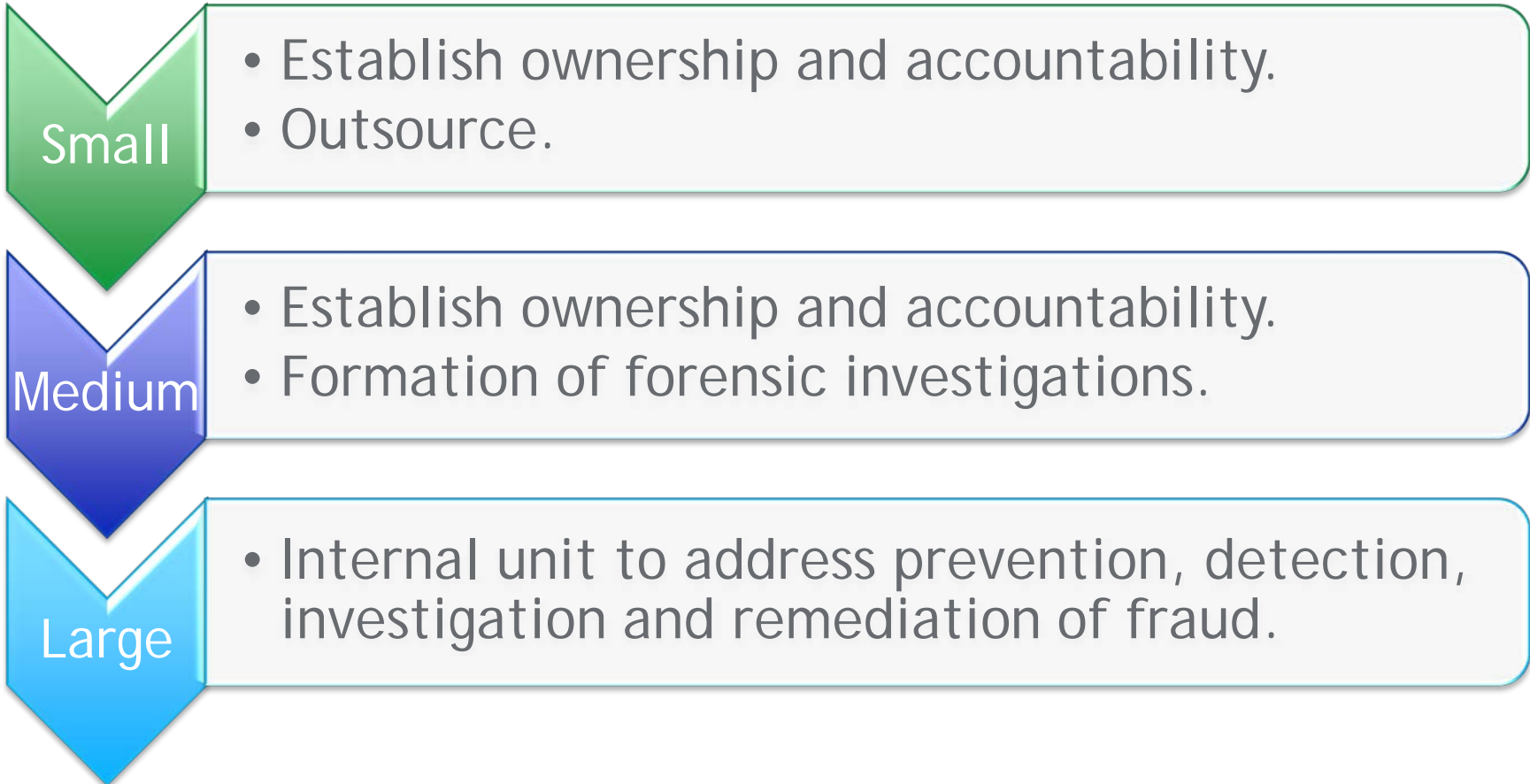
Water hose



Fraud Investigation Process

3

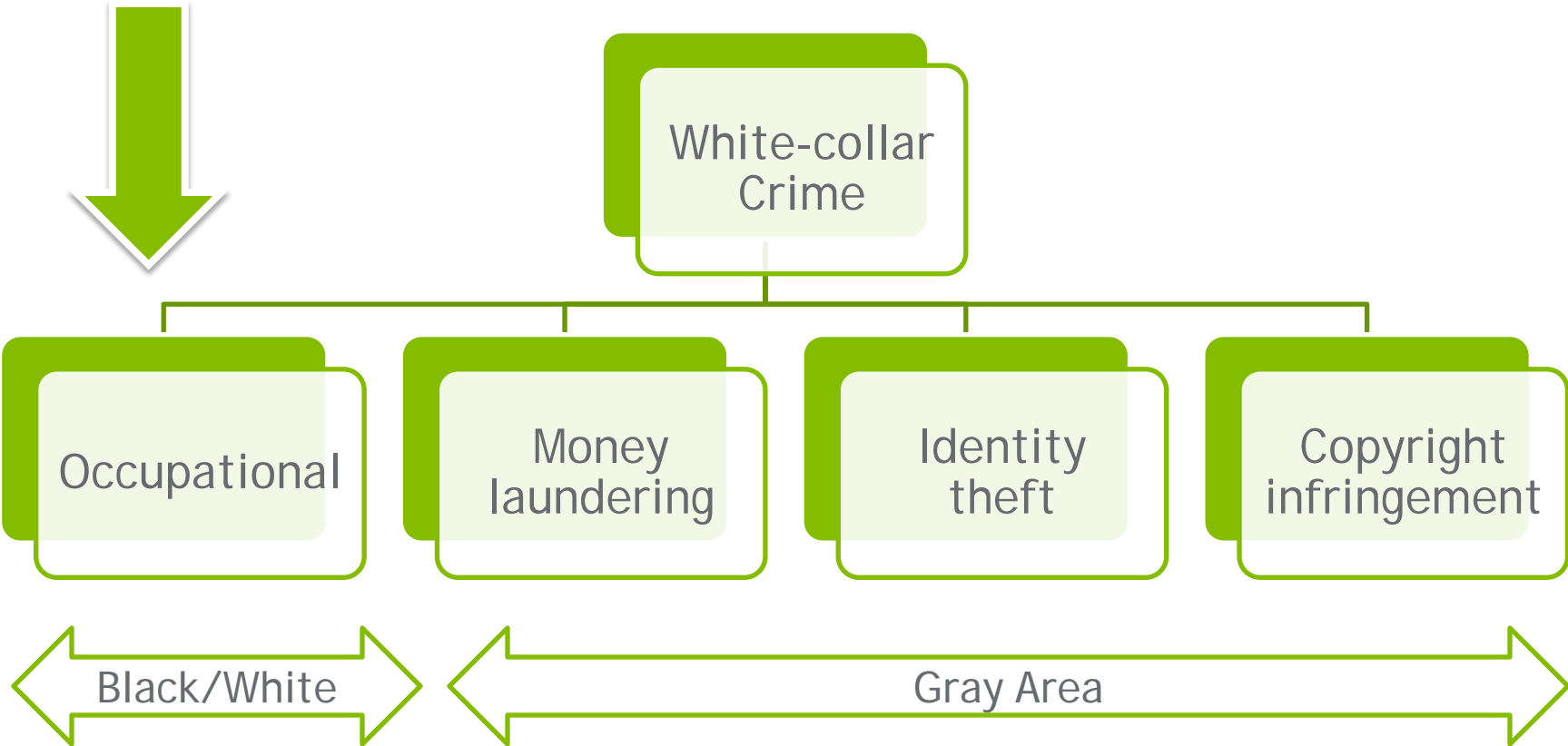
How to respond to an incident



Who Investigate and Examine Fraud?



White-Collar Crime

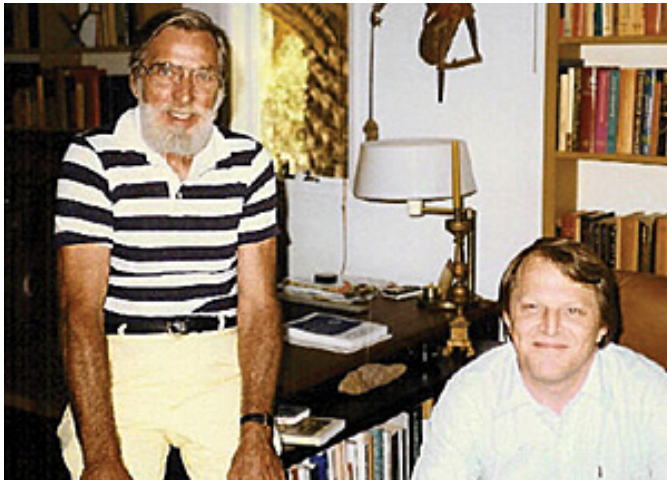


Who Investigates Fraud?

