

University of South Florida Accounting
Conference
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**Fraud Detection:
"How to See it Coming"**

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Primerica**

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Neville Isdell, retired chairman and CEO of the Coca-Cola Company and Robinson Hall of Fame inductee, warns, *“the challenge is for us as business leaders to rewire how our companies relate to society. And if we don’t do that, we will discover that society has redesigned our business for us.”*

BIZ, State of Business Magazine,
Vol XXI, No. 2, Dean's Letter

Capitalism Impacts

- ✦ USA Today October 2011:
“Alienation: Investors are starting to feel like the game is rigged and there is no way for them to tag along, even with Mutual Funds.”
- ✦ Daily WSJ articles on Fraud contributes to:
“Its Rigged” Investor mentality

Capitalism Impacts

- Fraud represents a growing threat to Capitalism!
- Trust is a critical element in Equity Valuations
- Need a recent example?
"Occupy Wall Street"

Lessons in Fraud Discovery



PBS&J Projects

- ✦ Coral reef analysis, protection, and rehabilitations (FL Keys).
- ✦ Metrorail rapid transit
 - Miami, Houston, Atlanta
- ✦ Airport Expansion
 - Tampa, Atlanta, Miami
- ✦ New Orleans Levy
- ✦ 7 mile bridge (FL Keys)



Independent Audit Committee

William D. Pruitt

Phillip E. Searcy

Frank A. Stasiowski

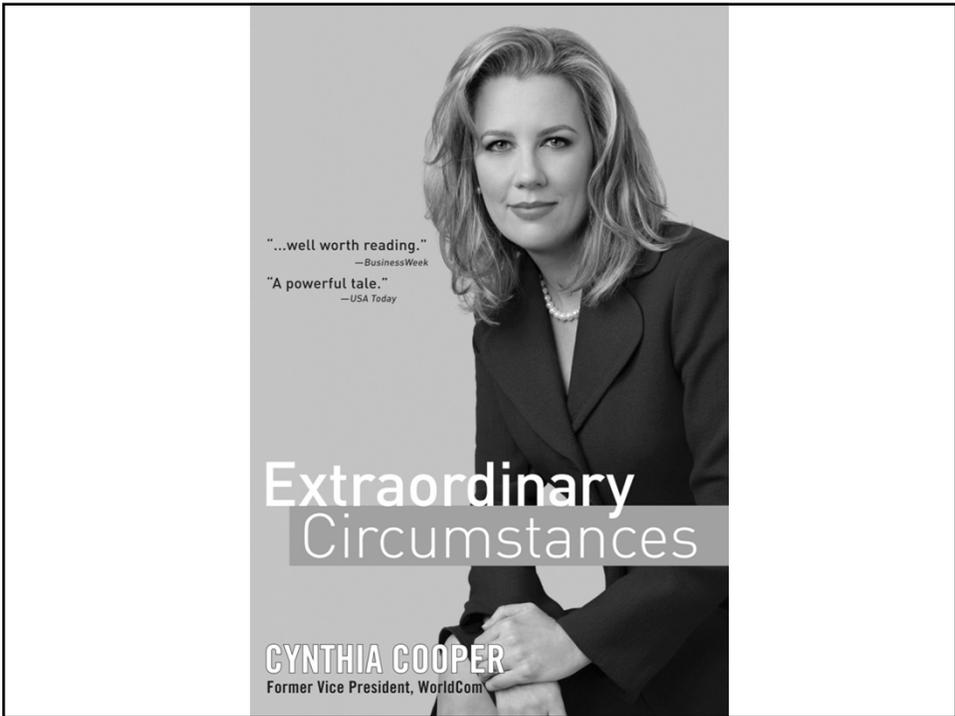


Does your Client/Company Have a Culture of Compliance?

- ✦ Tone from the top
- ✦ Development of an ethics and compliance function
- ✦ Business Code of Conduct
- ✦ Employee hotline
- ✦ Provide ethics training and compliance training

WorldCom Experience

- ✦ Somewhat surreal
- ✦ It permanently altered my view of the importance of Corporate Governance
- ✦ The cases we are about to discuss are what happens when governance is weak
- ✦ I became passionate about the role of internal audit and made the career decision to return to that space for the remainder of my career.



- ✦ Joseph Wells, CPA
- ✦ Chairman of Certified Fraud Examiners
- ✦ Interviewed in Journal of Accountancy ---was the June 2010 Cover Story"Targeting Fraud"

What was the most surprising finding in this year's Report?

- ✦ Overall consistency of data from one study to the next, in terms of:
 - ✦ Losses
 - ✦ Schemes
 - ✦ Detection methods
 - ✦ Perpetrators of occupational fraud
- ✦ International fraud problems mirror US fraud problems

**ACFE 2010 Report to the Nations on Occupational Fraud and Abuse*

5% of Annual Revenue

- ✦ That is the estimate of how much money the typical organization loses to fraud, according to participants in the *2010 Report to the Nations on Occupational Fraud and Abuse*.

*ACFE *2010 Report to the Nations on Occupational Fraud and Abuse*

Fraud Perpetrators by Department

80% of frauds in the study were perpetrated by an employee in one of five departments: accounting, operations, executive/upper management, sales or customer service. The most common schemes committed by fraudsters in the accounting department were check tampering and billing fraud.

