



COUNTER FRAUD CENTRE

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Response

Countermeasures

APRIL 2023

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1 Introduction

Fraud risks involve deceptive behaviours carried out by people who try to hide their actions. Therefore, organisations are encouraged to put in place anti-fraud and corruption countermeasures that help minimise opportunities to commit fraud and maximise detection of fraud.

Fraud risks can be managed by establishing practices and countermeasures to mitigate the risks or by designing specific fraud evaluation procedures. An organisation's mitigation practices will differ based on its fraud risk tolerance and exposure to risks.

No system of countermeasures can completely eliminate fraud. However, well designed and effective countermeasures can assist in deterring and detecting fraudulent activity.

Countermeasures come under the following four categories:

- ▶ **Capability countermeasures** guide expected behaviours and determine organisational culture around fraud. These are important for providing direction to employees.
- ▶ **Prevention countermeasures** are the most common and cost-effective way of limiting the size of fraud risks, by reducing the likelihood of it occurring.
- ▶ **Detection countermeasures** help to identify when fraud has occurred, disrupt it and reduce the impacts.
- ▶ **Response countermeasures** respond to fraud after it has occurred to reduce or disrupt additional impacts. This includes investigation, prosecution, disciplinary action, and recovery activities.

1.1 Purpose

The purpose of this guide is to provide fraud practitioners and risk managers with information about **response countermeasures** that can be applied or adapted to suit an organisation's fraud exposure and risk tolerance.

1.2 What is included

This guide contains high level information on **three response** countermeasures. Not all countermeasures are appropriate for all organisations. Using this guide, practitioners will be able to determine whether it is appropriate to adopt the countermeasures, based on an organisation's risk exposure and tolerance.

The guide includes the following information for each countermeasure:

- ▶ *'Examples'* provides examples of how the countermeasure can be implemented.
- ▶ *'Why this is important'* and *'Related fraudster personas'* give examples of the fraud and corruption risks, as well as the fraudster personas.
- ▶ *'Suggested measurements'* provides ways to test the effectiveness of the countermeasure.
- ▶ *'This type of countermeasure is supported by'* lists complimentary countermeasures that can be used as part of an organisation's control environment. These countermeasures are included in the [prevention, detection, and capability countermeasure guides available on our website](#).

2 Response Countermeasures




This guide contains **three response** countermeasures and should not be considered an exhaustive list of all response countermeasures.

Use this guide to:

- ▶ consider whether your organisation is exposed to the fraud risks and fraud personas described in the guide.
- ▶ consider whether these countermeasures are or should be in place to mitigate these fraud risks.
- ▶ understand how your organisation can assess the operating effectiveness of the countermeasures.
- ▶ understand how your organisation can identify if a countermeasure is not operating effectively.
- ▶ consider whether other supporting countermeasures should be implemented as part of an organisation's control environment.

2.1 Fraud investigation policy



Investigate fraud in line with your organisation’s investigation policy


<p>Examples</p> 	<p>This countermeasure targets both internal and external fraud risks.</p> <p>Examples of this countermeasure include:</p> <ul style="list-style-type: none"> ▶ stating the organisation’s fraud risk appetite in the fraud investigations policy. For example, “the organisation seeks to avoid financial crime risks, but recognises that such risk is an inherent part of its business activities. The business model is designed to ensure that the company remains a well-controlled and risk averse organisation.” ▶ documenting the responsibilities and procedures to be followed when fraud is suspected. ▶ creating governance and oversight of cases referred for prosecution or disciplinary action.
<p>Why this is important</p> 	<p>Conducting investigations without having a fraud investigation policy can:</p> <ul style="list-style-type: none"> ▶ reduce the effectiveness of the investigation. ▶ reduce the swiftness of your response. ▶ reduce the likelihood of prosecutions. ▶ encourage individuals to commit fraud if they think the chance of a successful prosecution is low. ▶ lead to suspects and/or innocent third parties being unfairly treated.
<p>Suggested measures</p> 	<ul style="list-style-type: none"> ▶ Confirm that the investigation policy was followed for completed investigations ▶ Confirm that investigations were completed by qualified persons who are resilient to corrupting influences ▶ Analyse investigations data to determine patterns e.g. the number of cases referred for investigations compared to the allegations received

Countermeasure supported by	<ul style="list-style-type: none"> ▶ Procedural instructions or guidance ▶ Evidence and document capture and storage
Related Fraudster Personas	<ul style="list-style-type: none"> ▶ The Deceiver ▶ The Impersonator ▶ The Fabricator ▶ The Exploiter ▶ The Organised ▶ The Corruptor ▶ The Enabler

2.2 Coordinated disruption activity




Coordinate disruption activities across multiple programmes or agencies to strengthen processes for identifying serious and organised criminals.