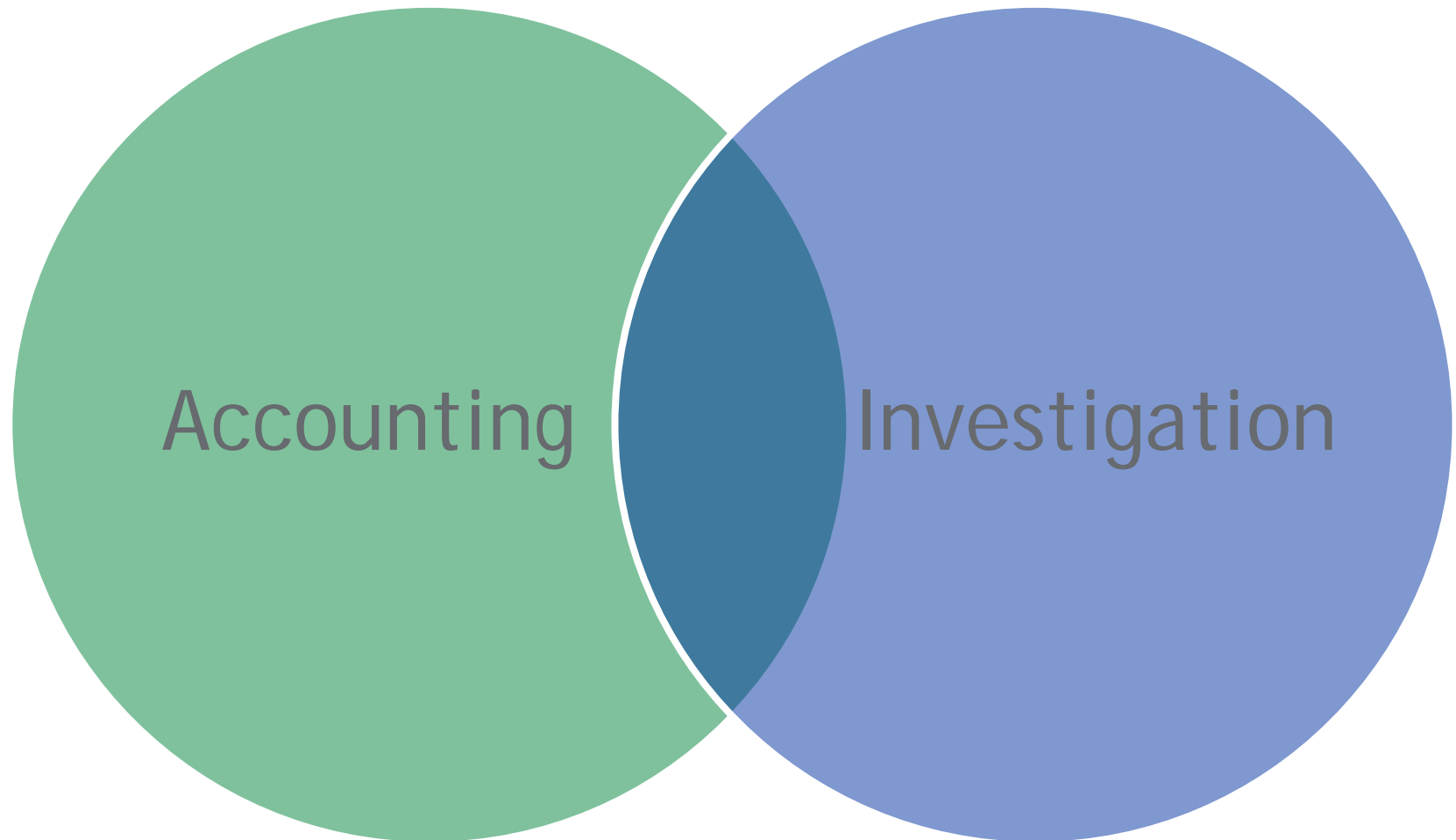


The Formation of the ACFE

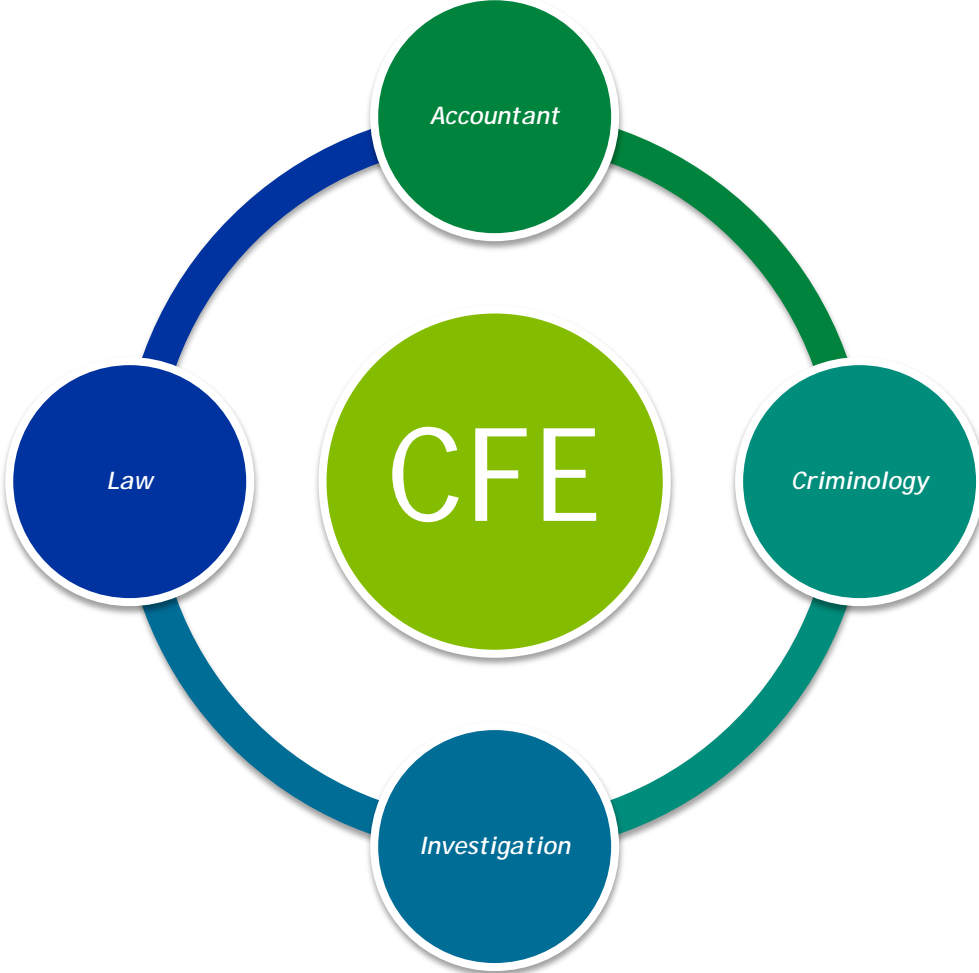
- “America needed a new “Corporate Cop” - a professional who would be the offspring of the marriage of the accountant and the investigator.”
 - Dr. Donald Cressey, the famous criminologist