*ACFE *2010 Report to the Nations on Occupational Fraud and Abuse*

Department	# of Cases	% of Cases
Accounting	222	24.3%
Operations	189	20.7%
Executive/Upper Management	127	13.9%
Sales	120	13.1%
Customer Service	77	8.4%
Purchasing	39	4.3%
Warehousing/Inventory	36	3.9%
Finance	28	3.1%
Information Technology	26	2.8%
Manufacturing and Production	11	1.2%
Marketing/Public Relations	11	1.2%
Legal	7	0.8%
Board of Directors	6	0.7%
Human Resources	6	0.7%
Research and Development	6	0.7%
Internal Audit	2	0.2%

Fraud Facts

Frauds by persons in the accounting department:	29%
Frauds by executives or upper management:	18%
Frauds by perpetrators living beyond their means:	39%
Frauds by perpetrators experiencing financial difficulty at the time of the fraud:	34%

* Source - CFO Magazine, April 2009

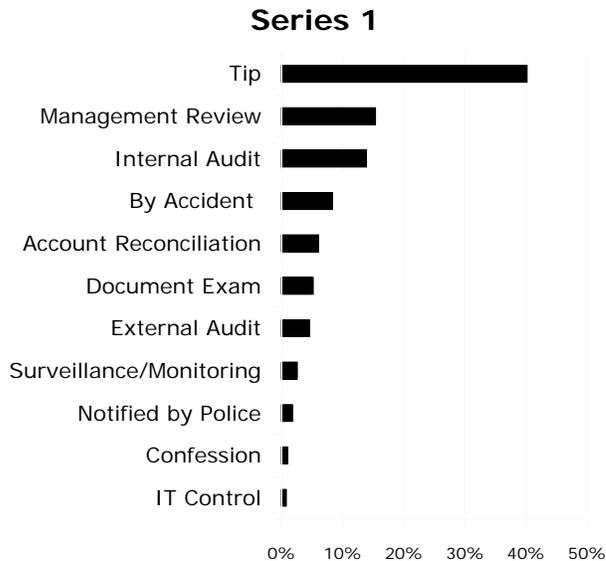
Fraud-Prevention Checklist

- Is ongoing antifraud training provided to all employees of the organization?
 - Do employees understand what constitutes fraud?
 - Have the costs of fraud to the company and everyone in it—including lost profits, adverse publicity, job loss, and decreased morale and productivity—been made clear to employees?
 - Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
 - Has a policy of zero tolerance for fraud been communicated to employees through words and actions?
- Is an effective fraud-reporting mechanism in place?
 - Have employees been taught how to communicate concerns about known or potential wrongdoing?
 - Is there an anonymous reporting channel available to employees, such as a third-party hotline?
 - Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
 - Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?
 - Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
 - Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
 - Are surprise fraud audits performed in addition to regularly scheduled fraud audits?
 - Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?
- Is the management climate/tone at the top one of honesty and integrity?
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud-prevention goals been incorporated into the performance measures against which managers are evaluated and that are used to determine performance-related compensation?
 - Has the organization established, implemented, and tested a process for oversight of fraud risks by the board of directors or others charged with governance (for example, the audit committee)?
- Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?
- Are strong antifraud controls in place and operating effectively, including the following?
 - o Proper segregation of duties
 - o Use of authorizations
 - o Physical safeguards
 - o Job rotation
 - o Mandatory vacations
- Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?
- Does the hiring policy include the following?
 - o Past employment verification
 - o Criminal and civil background checks
 - o Credit check
 - o Drug screening
 - o Education verification
 - o References check
- Are employee support programs in place to assist employees struggling with addiction, mental/emotional health, family or financial problems?
- Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressure before they become acute?
- Are anonymous surveys conducted to assess employee morale?

ACFE 2010 Report to the Nations on Occupational Fraud and Abuse

Initial Detection of Occupational Frauds

Tips were, by far, the biggest source of fraud detection. Employees were the most common source of those tips. However, customers, vendors, competitors and other non-company sources provided at least 34% of fraud tips, which suggests that fraud-reporting programs should be publicized to customers, vendors and other external stakeholders, not just employees, the ACFE says.



*ACFE 2010 Report to the Nations on Occupational Fraud and Abuse

Here is what we found out about the typical fraudster:

- Male
- 36 to 45 years old
- Commits fraud against his own employer
- Works in the finance function or in a finance-related role
- Holds a senior management position
- Employed by the company for more than 10 years
- Works in collusion with another perpetrator

2011 KPMG Global Survey – “Who is the typical fraudster?”

View from the United States

- ✦ *“We find the higher the level of executive, the greater the value of fraud. Greater oversight responsibility often offers greater opportunity for bigger frauds”,* explains Graham Murphy, who heads up KPMG’s Forensic Services practice in the U.S. firm’s Midwest region
- ✦ 2011 KPMG Global Survey – “Who is the typical fraudster?”

View from the United States

- ✦ Detection of fraud involving collusion with outside parties has increased significantly in U.S.-based companies in recent years. Murphy attributes this in part to anti-bribery and corruption initiatives-notably the Foreign Corrupt Practices Act (FCPA)- and task forces designed to clamp down on misconduct
- ✦ 2011 KPMG Global Survey – “Who is the typical fraudster?”

View from the United States

- ✦ *"More and more of these cases are coming to light because of increased enforcement capabilities," he explains. "Corporate America is becoming very focused on this issue as companies build out their compliance programs and enhance their awareness of and responses to fraud and misconduct."*

KPMG 2011

Going solo or in collaboration?

- ✦ In 2007, 69 percent of perpetrators were employed by the organization they defrauded. This rose massively to 90 percent in the 2011 global survey.
- ✦ There has also been a dramatic increase in the likelihood of collusion-almost doubling from 32 percent of perpetrators in 2007 to 61 percent in 2011. By definition, collusive activity is harder to detect as it involves circumvention of the control system by two or more parties.