<p>Examples</p> 	<p>This countermeasure targets both internal and external fraud risks.</p> <p>Examples of this countermeasure include:</p> <ul style="list-style-type: none">▶ revoking funding approvals.▶ de-registering businesses and individuals.▶ conducting tax assessments.▶ sharing information with other agencies to support due diligence processes.▶ Referring cases to the relevant law enforcement agency when the threshold for complex criminal investigations is met.
<p>Why this is important</p> 	<p>Poor or no coordinated disruption activities can lead to:</p> <ul style="list-style-type: none">▶ criminals continuing to exploit programmes.▶ criminals shifting focus and exploiting new programmes.▶ criminals exploiting multiple programmes.▶ criminals easily moving into and exploiting other programmes. <p>Serious and organised criminals use sophisticated methods to target government programmes. These can include establishing associated businesses that enable fraud and teaching others how to defraud programmes.</p> <p>When designing countermeasures, it is important that agencies consider organised crime as well as opportunistic fraud by an individual.</p> <p>Coordinated disruption activity can also dissuade and deter people from committing fraud in the first place.</p>

<p>Suggested measures</p> 	<ul style="list-style-type: none"> ▶ Understand capability to disrupt complex criminal fraud by consulting with analysts, investigators, and other experts about the process ▶ Check that disruption activities targeting a specific type of fraud have been implemented before ▶ Retrieve and analyse data related to a specific fraud, e.g. the number and type of actions taken
<p>Countermeasure supported by</p>	<ul style="list-style-type: none"> ▶ Fraud investigations policy
<p>Related Fraudster Personas</p>	<ul style="list-style-type: none"> ▶ The Organised

2.3 Recovery and debt management processes

Implement processes that identify and recover debts owed by employees, customers and third parties.

<p>Examples</p> 	<p>This countermeasure targets both internal and external fraud risks.</p> <p>Examples of this countermeasure include:</p> <ul style="list-style-type: none"> ▶ retrieving incorrect or fraudulent payments with the help of financial institutions ▶ recording and recovering debts arising from non-compliance ▶ recording and recovering employee overpayments ▶ obtaining refunds from suppliers if contract obligations are not met. ▶ working with the Police’s Financial Crime Group ▶ recovering the proceeds of fraud under the Criminal Proceeds Act 2009 ▶ requiring vendors to provide a rebate if contract obligations are not delivered or fraud occurs. ▶ including claw back clauses in contracts and agreements
<p>Why this is important</p> 	<p>A lack of recovery and debt management processes may lead to:</p> <ul style="list-style-type: none"> ▶ being unable to identify or recover debts. ▶ individuals being less deterred from committing fraud. ▶ increasing levels of fraud over time ▶ repeated or endemic non-compliance or reoffending of criminals ▶ improper debts being raised. <p>Fraudsters who are less deterred from committing fraud can take advantage of any weakness to avoid financial consequences.</p>
<p>Suggested measures</p> 	<ul style="list-style-type: none"> ▶ Confirm legislation/policy exists to support the recovery of stolen funds or fraudulent payments. ▶ Confirm processes/systems are in place to support the recovery of stolen funds or fraudulent payments. ▶ Review debt recovery processes to see if they conform to national guidelines and frameworks. ▶ Review data on debt recovery.

Suggested measures cont'd	<ul style="list-style-type: none"> ▶ Confirm statistics on debt recovery are captured by reporting. ▶ Determine the timeframes for recovering stolen funds or fraudulent payments. Consider if delays would reduce the recovery of funds.
Countermeasure supported by	<ul style="list-style-type: none"> ▶ Procedural instructions or guidance
Related Fraudster Personas	<ul style="list-style-type: none"> ▶ The Corruptor ▶ The Deceiver ▶ The Enabler ▶ The Exploiter



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