ACFE: a Corporate Cop



CFE Common Body of Knowledge

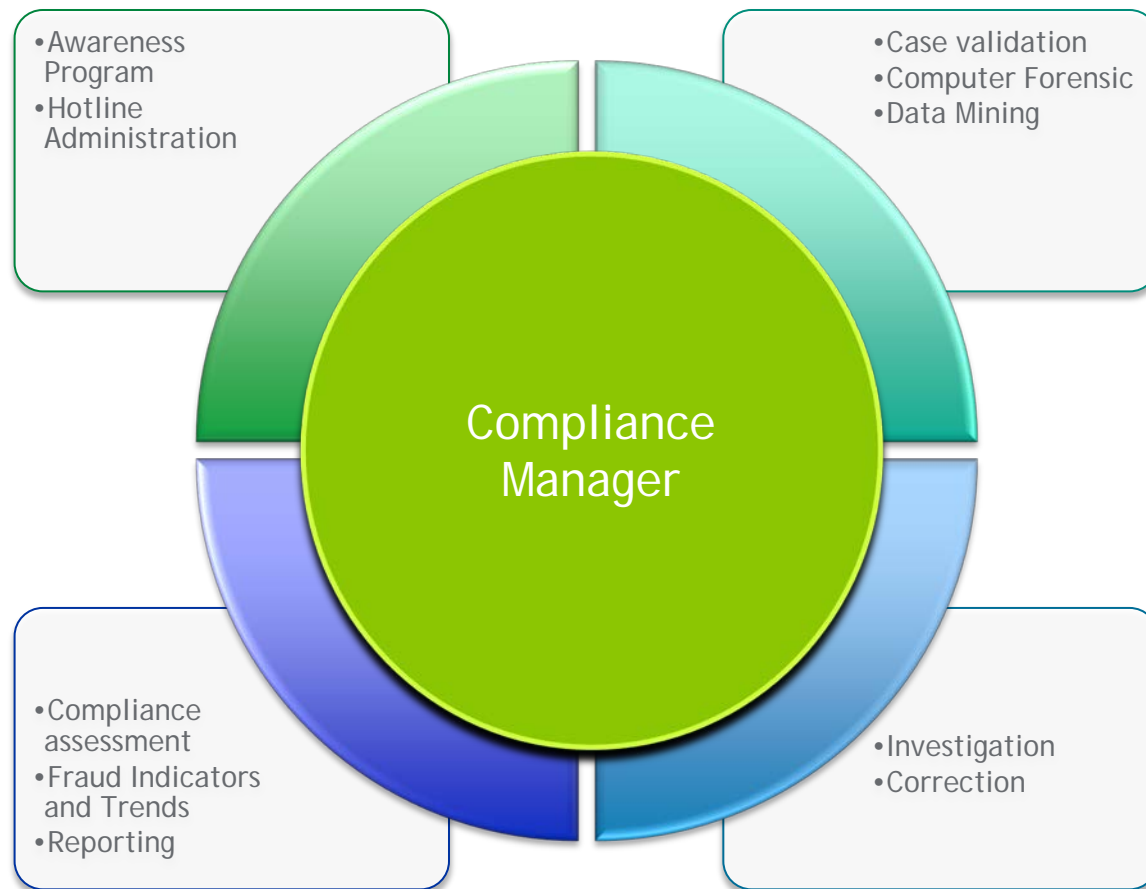


Elements of an Anti-Fraud Program

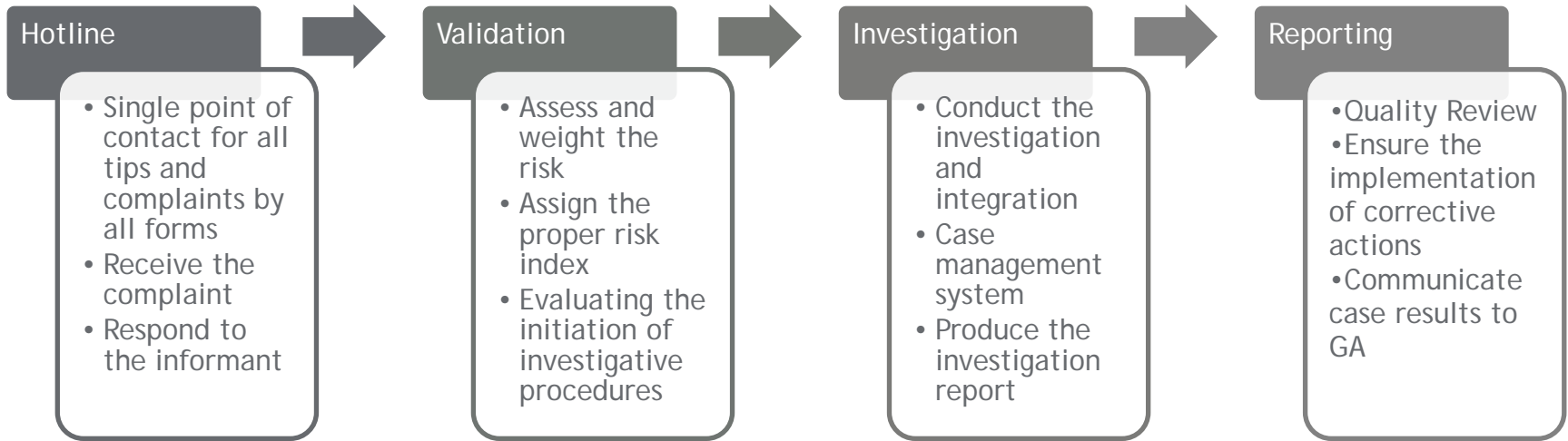
The following elements should be found within a fraud risk management and compliance program:

1. Fraud Prevention and Awareness Services
2. Fraud Forensic and Validation Services
3. Fraud Investigation and Correction Services
4. Business Compliance Services