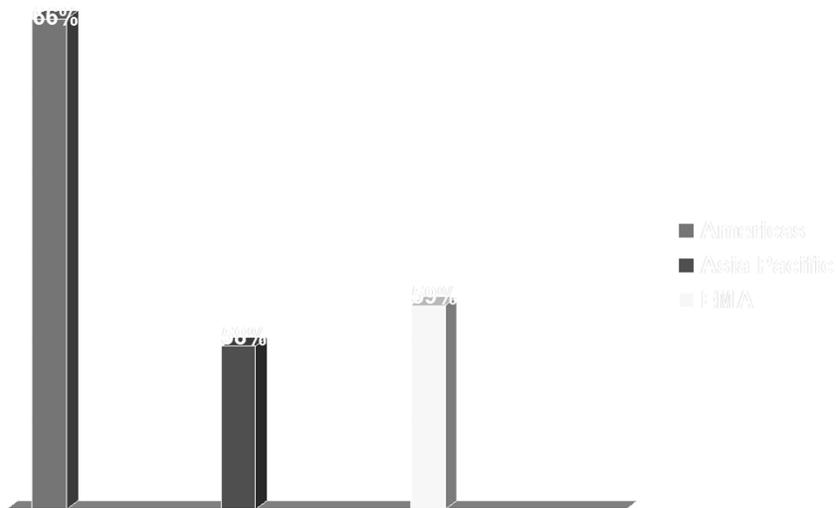
KPMG 2011

Going solo or in collaboration?

- Where colluding parties are external to, rather than employed by, the defrauded entity, these are most commonly suppliers (48 percent) and customers (22 percent), according to the 2011 analysis. Consultants and sub contractors make up the majority of the balance.

KPMG 2011

Colluding with others?



KPMG 2011

Motivations for Fraud

Motivations for fraud

- ✦ The desire for personal financial gain, directly or indirectly, continues to be the biggest driver of fraud according to the survey.

KPMG 2011

Motivations for fraud

- ✦ Misappropriation of assets, notably due to embezzlement and procurement fraud, accounted for 43 percent of the frauds surveyed in 2011. In second place is fraudulent financial reporting, which again raises concerns about the pressures placed on management to achieve targets.

KPMG 2011

Motivations for fraud

- ✦ Companies that fall victim to misreporting and other types of fraud should consider whether they set too onerous targets and exert excessive pressure on employees to achieve them.

KPMG 2011

Motivations for fraud

- ✦ Faced with criticism about underperformance or concerned by the threat of a reduced bonus or loss of employment, staff might be tempted to hype up their performance by misstating results or to guard against potential financial hardship by defrauding the business.

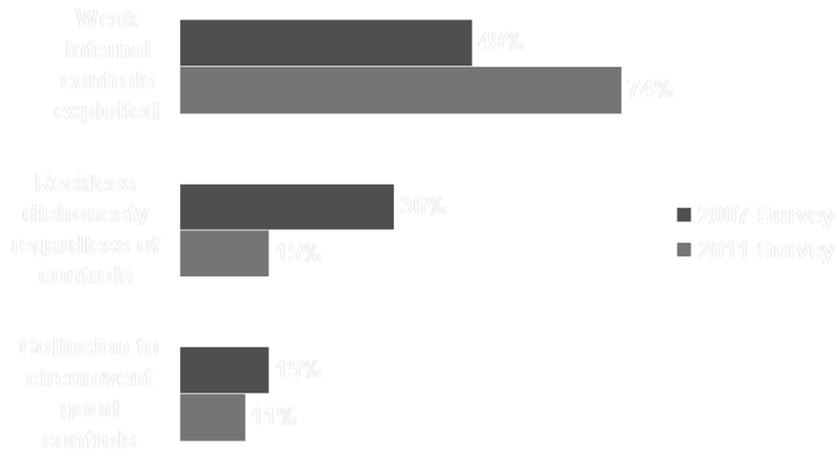
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Gaps in defenses

- ✦ In 2007, companies were alerted to fraud by whistleblowers in 25 percent of cases, with complaints from customers or suppliers accounting for a further 13 percent.

KPMG 2011

Methods used to override controls



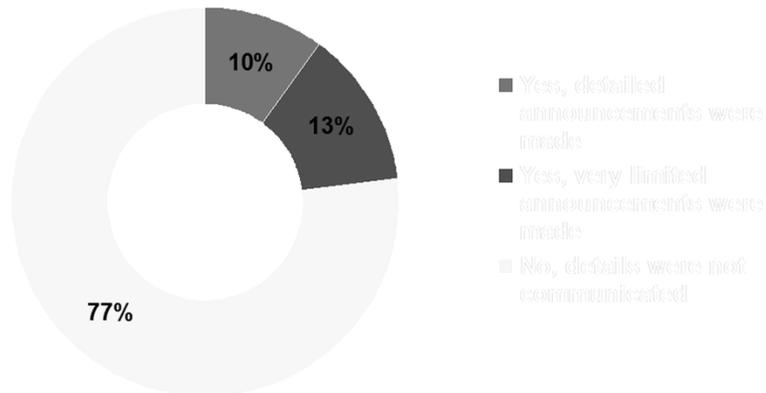
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Duration of fraud

- ✦ Fraud now takes longer to detect-up from an average 2.9 years from inception to detection in 2007 to 3.4 years in the 2011 analysis

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Were details of the fraud communicated externally?



