



Ferrier Hodgson ups the ante in Asia Pacific

With large complex multi-nationals in Asia Pacific increasingly focused on minimising their exposure to fraud Ferrier Hodgson has recruited **Paul Curby**, arguably the best fraud risk management expert in the region, to capitalise on emerging opportunities.

Paul believes Ferriers is in a unique position to target these opportunities. "Our existing network and reach into Asia Pacific provides us with a significant opportunity to leverage existing relationships and offer a new dimension to our forensic service lines. The forensic business model sits well as an adjunct to Ferrier Hodgson's traditional Insolvency management, Restructure and Turnaround services."

And he should know. Paul has over 22 years experience investigating fraud and managing fraud risk, including 15 years with law enforcement in Australia, two and a half years as a director in Ernst & Young's Global Investigations

& Dispute Advisory Practice in Singapore and investigating internal and external fraud for a major airline.

"Driving the demand for world class advice on fraud are large multinationals that are subject to an increasingly changing regulatory environment across the globe. In addition to this there is increased stakeholder scrutiny and their expectations for improved transparency. There is also considerable work with financial institutions in helping them prepare for the Basel II Capital Accord.

In Asia, what you tend to see are frauds on a much larger scale than we have here, but generally with reduced enforcement of local regulatory controls.

The multinationals are sensitive to the impact of fraud, particularly in terms of lost reputation and the significant cost of correcting misinformation. They are also nervous about fraud in non-arms length transactions," Paul says.

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Paul Westwood makes Sherlock Holmes look sloppy

The forensic document examiner in a fraud investigation plays a similar role to a medical examiner in a homicide investigation in validating evidence that can make or break a case. That is why the Forensics Team works closely with Paul Westwood and his team at Forensic Document Services to examine questioned documents that may be introduced as evidence.

Paul is one of the World's leading document examiners and our investigators work with him to trawl through a myriad of documents searching for evidence well beyond its face value. Often these include a combination of computer generated and handwritten business, accounting and legal papers that contain financial information, informal communications and arrangements made between stakeholders.

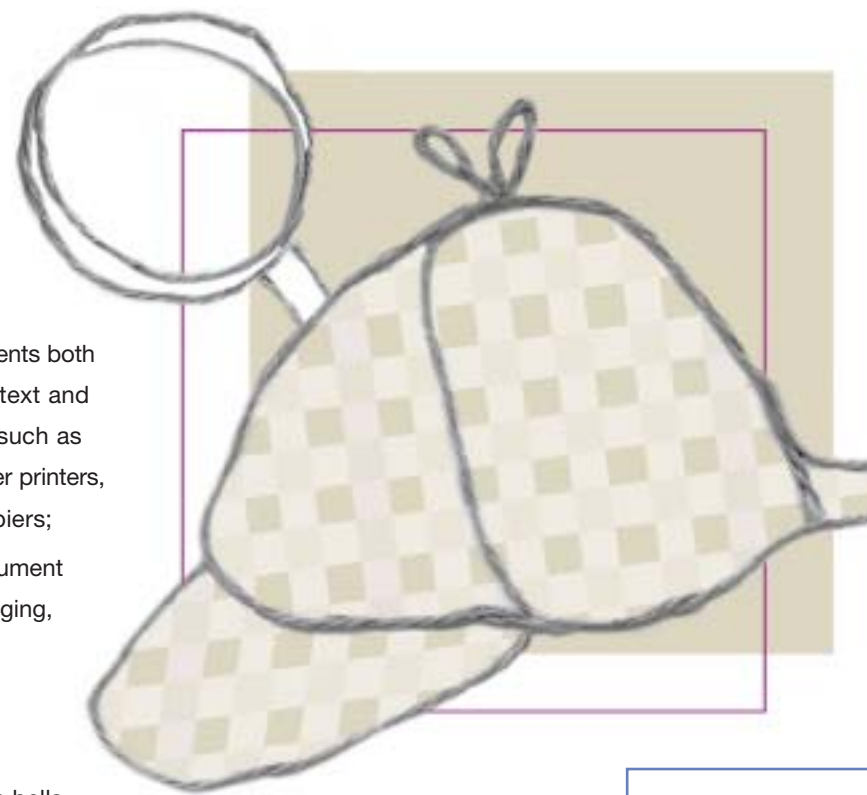
Our investigators are trained to recognise the first tell tale signs that a document may not be authentic or has been compromised in some other way. Dead giveaways are:

- Identical signatures appearing on critical documents or differently scripted signatures purported to be of the same person;
- Alterations, obliterations and erasures on documents;
- Latent impressions in documents, which may cast doubt on the temporal source;

- Non-alignment of computer generated documents both in respect of paragraphs, headers, spacing, text and numerical information and differing sources such as electronic typewriters, facsimile machines, laser printers, ink jet printers, dot matrix printers, photocopiers;
- Unusual characteristics displayed by the document paper in light of related documents such as aging, texture and ink display; and
- Burnt, charred, shredded, torn and water saturated documents.

If any of these inconsistencies turn up, the alarm bells ring and the Forensics Team bring in the best expert in the business to analyse the documents further. If the documents are suspect, they are appropriately collected, packaged and chain of custody documented to ensure they can be used as evidence at a later stage.

As a general rule the forensic document examiner requires original documents. However if these can't be tracked down, it may be possible to glean information from reproductions. In some cases, the Forensics Team will access additional document samples and suspect specimen signatures and handwriting.