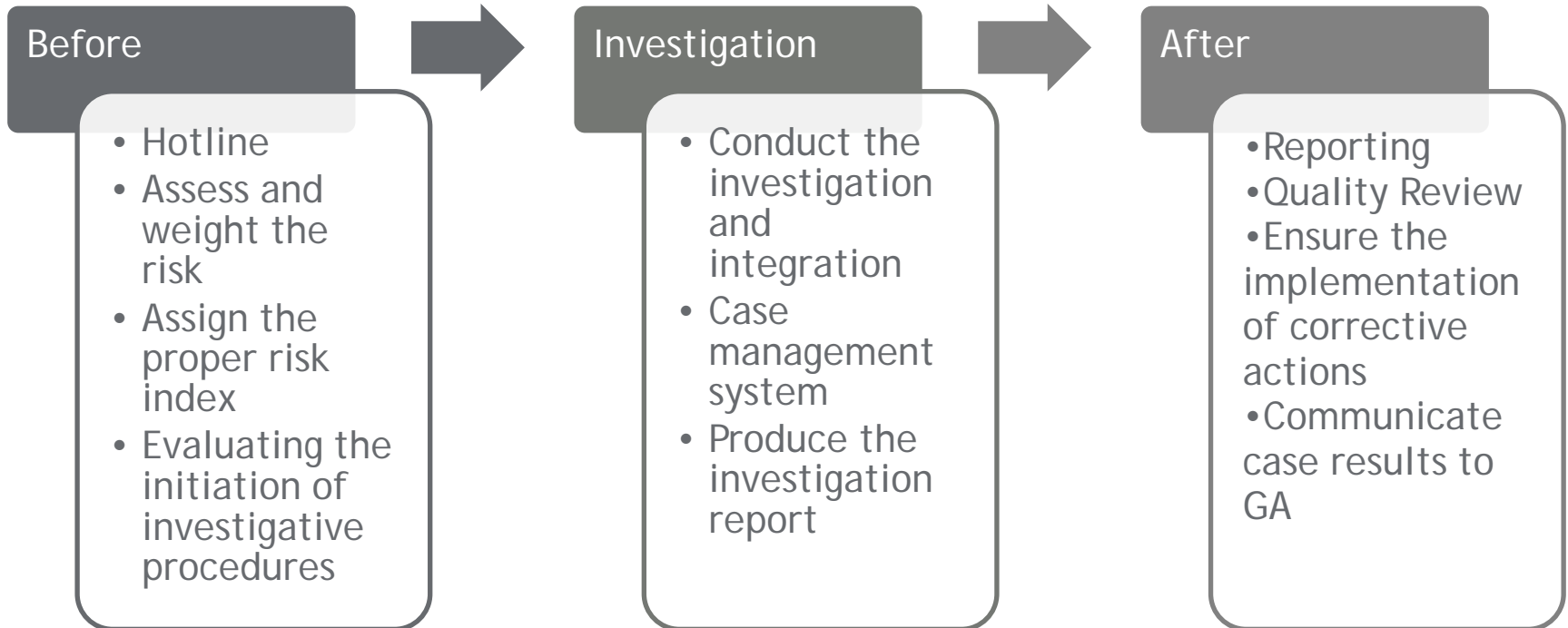
The Business Model



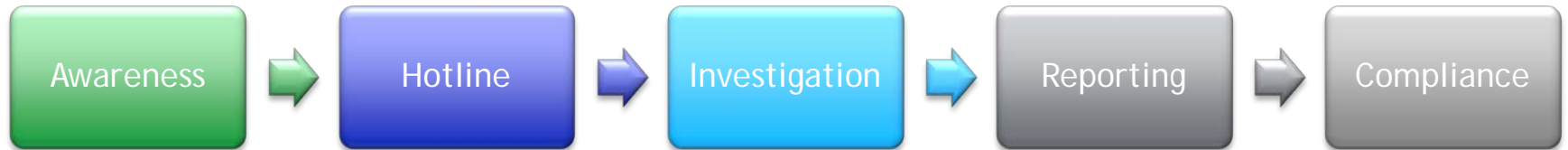
Proposed Investigation Process



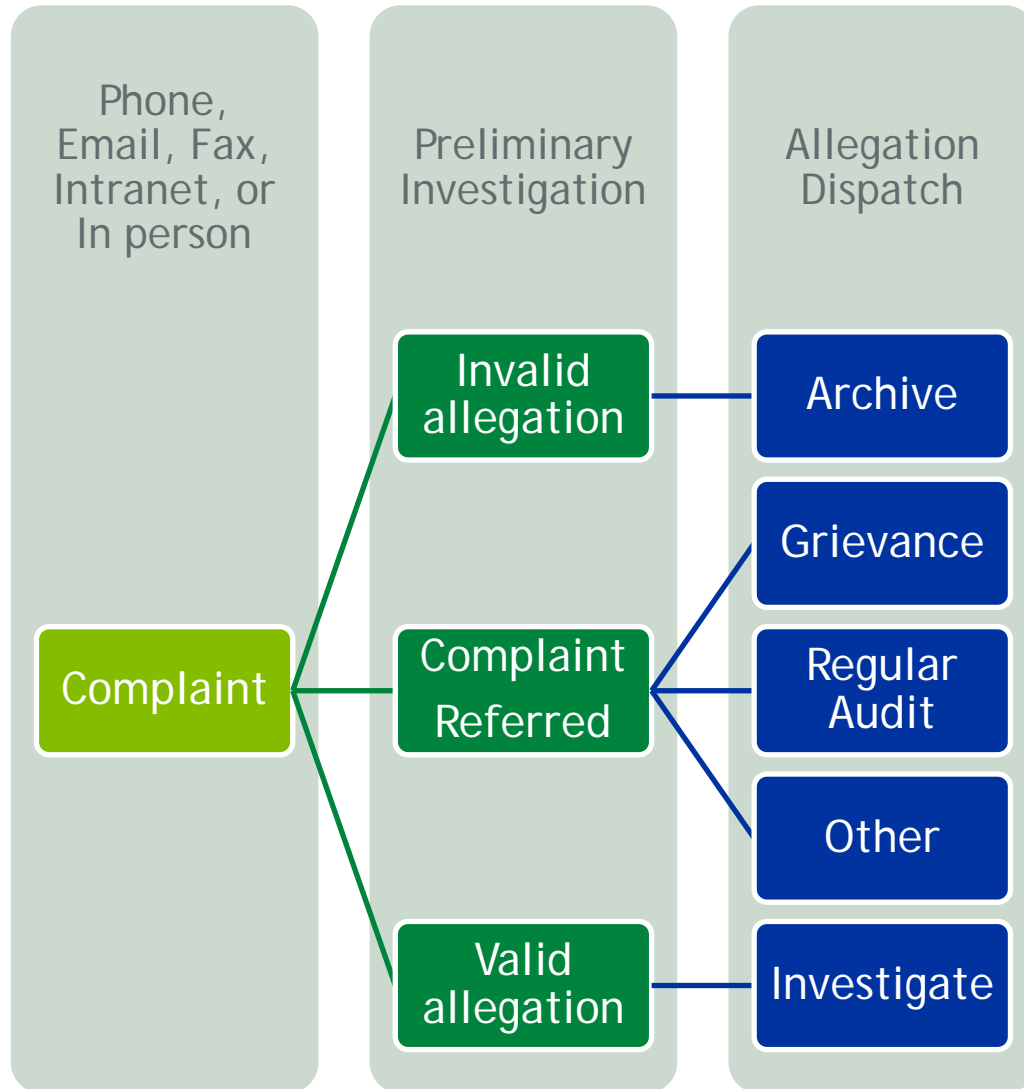
Proposed Investigation Process



Roles and Responsibilities



Compliant screening process



Top questions that you need to answer

1. Is it a human error
2. Is it violation of company policies
3. Is it violation of laws and regulations
4. Is it a type of fraud?
5. What are the consequences of doing nothing?