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Fraud Facts

Corporate-fraud victims that blamed lack of adequate controls:

35%

Companies that modified controls after fraud was detected:

78%

* Source - CFO Magazine, April 2009

Survey Question #1

What do you think the answer was
to this Comprehensive Business
Risk Assessment survey question?
Yes, No or Unsure?

~

Do you think fraud can occur at
your company?

Survey Question #2

Ask this question in your Risk
Assessments:

Where do you feel is the most
likely and/or vulnerable to have
a fraud carried out?

Survey Question 3

Ask this question in your Risk Assessments and as a closure question in field audit work!

Have you witnessed any other improprieties or have you or any other employee been asked to circumvent existing procedures or policies?

Codes of Conduct

What percentage of U.S. employees reported that their codes of conduct are not taken seriously?

51%

*KPMG Forensic Integrity Survey
2008-2009*

Corporate Behavior

What percentage of U.S. employees reported that they would be rewarded based on results, not the means used to achieve them?

52%

*KPMG Forensic Integrity Survey
2008-2009*

Corporate Behavior

What percentage of U.S. employees reported that they lacked understanding of the standards of conduct that apply to their jobs?

51%

*KPMG Forensic Integrity Survey
2008-2009*

Executives Reluctant to Disclose Corruption

Although respondents have differing views about disclosure, 93% say that an internal investigation should be conducted if a significant incident of corruption were uncovered.”

“Four out of 10 global executives are reluctant to disclose significant corruption incidents to authorities, according to Fortifying Anti-corruption in Today’s Corporation, a Deloitte survey of 329 executives from around the world.

The percentage of students who acknowledged that they cheated in order to improve their odds of getting into graduate school:

- Liberal arts students **43%**
- Education students **52%**
- Medical students **63%**
- Law students **63%**
- Business students **75%**

The Speed of Trust by Stephen M.R. Covey

76% of MBAs were willing to understate expenses that cut into their profits, and that convicts in minimum-security prisons scored as high as MBA students on their ethical dilemma exams.

The Speed of Trust by Stephen M.R. Covey

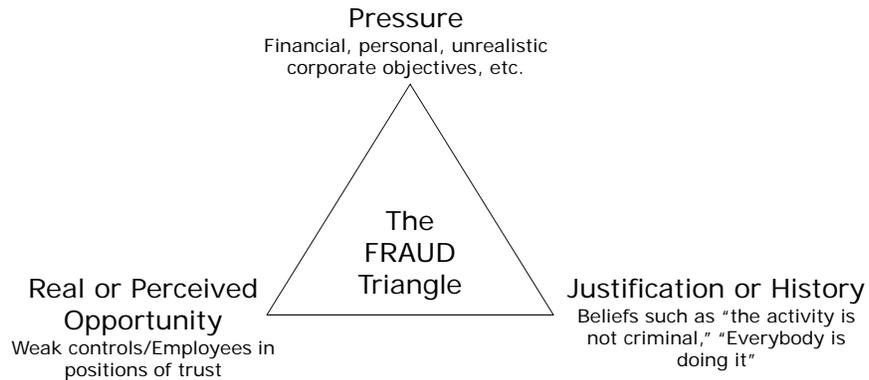
ERP Systems and Data Analytics

Why Internal Audit Must Get Up to Speed

"The current global economic crisis has also exposed a number of exceptional and brazen fraud schemes. These revelations remind us that internal audit must be more vigilant than ever in its fraud-detection activities. Therefore, internal audit's data-mining and data-analytic capabilities, instrumental to efficiently examining the large volume of data readily accessible through ERP systems for anomalies and other fraud indicators, are **now even more critical.**"

2009 IT Price Waterhouse Coopers
Business upheaval: internal audit weights its role
amid the recession and evolving enterprise risks

Fraud Probability Drivers



Source: KPMG

Recent studies show that three-quarters of U.S. workers surveyed witnessed misconduct on the job in the past year. This indicates that organizations need to continually assess whether or not their control environment takes into account the elements of the "fraud triangle." The fraud triangle comprises:

"Incentives and pressure" – manipulating information to succeed, whether the strain is real or self-imposed

"Opportunities" – practicing deception when relaxed/loose corporate controls permit

"Attitude rationalization" – justifying actions for the perceived good of the organization

Source: KPMG

On a personal level, high-trust individuals are more likely to be promoted, make more money, receive the best opportunities, and have more fulfilling and joyful relationships.

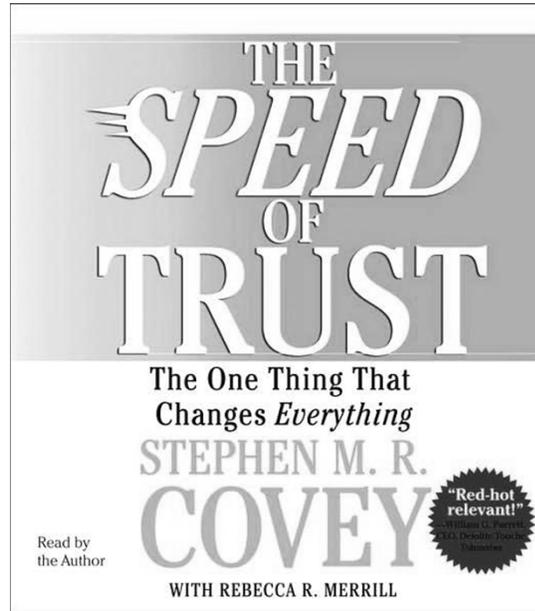
The Speed of Trust by Stephen M.R. Covey

NOTE!!