- Forensic Accounting
- Fraud Risk Services
- Forensic Technology

FraudInsight our Forensics Team's approach to managing fraud risk

How do you evaluate your internal controls with regard to fraud? Are you aware of your organisation's present fraud risk? What framework have you got in place to address the issue?

A sound business strategy is to manage all risk. The wave of shareholder outrage, public ridicule and regulatory investigation of organisations where fraud has occurred has now been addressed by statutory changes. The Basel II Capital Accord and Sarbanes-Oxley Act provide guidance and directives to organisations concerning various issues of operational risk, including fraud risk.

CEO's and CFO's of organisations caught in these changes have been given statutory requirements as to how they should deal with internal controls. They must sign off on the adequacy of internal controls and when tested, the internal controls need to stand up to scrutiny. One of the areas requiring evaluation by CEO's and CFO's includes "Control related to the prevention, identification and detection of fraud".

Under Sarbanes-Oxley, the SEC has not specified the framework to be used but has indicated that it must be free from bias and permit reasonably consistent qualitative and quantitative measurements of a company's internal control environment.

A range of solutions is available to businesses including fraud awareness training, preemployment/promotion screening and ethics hotlines. Mere reliance on existing policies and procedures relating to fraud risk and investigation is not enough. The best way to identify a corporation's fraud risk is through a cooperative methodology involving workshops with a selected group of staff across various business lines. This allows a fraud expert to elicit critical information relating to a company's fraud risk.

To assist in this process Ferrier Hodgson has developed a complete programmed approach called **FraudInsight** to identify previously unknown risks. It enables senior management to get a clear understanding of their fraud exposures and hones in on areas that may need additional internal controls.

The objectives of **FraudInsight** are to:

- Develop a fraud profile for an organisation by analysing resistance to specific methods of fraud and assessing the severity of each type of potential fraud including, where quantifiable, maximum losses which could occur;
- Make recommendations to reduce or eliminate specific fraud exposure;
- Provide staff with an awareness of fraud risk and how they can help maintain a company's control integrity;
- Provide management with the requisite knowledge on the magnitude of the risk(s).

Benefits include:

- A snapshot of the fraud exposure(s) within the organisation;
- A platform upon which to build a focused and cost-effective fraud mitigation plan;
- Investor and key stakeholder confidence in the organisation;
- Helping meet requirements laid out under the Basel II Capital Accord (for financial institutions) Sarbanes-Oxley Act and local regulatory requirements such as Clerp9 in Australia;
- Reduced insurance premiums, and
- Regulatory compliance.

This approach is in contrast to common risk management procedures where controls are often put in place without necessarily understanding the underlying issues they are setting out to control. **FraudInsight** enables senior managers to target specific methodologies of fraud and at the time raises awareness of potential fraud within an organisation. It keeps everyone on the alert.

If you wish to find out more about **FraudInsight** contact Paul Curby in our Sydney office: phone +61 2 9286 9926, John Tudorovic in our Hong Kong office: phone +852 2820 5610 or Bill Bradbury in our Singapore office: phone +65 6416 1400



Paul Curby

Changes at Ferriers

In a determined effort to focus on what he does better than anyone else in the country, the partner in charge of our forensics division Michael Potter, has decided to divest his administrative and management responsibilities so he can focus entirely on clients and the more technical and challenging aspects of his work.

As a result Michael has announced his intention to retire from the partnership and will devote the majority of his time as a consultant to Ferrier Hodgson, effective 30 June 2004.

What is our loss is your gain. Michael will now invest all his time and energies in complex client matters.

We would also like to take this opportunity to formally thank Michael for the tremendous job he has done in establishing the Forensics Team as the leading investigative specialists in the country.

And we will continue to build on Michael's work. As part of the growth plans for the Forensics Team, we have already established Directors in the accounting, computers and fraud specialisations. In addition John Temple-Cole will be made a director from 1 July 2004.

Michael's decision to focus entirely on client work ensures we will continue to lead the way in innovation in forensics.



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www.ferrierhodgson.com

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Paul has extensive international experience across a broad range of industries including financial services, manufacturing, insurance, aviation and transportation, construction and gaming and has managed such diverse projects as:

- A provisional liquidation involving a Hong Kong subsidiary of a major Asian conglomerate
- Investigating a breach of intellectual property rights of a global pharmaceutical company
- Project managing a multi-agency fraud investigation and litigation assignment for a US multi-national client into the activities of a former VP in the south-east Asia region
- Investigating a \$3 million fraudulent share transaction involving an off-shore entity

- Leading a team providing fraud and corruption investigation services for a large European manufacturing client spanning across several south-east Asian countries
- Providing investigation services and advice to creditors of a distressed Indonesian conglomerate in connection with a large potential loss through a structured finance transaction.

To assist Paul, the Forensics Team now has staff in both our Singapore and Hong Kong Offices with backgrounds and experience in fraud risk, investigation and detection.

For further information talk to Paul Curby in our Sydney office phone +61 2 9286 9926.

About forensics@ferriers...

forensics@ferriers is a newsletter issued by Ferrier Hodgson discussing current issues in the area of Forensic Services – forensic accounting, forensic technology and fraud risk services. For comments please contact john.temple-cole@syd.fh.com.au Alternatively you can read forensics@ferriers on our website.

Australia Please note – the material contained in this newsletter is merely general commentary. The facts of each particular situation vary as does legislative and judicial interpretation of any law commented upon. The comments and information herein do not constitute and must not be relied on as legal or professional advice. Advice tailored to your specific situation should be sought from any Ferrier Hodgson affiliated office before acting in any of these areas.

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