Business-focused investigation



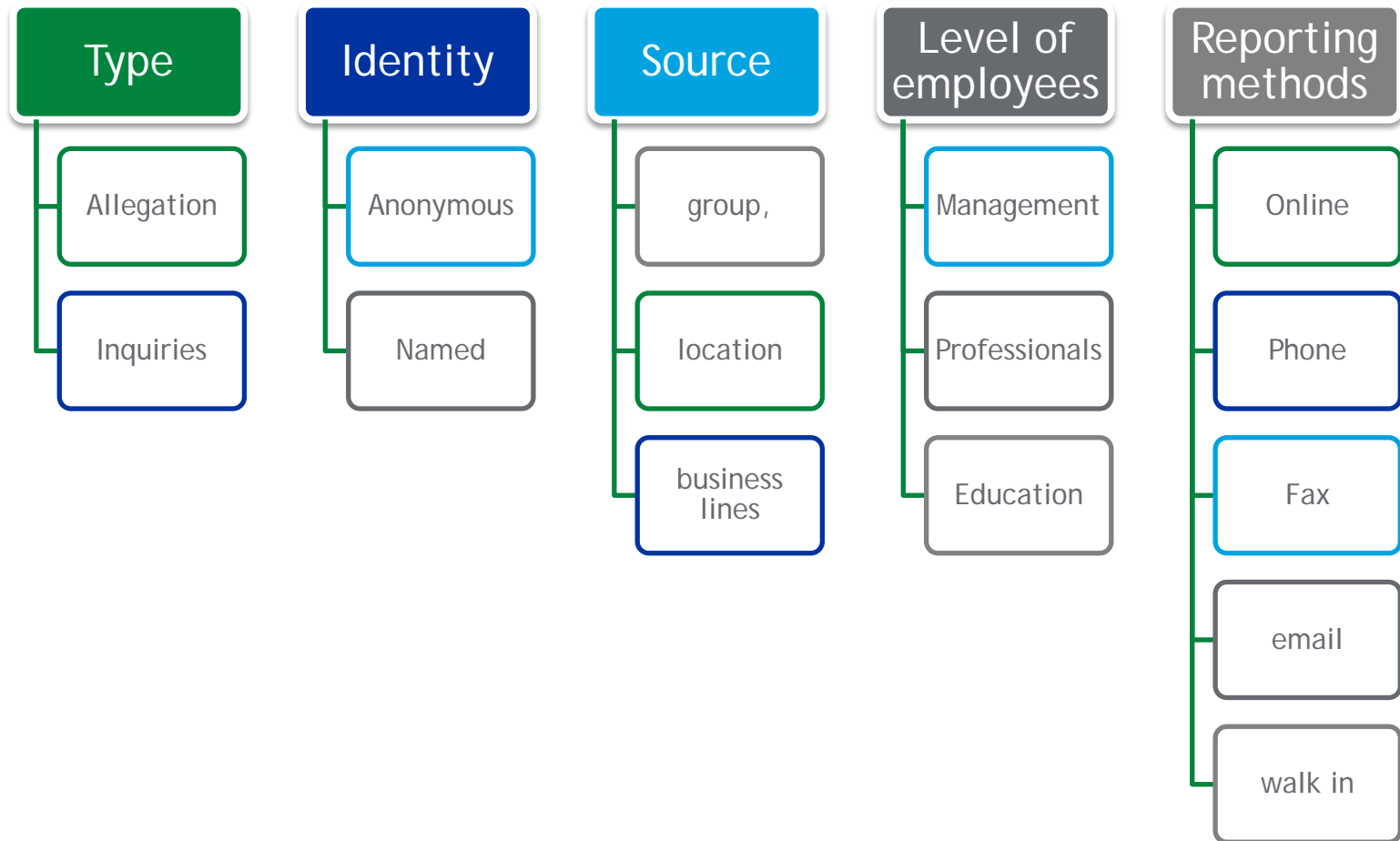
Investigation to Discipline Employee

Investigation to Assess Controls

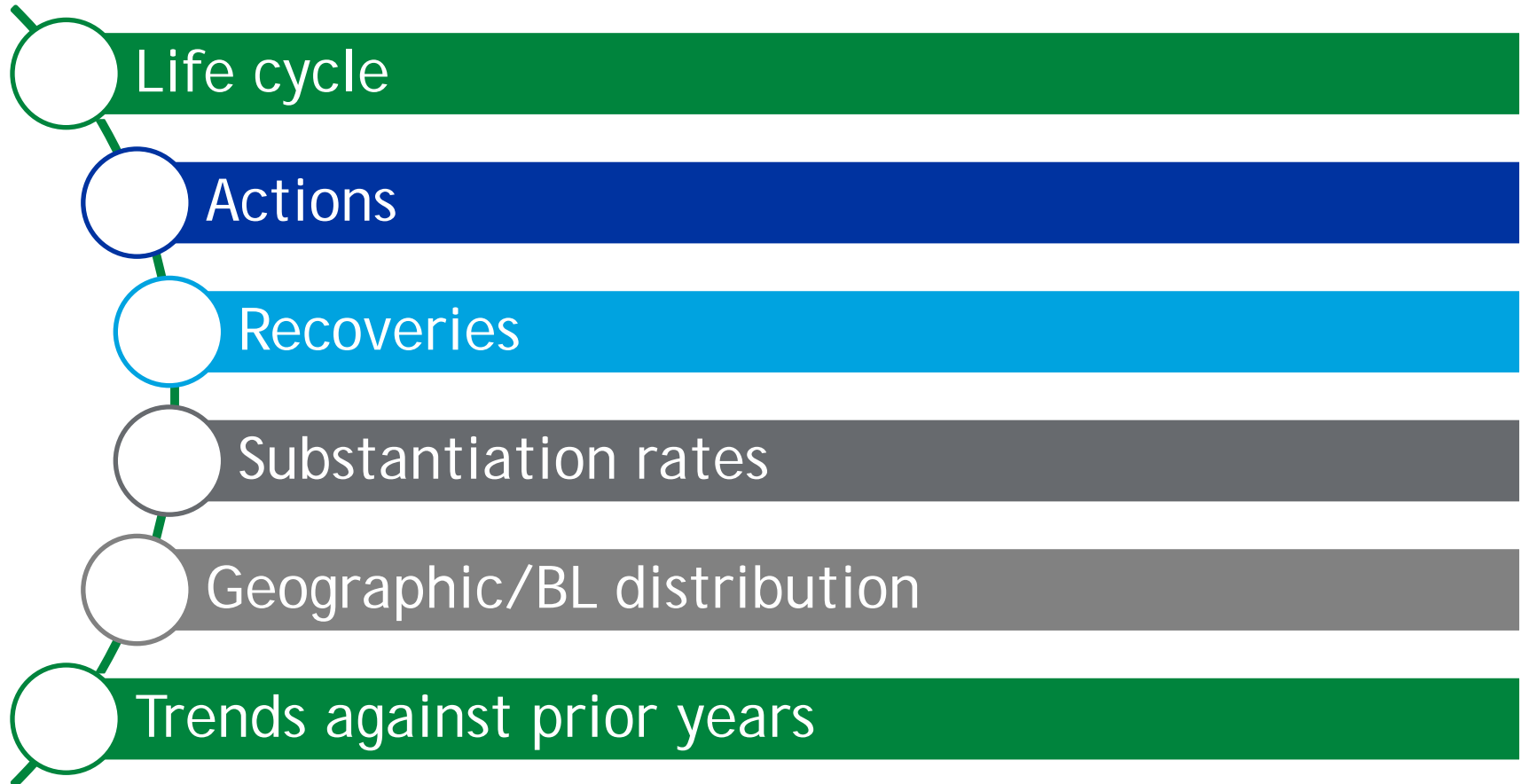
Investigations outside your SOW and
Grievance