If we demonstrate that we have a moral compass and can adhere to it, we will have a competitive advantage. We should do this because its not only the right thing to do but its easy and each of us can decide to do it today!!

So what do we do now?

- ✦ Is fraud and corporate misconduct so widespread and accepted do we just give up and go home?
- ✦ Or maybe we should position our functions for the fight and sell our value proposition to the Directors and Leaders of our entities.



On a personal level, high-trust individuals are more likely to be promoted, make more money, receive the best opportunities, and have more fulfilling and joyful relationships.

The Speed of Trust by Stephen M.R. Covey

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Savings on Legal Liability Avoidance from GRC Investment

\$5 ————— **\$1**

Data Vendors

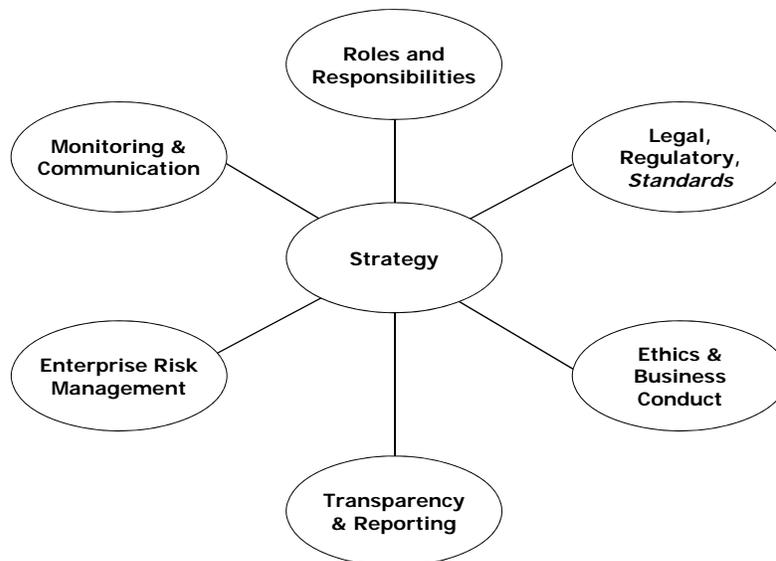
- ✦ Reuters
- ✦ Standard & Poor's
- ✦ EDGAR
- ✦ Lexis-Nexis
- Stanford Law School
- 10-K Wizard
- Securities Mosaic
- CSI Data

* Partial List

- ✦ Audit Integrity is the leading provider of accounting and governance risk analysis on public companies. Through extensive statistical analysis of a vast array of information, Audit Integrity Accounting and Governance Risk rating (AGR^R) is a measure of the overall risk of potentially fraudulent or misleading accounting and governance activity.

Audit Integrity

Governance Model



A Big Picture Perspective



6

Corporations must support a culture of “Trust but Verify”

- Accounting Personnel
- Certified Professionals
- Chief Financial Officers
- Internal Auditors
- External Auditors
- Government Auditors



Here are just some of the red flags to look out for:

Does this describe an area of your business?	Yes	No
There are difficult relationships and a possible lack of trust between the business and the internal/external auditor.		
Excessive secrecy about a function, its operations, and its financial results. When questions are asked, answers and supporting information are often stalled or withheld.		
Some practices within a function do not appear straightforward, and may even be illegal or unethical		
There is excessive pressure on employees to tamper with results to meet analysts' high expectations for the business		
Elsewhere in the industry, companies are struggling and sales and/or profits are declining. Your business appears to buck the trend.		
Increases in profitability fail to lead to increased cash flows.		
Senior managers receive large bonuses linked to meeting targets		

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Here are just some of the red flags to look out for:

Does this describe an area of your business?	Yes	No
There are multiple banking arrangements rather than one clear provider-a possible attempt to reduce transparency over the business' finances.		
A division or department of the business is perceived as complex or unusually profitable, thereby diverts the attention of management and the audit functions		
Where matters of financial judgment/accounting treatment are involved, the business consistently pushes the limits/boundaries.		
High staff turnover within a function. Employees may be more likely to commit fraud in a business with low morale and inconsistent oversight		
Complex/unusual payment methods, agreements between the business and certain suppliers/customers, may be set up in a deliberately opaque manner to hide their true nature.		
A remote operation not effectively monitored by the head office.		

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Be alert for the following employee behavioral red flags:

Do you work with someone who displays these behaviors?	Yes	No
Refuses or does not seek promotion and gives no reasonable explanation.		
Rarely takes holidays.		
Does not or will not produce records/information voluntarily or on request		
Unreliable and prone to mistakes and poor performance.		
Tends to shift blame and responsibility for errors.		
Surrounded by "favorites" or people who do not challenge them		
Persistent rumors/indications of personal bad habits/addictions/vices.		
Bullies or intimidates colleagues.		
Vendors/suppliers will only deal with this individual.		
Lifestyle seems excessive for income.		

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Be alert for the following employee behavioral red flags:

Do you work with someone who displays these behaviors?	Yes	No
Volatile and melodramatic, arrogant, confrontational, threatening, or aggressive when challenged.		
Is suspected to have over-extended personal finances.		
The level of performance or skill demonstrated by new employees does not reflect past experience detailed on CVs.		
Cuts corners and/or bends rules.		
Seems unhappy at work and is poorly motivated.		
Accepts hospitality that is excessive or contrary to corporate guidelines.		
Seems stressed and under pressure.		
Has opportunities to manipulate personal pay and reward.		
Self-interested and concerned with own agenda.		
Micromanages some employees; keeps others at arm's length.		

