



‘Real Time’ Forensics

TV dramas have conditioned us to see forensics as an after-the-event form of sleuthing. The crime is discovered, the detectives arrive and then the forensic team is called in to search for those ‘just noticeable’ little clues that are cleverly traced backwards to recreate the scene of the crime – and provide evidence of who done-it. Often our work is like this. Sometimes it’s not.

The ideal, when you think about it, is to stop any illegal activity as soon as possible to limit the damage being done... to minimise the \$ loss ASAP.

A recent case from our files illustrates the value of real-time forensics that intervenes while an ongoing illegal activity is still in progress.

The investigation started when we received an anonymous email from a whistleblower telling us about an acquaintance who was boasting of his extensive wine collection – a collection that was being apparently misappropriated from his employer. The alleged value of the collection was sufficiently high, and the position of the alleged offender sufficiently senior, to make the allegation worthy of a full investigation.

The key question was how to proceed.

There was no point in using staff interviews or a stocktake. Such obvious interventions would only serve to alert the suspect that someone might be onto him. He could simply stop or, even worse, start covering up his trail by destroying any evidence. Either of these reactions would make it a lot more difficult (if not impossible) to collect sound evidence.

Success demanded that our investigative method be invisible to the suspect. Indeed, we wanted our activities to be invisible to all staff so that everything would appear ‘as normal’.

Our first step was to install digital CCTV cameras on the premises (with the owner’s permission) so that we could track our target’s movements (from his office, hallway leading to the cellars, the cellar/stock receipt area and the route to the target’s car).

After a few days we had video of the target putting stock into his briefcase and going straight to his car. Unfortunately (for various reasons) we couldn’t get adequate camera coverage of the warehouse. So it was ‘just possible’ that our suspect could be legitimately getting stock from another cellar in the complex.

To tighten the net we used ultra violet pens to mark our client’s stock so that there could be no question of ownership. All was now in place.

Soon we noticed a distinct pattern. Our suspect would enter his office with the stock, place them in his briefcase – enter something into his desktop computer – then leave about 30 minutes before knock-off time, putting the bottles in his car and driving away.

We were curious to see what he was entering in his computer. We proceeded to forensically ‘image’ his computer, and there it was, an inventory of the target’s entire collection – with acquisition dates. Bingo.

The Fraud Squad took over from there. With all the evidence we’d collected they had a strong case. The investigation was a success. It secured the conviction of the target (and an accomplice) and the collection was recovered (minus a few bottles) with a minimum of fuss – and no HR issues.

Real-time forensics that ‘invisibly’ observe behaviours (etc) as they occur can be a very powerful tool to limit financial damage and to provide evidence of substance. Good forensics can start long before you find the bank account empty and receive a ‘hello card’ from your ex-employee on the Cote D’Azur.

Note: Surveillance techniques are undertaken only where any relevant state, territory or Federal laws permit.

Looking beneath the tip of the iceberg

Competition is intensifying, new competitors are appearing with greater frequency. And because of the continuing trend toward globalisation, such new competition increasingly has overseas links, funding ties and shared marketing tactics. That “backing” is not always obvious.

If you’re serious about developing strategies to block your competition (or if you are thinking about a merger or acquisition) it’s important, indeed critical, to know what lurks beneath the surface. Is the iceberg you are looking at – your target – all on the surface, or is there something of more substance and complexity lurking beneath?

It’s not difficult to get some information about a competitor. But basing your plans on (usually incomplete) information is a dangerous way to proceed. The difference between basing your thinking on some easily acquired public record information – as opposed to complete information – can be critical. Plans based on incomplete information usually lead to a missed opportunity at best, sometimes they lead to costly mistakes.

Here’s a client experience that illustrates the point. A major lending organisation approached us with the brief to find out everything we could about a serious competitor ... to look for both their strengths (which, when known, they’d combat) and weaknesses (which our client could exploit to their advantage).

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Building regional depth and expertise

Ferrier Hodgson Forensics is pleased to announce three senior appointments which will greatly strengthen the depth and coverage of our Forensic Services.

Paul Curby

Director, Fraud Risk Services, Asia-Pacific

Paul has been relocated to Singapore to compliment Ferrier Hodgson's Hong Kong and Australian Forensic operations broadening our regional depth and capacity.

Paul has 20 years experience in fraud investigations including 15 years in Australian law enforcement.



David Caldwell

Senior Manager, Forensic IT, Sydney

David is recognised as one of Australia's leaders in computer forensics. His extensive police and 'Big 4' experience will bring added muscle and insight to our operations and operational style.

"The first prerequisite for good forensics is objectivity – and that demands the absence of any conflict of interest. That's why it makes sense to have separate suppliers for auditing and forensics."



John Temple-Cole

Partner, Forensic Accounting, Sydney

John's experience and track record in telecommunications media and pricing/access disputes with and/or involving Regulators (eg: ACCC) amply justifies this senior appointment.

"Investigations are becoming more global in scope, but to be effective you need to work locally. That's why our Forensic teams are spreading across the region."

"Tighter corporate governance, globalisation and transaction speed are intensifying. In this unforgiving environment, the detection and prevention of fraud not only requires an international footprint, it also requires local knowledge and close proximity to where events are unfolding."

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We uncovered the whole iceberg by looking at:

Operations

- senior manager profiles
- operational style (including pricing market and advertising)
- director profiles

Ownership

- manager/director share ownership
- company – domestic-overseas
- group – domestic-overseas

Financials

- profit: asset/liability history
- financial connections/backing
- incidents of liquidity problems/bankruptcy
- litigation history

Linkages

- formal alliances and networks
- informal alliances and associations

The key to Ferrier Hodgson's approach is to go beyond the easily available and what's readily accessible on the public record, to explore the nitty-gritty real world issues that often provide the clues and guidelines needed for successful strategy development.

For example we:

- liaised with our strategic alliance partner in the UK to explore the European history of the company/group. This investigation (via our UK partner's affiliate) led to Asia, NZ and the USA, to reveal an extensive network of ownership and funding.
- used our team's police (detective) skills to interview a former staff manager of the competitor to explore the Australian operation. This pragmatic approach (backed by on site visits to associated organisations) opened up several important lines of enquiry that proved to be essential to our overall assessment for our client.
- applied our forensic accounting skills to deconstruct a large amount of financial data and presented our client with a graphic summary depicting the legal and financial links between their rival and its associates.

Our client was surprised at both the depth and content of the information uncovered. The picture we presented showed they were up against a very different competitor than they believed (or expected). They knew a strategy re-think was required. That result is typical. Most clients are surprised that there's so much information out there to access – if you know how. Nearly all recognise the value of using professional experts to achieve that objective.

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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.

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