What is Final Decision

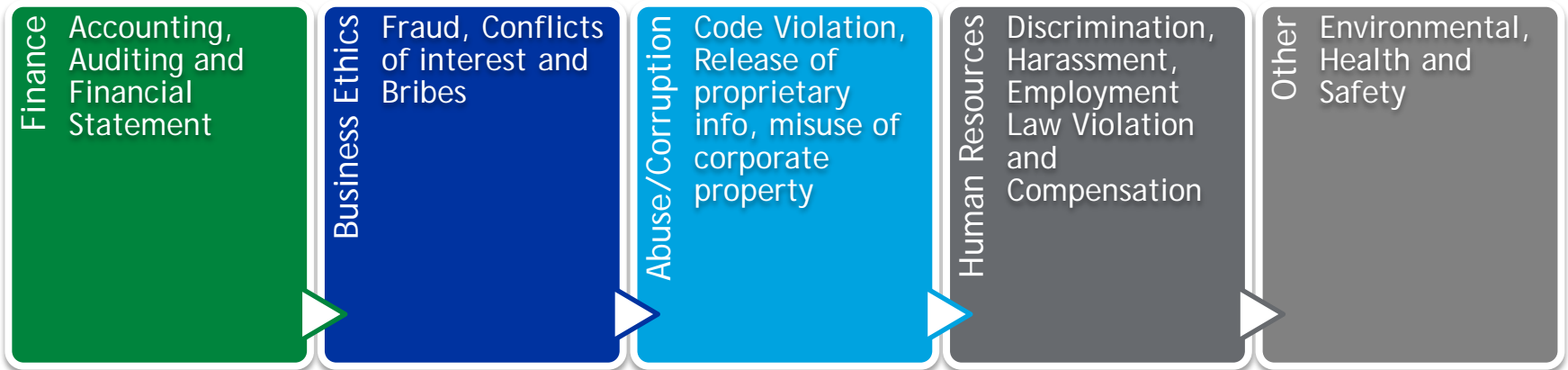
Investigation Measuring and Key Performance Indicators



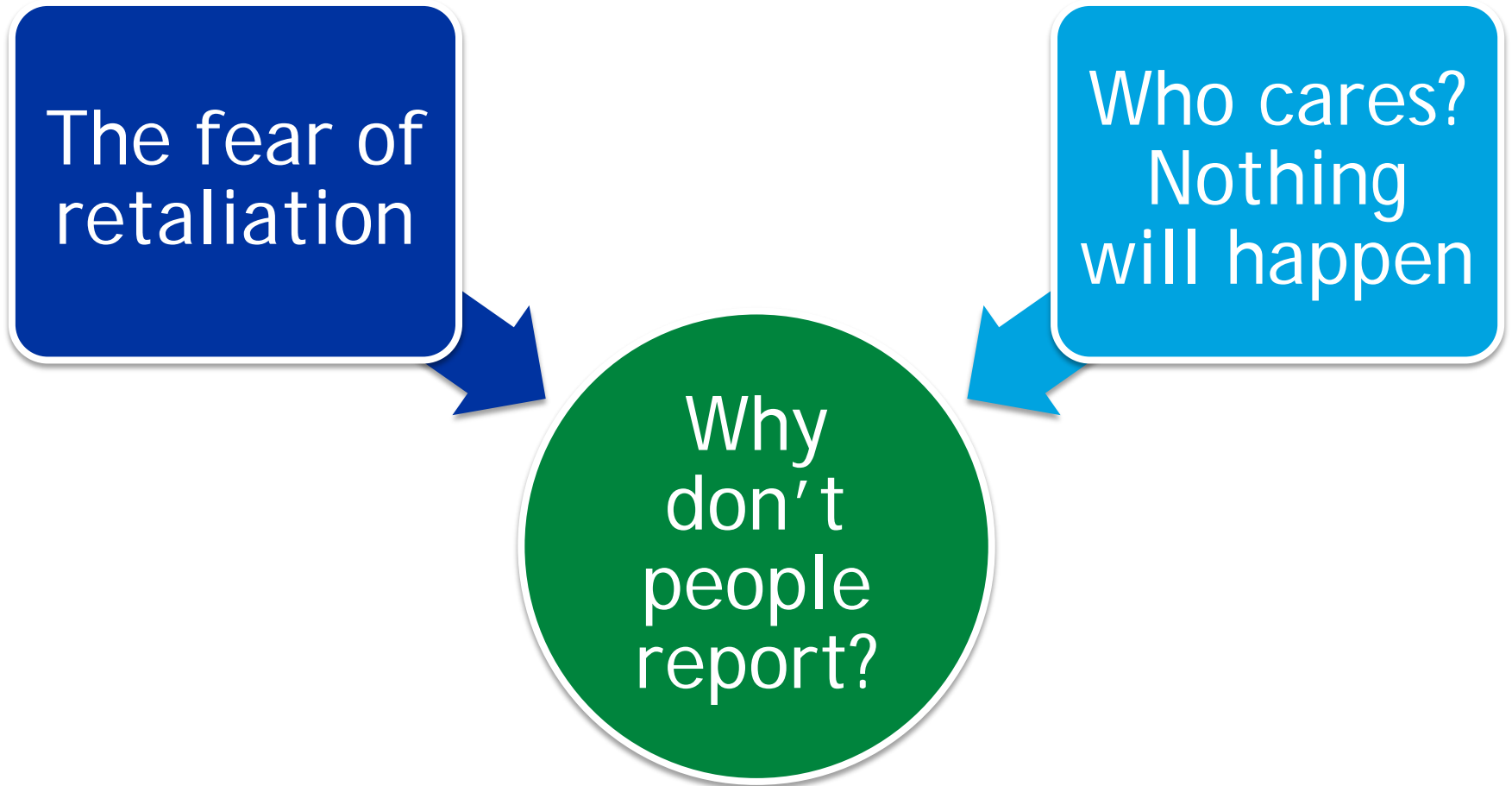
Other useful measures



Investigation categories



Final thought





Conclusion



If you ever think you're too small to be effective, you have never been in the dark with a mosquito.



Act NOW

THANK YOU

أرامكو السعودية
saudi aramco



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