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Fraud Detection: “How to See it Coming”

- ✦ Do you know on a per country basis??
- ✦ Where do your Companies/Clients conduct their business?
- ✦ What % of Revenue or Supplier Spend?

Corruption Perceptions Index 2010



✦ Transparency International (TI) is the global civil society organization leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle

- ✦ With governments committing huge sums to tackle the world's most pressing problems, from the instability of financial markets to climate change and poverty, corruption remains an obstacle to achieving much needed progress.
- ✦ The 2010 *Corruption Perceptions Index* shows that nearly three quarters of the 178 countries in the index score below five, on a scale from 10 (very clean) to 0 (highly corrupt). These results indicate a serious corruption problem.

Corruption Perceptions Index

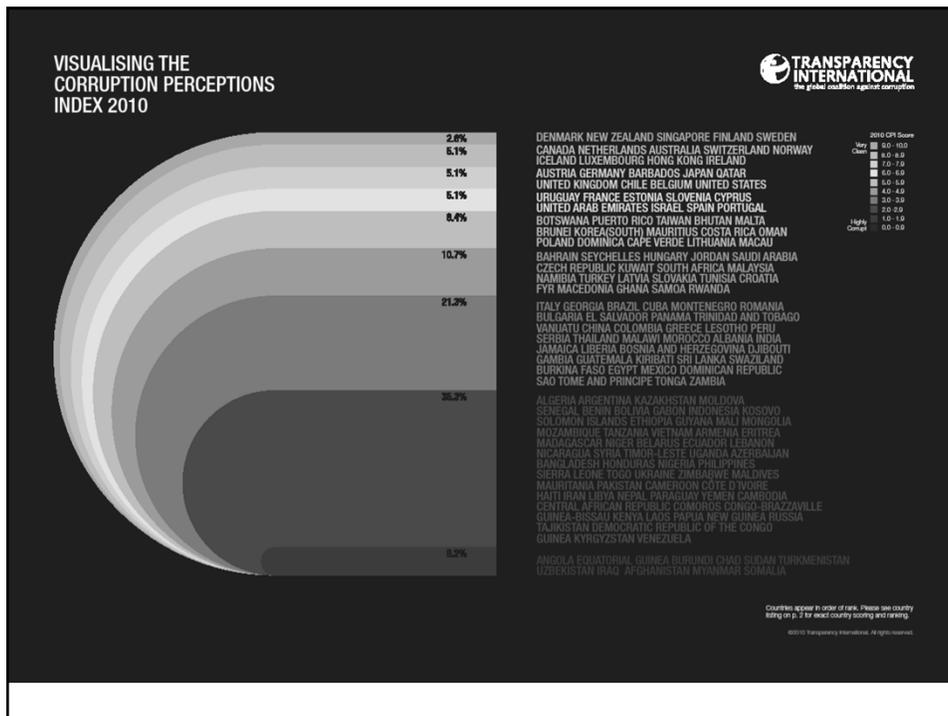
- ✦ The 2010 CPI measures the degree to which public sector corruption is perceived to exist in 178 countries around the world. It scores countries on a scale from 10 (very clean) to 0 (highly corrupt).
- ✦ The 2010 results are drawn from 13 surveys and assessments published between January 2009 and September 2010.

Top CPI Countries

✦ 1	Denmark	9.3
✦ 1	New Zealand	9.3
✦ 1	Singapore	9.3
✦ 4	Finland	9.2
✦ 4	Sweden	9.2
✦ 6	Canada	8.9
✦ 7	Netherlands	8.8
✦ 8	Australia	8.7
✦ 8	Switzerland	8.7
✦ 10	Norway	8.6
✦ 11	Iceland	8.5
✦ 11	Luxembourg	8.5

Top CPI Countries

13	Hong Kong	8.4
14	Ireland	8.0
15	Austria	7.9
15	Germany	7.9
17	Barbados	7.8
17	Japan	7.8
19	Qatar	7.7
20	United Kingdom	7.6
21	Chile	7.2
22	Belgium	7.1
22	United States	7.1
24	Uruguay	6.9
25	France	6.8



Results by region: Americas

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
6	1	Canada	8.9	8.7	9	6
17	2	Barbados	7.8	7.1	8.5	4
21	3	Chile	7.2	7	7.4	7
22	4	United States	7.1	6.5	7.7	8
24	5	Uruguay	6.9	6.5	7.1	5
33	6	Puerto Rico	5.8	5.3	6.4	4
41	7	Costa Rica	5.3	4.7	6	5
44	8	Dominica	5.2	4.7	5.8	3
69	9	Brazil	3.7	3.2	4.3	7
69	9	Cuba	3.7	2.6	5.1	3
73	11	El Salvador	3.6	3.4	3.8	5
73	11	Panama	3.6	3.2	4.1	5
73	11	Trinidad and Tobago	3.6	3	4.3	4
78	14	Colombia	3.5	3.2	4	7
78	14	Peru	3.5	3.4	3.6	7
87	16	Jamaica	3.3	3	3.4	5
91	17	Guatemala	3.2	3	3.4	5
98	18	Mexico	3.1	2.9	3.3	7
101	19	Dominican Republic	3	2.7	3.2	5
105	20	Argentina	2.9	2.6	3.2	7
110	21	Bolivia	2.8	2.5	3.1	6
116	22	Guyana	2.7	2.6	2.8	4
127	23	Ecuador	2.5	2.2	2.7	5
127	23	Nicaragua	2.5	2.2	2.7	6
134	25	Honduras	2.4	2.2	2.7	6
146	26	Haiti	2.2	2.1	2.3	3
146	26	Paraguay	2.2	1.9	2.5	5
164	28	Venezuela	2	1.8	2.1	7

Results by region: Asia Pacific

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
1	1	New Zealand	9.3	9.2	9.5	6
1	1	Singapore	9.3	9.2	9.4	9
8	3	Australia	8.7	8.3	9	8
13	4	Hong Kong	8.4	8.1	8.7	8
17	5	Japan	7.8	7.5	8.2	8
33	6	Taiwan	5.8	5.5	6.2	9
36	7	Bhutan	5.7	5.1	6.2	4
38	8	Brunei	5.5	4.7	6.1	3
39	9	Korea (South)	5.4	5.1	5.7	9
46	10	Macau	5	3.4	5.8	3
56	11	Malaysia	4.4	3.9	4.9	9
62	12	Samoa	4.1	3.4	4.7	3
73	13	Vanuatu	3.6	2.3	5.8	3
78	14	China	3.5	3	4	9
78	14	Thailand	3.5	3.2	3.9	9
87	16	India	3.3	3	3.5	10
91	17	Kiribati	3.2	2.3	4.7	3
91	17	Sri Lanka	3.2	2.9	3.6	7
101	19	Tonga	3	2.6	3.3	3
110	20	Indonesia	2.8	2.3	3.2	9
110	20	Solomon Islands	2.8	2.3	3.4	3
116	22	Mongolia	2.7	2.4	3	6
116	22	Vietnam	2.7	2.4	3.1	9
127	24	Timor-Leste	2.5	2.1	2.8	5
134	25	Bangladesh	2.4	1.9	3	7
134	25	Philippines	2.4	2.1	2.7	9
143	27	Maldives	2.3	1.7	2.7	3
143	27	Pakistan	2.3	2.1	2.6	7
146	29	Nepal	2.2	1.9	2.5	6
154	30	Cambodia	2.1	1.9	2.2	9
154	30	Laos	2.1	1.6	2.6	4
154	30	Papua New Guinea	2.1	1.8	2.5	5
176	33	Afghanistan	1.4	1.2	1.6	4
176	33	Myanmar	1.4	0.9	1.9	3

Results by region: Eastern Europe and Central Asia

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
56	1	Turkey	4.4	4	4.8	7
62	2	Croatia	4.1	3.7	4.5	8
62	2	FYR Macedonia	4.1	3.7	4.5	5
68	4	Georgia	3.8	3	4.7	7
69	5	Montenegro	3.7	3.1	4.3	5
78	6	Serbia	3.5	3.1	3.9	6
87	7	Albania	3.3	3	3.6	6
91	8	Bosnia and Herzegovina	3.2	2.8	3.5	7
105	9	Kazakhstan	2.9	2.2	3.7	8
105	9	Moldova	2.9	2.7	3.2	6
110	11	Kosovo	2.8	2.7	3.1	3
123	12	Armenia	2.6	2.5	2.8	7
127	13	Belarus	2.5	2.1	3.1	3
134	14	Azerbaijan	2.4	2.1	2.7	7
134	14	Ukraine	2.4	2.1	2.6	8
154	16	Russia	2.1	1.9	2.3	8
154	16	Tajikistan	2.1	1.7	2.5	7
164	18	Kyrgyzstan	2	1.8	2.3	7
172	19	Turkmenistan	1.6	1.4	1.8	3
172	19	Uzbekistan	1.6	1.5	1.7	6

Results by region: European Union and Western Europe

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
1	1	Denmark	9.3	9.1	9.4	6
4	2	Finland	9.2	9.1	9.3	6
4	2	Sweden	9.2	9.1	9.4	6
7	4	Netherlands	8.8	8.7	9	6
8	5	Switzerland	8.7	8.3	9.1	6
10	6	Norway	8.6	8.1	9	6
11	7	Iceland	8.5	7.7	9.2	5
11	7	Luxembourg	8.5	8	8.9	5
14	9	Ireland	8	7.7	8.3	6
15	10	Austria	7.9	7.4	8.4	6
15	10	Germany	7.9	7.5	8.3	6
20	12	United Kingdom	7.6	7.3	7.9	6
22	13	Belgium	7.1	6.9	7.2	6
25	14	France	6.8	6.4	7.2	6
26	15	Estonia	6.5	6.1	6.8	8
27	16	Slovenia	6.4	5.9	6.8	8
28	17	Cyprus	6.3	6	6.6	4
30	18	Spain	6.1	5.7	6.5	6
32	19	Portugal	6	5.4	6.7	6
37	20	Malta	5.6	5.3	5.8	3
41	21	Poland	5.3	5	5.5	8
46	22	Lithuania	5	4.4	5.5	8
50	23	Hungary	4.7	3.9	5.5	8
53	24	Czech Republic	4.6	4.1	5.1	8
59	25	Latvia	4.3	3.7	4.8	6
59	25	Slovakia	4.3	3.8	4.9	8
67	27	Italy	3.9	3.5	4.4	6
69	28	Romania	3.7	3.3	4.2	8
73	29	Bulgaria	3.6	3.2	4	8
78	30	Greece	3.5	3.1	3.9	6

Results by region: Middle East and North Africa

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
19	1	Qatar	7.7	6.6	8.6	7
28	2	United Arab Emirates	6.3	5.4	7.3	5
30	3	Israel	6.1	5.7	6.6	6
41	4	Oman	5.3	4.1	6.4	5
48	5	Bahrain	4.9	4.1	5.7	5
50	6	Jordan	4.7	4	5.5	7
50	6	Saudi Arabia	4.7	3.3	6	5
54	8	Kuwait	4.5	3.3	5.9	5
59	9	Tunisia	4.3	3	5.6	6
85	10	Morocco	3.4	2.9	3.9	6
91	11	Djibouti	3.2	2.1	4.7	3
98	12	Egypt	3.1	2.9	3.4	6
105	13	Algeria	2.9	2.6	3.2	6
127	14	Lebanon	2.5	2	2.9	4
127	14	Syria	2.5	2.1	2.8	5
146	16	Iran	2.2	1.6	3.1	4
146	16	Libya	2.2	2	2.4	6
146	16	Yemen	2.2	2	2.5	4
175	19	Iraq	1.5	1.2	1.9	3

Results by region: Sub-Saharan Africa

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
33	1	Botswana	5.8	5.4	6.2	6
39	2	Mauritius	5.4	4.9	5.9	6
45	3	Cape Verde	5.1	4.1	6.1	4
49	4	Seychelles	4.8	3	6.8	3
54	5	South Africa	4.5	4.1	4.8	8
56	6	Namibia	4.4	3.9	4.9	6
62	7	Ghana	4.1	3.4	4.7	7
66	8	Rwanda	4	3.2	5.1	5
78	9	Lesotho	3.5	2.8	4.4	6
85	10	Malawi	3.4	2.8	3.9	7
87	11	Liberia	3.3	2.7	3.9	4
91	12	Gambia	3.2	1.9	4.4	5
91	12	Swaziland	3.2	3.1	3.4	4
98	14	Burkina Faso	3.1	2.4	3.8	6
101	15	Sao Tome and Principe	3	2.6	3.3	3
101	15	Zambia	3	2.7	3.3	7
105	17	Senegal	2.9	2.6	3.1	7
110	18	Benin	2.8	2.3	3.3	6
110	18	Gabon	2.8	2.1	3.3	3
116	20	Ethiopia	2.7	2.4	2.9	7
116	20	Mali	2.7	2.2	3.2	6
116	20	Mozambique	2.7	2.4	3	7
116	20	Tanzania	2.7	2.4	2.9	7
123	24	Eritrea	2.6	1.7	3.7	4
123	24	Madagascar	2.6	2.2	2.9	6
123	24	Niger	2.6	2.3	2.9	4
127	27	Uganda	2.5	2.1	2.9	7
134	28	Nigeria	2.4	2.2	2.7	7
134	28	Sierra Leone	2.4	2.1	2.6	5
134	28	Togo	2.4	1.8	3	4
134	28	Zimbabwe	2.4	1.8	3	7
143	32	Mauritania	2.3	1.9	2.7	6
146	33	Cameroon	2.2	2	2.4	7
146	33	Côte d'Ivoire	2.2	1.9	2.5	7

Results by region: Sub-Saharan Africa continued

Rank	Regional Rank	Country / Territory	CPI 2010 Score	90% Confidence Interval*		Surveys Used
				Lower Bound	Upper Bound	
154	35	Central African Republic	2.1	2	2.3	4
154	35	Comoros	2.1	1.7	2.6	3
154	35	Congo-Brazzaville	2.1	1.9	2.3	5
154	35	Guinea-Bissau	2.1	2	2.1	3
154	35	Kenya	2.1	2	2.3	7
164	40	Democratic Republic of the Congo	2	1.7	2.3	4
164	40	Guinea	2	1.8	2.2	5
168	42	Angola	1.9	1.8	2	6
168	42	Equatorial Guinea	1.9	1.7	2.1	3
170	44	Burundi	1.8	1.6	2	6
171	45	Chad	1.7	1.6	1.9	6
172	46	Sudan	1.6	1.4	1.9	5
178	47	Somalia	1.1	0.9	1.4	3

So how does Internal and External Audit fit into this and what are emerging trends and tools?



Auditors:

- ✦ Know where your risks are
- ✦ Conduct business fraud risk assessment
- ✦ Support the function
- ✦ Document controls
- ✦ Identify control gaps
- ✦ Remediate gaps
- ✦ Practice good business discipline

ERP Systems and Data Analytics

Why Audit Must Get Up to Speed

"The current global economic crisis has also exposed a number of exceptional and brazen fraud schemes. These revelations remind us that internal audit must be more vigilant than ever in its fraud-detection activities. Therefore, internal audit's data-mining and data-analytic capabilities, instrumental to efficiently examining the large volume of data readily accessible through ERP systems for anomalies and other fraud indicators, are **now even more critical.**"

2009 IT Price Waterhouse Coopers
Business upheaval: internal audit weights its role
amid the recession and evolving enterprise risks

Changing Internal Audit Roles

- ✦ Technology expected to have major impact on internal audit
- ✦ Business trends expected to have the most impact on internal audit roles, responsibilities, and functions in 2012 are technology, new regulations, risk management, corporate governance, and ethics and compliance.
- ✦ In 2012, strategic internal audit groups will be providing risk assurance as well as controls assurance as part of coordinated efforts to keep in step with corporate advances in risk and control processes.

PricewaterhouseCoopers

For Everyone in this room:

✦ **OUR ROLE IN FABRIC OF
CAPITALISM HAS NEVER
BEEN MORE IMPORTANT**

Don't expect personnel in
Corporate America to improve its
business values and morality!!
WE have to lead the fight with
the best tools we have:

Strong Corporate Governance
plus Data Mining and
Monitoring!!

The upcoming segment
of your career is a
golden opportunity... to
demonstrate the value
of strong corporate
governance and
strengthen your
organizations with
intelligent Controls

....seize it!!

Questions? Comments?

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or comments, contact:

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